

Strategic Report (continued)

Value for Money Report

Overview

Red Kite Group operates a strategic approach of achieving and delivering Value for Money (VfM). Our vision is “to realise the potential in our communities” and VfM is a key element of fulfilling the business goals that underpin our vision.

The report is prepared in accordance with the Value for Money (VfM) Standard with the last update to the technical note guidance in April 2024, and reflects our performance in the period from 1st April 2023 to 31st March 2024.

Our Board follows the standard seven matrices that the Regulator of Social Housing (RSH) mandates and additional matrices that align with our Corporate Objectives. We report at the group level, though some measures only apply to social housing assets, and against additional measures that the Board chooses that suit the business priorities. The measures cover the performance of Red Kite and its subsidiaries, including its non-registered housing charity, Twenty11 Homes Limited.

In the report we consider actual performance, previous year’s performance, future forecasts, and targets in relation to strategic objectives. Red Kite’s approach to the measurement of performance is to set guide rails within which achievement is regarded as appropriate and outside which a comment and intervention would be made. The Board has approved targets (guide rails) for all metrics and these are used for reporting. The Board defined metrics for 2023-24 basis was the same as in the previous year and is aligned with our Corporate Journey. We continue to follow this approach until the Corporate Journey and metrics is/are refreshed.

Standard Metrics

The seven standard metrics required by the RSH can be drawn from audited accounts and benchmarked against the RSH’s VfM metrics 2023 for comparative purposes. They are reported below. We draw the readers attention to the terminology: at Red Kite Group we refer to “Homes,” where the Standard refers to “Housing Properties.”

Forecasts and Benchmarking

Forward-looking metrics utilise quantifiable items from our 30-year Business Plan that was approved by the Board in March 2024.

We benchmark against the RSH ‘Value for money 2023 benchmarking tool’ that is itself based on sector wide accounts and we also present summarised performance against our ‘peer group’, which is a group of organisations that are most similar to us in size and location. We note the limitation of this method in that the forward-looking benchmarks may not reflect the quartile positions in future years as inflation and work scope changes the costs of all housing providers.

Targets have been set for the standard metrics based on budget with guide rails either side. Where metrics is 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)

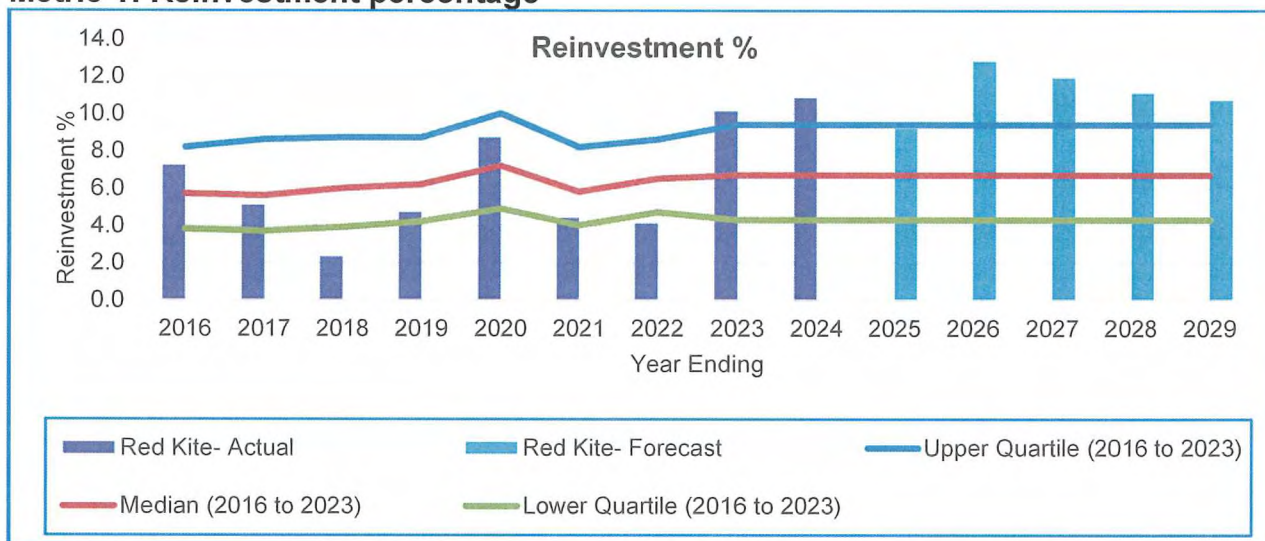
Forecasts and Benchmarking (continued)

Our targets for RSH set matrices for the year ending in March 2025 are shown in the Table below. We first provide a forward-looking budget for FY24/25 in the Table below, and then explain our performance using graphs and a narrative of performance.

Table: Guiderails for Standard VfM measures

KPI No.	Description	Lower Guiderail	Upper Guiderail
1	Reinvestment	8.28%	9.66%
2 (i)	New Supply (Social)	0.64%	0.78%
2 (ii)	New Supply (non-social)	0%	0%
3	Gearing	28.1%	34.0%
4	EBITDA MRI	268%	324%
5	Cost per home	£6,050	£6,686
6 (i)	Operating margin (social)	22.8%	27.6%
6 (ii)	Operating margin (overall)	23.5%	28.4%
7	Return on Capital Employed %	3.16%	3.83%

Metric 1: Reinvestment percentage



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

Budget for y.e. 31 Mar 2025 is 9.2%, Lower guide rail 8.3%, Upper guide rail 9.7%

The benchmark quartile information is shown in lines and is taken from the latest Regulator of Social Housing VfM report that reflects performance of housing associations up until the year to March 2023. This is compared with our actual performance expressed in yellow bars for the years March 2024 and blue bars for future forecasts for the Group.

