

VALUE FOR MONEY STRATEGY

Introduction

It is essential that Red Kite maximises the use of its resources and delivers services to our tenants which are delivered for the best value for money possible, whilst achieving high levels of tenant satisfaction.

The [Value for Money Standard](#) was published by the Regulator of Social Housing in April 2018 sets out required outcomes for Registered providers. These state that Registered providers must: -

- a. Clearly articulate their strategic objectives
- b. Have an approach agreed by their Board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders
- c. Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- d. Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

Registered providers are expected to annually publish evidence in the statutory accounts to enable stakeholders to understand the providers performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers, and measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

Analysis of our cost per home compared with our peer group demonstrates that our relatively high cost per home is largely driven by higher levels of property expenditure, largely on major repairs.

The VFM Strategy sets out the areas that we are working on over the life of our current Corporate Strategy (2025-30) to improve VFM for our tenants, to improve our financial performance to enable us to invest in more new homes and improved services for our tenants, and to reduce our cost per home.

The key principles that we are adopting and the strategic outcomes we will deliver are:-

Principles	Strategic Outcomes
Cost per Home: To analyse our current cost per home and to compare performance against our peers	Improved understanding of the drivers behind our cost per home, and to identify the key areas of focus
Property: To implement improvements in Property processes, working with internal and external resources	Improved VFM, improved tenant satisfaction, reduced level of complaints & ombudsman cases and better use of resources
Development: To implement our development strategy	Enhanced geographical focus and delivery of better value for money developments. Delivery of the commitment made to deliver 500 new homes in the Corporate Strategy
Customer Services: To continue to ensure that we deliver the best value customer services to our tenants by continually striving for improvement.	Improved online services for our tenants, more efficient customer contact and reduced wastage
Procurement: To ensure we deliver best value for goods and services procured	Enhanced support for the organisation to ensure that value for money is maximised through competitive procurement processes and contract management
Corporate Projects: To enhance controls and visibility over corporate projects	Corporate projects delivered on time and within budget, and key outcomes delivered. Key risks and issues to be reported and addressed.
Other Considerations: Deliver key benefits anticipated	Benefits of Digital Strategy and reduced working week are achieved.
Tenant & Colleague Engagement: Tenants and Colleagues play a key role in maximising value for money	Regular engagement with tenants to seek their views and ideas, and engagement from all colleagues to promote ideas

Legal/Regulatory

The Regulator of Social Housing monitors value for money within the Sector with its Value for Money Standard, and this is underpinned by a set of metrics that enables the financial performance and position of each Housing Association to be compared.

The Regulator publishes an annual Value for Money report for the sector based on the published financial statements. The most recent Value for Money report was published on 13 March 2025, based on results for the year ending 31 March 2024.

There is a legal and regulatory requirement for the Group to be financially viable and for its social assets not to be put at risk. There are also requirements set out in the RSH's Value for Money Standard.

There is a regulatory requirement to submit an annual thirty year Business Plan by 30 June, and to stress test it so that the Board understands the risks associated with it.

Once the outcomes of the stress testing is known, the Board is required to agree its Mitigation Strategy.

Financial/VFM and Costings

The annual review of the Plan enables the Board to allocate its resources to achieve the corporate objectives and to ensure that it remains financially viable.

The supporting value for money information contained within the previous paper presented to the Board in June, and included in the VFM Strategy enabled the Board to appraise the Plan against the VFM metrics of the RSH.

The supporting information provided previously with the business plan demonstrates the financial strength of the Group.

Risks

The preparation of the Plan included assessing the associated risks to the Group, and where we seek to insure against them (building & cyber insurance, etc) that the Plan included funding for this. The recent outputs from the Board Awayday which was held on 9 May 2025, in particular the Board's risk appetite and the top 10 strategic risks, were used to ensure that our stress testing is aligned with the emerging strategic risks.

A key risk for the Group is interest rate exposure on its debt, and we are currently undertaking stage 2 of the current refinancing exercise, which will result in a higher proportion of debt being fixed. This is expected to complete before the Board meeting, and we will be able to give a verbal update at the meeting.

The stress testing of the Plan enabled the Board to assess the financial risks associated with it, and to agree its Mitigation Strategy.

Health and Safety

The Plan is underpinned by its planned investment in the Group's existing homes, and the ongoing day to day expenditure relating to this.

VFM Strategy – 2025-2030

It is essential that Red Kite maximises the use of its resources and delivers services to our tenants which are delivered for the best value for money possible, whilst achieving high levels of tenant satisfaction.

Appendix 1 sets out the metrics which are set out in the Regulator of Social Housing's (RSH) Value for Money Standards for the year ending 31 March 2025, and the next five years as per the Business Plan. It also compares this Plan to the March 2024 one. When compared to the March 2024 quartiles (issued by the Regulator of Social Housing in March 2025) which have been inflated for future years, the Group is in an overall strong position. Performance is good compared with the sector, except for cost per home which is between the median and upper quartile performance (upper quartile cost being adverse).

The key area where Red Kite needs to focus to improve VFM is in reducing cost per home to bring performance down closer to the median across the sector. Further analysis has been carried out to further improve the information we have on our cost base, and to utilise benchmarking information to identify contributing costs which are out of line with our peers, where we might be able to achieve savings.

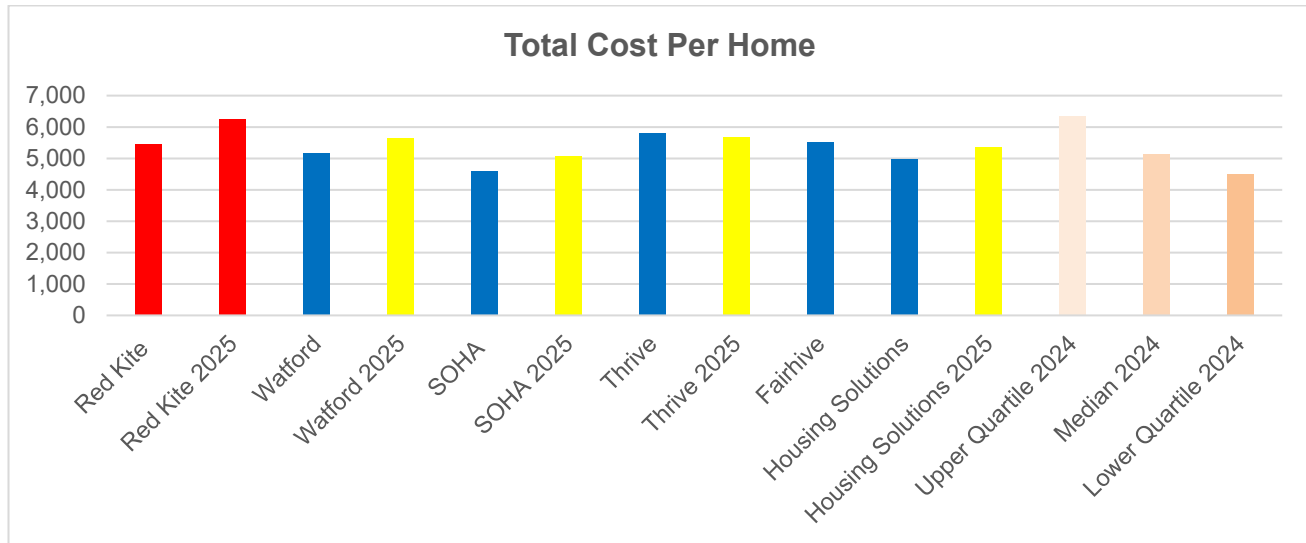
Total Cost Per Home Analysis

The Value for Money Regulatory Standard contains several metrics that enable the Board and key stakeholders to assess the financial performance of a Housing Association or compare a Peer Group.

