Red Kite Community Housing

A summary of our Value for Money report

First of all, what are we talking about when we say value for money (VfM)?
In its simplest form, value for money is about doing the right things, in the right way, using the right investment…

With most of our income generated through customer rent money, as a business, one of our priorities is to do the best with our money so that we can be confident we're providing services that customers are happy with and see value in spending on.

As a minimum, all of our staff have built a value for money (VfM) approach into their everyday work, whether that's learning from best practice, identifying inefficiencies and waste and being conscious about VfM in all their decisions – ultimately, they are constantly asking themselves whether we are efficient, are we spending customer money wisely and are we making it go as far as we can.

Why do we publish this report?
We publish this information because we want to be open and honest with our customers. Our regulator (the Regulator of Social Housing) updated the VfM Standard in 2018, which tells us what they expect from registered housing providers like Red Kite. They want to see us measure ourselves against seven metrics that give an indication of the financial health of the business, so they can see how we are performing and can compare us against other landlords. They also expect us to select a handful of other metrics which are more tailored to the business and how we're performing against our objectives. In our case, we have been keen to demonstrate the tenant-led and people aspects of Red Kite, which are included in this summary. This document should be read alongside the full statement, but for those who prefer a summary, this document is for you!

What are the main highlights?
In the next five pages, we will briefly recap on the information that we think is most useful to customers, which we have chosen together with members from our Customer and Community Insight Group. We're pleased to say that overall, as a result of our approach to VfM, we have made savings of £1,197,000, including £192,000 of recurring savings which have been made during the year to March 31st 2018.

This is in addition to the approximate £1,000,000 savings each year made as a result of a great refinance deal on our borrowed monies. These savings will be re-invested in the business and support both the new companies that we have set up (Twenty11, Pennvale, Edenmead – more on those later) and help us to better deliver on our purpose and the plans we have to build new homes.

So what are the metrics?
The seven metrics that we have to report on are:

1. Reinvestment percentage - how much we reinvest in our homes as a percentage of their overall value
2. New supply delivered - how many new homes we plan to provide, both social and non-social
3. Gearing percentage – this shows us the extent to which our investment depends on debt
4. EBITDA – this stands for earnings before interest, tax, depreciation and amortization which is essentially a measure of our operating performance
5. Headline social housing cost per unit – how much we spend per home, on average
6. Operating margin – this is about how much of each pound is left over after the cost of providing services and operating expenses are removed
7. Return on capital employed - this is about how effectively we use our capital

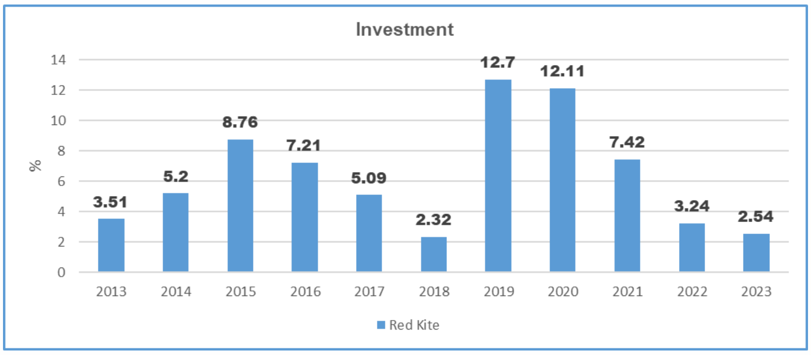
All of these metrics can be read in our full statement (available as part of our Annual General Meeting papers here) but this summary will focus on a handful of areas to give you a flavour for how much it costs to provide homes, how much we invest in them and how many we provide.

We'll also tell you a bit more about some of the bespoke metrics that we've developed with our Board, which focus more on our people and new homes:

- Membership
- Customer involvement
- Cost of homes
- Customer satisfaction
- Development plan