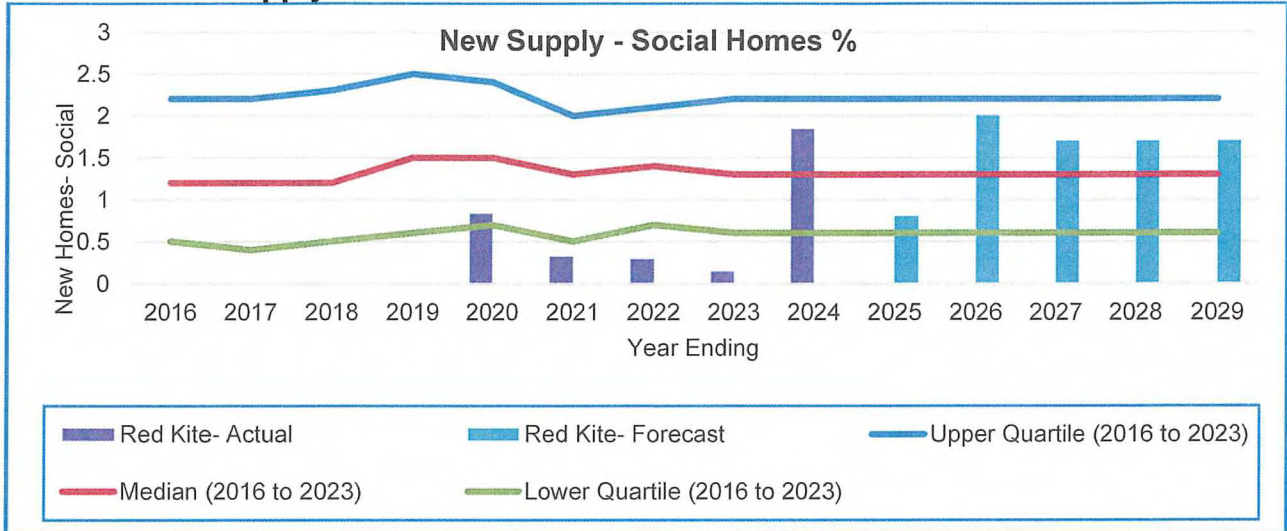
We have increased our development activity over the last two years, completing 100 homes in the year ending March 2024. This shows in our high reinvestment percentage last year. The Board authorised another £9.7m for development activities in FY24/25 (2025), followed by an even more ambitious programme of 500 homes over 5-year period, or 100 homes per year, which is expected to further increase our reinvestment.

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Value for Money Report (continued)

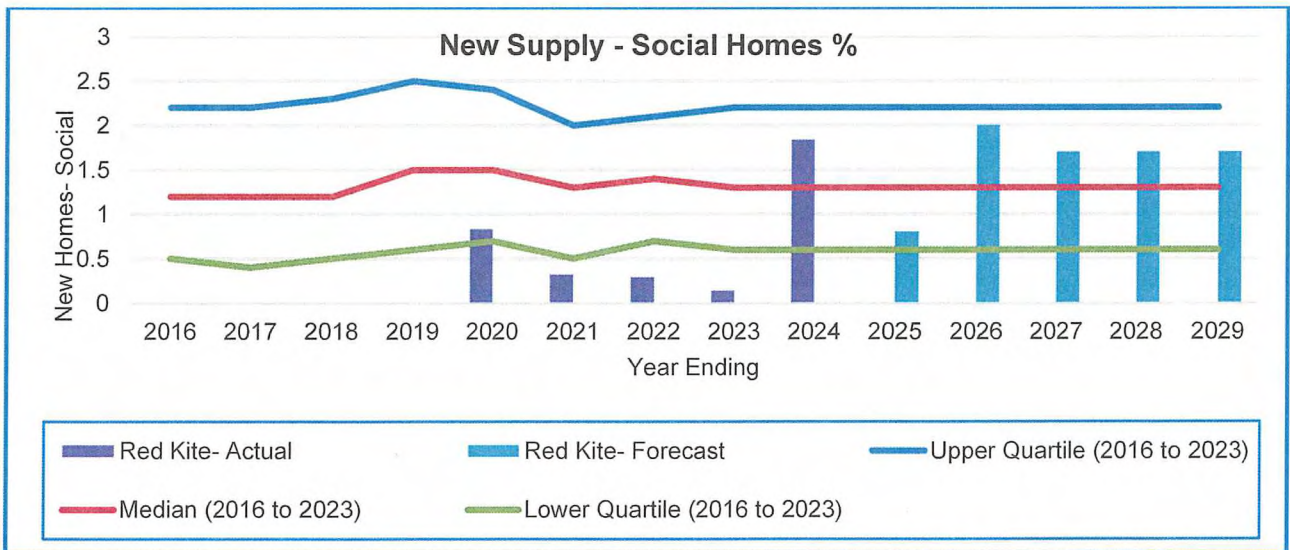
Forecasts and Benchmarking (continued)

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 2025 is 0.8%, Lower guide rail 0.64%, Upper guide rail 0.78%



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

Budget for y.e. 31 Mar 2025 is 0.0%, Lower guide rail 0.0%, Upper guide rail 0.0%