The Total Cost Per Home metric relates solely to expenditure associated with social housing activities, and as such can be influenced by the accounting policies adopted by a housing association.

Graph 1 compares the Red Kite performance for March 2024 and March 2025 to the Peer Group referenced in the March 2025 Financial Statements of Red Kite. The Peer Group is made up of Watford, SOHA, Thrive, Fairhive and Housing Solutions which represent similar sized organisations operating in a similar geography. The Peer Group's financial performance for the year ended 31 March 2024 is as published by the Regulator. The information for the year ended 31 March 2025 is as per the published information on the websites for our peer group. (Fairhive (as at 3 October) had not published its Financial Statements for March 2025).

Graph 1. Total Cost Per Home



The Red Kite performance for March 2024 (£5,472) was slightly higher than the Sector Median (£5,136) but lower than three of its Peer Group. The comparison of the March 2025 performance (£6,241) is marginally lower than the Upper Quartile for March 2024 (£6,350), but it has increased by £769 per home and is higher than our peers.

The Table 1 (below) demonstrates the areas of the increase, but the key area is property related expenditure. During the year Red Kite incurred higher reactive costs associated with Damp Mould and Condensation (DMC), and also in capitalised major repairs, of which an element is the additional investment of £1 million in fire doors. The Sector as a whole has incurred significant additional costs associated with its homes, and this is reflected in the March 2025 expenditure that is summarised in Table 1. Only Thrive had a lower year on year cost per home for property expenditure, and this relates to capitalised expenditure.

Total Cost per Home Breakdown

The Total Cost per Home consists of four segments, and Table 1 breaks these down for each member of the Peer Group. This shows that property related expenditure for Red Kite accounted for 69% and 71% of its Total Cost per Home for the Financial Years 2024 and 2025, respectively. This is considerably higher than all but one (SOHA) of its Peer Group.

The housing management costs per home element for Red Kite increased in the year by 11% from £1,506 to £1,672, and there are several factors driving this upward movement. One element is payroll costs increasing from £8.6M to £10.4M, which is reflected in the average number of people employed directly by the Group increasing from 154 to 166. The increase in headcount was driven by the need to reduce work pressures for staff as well as specific investment in the skills required for areas such as Digital Transformation. Another factor was that we had also been operating in a high inflation environment for a couple of years and had to ensure that our remuneration offer remained competitive. Please note, not all these costs are allocated to management costs. As the Group invests in its IT infrastructure the depreciation charge allocated to this segment will increase, and between 2024 and 2025 it increased by approximately £0.25M.

When comparing to the Peer Group Red Kite is well positioned to the others in terms of housing management costs except for SOHA whose costs are significantly lower, but it still had a 10% increase year on year.

The service charge element for the Peer Group is reasonably consistent for all but Housing Solutions. Service charges are a relatively small part of the total cost per home. The communal services provided by each member of the Peer Group will vary, and one factor will be the area of communal land that was transferred under any Stock Transfer Agreement. Another potential cost difference could be in relation to the level and type of communal services provided for Sheltered and Senior living.

Other costs, covers a range of non-core housing expenditure. For Red Kite this reflects the net impact of the negative goodwill and the non-capitalised development expenditure.

Table 1- Cost breakdown

	Total Cost Per Home	Housing Management	% of Total Cost	Service Charges	% of Total Cost	Total Property	% of Total Cost	Other Costs	% of Total Cost
Red Kite March	5,472	1,506	28%	444	8%	3,791	69%	-270	-4.9%
Red Kite March 2025	6,241	1,672	27%	451	7%	4,411	71%	-293	-4.7%
Watford	5,180	2,431	47%	250	5%	2,223	43%	275	5.3%
Watford 2025	5,637	2,498	44%	285	5%	2,543	45%	311	5.5%
SOHA	4,602	533	12%	358	8%	3,691	80%	20	0.4%
SOHA 2025	5,060	589	12%	382	8%	4,069	80%	20	0.4%
Thrive	5,793	2,168	37%	372	6%	3,106	54%	147	2.5%
Thrive 2025	5,669	2,162	38%	419	7%	2,979	53%	109	1.9%
Fairhive	5,523	1,407	25%	422	8%	3,664	66%	30	0.5%
Housing Solutions	4,964	1,703	34%	662	13%	2,462	50%	138	2.8%
Housing Solutions 2025	5,371	1,909	36%	641	12%	2,730	51%	91	1.7%

Property Related Expenditure

For all members of the Peer Group this represents a significant proportion of the overall total cost per home, ranging between 45% and 80% of the total cost per home for 2025. The level of expenditure is influenced by where a housing association is on its replacement cycle, and the age profile of its homes. A high proportion of new homes will require lower asset replacement works, and as such reducing the cost per home as no components would have been replaced.

Table 2 below breaks down this expenditure into four segments, including capitalised major repairs. The accounting treatment is not consistent amongst the Peer Group, and this impacts how the expenditure is classified in the financial statements and reported.

During the year, Red Kite capitalised expenditure increased by £434 per home (56%), and two factors are:

- The £1 million investment in fire doors; and
- A change of accounting treatment in relation to the Social Housing Decarbonisation grant funded works. In 2024 the value of works was net of the grant received, and in 2025 the expenditure reported was gross of the grant. The grant is now being amortised.

A review in 2024 confirmed that the components capitalised were broadly aligned, and the varying levels of grant funded EPC works have an impact on this element.

Table 2 Property expenditure breakdown

	Total CPH	Routine maintenance	% of Total CPH	Planned maintenance	% of Total CPH	Major repairs	% of Total CPH	Capitalised major repairs	% of Total CPH
Red Kite March	5,472	859	16%	449	8%	1,717	31%	767	14%
Red Kite March 2025	6,241	870	14%	478	8%	1,862	30%	1,201	19%
Watford	5,180	897	17%	126	2%	72	1%	1,129	22%
Watford 2025	5,637	786	14%	186	3%	155	3%	1,416	25%
SOHA	4,602	1,804	39%	1,137	25%	0	0%	749	16%
SOHA 2025	5,060	2,138	42%	1,102	22%	0	0%	829	16%
Thrive	5,793	1,359	23%	373	6%	0	0%	1,374	24%
Thrive 2025	5,669	1,469	26%	467	8%	0	0%	1,043	18%
Fairhive	5,523	1,920	35%	290	5%	610	11%	844	15%
Housing Solutions	4,964	823	17%	1,151	23%	0	0%	488	10%
Housing Solutions 2025	5,371	742	14%	1,213	23%	0	0%	775	14%

It is clear from the table above that property expenditure represents a significant proportion of the total cost per home, and that the cost of major repairs and capitalised major repairs for Red Kite are higher than our peers. Property costs therefore represent a significant area for us to target to deliver value for money improvements and efficiency savings.

The key areas which we will focus on over the remainder of the five year period of the corporate strategy are as follows: -

Property

Investment in our existing homes and the delivery of the repairs service and planned maintenance programme is one of Red Kite’s most significant areas of expenditure (both revenue and capital expenditure). The successful delivery of these services also has a significant impact on tenant satisfaction, the level and nature of complaints raised by our tenants, as well as whether our tenants feel safe and warm in their homes. Property services is therefore a core area of focus for us to ensure that we are delivering value for money services to our tenants.

Having previously reviewed whether it was appropriate for Red Kite the Board concluded that we would not have an in house Direct Labour Organisation (DLO) to deliver our repairs service or planned investment works, and we therefore rely on our core repairs partner Gilmartins and other partners to deliver services such as gas servicing, compliance testing, and investment programmes such as the installation of new kitchens and bathrooms in our homes.

We propose to strengthen contract management to ensure that we are getting the best value for money and tenant satisfaction from the investment that we are making in our existing homes. Organisational design will also be reviewed within the Property team. There is currently no Quantity Surveying (QS) commercial function and the inclusion of such a resource or capability within the team could improve value for money from our suppliers, for example through ensuring the quality of components fitted to our homes is acceptable, and that work has been completed to an acceptable standard. We will also enhance controls over jobs and the commissioning of works.

