Red Kite
Community Housing

Value for Money Report

Overview

This, our second Value for Money report prepared according to the Value for Money Standard April 2018, relates to the period 1st April 2018 to 31st March 2019. 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. This year 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 Global Accounts of the Sector Scorecard report for comparative purposes. They are therefore of necessity in the main financial metrics. We report on them below here the Standard refers to "Housing Properties" we use "Homes" as the preferred Red Kite terminology.

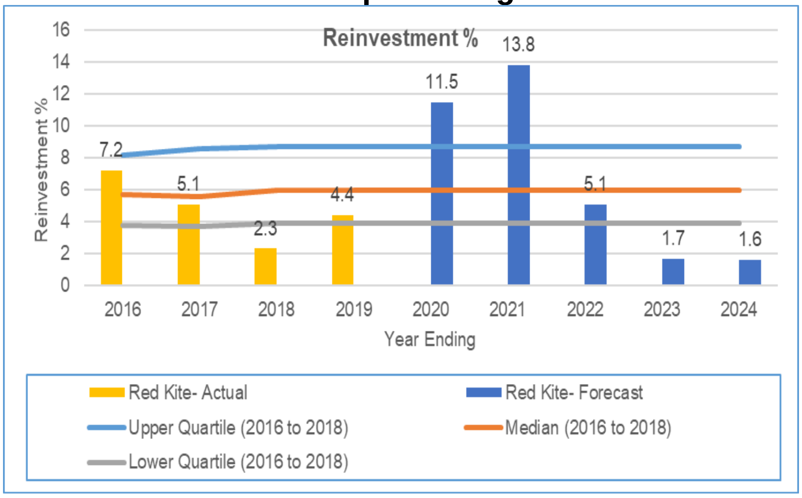
Forecasts and Benchmarking Where the metrics relate to measurable items within the business plan, the forecast figures are drawn from the 30-year business plan approved by the Board in March 2019. We have also included, from that plan, the forecast figures for the years ending 31st March 2020 to 2024.

For benchmarking we have used Global Accounts 2018 – published by the Regulator based on sector wide accounts where available or Sector Scorecard 2018 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.

	Required VfM measures			
KPI No.	**Description**	**Lower Guiderail**	**Upper Guiderail**	**Comment**
1	Reinvestment percentage	90%	105%	Based on 2019 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2019 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	
3	Gearing	95%	115%	Based on 2019 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2019 budgeted figure
5	Cost per home	90%	105%	Based on 2019 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2019 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2019 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2019 budgeted figure

Metric 1: Reinvestment percentage



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

Target for y.e. 31 Mar 2020 is 11.5%, Lower guide rail 10.3%, Upper guide rail 12.1%

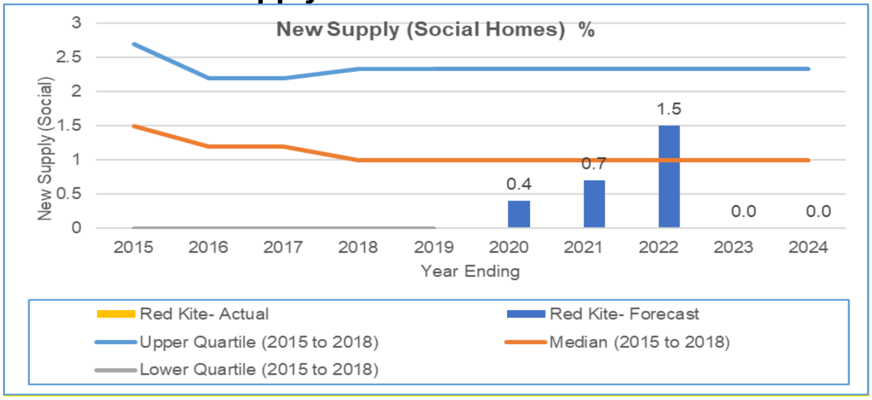
The benchmark quartile figures are taken from the sector scorecard figures for the year to March 2018 (the latest figures available) with actual comparatives for the years 2016 to 2018.

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. It takes into account both capital investment in our existing homes and investment in new homes.

The historic figures (to March 2018) largely reflect the investment in existing homes whereas the figures from 2020 to 2022 in the main reflect the development programme which, subject to planning, is expected to take place in those years. 2019 is somewhat of a transition year as we have begun to develop new homes.

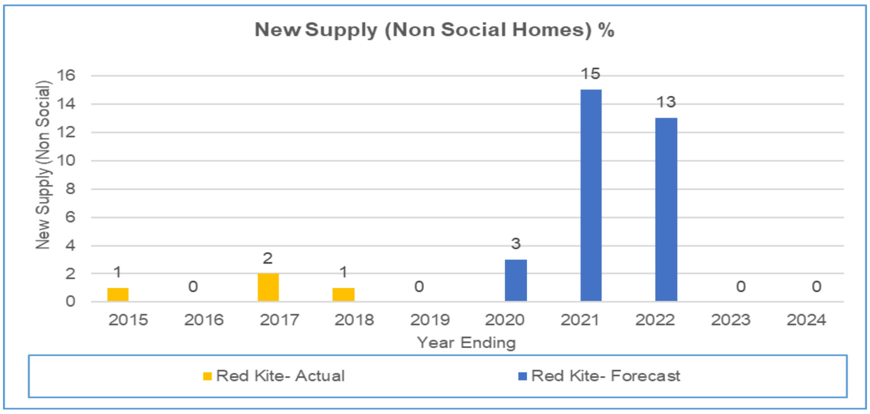
Although the current plan reflects the current business plan intention to develop 375 homes the Board have approved a development strategy to increase that up to a maximum of 500 and thereafter a further 120 homes per year for the following 5 years. The Development team together with the Finance team are working on definite plans to support this and we expect this to be reflected within next year's Business plan. The numbers for the outyears will change once the mix of homes to be developed is determined and this will be reflected in next year's report.