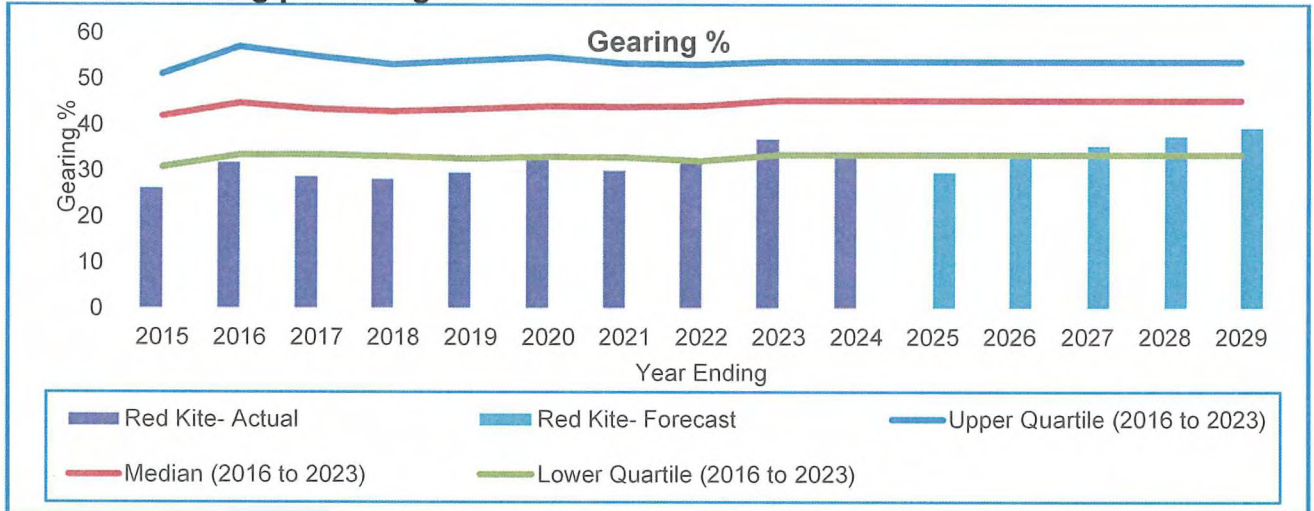
During the year ending in March 2024 (2024) we completed 100 homes of which 27 were social homes, 44 affordable and 29 low cost home ownership. Our 30-year business plan includes 56 completions during 2025 and 100 per year from 2026 (60 affordable, 25 shared ownerships, 10 social rent, 5 market rent). We currently have 68 homes in progress, explaining a higher than usual number of completions in 2026.

Strategic Report (continued)

Value for Money Report (continued)

Forecasts and Benchmarking (continued)

Metric 3: Gearing percentage



(Net debt/Value of Homes at period end)

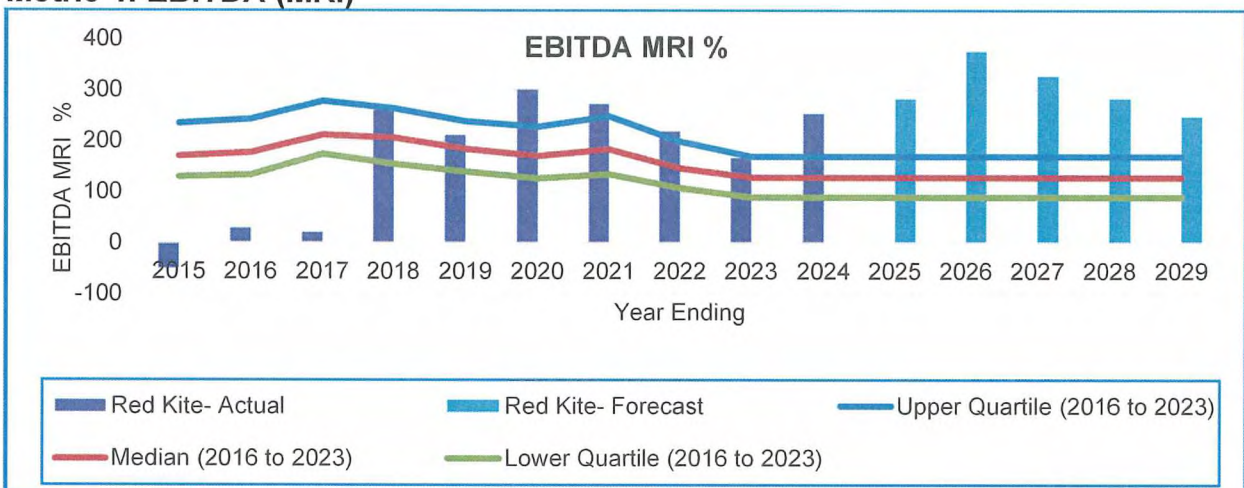
Budget for y.e. 31 Mar 2025 is 29.6%, Lower guide rail 28.1%, Upper guide rail 34.0

Gearing shows the extent to which our group investment depends upon debt. Our gearing has traditionally been quite low but is budgeted to marginally increase as our development programme progresses.

Our financial covenant mandate gearing not to exceed 60% and our golden rule sets a maximum level of 55%. Our budget does not project this to be triggered.

We are a young organisation, born out of a stock transfer from Wycombe District Council at the end of 2011. During the early years, the Board took a strategic decision to concentrate on fulfilling the stock improvement promises made to its tenants (investing in our existing homes). Our relatively low gearing and significant amounts of unencumbered stock give us capacity to support sustained development and or further investment in existing homes, in future. As shown in the graph above, we expect that the gearing will increase towards median for organisations in the future years.