A Repair definition document has been developed which defines what constitutes different repair types within the context of property maintenance, with a specific focus on distinguishing Responsive Repairs from other types of repairs and maintenance activities such as Minor works, Planned works and Projects. The document also proposes a pilot to batch certain types of repairs, with a critical referral process for any repair that needs to be passed from Responsive Repairs to Asset Management. The intention behind this pilot is to deliver investment in existing homes more efficiently for example by completing the same type of work on a number of homes together, or as part of a planned investment programme, rather than delivering works inefficiently as one off responsive repairs. Typically these repairs are characterised by their technical complexity, the fact that they comprehensively resolve an issue, and cost over £1,500 due to the complexity and scope of the work involved.

Batching of repairs cannot take place where the repair represents a risk to Health & Safety or the fabric of the building, be work required in response to a complaint, or unduly inconvenience the tenant. The type of repair which is well suited to batching include plastering, replacing shed doors, gates and concrete paths.

Repairs journey mapping will also be carried out on our end-to-end responsive repairs service which is designed to ultimately provide better tenant satisfaction and greater cost control. The purpose is to understand, evaluate and improve the customer and operational experience of the responsive repairs service, ensuring it is efficient, tenant centric and aligned with the values of Red Kite.

It provides assurance that the process is fit for purpose, that Red Kite has the resource, capacity and capability and resilience to respond to a wide range of adverse scenarios, and that the right outcomes are being achieved, enabling us to evidence learning and improvement. This also aligns with the previous external review which had been completed.

The asset team will allow for “critical referral” of major building components within all their annual replacement programmes. Each referral will be considered on its own merits. The criteria proposed for successful referral are for example if 30% or more of a property's windows need replacing, or 50% of a kitchen is in poor condition and below standard.

Performance will be closely monitored where we implement these changes to ensure that they don't lead to increased disrepair claims or works not being completed in a reasonable timescale which would be likely to lead to an increased level of complaints. Improvements will be made to the performance management dashboard for property to ensure that all appropriate data is monitored going forwards. We will look to continuously improve performance.

We will continue to improve the quality of our stock condition data for all of our homes, including the 319 homes which we acquired in Windsor and Maidenhead from Riverside in April. This data will continue to be used effectively to determine the appropriate level of investment for inclusion in our business plan to ensure that we understand all our future commitments and continue to be well funded. We will also use this data to ensure we will be delivering the required levels of performance against covenants in place with our lenders, and our own internal golden rules.

Accurate and up to date data which is a maximum of five years old will also avoid un-necessary component replacement, e.g. kitchens/ bathrooms ahead of the components reaching the end

of their life and will help identify properties which are appropriate for strategic asset disposal because it is uneconomic to invest in and retain the properties. The sort of home which would be likely to be considered for disposal would be one requiring major structural work, or significant investment to bring it to an acceptable level of thermal efficiency. If it is more economic to sell an existing home and to then invest the disposal proceeds in a modern thermally efficient home which will provide better accommodation for our tenants, we will look to do so on a modest scale.

Stock and customer insight data will also be used to identify homes which have had multiple repairs carried out, for example more than an average of 2.5 repairs in a year. This could indicate that components are coming to the end of their life, or in some cases that tenants are not treating their home with the care that we would expect. We will also use the data to identify any repairs which should be recharged to the tenant, for example unauthorised structural changes. Extensive use of Geographic Information Systems (GIS), insight and stock data trends will help us identify if there are any issues with a particular estate or block of flats and enable us to develop a proactive programme to reduce responsive repairs as these are often an inefficient way of delivering improvements/ repairs.

We need to improve our knowledge and management of disrepair cases to ensure the proactive and prompt management of works being carried and costs involved and improve tenant satisfaction. Colleagues from Red Kite and those working for our partners are visiting our homes and estates every day, for example to carry out repairs, perform safety checks such as gas or electrical tests, perform tenancy checks, carry out estate inspections etc. These people are our eyes and ears and could easily carry out proactive checks to ensure that our homes meet a minimum standard. For example, people could carry out checks when they visit a property to identify a range of issues, for example DMC cases, blocked gutters, loose paving etc.

Proactive management and the identification of problems at the earliest possible opportunity is expected to reduce disrepair claims and resulting costs and should also ultimately reduce the number of ombudsman cases. Evidence can help avoid future action, and future savings should be captured.

Reviewing the end-to-end process for Voids is expected to enable us to reduce relet times, thus reducing void loss and enabling us to charge rent much sooner when the new tenant/ tenants move in.

It is proposed to introduce a robust pre-termination process to enable recharging of significant repair costs before the existing tenant moves out.

The expenditure currently assumed within the business plan for major repairs is: -

	YE 2026	YE 2027	YE 2028	YE 2029	YE 2030
	£'000	£'000	£'000	£'000	£'000
Capitalised Major Repairs	6,130	6,286	6,351	6,187	6,111
Non-Capitalised Major Repairs	7,359	6,807	7,129	7,095	6,393
Total Major Repairs Expenditure	13,489	13,093	13,480	13,282	12,504

Taking all of the above proposals into account, we believe it is realistic to set a conservative target to deliver efficiency savings of 2.5% of the spend included in the current business plan within two years (27/28), and 5% within four years (29/30). The level of annual investment fluctuates in the business plan, depending on component replacement cycles, and the planned investment programme. We intend to model these savings and to confirm deliverability in the updated business plan which will be presented to the Board for approval in March 2026. We will be very clear on the levels of savings we have assumed will be delivered when the plan is presented.

Development

Again, investment in new affordable homes is one of Red Kite's largest areas of expenditure, and new homes are expected to deliver value for money over their lifecycle. The current forecast is to deliver 793 new homes which have been assumed in the business plan which was approved by the Board in June. This represents the 500 new homes which were committed to in the Corporate Strategy (2025-30) plus the completion of new homes which had previously been committed to in earlier years. The current business plan assumes that development will simply cease at the end of the current Corporate Strategy, but this will be considered when the updated business plan is prepared for approval in March 2026. We will be assessing the capacity to continue development beyond 2030 and believe there is significant capacity to continue to develop more affordable new homes.

The forecast expenditure for the 793 homes is now estimated to be just under £230m, a reduction of £3.4m compared with the business plan. Grant funding from Homes England is also forecast to have fallen by a similar amount. The reduction in expenditure is largely driven by the removal of the previously planned scheme at Brooke Fields which would have delivered 65 new homes, and the projected costs for the proposed replacement scheme at Phase 2 of Harvest Hill which if successful will deliver 68 affordable homes.

The Development Strategy which was considered by the Development Committee in September, and which is presented to the Board for approval, proposed a broadening of our existing geographic focus to encompass Buckinghamshire and adjoining authorities. Our current relatively localised focus is a risk to delivering the 500 new homes committed to in the Corporate Strategy, as the existing operational area is highly competitive for s106 bidding purposes, with several large and active housing associations working to acquire new homes at the same time.

Broadening our geographic focus will ensure that good value opportunities aren't missed and we would increase our likelihood of delivering the 500-home target whilst prioritising our core area and maximising value for money.

Whilst it is difficult to estimate what if any savings might be achievable on our development programme, we will continue to ensure that all future development opportunities provide the best value for money possible, whilst remaining compliant with the new Development Strategy, our Corporate Strategy and our Quality Standards.

Other Areas

Customer Services

We will continue to ensure that we deliver the best value customer services to our tenants by continually striving for improvement.

Digital Transformation will deliver new improved systems over the next three to four years which will reduce the need for manual processes and work arounds, and with the introduction of the use of AI and access for tenants to more online services we expect to be able to deliver more for less. Currently no efficiency savings arising from Digital Transformation have been assumed in the business plan. It is currently assumed that any individual posts released through Digital Transformation would be likely to be re-deployed into tenancy sustainment and front-line services.