Metric 2: New supply delivered



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

Target for y.e. 31 Mar 2020 is 0.4%, Lower guide rail 0.32%, Upper guide rail 0.39%



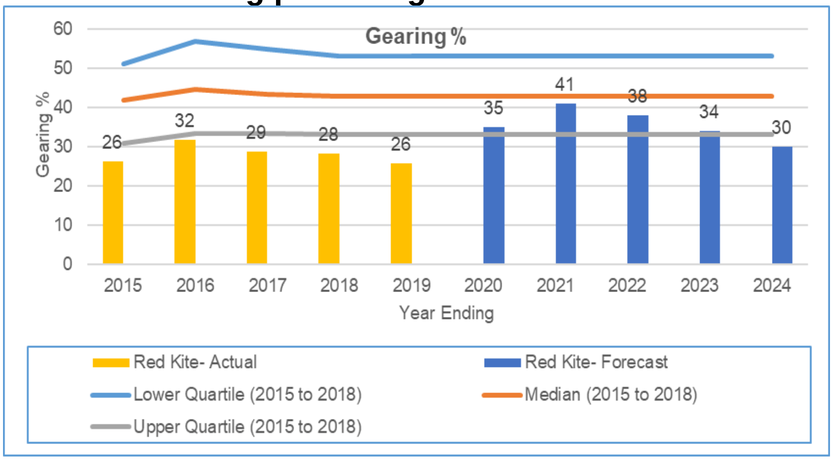
(Total homes acquired or developed in the period/Total homes held at the end of the Period)

Target for year ending 31 Mar 2020 is 3%, Lower guide rail 2.4%, Upper guide rail 2.91%

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.

The current development programme is explained in more detail under Metric F1 below and has been designed in such a way that Red Kite Group will be able to prepare a further plan to ensure a continuous development pipeline enabling us to continue to invest in homes available at a discount to the market value. This is not shown in the metrics as, at the moment, this is an intention without a definite plan to support it. The main difference between this year and last years' reports is that development is delayed due to difficulties in obtaining planning permission. As noted above, both reports are based upon the original plan to develop 375 new homes.

Metric 3: Gearing percentage



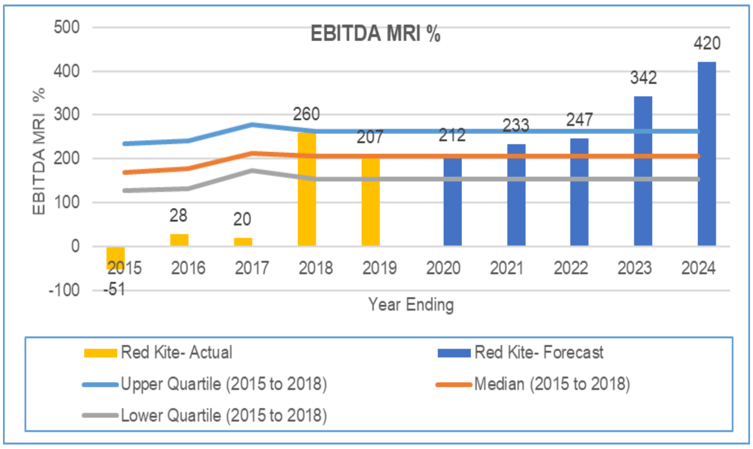
(Net debt/Value of Homes at period end)

Target for y.e. 31 Mar 2020 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 and continues lower in the budget this year due to delays in the development programme but increases to just above the benchmark median as our development programme gets built. Although this shows a decrease in 2022/23 there is an intention to sustain an ongoing programme of development and this will be modelled in the 2020 business plan. When considering Gearing 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 relatively 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 has involved establishing our development programme of a minimum of 375 new homes over the next three years.
Whilst Red Kite has as yet no definitive plans, the mix of development in the first phase alongside our relatively low gearing and unencumbered stock will allow further borrowings to support sustained development in future.

Metric 4: EBITDA(MRI)

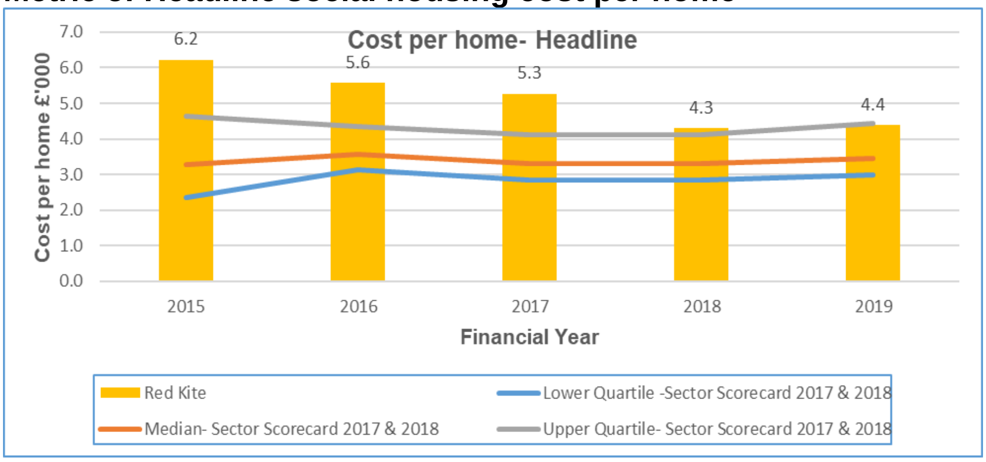


(Operating surplus adjusted for depreciation and grant and capital investment in properties/interest cost)

Target for y. e. 31 Mar 2020 is 212%, Lower guide rail 201%, Upper guide rail 244%

This key metric is one which our funders pay attention to. The levels of EBITDA(MRI) achieved and forecasted are comfortably above our covenant ratio and indeed our more challenging golden rule of 130%. The significant improvement in the most recent two financial years 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 very significant programme of investment in its homes, (see Metric 5 and Metric C below) its EBITDA(MRI) shows a strengthening financial position and strong interest cover going forward. Its slight dip in 2019 was forecast last year. The strengthening position thereafter will support the Board's ambitions to carry out a sustained programme of development beyond its current plan (as noted above under reinvestment percentage).