Metric 4: EBITDA (MRI)



Strategic Report (continued)

Value for Money Report (continued)

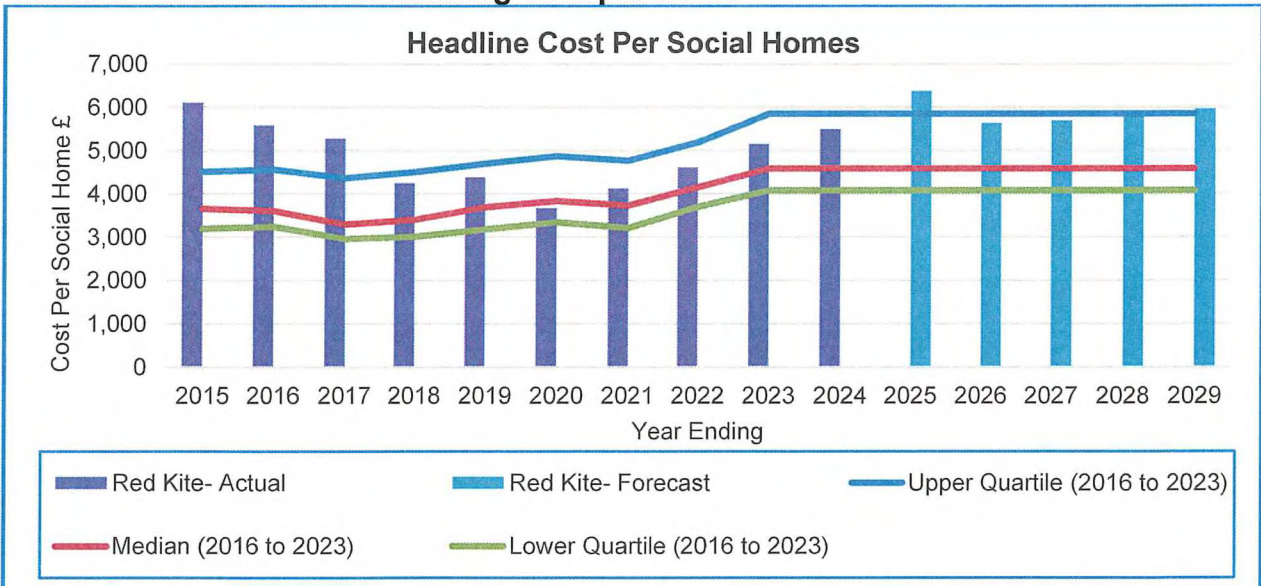
Forecasts and Benchmarking (continued)

A key performance measure for funding, EBITDA (MRI) achieved and forecasted, is comfortably above our covenant ratio of 110% and our 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 achieved through 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 maintains a significant programme of investment in its homes, (see Metric 5 below) our EBITDA (MRI) shows a strengthening financial position and strong interest cover in the outer years and a marginal reduction in the outer years due to our ambitious development programme from 2026.

Metric 5: Headline social housing cost per home



Budget for y.e. 31 Mar 2025 is £6,368 Lower guide rail £6,050 Upper guide rail £6,686

The cost comparison between Red Kite FY23/24 actuals and nationwide FY22/23 benchmarks for the social housing sector is not performed on a like-for-like basis. To enable comparison, we would need to adjust the costs by the level of increase for average housing association during FY23/24, expected to be £300 - £500 per home.

On a like-for-like basis, Red Kite FY23/24 costs of c.£5.5k are close to the expected median of £5k across all housing associations nationally, and lower than the expected FY23/24 upper range of £6.3k. Our performance is also expected to be within the range of £4.5k - £6k across our peer group consisting of five neighbouring housing associations. Of note is that peer group is not shown in the graph above.

Red Kite housing association cost are higher than the median because of some factors unique to us. These include higher Service Charges due to more maintained communal space around our homes (about £100 per home difference) and one-off costs associated by us bringing forward decarbonisation spend to increase the share of social

Strategic Report (continued)

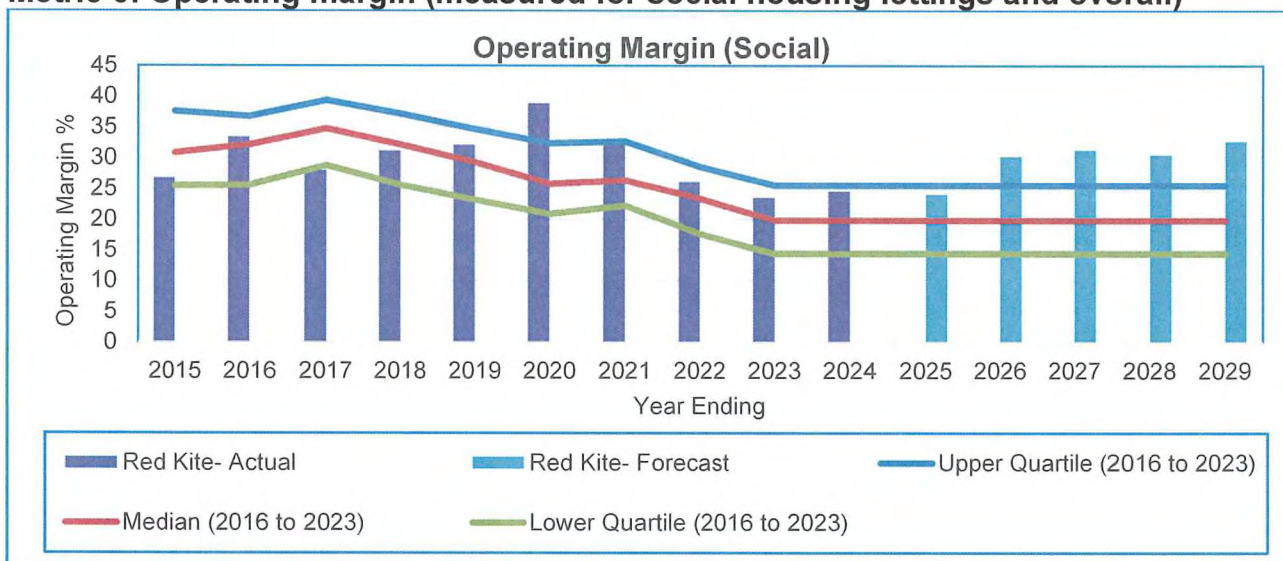
Value for Money Report (continued)