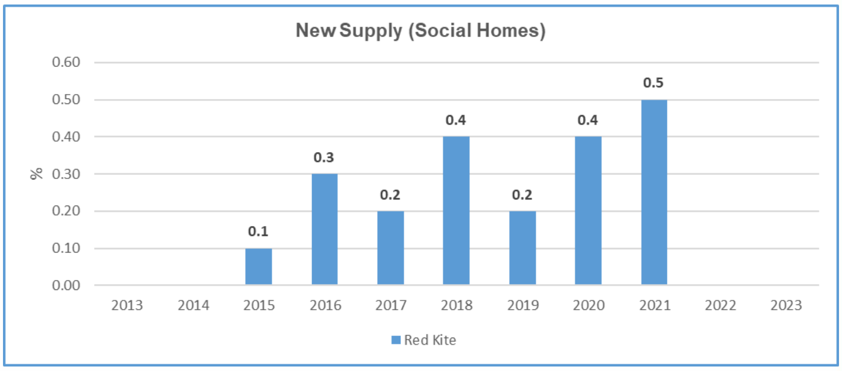
Reinvestment percentage

This is all about how much we reinvest into our homes, taking into account both money that we spend on maintaining and improving existing homes, but also what we invest in our new homes.



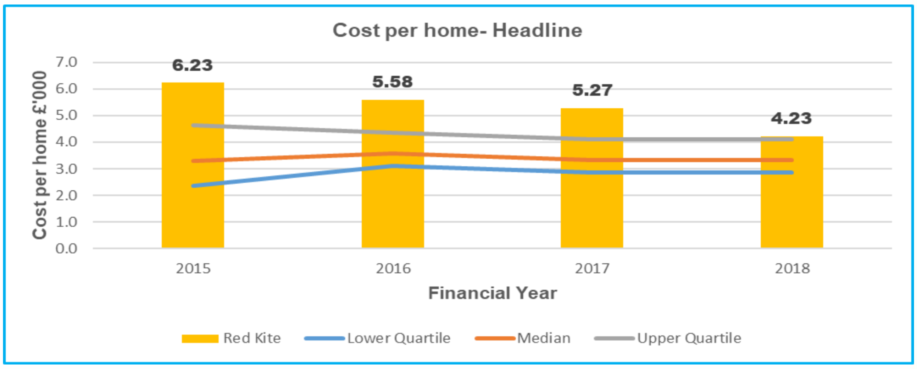
The picture overall shows us that we have a range of spend across our investment plans, which within our first five years was down to the transfer promises we made and then looking forward, reflects our ambitions to provide new homes and ongoing work to improve our existing homes.

New supply delivered



Compared to the new supply of non-social homes, our supply of social homes is much smaller (which comes mainly from bed sit conversions). As a young business that has only been developing for less than 2 years (with no new homes yet built), we expect to be able to increase this number over the coming years. From a value for money point of view, our exciting development programme has been designed to provide a range of tenures, so that we generate income from non-social homes that will allow us to build social and affordable housing for people.

Headline social housing cost per unit



Historically, we have had high costs per home, mainly down to the high level of investment in improving our homes during the early years as we completed the promises we made to our customers when we took over the homes from Wycombe District Council.

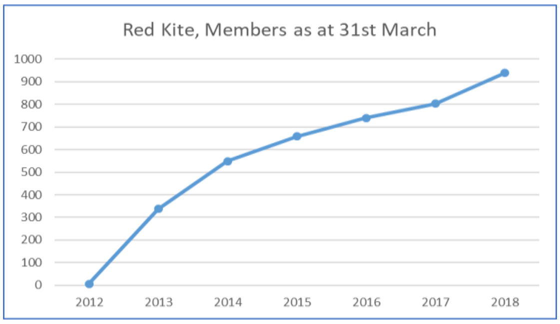
This year, the cost per home has decreased significantly and compares much more equally with other local registered providers. With this metric, our priority is to make sure we're spending the right money in the right places to give us the confidence that our homes are safe, comfortable and in a great condition, so we'll always manage these numbers and keep an eye on the level of spend.

Red Kite
Community Housing

Our own, bespoke metrics

Looking now at our own metrics, chosen by Board, you can see that they are more focussed on our Corporate Objectives, which include inspiring people, knowing our customers, providing great homes, increasing our investment and building thriving communities. As this is the first year of reporting against these metrics we have provided the most recent information for customers to review.

Membership



As a tenant led organisation, we have an open membership and encourage tenant participation in decision making. Membership is formally measured when we have Board meetings, which is why this graphs shows the count at each year. What's great to see is our membership has steadily grown each year since Red Kite was set up in 2012, meaning that more and more people can help us to make important decisions during our Annual General Meeting, changes to how we are run, and more recently, vote on spend that looks to support community initiatives.