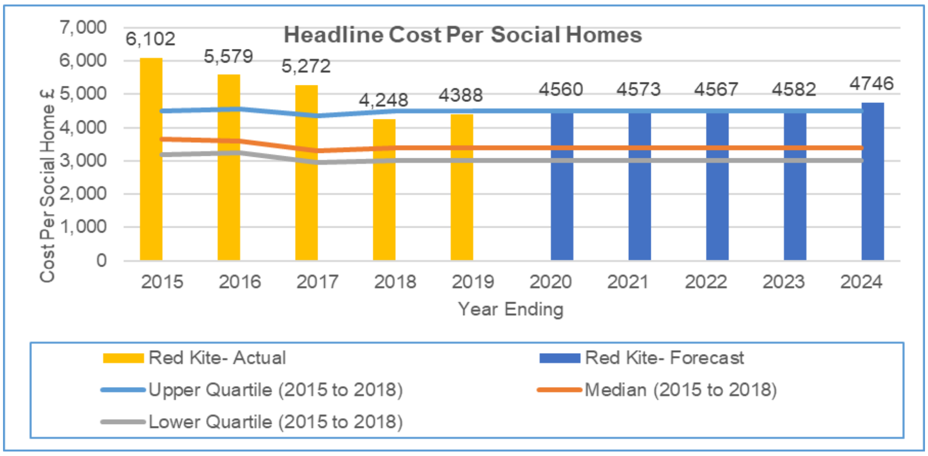
Metric 5: Headline social housing cost per home



Historically Red Kite have 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 two years cost per home has decreased significantly so that it now corresponds to the upper quartile of costs from the Global Accounts; (here upper quartile means higher… so in this case not a positive). In every area we are at median or below with the exception of investment in our existing homes. The Board has made a conscious decision to make a significant investment 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.

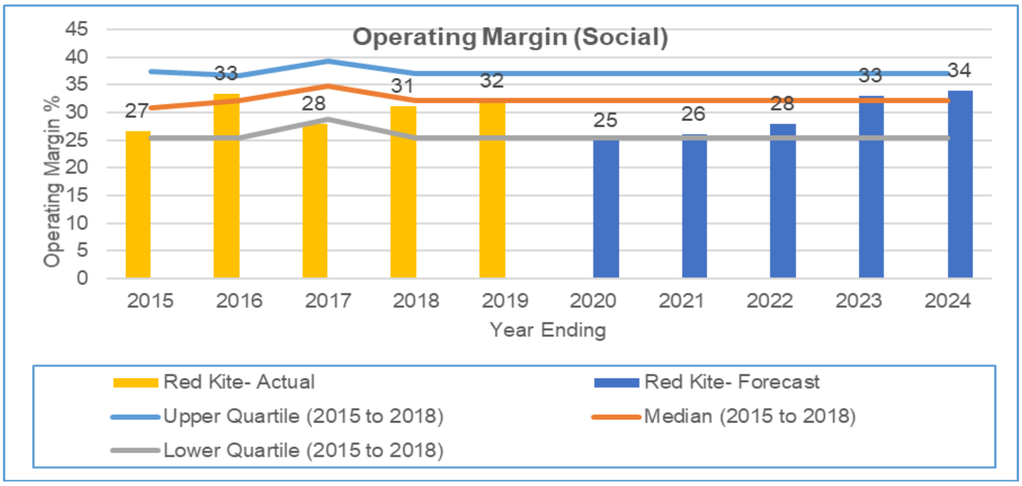
Further analysis of our cost per home is shown in Metric C. We have targeted reduction of management cost over the last two years and this has reduced in part due to diversification of activities and in part due to efficiency savings. This is now at a level much closer to the median (Global Accounts comparison) and compares favourably with other local Registered Providers. 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 around its current level. Our Red Kite standard is higher than the basic homes standard and our future investment is fully in line with our stock condition survey information. We also have 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.



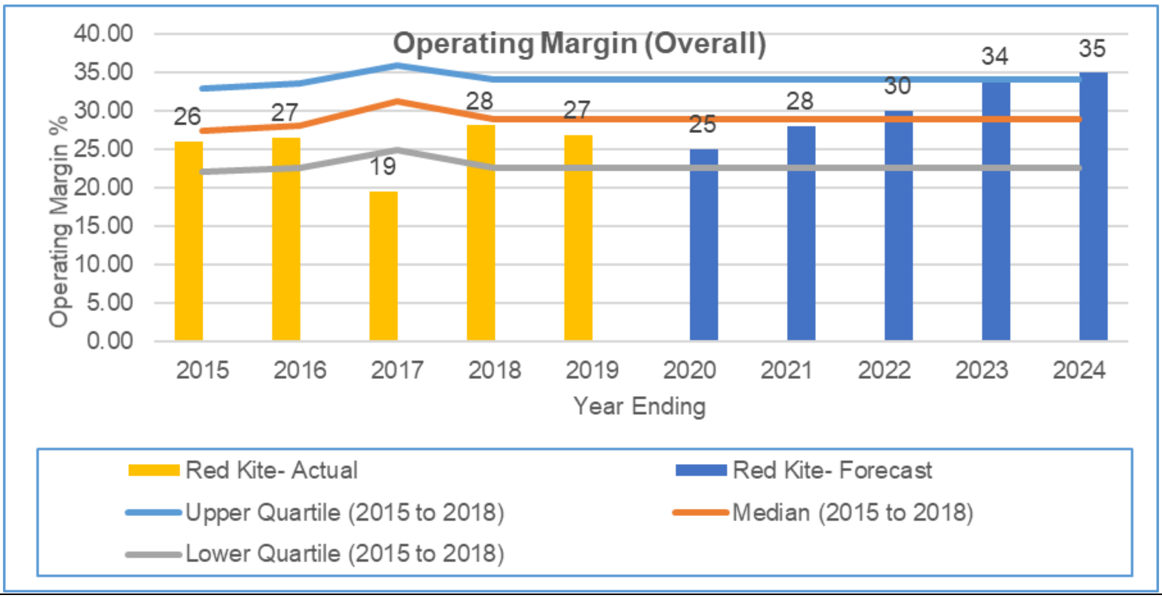
Target for y.e. 31 Mar 2020 is £4,560, Lower guide rail £4104, Upper guide rail £4,788