Forecasts and Benchmarking (continued)

homes with an EPC rating of C from 73% to 77% of net £800k into FY23/24 (explaining c. £150 difference per home).

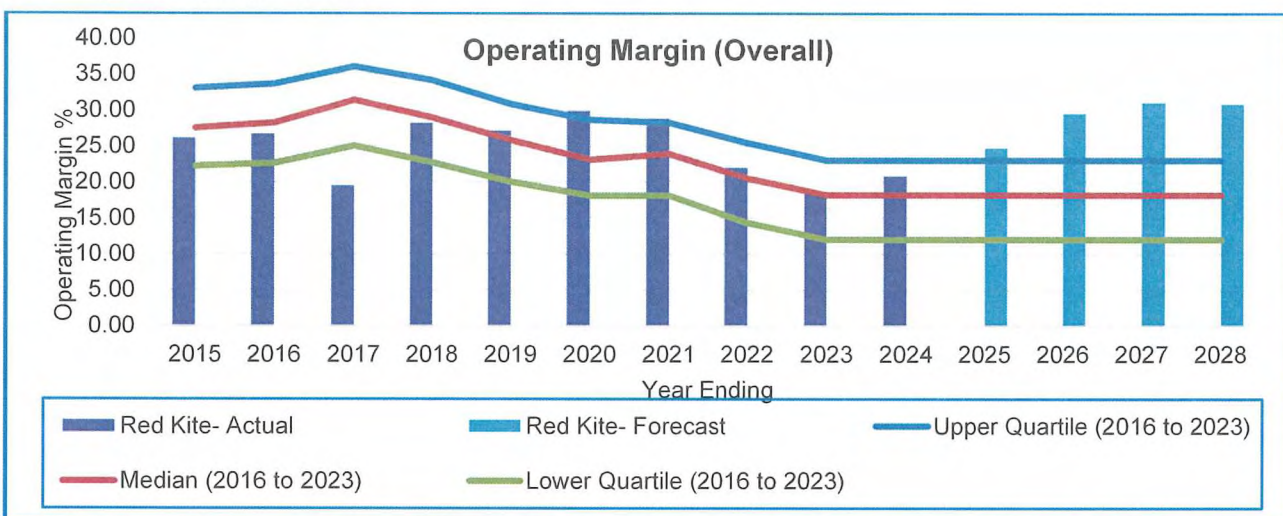
If we exclude these two factors that are specific to Red Kite, our FY23/24 cost would be £5.2k, close to the nationwide median of £5k and mid-range of comparison peer group of neighbouring housing associations.

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



Budget for y.e. 31 Mar 2025 is 24.0%, Lower guide rail 22.8%, Upper guide rail 27.6%

Our operating margin – social housing this year has improved and now stands at 24.5%. We have committed to strong budgetary discipline and have seen an increase in our income as the result of our investment in homes. Successful execution of this budget will allow us to further increase the operating margin and create capacity for our ambitious development programme.



Budget for y.e. 31 Mar 2025 is 24.7%, Lower guide rail 23.5%, Upper guide rail 28.4%

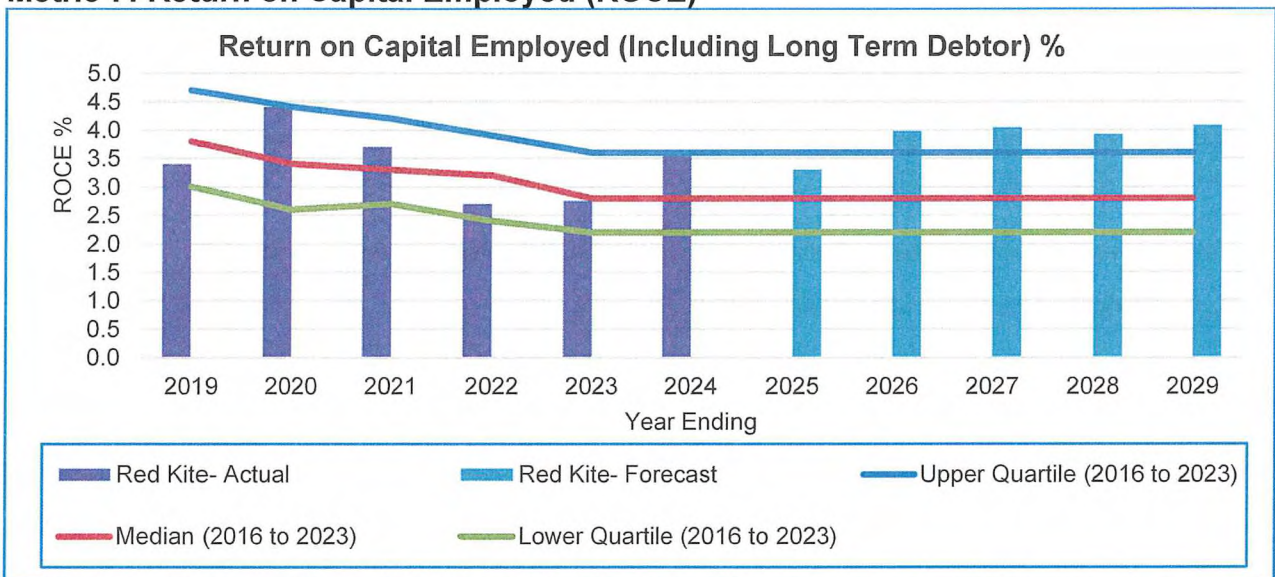
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Value for Money Report (continued)