We are looking at options for our garage letting service to improve occupancy and rent levels. We are also hoping that increased usage could reduce the levels of anti-social behaviour (ASB) which are often prevalent at our garage sites. We will run a pilot to ensure that expected benefits are achieved. We will also consider any further opportunities for redeveloping these sites.

We will also consider the long-term benefit of our commercial portfolio and consider options to either maximise rental income or to dispose of the individual units.

We will consider waste activity through the contact centre – e.g. people chasing up repairs etc. If we can eliminate waste then it potentially reduces complaints, disrepair claims, and frees people up to chase payments etc. It should also lead to improved tenant satisfaction and financial benefit in the longer term.

Procurement

As well as looking at expenditure related to our own services, and those which are provided through partners we will review our expenditure which is recoverable through service charges and will ensure that we are following the correct processes including s20 consultation with our tenants to maximise cost recovery. We will also continue to support our tenants with our financial inclusion work, to ensure that tenants are maximising their income through benefits etc.

Enhancements are proposed for the Procurement team to support the business. As well as ensuring that Red Kite complies with the new Procurement Act, the intention is that the

Procurement team support the business to ensure the effective planning and execution of successful procurement exercises. The team have also developed a procurement pipeline so that there is greater visibility of when existing contractual arrangements are going to be coming to the end of their life, and when we need to be approaching the market. The team will also ensure that we capture social value and sustainability to ensure that we deliver VFM.

We will look to review existing contracts to determine whether we should re-procure services to maximise value for money, looking to consolidate our purchasing power where possible, and will always challenge what alternative delivery methods there might be. Through our networks we will look out for anomalies for what we are paying for services compared with our peers.

We are looking at the resourcing within the Procurement team but are confident that any additional resources would more than pay for themselves. Evidence from other organisations suggests that there could be substantial savings achieved from effective procurement and contract management, which would lead to reduced capital and revenue expenditure and improved services to our tenants.

Corporate Projects

We have recently enhanced our approach to managing strategic projects. These improvements are to ensure that the Business Improvement team are focused only on key strategic projects which directly support the delivery of the Corporate Strategy, for example Digital Transformation. We have implemented a standard approach to ensure that project documentation is consistent across all projects, and that deliverables and performance against budget are closely monitored, and risks and issues are escalated as appropriate. Strategic oversight of the programme of key projects is achieved through the creation of a Programme Board, which includes all members of ELT. The Programme Board will meet once a month and will consider progress and any significant risks and issues, including resource challenges which have arisen. A dashboard approach will be taken to reporting, which will also be shared regularly with the Board.

The revised approach is designed to ensure that key projects are delivered on time and to budget, and that the outcomes predicted are achieved.

Other Considerations

We will always consider whether any savings can be achieved in corporate services such as Finance, HR, Digital, Communications etc. Digital Transformation and Innovation/ AI are expected to enable the achievement of efficiency savings.

Our retention package and the 4.5 day working week have reduced the level of voluntary leavers and staff turnover, which has reduced our recruitment costs, training costs for new starters and inefficiency due to new starters getting up to speed with our processes and procedures. Analysis is being produced to inform the Board of the outcomes, and any impact on tenant satisfaction, and this will be used to determine whether the existing pilot scheme is to be confirmed as a permanent change for staff.

The business case was presented previously to the Board, and we have now completed the move to our new office Hampden Court, which we acquired the freehold for and which we have

refurbished to provide a modern working environment. Although there will be additional finance costs relating to the funds we borrowed to acquire the freehold and to complete the fit out, there will be savings on Rent, Facilities Management costs, energy, service charges etc. and we will also be generating income and a contribution to service charges by sub-letting a portion of one floor of the new office.

We will consider whether we could provide some services in house, e.g. community grounds maintenance contract and whether there are options to work with other housing associations, for example sharing of repairs service.

Colleague and Tenant Engagement

We will work with the Senior Leadership Team to introduce a new approach to VFM which ensures that colleagues are engaged in coming up with creative ideas to improve VFM. A previous attempt to track any such savings was available through the Intranet, but this has been neglected over recent years. The page will be refreshed and relaunched and we want all colleagues to be engaged in identifying value for money improvements which we will report on in the future.

We want Heads of Service to have VFM in their agendas for team meetings and to update register of savings each month following team meetings. We will consider the success of this approach, and if we feel we need to get greater engagement we will consider a financial incentive model to encourage ideas.

We will engage with tenants through RRT meetings to share our proposals and to hear their ideas for improving value for money, and to understand what they would like to see in terms of future engagement and reporting to tenants. We will also link the tenant voice through complaints and our engagement structure, and our other contact points.

We will also embed learning from feedback and Ombudsman cases. We will also capture the cost of complaints – Stages 1, 2 and Ombudsman cases. We are spending too much money on this and recognise that we need to get ahead of the game to reduce cost and improve tenant satisfaction.

Efficiency savings which had been assumed in previous versions of the business plan, and which had then been built into budgets, had failed to be achieved. Learning from previous mistakes, we didn't build savings into the business plan which was approved by the Board in June. We will work with the Senior Leadership Team to develop a robust plan to deliver efficiency savings, and the proposals will be presented to the Board along with an action plan later this year. Agreed targets will then be incorporated in the next iteration of the business plan and the budget which will both be presented for approval in March 2026.

Footnote: The action plan referred to above was presented to the Board in December 2025 and was approved. It is incorporated at the end of this document.

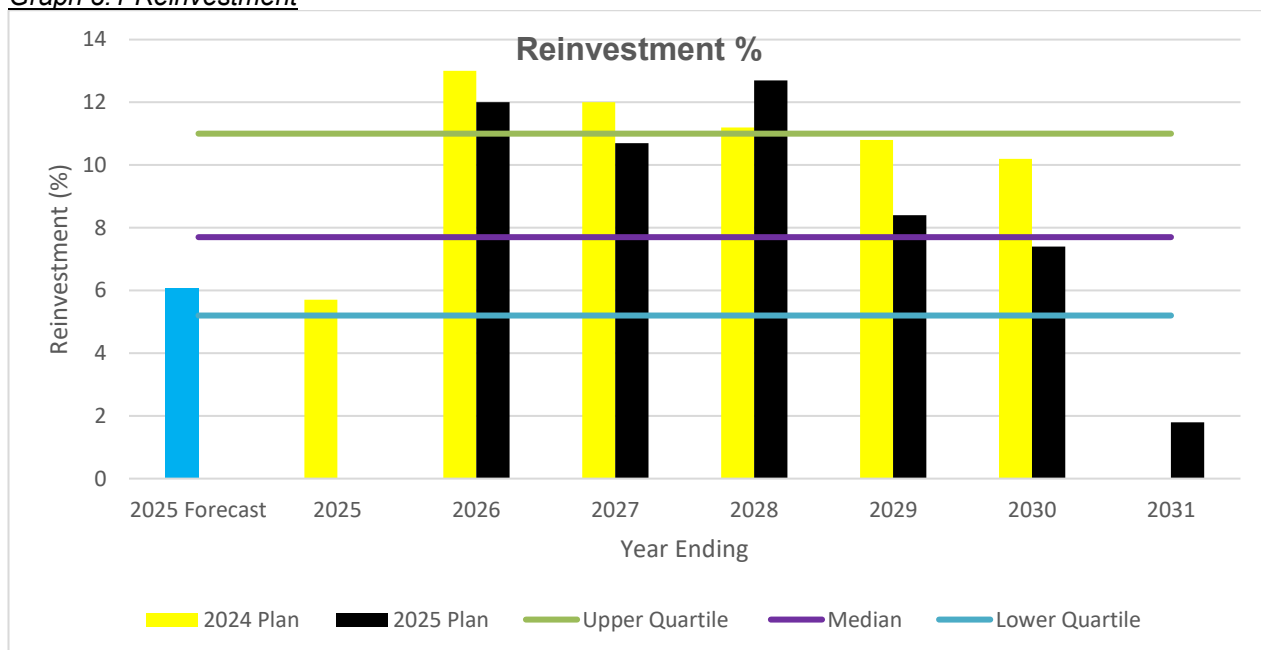
Appendix 1 - Value for Money Metrics

The Value for Money Regulatory Standard seeks to ensure that optimal benefit is derived from the resources and assets, and to optimise economy, efficiency, and effectiveness in the delivery of strategic objectives. To support this approach the Standard contains nine financial metrics that enable comparison between Registered Providers. Commentary supports the graphs on the following four pages. In addition, we have also developed our own set of VFM metrics and will also report on our performance against those.