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



Target for y.e. 31 Mar 2020 is 25%, Lower guide rail 23.75%, Upper guide rail 28.75%

Our operating margin – social housing sits below the median and will decrease slightly next year. We are forecasting an improvement to current median by March 2023. The dip this year is due to higher planned investment in existing homes; 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.

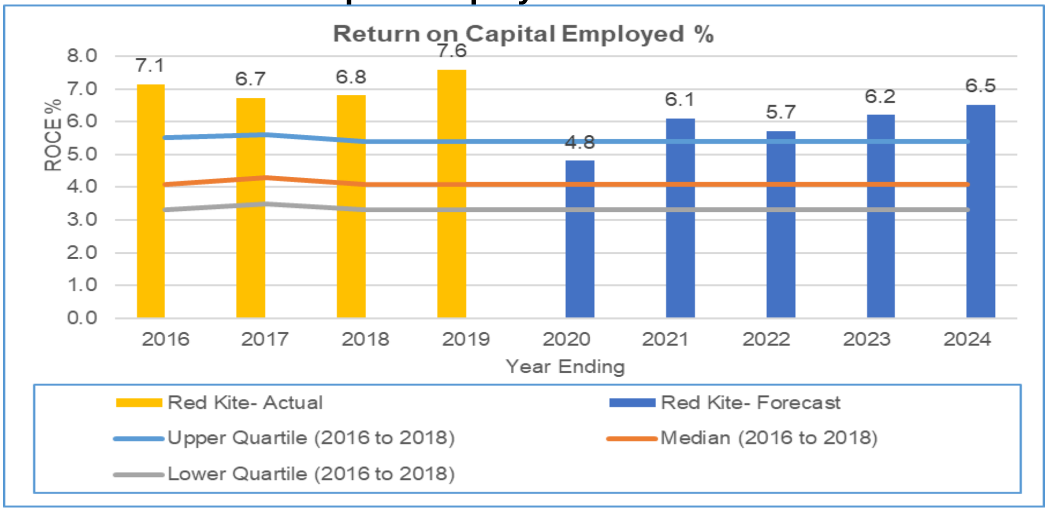


Target for y.e. 31 Mar 2020 is 25%, Lower guide rail 23.75%, Upper guide rail 28.75%

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 have 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 2021 reflects both the lower required investment in our homes (having completed the promises, but 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% for that year onward).

Metric 7: Return on Capital Employed



(Operating surplus plus other gains and losses/Total assets less current liabilities)

Target for y.e. 31 Mar 2020 is 4.8%, Lower guide rail 4.6%, Upper guide rail 5.5%

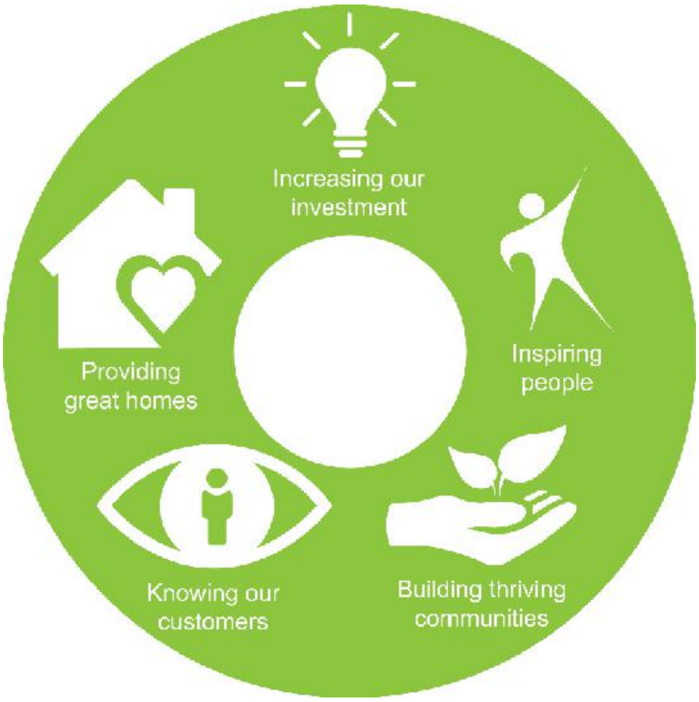
We have a strong return on capital employed; this is an indicator of our financial strength which will support our growth ambitions going forward. We are currently focussing our efforts on delivering our initial development plan and providing new housing solutions through the set-up of our group structures and this will be the focus for the next two years at least.

Moving forward 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”.