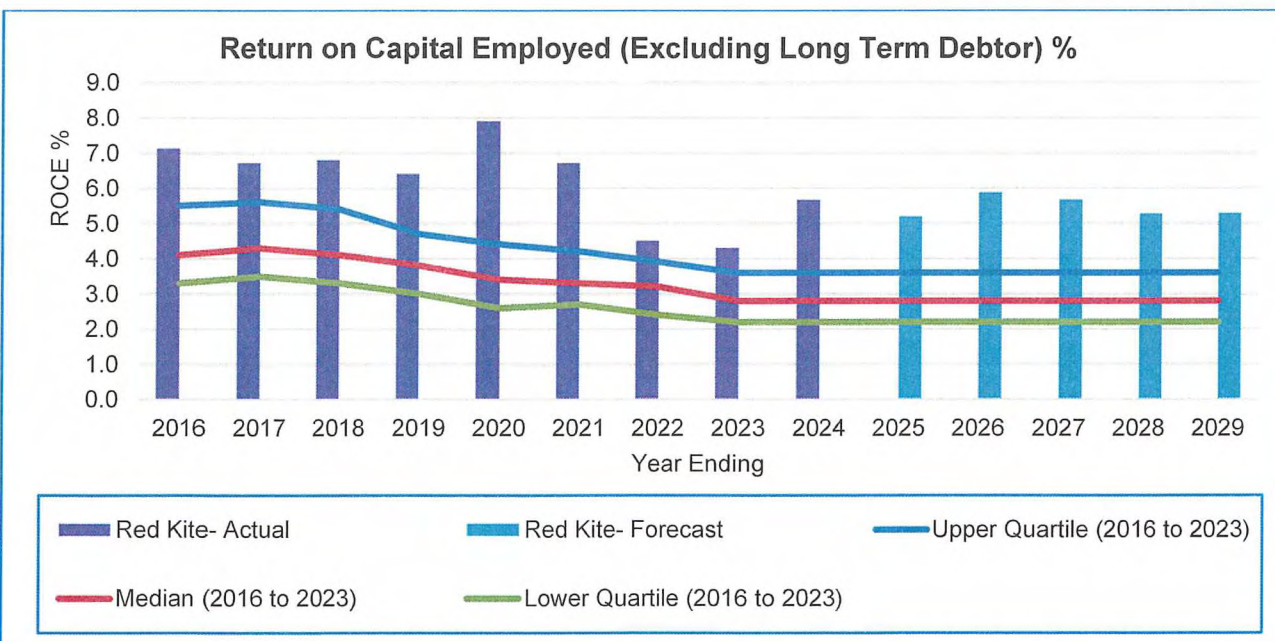
Forecasts and Benchmarking (continued)

Our overall operating margin follows a similar pattern to operating margin for social housing. The decrease in the level of operating margin 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 can be seen in the recovery from 2018 onwards. We are budgeting to improve operating margin further.

Metric 7: Return on Capital Employed (ROCE)



Budget for y.e. 31 Mar 2025 is 3.32%, Lower guide rail 3.16%, Upper guide rail 3.83%



Budget for y.e. 31 Mar 2025 is 5.19%, Lower guide rail 4.93%, Upper guide rail 5.97%

Strategic Report (continued)

Value for Money Report (continued)

Forecasts and Benchmarking (continued)

ROCE compares operating surplus and share of operating surplus from subsidiaries in numerator with total net assets in denominator. We choose to report this metric with and without a long-term debtor which in our accounts is balanced by a provision and hardens benchmarking.

We maintain a high level of Return on Capital Employed (ROCE) compared to our sector peers and expect this trend to persist in the future. During 2024 the operating surplus improved by a third and net assets were increased by 6% resulting in a more favourable relationship.

Whilst we project a sector leading ROCE, we will always put tenants first and ensure that in the potentially challenging circumstances facing all organisations the expenditure is targeted to protect our services and that we utilise our financial strength to maximise our ability to achieve our corporate vision “to realise the potential in our communities.”

Comparison of standard metrics to other local Housing Associations

Our performance is summarised below.

In addition to benchmarking against overall performance of housing associations, we also choose to present performance against a selection of local housing associations of similar size (“local peer group”). The peer group includes SOHA, Housing Solutions, Watford, Fairhive and Thrive. Comparators are available from the published RSH benchmarking tool and relate to the period ending in March 2023.