For several metrics the performance is enhanced by applying negative goodwill as an accounting treatment. This reduces the reported expenditure (on a non-cashflow basis). Where applicable, a comparison has been made by also reporting the outturn excluding the benefits of the negative goodwill.

Reinvestment: this reflects the capitalised investment in existing and new homes during the year. It is expressed as a % of the net book value (NBV) of the homes at the end of the year.

Graph 8.1 Reinvestment



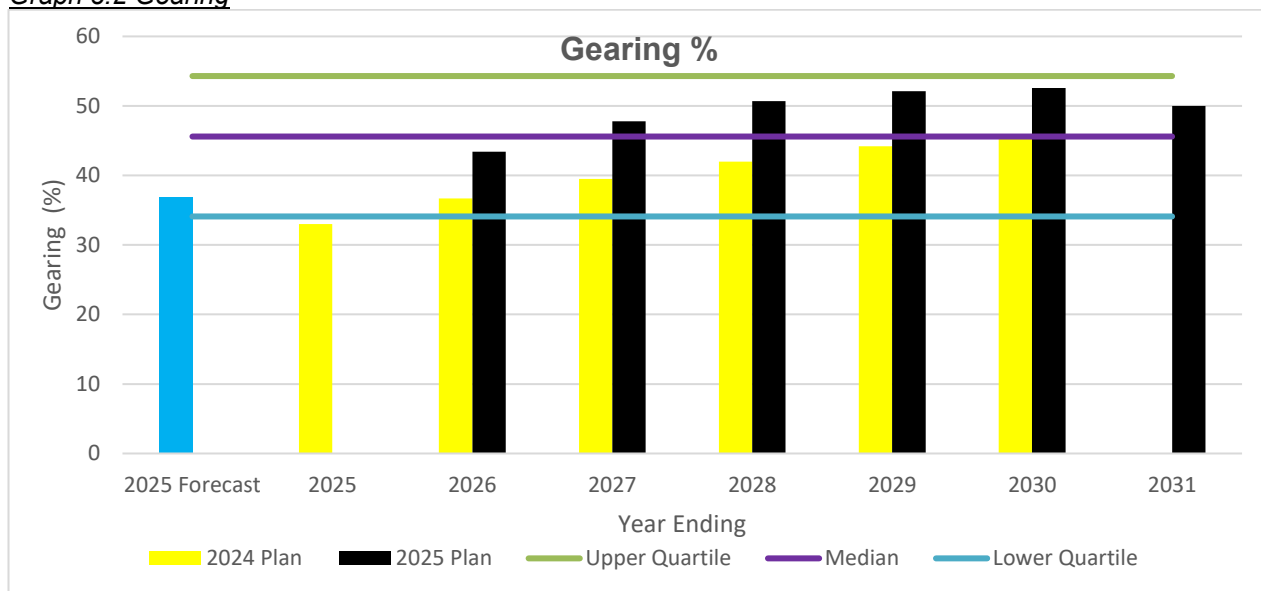
For the year ending 31 March 2025 the outturn is 6.15%, which compares to a Plan forecast of 5.7%.

The future expenditure is influenced by the level of planned investment in new homes, and post March 2030 it reduces as it reflects only investment in existing homes.

The comparison to the RSH median and upper quartile performance is very positive, demonstrating that Red Kite is making a good level of investment in new and existing homes compared with others in the sector.

Gearing: This represents the level of borrowing (net debt) expressed as a percentage of the value (NBV) of our homes

Graph 8.2 Gearing



Please note: The formula for this calculation differs to our loan covenant.

The level of borrowing at 31 March 2025 was higher than budgeted for several reasons, including the office purchase for £3.3M. This resulted in a higher gearing position at the end of 25/25. Gearing is increased in the current and future years by the further investment in the fit out of the new office, the acquisition of the 319 homes from Riverside and the development of 500 new homes over the next five years.

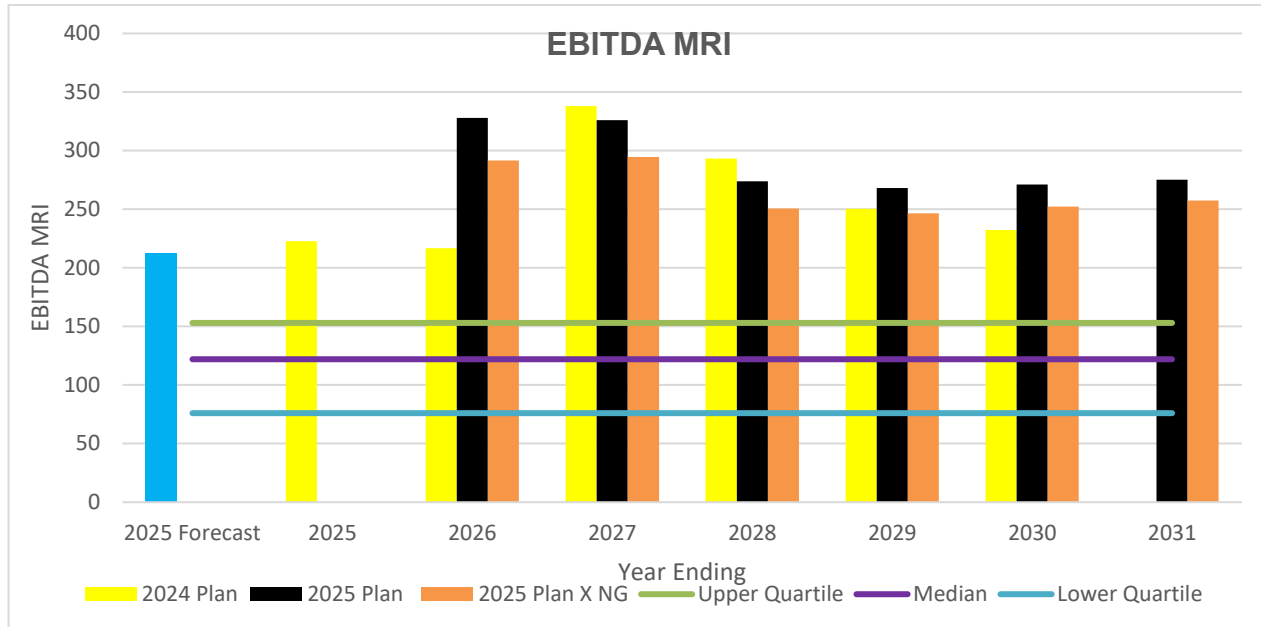
The stock acquisition has changed how we compare to the wider Sector. We have gone from the lower Quartile, and the forecast peak is now closer to the upper Quartile. It is expected that when we compare the actuals of 2028 and 2029 the wider Sector will have higher gearing levels that will reflect the increased forecast investment in existing and new homes in the coming years.

As reported to the Board in the paper for the meeting on 4 March our projected gearing is well within our Golden Rules, but the increased level of gearing demonstrates that we are utilising our Balance Sheet to grow the organisation.