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, selection of these metrics took place after the year end; thus setting a base line for future years (and in the case of the breakdown of cost per home (metric C) providing more information to inform our overall cost per home measure. This year we have set guide rails for each measure; have defined two new measures to monitor the performance of Twenty11 and refined our approach to measuring tenant participation. 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:



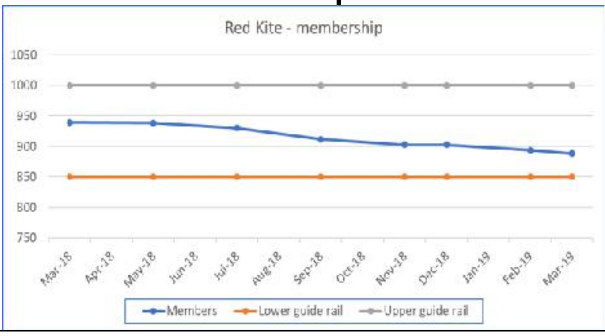
The Board set guide rails in May 2019 for the Red Kite defined measures and these are noted below.

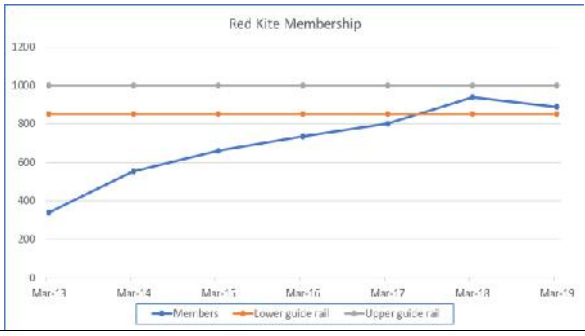
Red Kite measures				
KPI No	**Description**	**Lower Guide rail**	**Upper Guide rail**	**Corporate objective**
A1	Membership	850	1000	Tenant Led
A2	Tenant participation - influencing	20	40	
C	CPH Management	90%	105%	Providing great homes Increasing our investment
	CPH Service Charges	90%	105%	
	CPH Maintenance	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) – includes social, affordable and discounted rental homes	163/375	189/375	Commitment to the community
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	Providing great homes
G2	Twenty 11 – arrears ratio	1.1	0.8	

No guide rail has been set for Measure B as we will not be using this measure going forward. This is because the organisation is no longer using the 9-box grid as a measure of performance. It is intended to replace this measure later in the year following further work on corporate development.

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

Metric A1: Membership

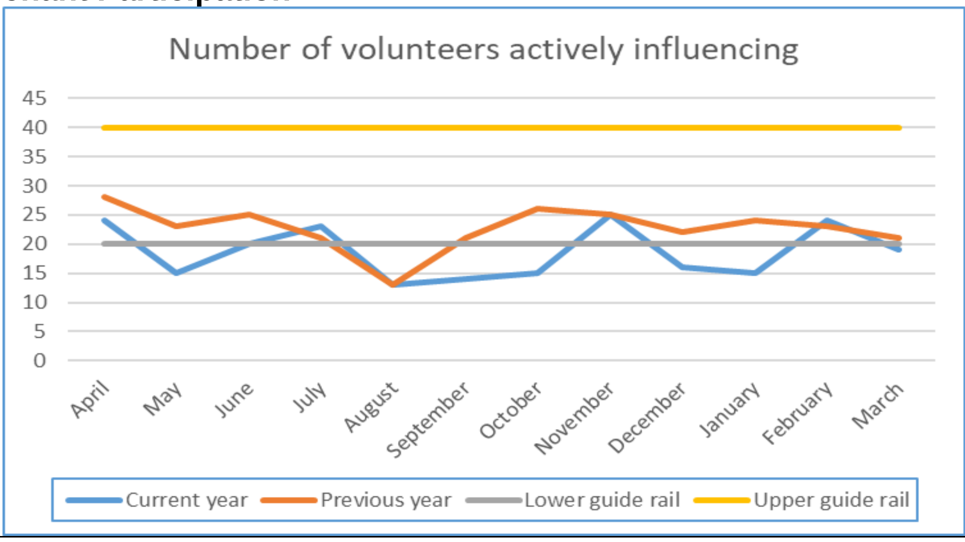




For the year ending 31 Mar 2020 Lower guide rail is 850, Upper guide rail is 1000

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 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 plinked to Metric A2 below.

Metric A2: Tenant Participation



For the year ending 31 Mar 2020 Lower guide rail is 20, Upper guide rail is 40

We have refined this measure this year to focus on “Influencing”; those involved in high-level consultation. 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 higher (22.7) in comparison to this year (18.6). This decline has been noted and we are working with our key tenant representative group (previously known as CCIG, now Residents Representative Team) to improve this. We recruited ten new volunteers to work with us in a variety of areas since January this year. This should have an impact on this measure new volunteers complete their induction and take an active role in the life of Red Kite. We are also recruiting a manager to work on volunteering and community involvement as we recognise that this key strategic area is proving to be challenging.

A) Inspiring People
Metric B: the nine-box grid

Potential	Does not meet expectations	Meets expectations	Exceeds Expectations
	Conundrum *(unlock potential)* 1% (0%)	**Developing top performer** *(stretch / develop)* 12.5% (7%)	**Outstanding performer** *(focus)* 3% (11%)
	Inconsistent Player *(unlock potential)* 5% (3.5%)	**Key Player** *(develop)* 46% (39.5%)	**Positive Impact Performer** *(stretch / develop)* 17.5% (18%)
	Under Performer *(act now)* 1% (4.5%)	**Solid Professional** *(observe / develop)* 10% (11%)	**High Professional** *(develop)* 3% (5.5%)
	Performance		

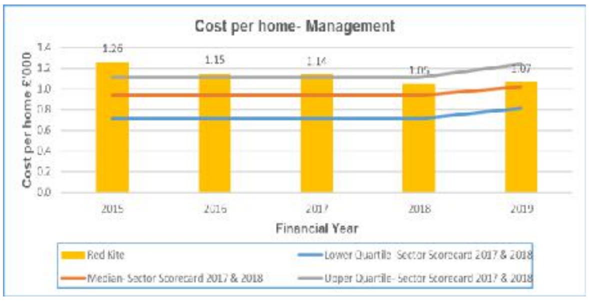
The nine-box grid is a tool we have used to evaluate our staff's performance and potential to ensure that we have the appropriate blend of people with the right values and experience to deliver our Corporate Objectives. A base line was set in last year with only 8% of staff in the left-hand column indicating a need for improvement and 75.5% of staff in the upper right four quartiles (last year's figures in brackets).