Table: Benchmarking

	Red Kite Community Housing				Local Peer Group* 2022/23	
	2020/21	2021/22	2022/23	2023/24	From	To
Homes Owned	5,610	5,588	5,519	5,434		
Reinvestment %	4.1	4.2	10.12	10.84	2.9	19.0
New supply delivered (social) %	0.29	0.29	0.14	1.84	0.6	4.1
New supply delivered (no social housing) %	0	0	0.22	0	0	0
Gearing %	29.6	32.1	36.8	34.0	43.9	69.3
EBITDA- MRI	291	218	166	253	113	176
Headline social housing costs per home £	4,407	4,937	5,148	5,486	4,153	5,456
Operating margin (social lettings) %	32.6	26.0	23.4	24.5	12.6	35.5
Operating margin (overall) %	27.5	22.0	18.5	20.8	17.6	34.2
Return on capital employed	3.7	2.7	2.5	3.6	2.8	4.9
Return on capital employed (excluding long term debtor)	4.8	6.6	4.3	5.7	2.8	4.9

**this peer Group consists of SOHA, Housing Solutions, Watford, Fairhive and Thrive*

Strategic Report (continued)

Value for Money Report (continued)

Comparison of standard metrics to other local Housing Associations (continued)

The benchmarking Table above shows that our performance is with the performance of our 'peer group', except for the higher costs per home that we explained above, low borrowing and the resulting strong EBIT MRI position.

Some further comments are provided below:

- The reinvestment metric has increased again this year. We completed 100 homes and currently hold 68 homes in WIP.
- During 2023/24 we supplied 100 new homes of which 27 were social homes, 44 affordable and 29 low-cost home ownership.
- Our gearing remains low, however as explained above, our ambitious development plan is forecast to change this in the future.
- The overall social housing cost per home in Red Kite in 2023/24 is £5,486. This is driven mainly by one off spend on decarbonisation and DMC. Our analysis above explains limitations of the VfM methodology above with benchmarks (inflation) and methodology (costs can be attributed to both, owned and managed homes).
- Both Operating Margin and Return on Capital Employed increased this year but remain within the 'peer group' range.
- Our operating margin and Return on Capital Employed remain strong. This is driven by our strong financial discipline. We always retain a watchful eye on challenges of our tenants and communities and are prepared to respond where challenges require us to.

Our Value for Money reflects and other strong and successful year for the Group. We are proud of our successes to date and ambitions for the future. Despite our success, we are not complacent; especially in light of economic pressures facing the sector and our tenants. We maintain our initiatives to deliver VfM related savings and are proactively pursuing a set of cost mitigation strategies to further improve our performance and deliver Value for Money to our tenants and communities.

Red Kite Group Metrics (based on Corporate Objectives)

The Regulatory Standard lets RPs choose more metrics that show how they achieve Corporate Objectives. We use these to track progress, learn and improve. We will retain matrices from the last year into FY24/25. When the new Corporate Journey is prepared, we will update our approach.

The targets and achievement during FY24/25 is shown in Table below. We provide explanation of performance outside of guiderails in the briefing under the table and then provide further analysis of our performance during the year for each of our selected measures.

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

Table: Performance against Board measures for the year to March 2024

Board Selected Measures for VfM					
Key issue	VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Resident Engagement: The Tenant Voice	The Proportion of complaints solved at Stage 1	83%	100%	> 83%	95%
	Satisfaction with complaints handling service	75%	90%	> 75%	63.9%
	Number of active volunteers increased by 5 during year	+4	+6	+5	+12
Better services	Satisfaction with the quality of the home	75%	95%	> 85%	75%
	Maintaining Building Safety – compliance with Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity standards	100%	100%	100%	All except gas: 100% Gas: 99.95%*
New Homes	Cumulative new homes delivered	141	176	176	212
	Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	95.8% including 26.4% Shared Ownership
Better Homes	Decent Homes Standard Compliance	100%	100%	100%	100%
	Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	100%
	New Decent Homes Standard Compliance – Fully funded in Business Plan			awaiting new standard	
Green Agenda	Sustainability Strategy - Fully funded in Business Plan			awaiting sustainability strategy	
Twenty11	TSL satisfaction score	102	106	104	105.5
	Average yield as %age of market rental	61.8%	68.3%	64%	72%
	Tenancy sustainability	90.3%	99.8%	97%	98.2%

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

Board Selected Measures for VfM					
Key issue	VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Realising Potential	Projects funded as %age of budget	90%	105%	100%	96%
Equality and Diversity	%age of justified or partially justified complaints relating to lawful or unlawful discrimination in our services	0%	0%	0%	0%

A. Resident Engagement: The Tenant Voice

Metric A1: The Proportion of complaints solved at Stage 1

VfM measure	Lower guiderail	Upper guiderail	Target for 2022-23	Result
The Proportion of complaints solved at Stage 1	83%	100%	> 83%	95%

A strong result and clearly within the guiderails; there has been a focus on resolving tenant complaints at an early stage and this has generally been successful.

Metric A2: Satisfaction with complaints handling service

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Satisfaction with complaints handling service	75%	90%	> 75%	63.9%

Whilst satisfaction with complaints handling remains below guiderails it is improved from last year's reported position (was 62%). The housing sector experienced significantly higher volume of complaints during FY23/24 and we received complaints that were more complex, including on key topics such as damp, mould, and condensation. In addition, as in ASB, satisfaction with the complaint handling service is often seen by the tenant as satisfaction with the outcome of their initial issue as opposed to the service deliver.

We experienced some performance issues from our main responsive repair contractor during this time, having a big impact on quality, timeliness, and tenant satisfaction. Intensive intervention and work on an improvement plan has seen improvement and this continues to be a key focus for us. We have now uplifted the manager role for the team to a Head of Feedback role to ensure we are learning fully from feedback and responding with action.