EBITDA MRI Interest Cover: This stands for Earnings before interest, taxation, depreciation and amortisation (Major Repairs Included) and is a measure of the organisation’s financial

performance, and its ability to manage its debt. It compares the operating surplus (adjusted to reflect the level of capitalised major repairs to our homes) against the interest payments.

Graph 8.3 EBITDA MRI Interest Cover



Please note: The formula for this calculation differs to our loan covenant.

The approved Business Plan had an outturn of 223 for the year ending 31 March 2025. During the year the Board agreed to invest a further £1M in fire doors. The forecast outturn of 212 reflects the additional investment and also the higher borrowing that was also at a higher average cost of borrowing than the budget. If you exclude the negative goodwill adjustment the outturn would be 155.

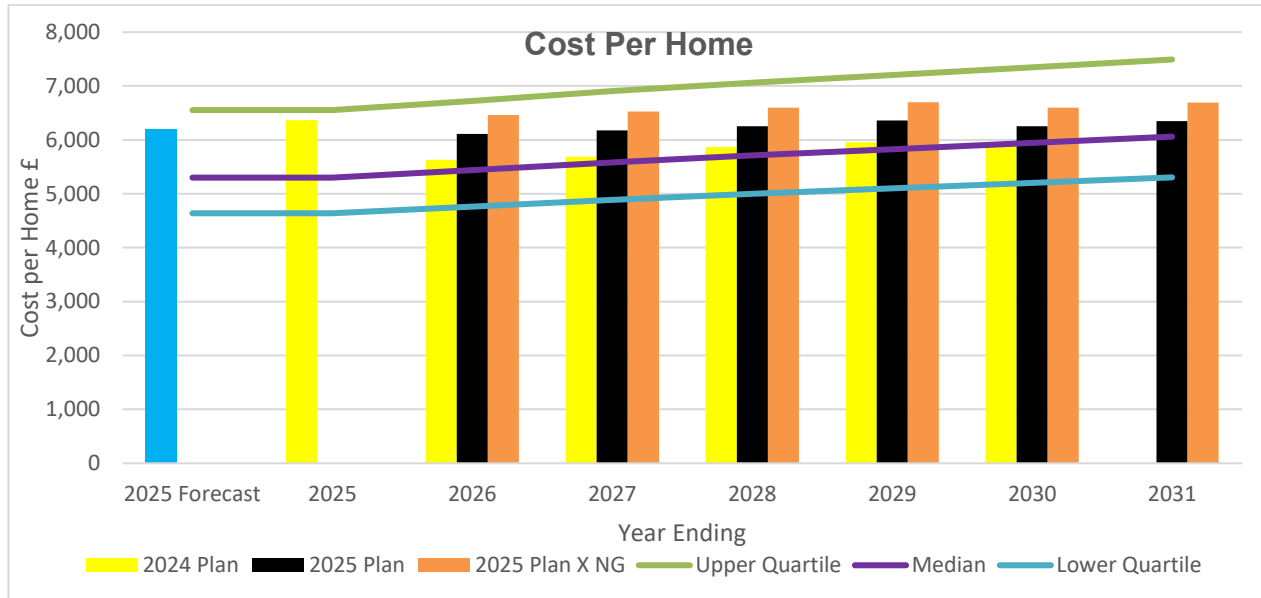
The comparison between the 2024 and 2025 Plans is influenced by a number of different factors that include:

- A positive change in the rent settlement (CPI +1%).
- Changes in the investment profile in existing homes.
- Additional staff costs, and also increased expenditure associated with the new corporate journey, as outlined in the budget paper.
- The depreciation cost increasing due to the purchase of the new office and the stock acquisition from Riverside.
- Increased interest expenditure due to the stock acquisition and the purchase of the new office.

The graph 8.3 above also includes the future forecast that excludes negative goodwill.

Cost per home: This metric is calculated by dividing total expenditure in managing and investing in our existing homes by the number of homes.

Graph 8.4 Cost Per Home



The current forecast for the year ending 31 March 2025 is lower than the 2024 Plan. If you exclude the negative goodwill the average cost increases from £6,199 to £6,578.

When comparing to RSH metrics, the 2024 quartiles and median scores have been inflated for the appraisal period, this is to enable the Board to better understand any comparison. The Business Plan includes inflation.

The 2024 Plan cost per home mirrored the median scores with the 2025 Plan cost per home increasing slightly above this threshold, but it is under the upper quartile value. This metric is impacted by all property expenditure for existing homes, be it capitalised cost or revenue expenditure.

The average cost per homes in 2025 (year ending 31 March 2025) is very close to the Upper Quartile, and in future years the 2025 Plan is slightly higher than the 2024 Plan.

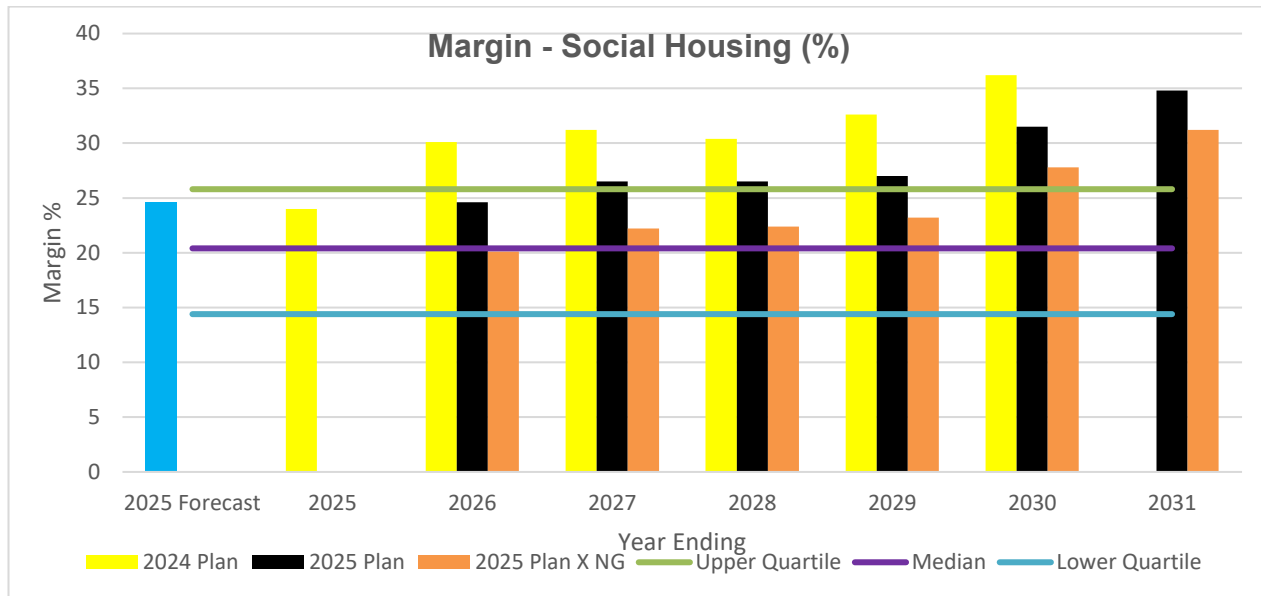
The latest cost per home data for the wider sector performance is at March 2024, and the expenditure in the Business Plan is inflated each year. To enable a more like for like comparison the published RSH cost per home has been inflated by the agreed Board CPI assumptions in the draft March 2025 Business Plan.

The financial performance is improved by the annual amortisation charge associated with the negative goodwill.

The Group is forecast to be slightly above the median cost per home in the forthcoming financial year and in future years. Please see the section on future efficiency savings under the section on developing the VFM Strategy.

Operating margin- Social Housing: This metric expresses the operating surplus on the core social housing landlord activities of the organisation as a percentage of the turnover (income) from those activities.