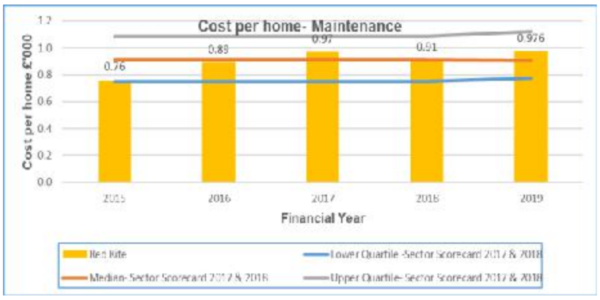
We did target increasing the percentage in the upper right four quartiles (green circle) to 80%. When last measured this had increased to 79%. At the same time those in the left-hand column have reduced to 7% (5% target).

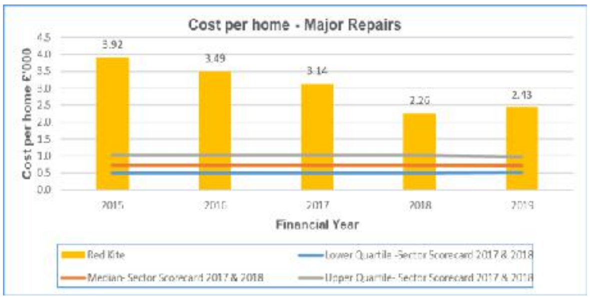
Red Kite aspires to be a growing organisation and to facilitate this we have continued with and further developed our corporate development programme “GROW” this year - tailored to individual needs and aimed at more closely aligning the skills and values of the staff to our stated values and so enable our future growth.

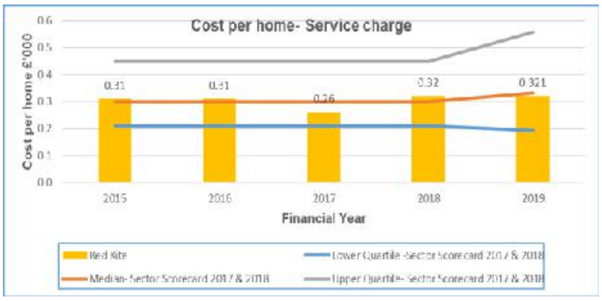
The 9-box grid is no longer being used to measure staff performance and potential because it was not well received or understood by staff. Alternative performance management tools will be developed in this financial year and for VfM purposes we will look to develop an alternative measure based upon staff well-being.

C) Providing Great Homes and Increasing our Investment
Metric C: Cost of Homes Broken into individual Components









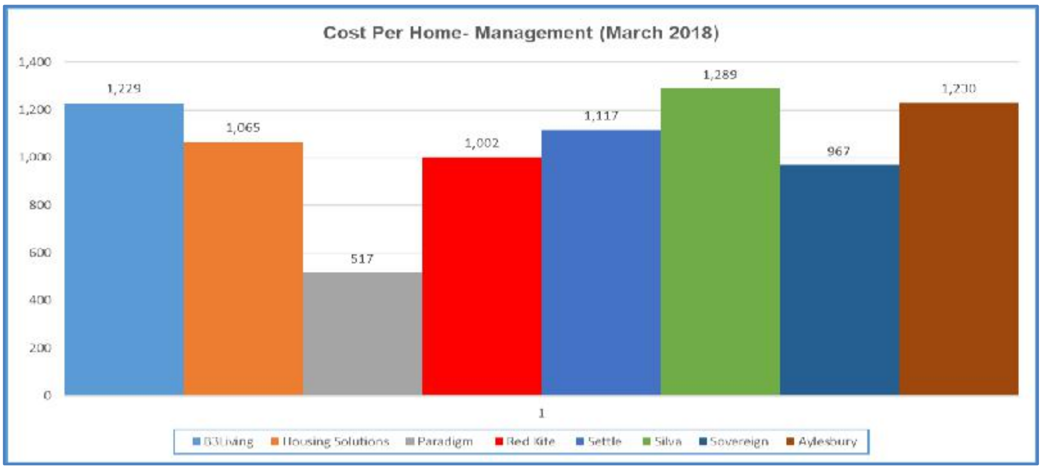
Component	Target (budget)	Lower guide rail	Upper guide rail
Management	£1,060	£954	£1,113
Maintenance	£978	£880	£1,027
Major repairs	£2,430	£2,187	£2,551
Service charges	£321	£289	£337

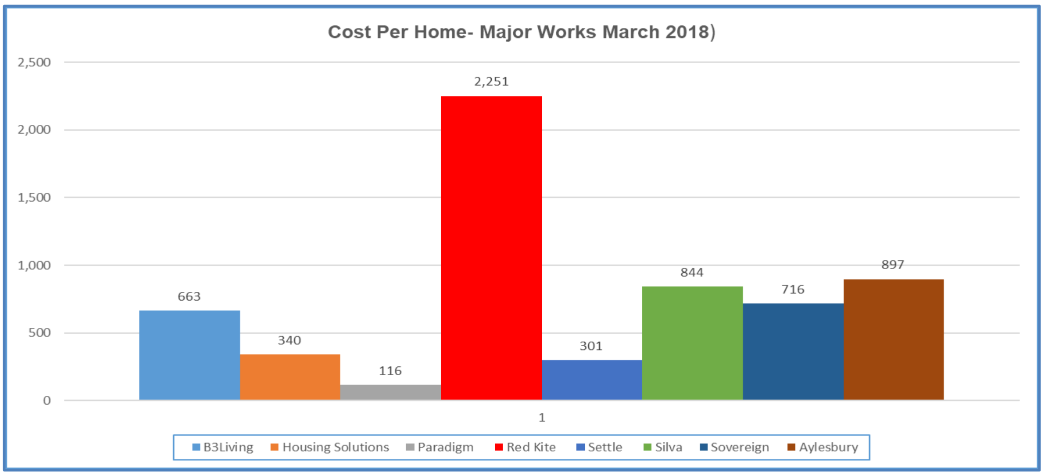
This metric has been chosen because it gives the Board a better insight into Metric 5 and ensures that we are investing in our homes in a way that achieves good value but is also consistent with our overall corporate aims. The figures, as per overall cost per home (Metric 5) are benchmarked against the Global Accounts. When broken down to its components it is clear that, whilst overall cost per home is coming down and just about matches the higher quartile, 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 has steadily decreased over the last three years and is now close to the median for the sector. 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 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.