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

On an individual tenant basis we are also focused on ensuring any deviation from our standards is picked up and remedied and where necessary we respond promptly and fully to the Housing Ombudsman who has identified and promoted areas of good practice we have demonstrated.

Metric A3: Number of active volunteers increased by 5 during year

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Number of active volunteers increased by 5 during year	+4	+6	+5	+12

We are pleased that our efforts and community outreach brought more volunteers. We offered involvement at all key customer interactions. In the new year we will maintain this focus but also prioritise meaningful interaction with all nearly 70 volunteers.

B. Better services

Metric B1 Satisfaction with the quality of the home

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Satisfaction with the quality of the home	75%	95%	> 85%	75%

Satisfaction with the quality of new homes is within the guiderails. We anticipate results of our engagement with the contractor will be reflected positively in our Tenant Satisfaction Measures survey that will be first reported in FY24/25.

The results are based on 12 responses which is not enough to draw statistically robust conclusions but the general trends are the satisfaction with the new homes is high (11 out of 12 responders) but we are experiencing challenges in the aftercare around defects. We are considering a specialist defect post to ensure that our aftercare for new homes is of a high standard as we increase the number of new homes we manage.

Metric B2: Maintaining Building Safety – compliance with FLLAGE standards (Fire, Lifts, Legionnaires, Asbestos, Gas, Electricity)

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Maintaining Building Safety – compliance with FLLAGE standards	100%	100%	100%	100% apart from gas 99.95%

We are 100% compliant with Decent Homes standard but were denied access to 3 properties for gas checks These are subject to a court process.

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

C. New Homes

Metric C1: Cumulative new homes delivered

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Cumulative new homes delivered	141	176	176	212

We continue our development programme and included completion of a total of 293 homes in the budget to March 2025.

Metric C2: Ratio of homes affordable

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Ratio of homes affordable	75% including 15% Shared Ownership	85% including 17% Shared Ownership	80% including 16% Shared Ownership	95.8% including 26.4% S/O

Both the overall result and ratio are above target and the overall within guiderails whilst the percentage of shared ownership homes is above the upper guide rail.

D. Better Homes

Metric D1: Decent Homes Standard Compliance

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Decent Homes Standard Compliance	100%	100%	100%	100%

We continue to meet the Decent Homes Standard with all our homes.

Metric D2: Achieve annual investment programme against budget

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Achieve annual investment programme against budget	90% v budget	105% v budget	100% v budget	100%

This metric has also been achieved, demonstrating our commitment to keep our tenants' homes in a good standard of repair.

E. Green Agenda

As per above we do not yet have a measurable metric here as we have yet to develop our Sustainability Strategy which we should do over the coming year. In preparation for this and for the proposed metric D3 above we will use the data following further analysis of the results of the stock condition survey which achieved entry into 92% of our homes.

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

F. Twenty11 (Homes) Ltd

The KPIs below are indicators of the success of Twenty11.

Metric F1: TSL points score

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
TSL satisfaction score	102	106	104	105.5

The Tenancy Sustainment Licence is something given to each Twenty11 (Homes) Ltd tenant at the start of the tenancy. Tenants start with a score of 100 and gain points for positive actions which contribute to their community or to their own personal journey. Points can be deducted too for Anti-Social Behaviour or arrears patterns for example. The target for this year has again been achieved and overachieved. This is a measure of a positive community.

Metric F2: Average yield as %age of market rental

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Average yield as %age of market rental	61.8%	68.3%	64%	72%

This metric has been key to the financial viability of Twenty11; the 64% yield being the original yield envisaged in the Business Plan. The higher yield achieved is an indication of the relatively short life of the company but has been particularly important in view of a slower build-up of homes within Twenty11 than originally expected.

Metric F3: Tenancy sustainability score

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Tenancy sustainability	90.3%	99.8%	97%	98.2%

The Tenancy Sustainability is measured by the number of tenancies renewed as a percentage of all tenancy renewals in that year. At the tenancy renewal stage, tenancies are assessed and reviewed using their Tenancy Sustainment Licence points, rent account balance which needs to be clear of any rent arrears and have no tenancy breaches such as Anti-Social Behaviour. Only those meeting this assessment will be renewed. The target for this year has again been achieved. This is a measure of a positive tenancy management.

Strategic Report (continued)

Value for Money Report (continued)

Red Kite Group Metrics (based on Corporate Objectives) (continued)

G. Realising Potential

Metric G1: Projects funded as %age of budget (%age of Springboard and Starting Blocks budget spent)

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
Projects funded as %age of budget (%age of Springboard and Starting Blocks budget spent)	90%	105%	100%	96%

Our “Why” or our purpose as an organisation is to realise the potential within our communities. Springboard and Starting Blocks are funds made available to tenants and to others in their community to support people in those communities in realising that potential. Decisions on bids are made by a panel including tenants’ representatives. This year we again supported numerous projects within the community which have made a real difference to people’s lives.

H. Equality and Diversity

Metric H1:

VfM measure	Lower guiderail	Upper guiderail	Target for 2023-24	Result
%age of justified or partially justified complaints relating to lawful or unlawful discrimination in our services	0%	0%	0%	0%

We are committed as an organisation to equality and diversity. The rigorous target and guiderails was set at 0% as any such complaint, whilst being an opportunity to learn and grow, would to an extent also be a failure. We are pleased to note that we did not have any such complaints this year (nor in the previous year).