Graph 8.5 Operating Margin- Social Housing



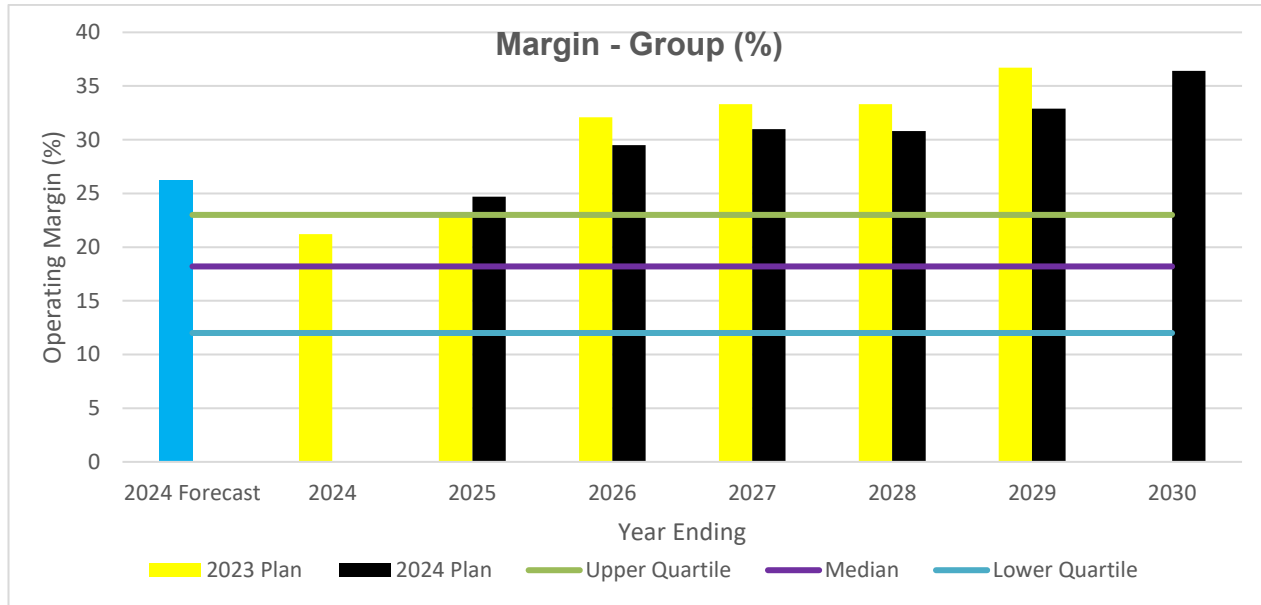
The outturn for the year ending 31 March 2025 is slightly above the 2024 Business Plan margin by 0.6%. The margin for the 2025 Plan is slightly lower than the 2024 one but is favourable to the VFM quartiles. The performance that excludes the benefits of the negative goodwill is also favourable when compared to the Sector.

The draft outturn for the March 2025 is 24.6%, and if you exclude the benefits of negative goodwill, it is 19.7%.

The graph 8.5 also includes the future forecasts that excludes negative goodwill.

Operating margin- Group: This metric expresses the operating surplus as a percentage of turnover (income) for the group.

Graph 8.6 Operating Margin- Group



The draft outturn for the year ending 31 March 2025 is 21.7%, which compares to the Plan assumption of 24.7%. This will be confirmed for the financial statements once the external audit has been completed.

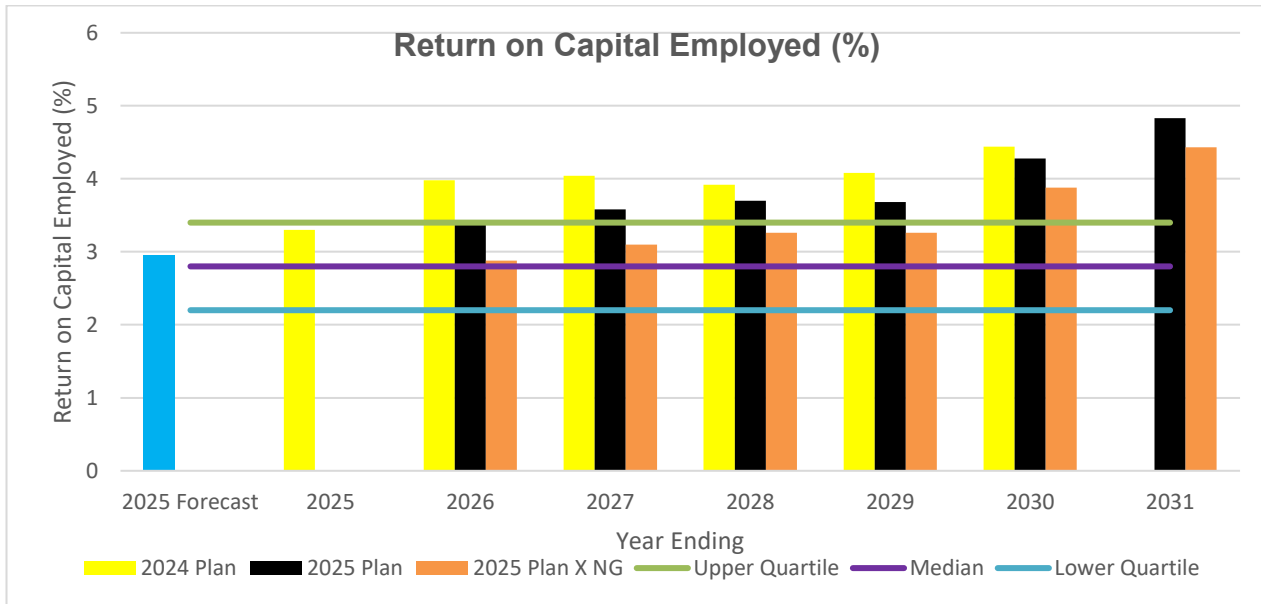
The draft outturn that excludes the benefits of the negative goodwill is 17.1%.

The graph 8.6 also includes the future forecasts that exclude negative goodwill, and this and the outturn that includes the negative goodwill are both favourable to the Sector averages.

Return on Capital Employed (ROCE) - This metric measures the Group’s operating surplus as a percentage of its total assets less current liabilities.

The definition as per the VFM Standard does not reflect the true position as it includes a long-term debtor that relates to the Development Agreement in the Transfer Agreement. This reduced performance does not enable a true comparison, and to enable one a second graph has been included which excludes the long-term debtor. This mirrors the approach for the March 2024 Financial Statements.

Graph 8.7 Return on Capital Employed (ROCE)