Comparing Red Kite cost to other RPs in our vicinity (all figures taken from published Global Accounts for 2018) is also illuminating.

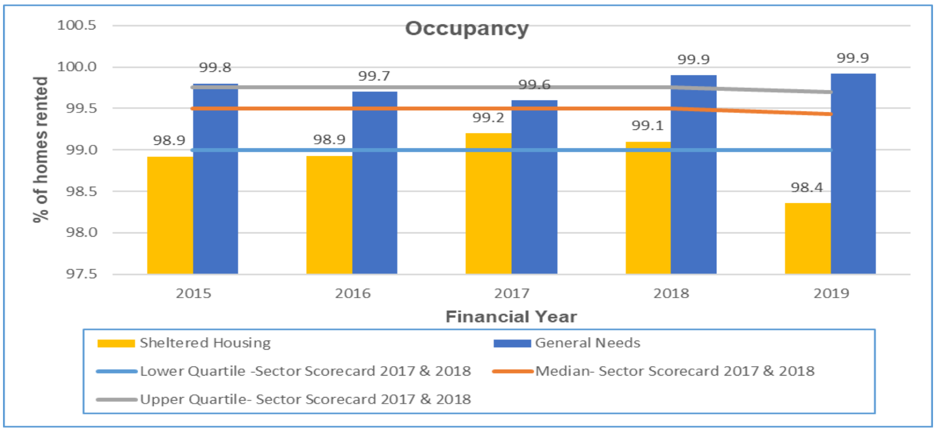


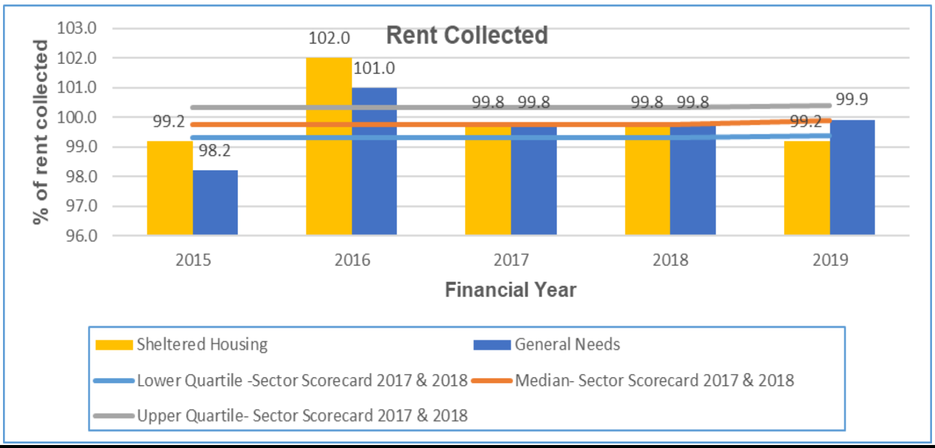


We are investing significantly more in our existing homes in improvements (major repairs) as a conscious, positive strategy consistent with our Corporate Objectives (Providing Great Homes, Increasing our Investment). However, for management cost per home we are competitive in comparison to our local peers. Paradigm is somewhat of an outlier in reported cost (both measures) but with that hard to explain exception, our management cost is at the same level or lower than our local peers.

D) Providing Great Homes

Metric D1 and D2 - Occupancy level and rents collected





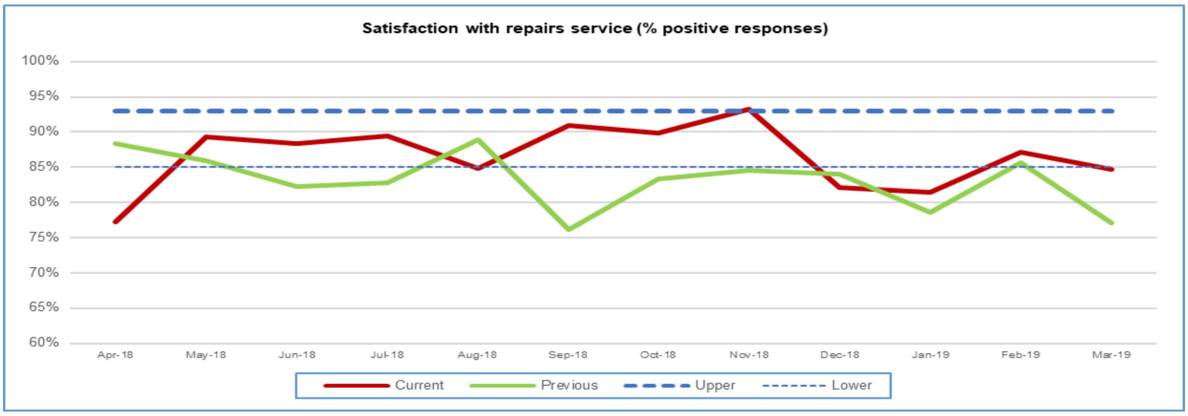
Measure	Lower guide rail	Upper guide rail
Occupancy (general)	99.4%	99.7%
Occupancy (sheltered)	98.9%	99.4%
Rents collected	99.9%	100.4%

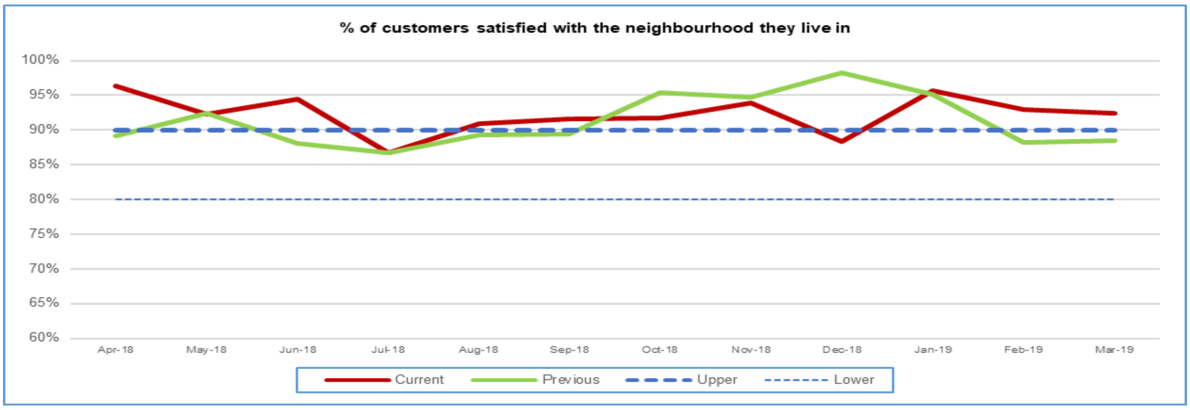
We monitor occupancy rate and rents collected to measure the effectiveness in providing homes to our customers. The benchmark figures are taken from Sector Scorecard information and relate to general needs homes only.

We target maximising our occupancy levels and rents collected and pay attention to any decrease. Against the Sector Scorecard we are maintaining levels between the sector median and upper quartile. 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. To address this the first sheltered housing review in 2013 led to the closure of a number of schemes some of which have been included as sites for development and others soldand two mixed schemes were converted to all general needs. We have 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



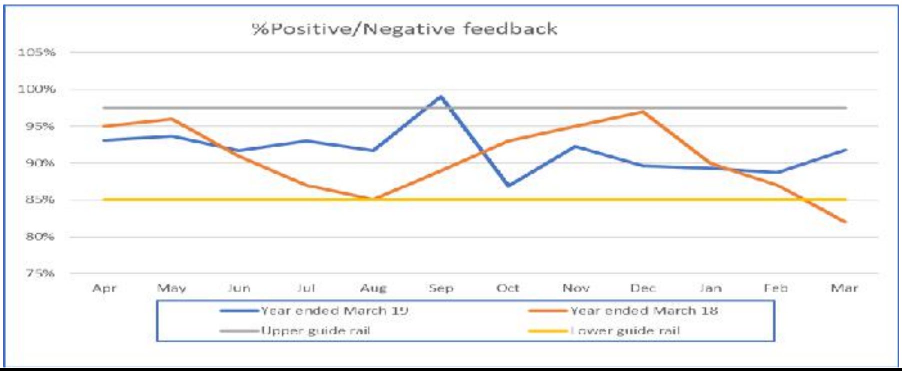


Measure	Lower guide rail	Upper guide rail
Satisfaction with repairs service	85%	93%
Satisfaction with neighbourhood	80%	90%

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 takes into account feedback across all neighbourhoods). The two metrics' guide rails are set by Board as part of our performance framework.

We have an improved level of satisfaction with repairs this year. The slight dip around the beginning of the calendar year corresponded to the review of the existing contract. Addressing the issue with the contractor has shown some improvement. 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 looking at other ways of monitoring customer feedback without additional surveys. For two years we have monitored unsolicited compliments as a percentage of feedback from customers. (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.)



For the y.e. 31st March 2020 the lower guiderail is 85%, upper guide rail 97.5%

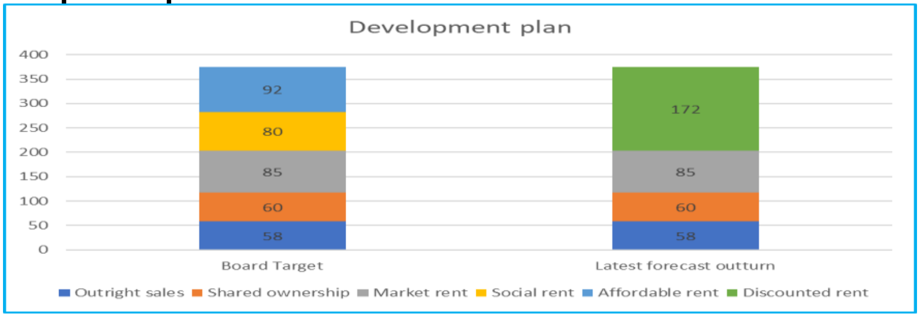
Unsolicited compliments are showing throughout the year a consistently strong level of satisfaction and an improved stability on the previous year. The small drop off through December to February corresponds to the issues noted above with the repairs contractor, but that has turned around by March.

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.

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 should be complete 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.

There is potential within the current plan to exceed the 375 homes planned, building up to 500 homes, depending upon the viability of site assessments and next year's business plan will reflect this as we develop an approach to turn this into definitive plans, with a further pipeline of 120 homes per year for the following five years. What has changed from our original plan is that the 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). It is possible that some of these homes will if purchased as S106 homes stay in Red Kite as affordable 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. 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.

The second measure is 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 are a lower guide rail of 0.80 and an upper guide rail of 1.1.

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.