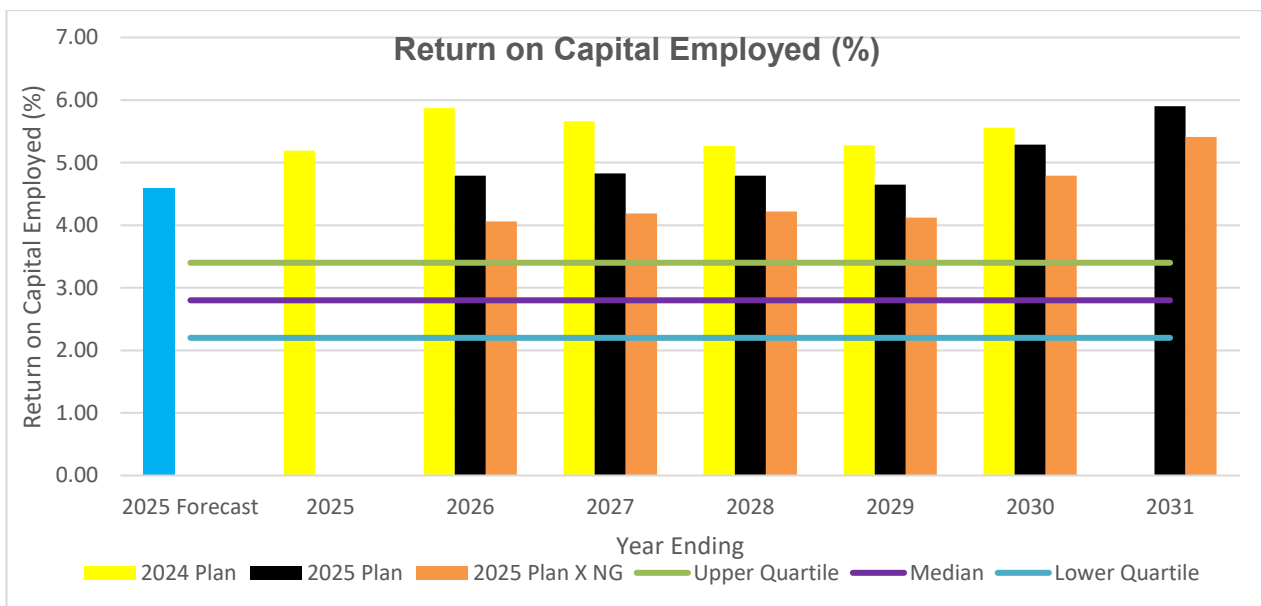


Graph 8.7 reflects the VFM Standard and using the draft Group surplus for the year ending 31 March 2025. The ROCE is lower due to lower operating margin. The draft outturn is 2.95%, which compares to the Plan forecast of 3.3%. If you exclude the negative goodwill the outturn for 2024/25 is 2.31% because the operating surplus is lower.

Graph 8.8 excludes the Long Term Debtor for the Development Agreements, and the draft outturn is 4.6%, which compares to 3.6% if you exclude the negative goodwill.

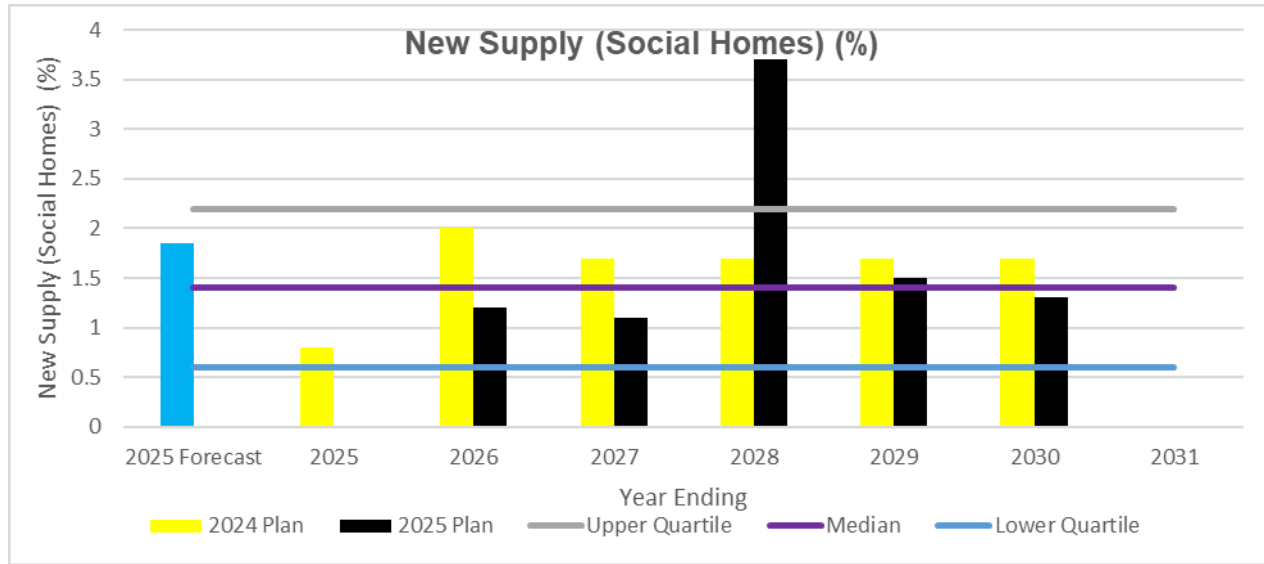
Both methodologies are favourable when compared to the wider Sector going forward.

Graph 8.8 Return on Capital Employed (ROCE) excluding the Long Term Debtor

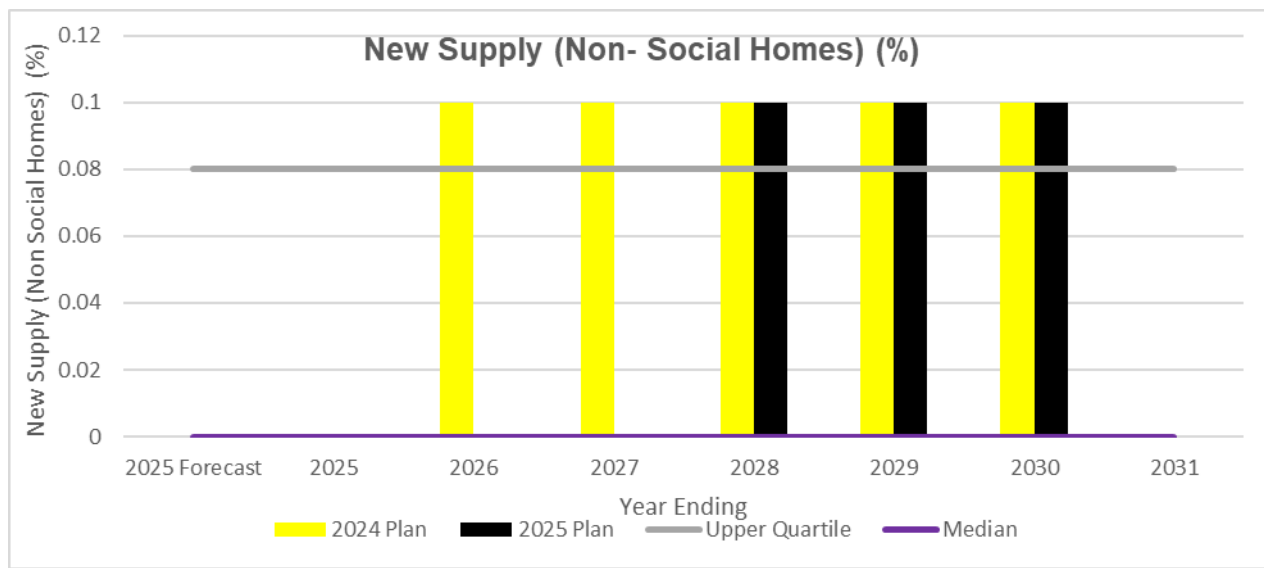


Supply of new homes: This metric expresses the number of new homes as a percentage of the existing homes

Graph 8.9 New Supply (Social Homes)



Graphs 8.10 New Supply (Non Social Homes)



During the year 40 new homes were delivered for the local community. There were delays with two schemes that total 28 homes.

Graphs 8.9 and 8.10 reflect the performance compared with the wider Sector.

The next five years reflects the Board’s aspirations of delivering 500 new homes. There is a projected peak in the supply of Social Homes in 2027/28 which is due to the number of expected completions, but almost half of these homes are currently non committed so there may be some movement between years.

Document Controls			
Version	12	Effective date	December 2025
Subject matter expert drafter	Director of Resources	Process owner	Director of Resources
Related pod	Finance	Related Policy	Corporate Strategy
Review period	5 years	Next review due by	December 2030
			YES
Red Kite Group policy, including Twenty11			<input checked="" type="checkbox"/>
Equality Impact Assessment completed			<input type="checkbox"/>
Delegated approvals			
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Approved by Board	Yes	Approved Date	3 rd December 2025