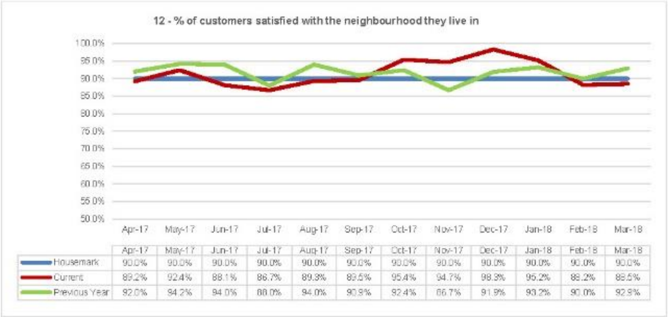
Customer involvement

A really important aspect of our business is how we involve our customers, so this measure is all about the ability for people to influence, participate and engage. From this involvement, we can be sure that our customers are having an impact on our services, but from a value for money point of view, our budgets too.

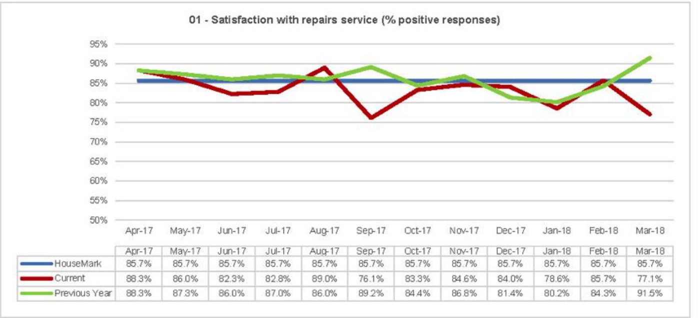
This year, we have seen fewer people get truly involved in our organisation, so we're already working with members of our Customer and Community Insight Group to address this and understand the barriers. Ultimately, we want more people involved in decision making and influencing our business. This way, we can work with them to continue monitoring how we spend money and get the most value from it.

Customer satisfaction

Customer satisfaction is one of the most important areas for us, as a tenant-led business, because we want the people who live in our homes and communities to recognise the money we spend and know that it improves our neighbourhoods.



	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Housemark	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Current	89.2%	92.4%	88.1%	86.7%	89.3%	89.5%	95.4%	94.7%	98.3%	95.2%	88.2%	88.5%
Previous Year	92.0%	94.2%	94.0%	88.0%	94.0%	90.9%	92.4%	86.7%	91.9%	93.2%	90.0%	92.9%

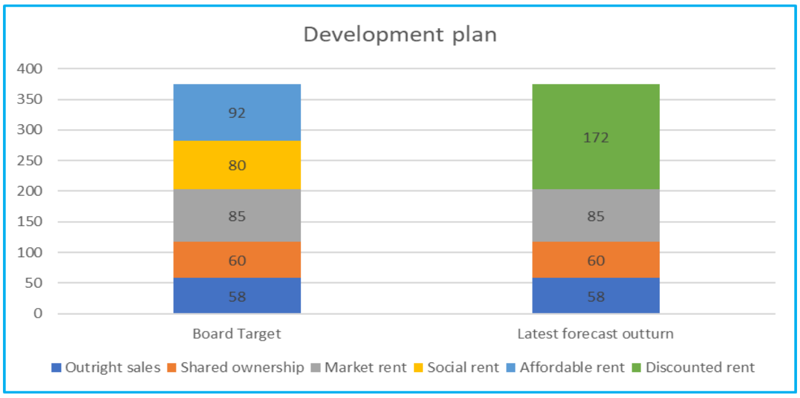


	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
HouseMark	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%	85.7%
Current	88.3%	86.0%	82.3%	82.8%	89.0%	76.1%	83.3%	84.6%	84.0%	78.6%	85.7%	77.1%
Previous Year	88.3%	87.3%	86.0%	87.0%	86.0%	89.2%	84.4%	86.8%	81.4%	80.2%	84.3%	91.5%

We measure satisfaction for a number of things, but namely when it comes to the neighbourhoods that people live in and the repairs service we provide. The graphs above show how successful we have been in dealing with issues such as antisocial behaviour and timely repairs, so that we keep an eye on whether the contractors and our estates services are delivering in line with our expectations and to the standards (and budgets) we expect.

Our development plan

New for Red Kite since the end of 2016, is our exciting development programme which will see a minimum of 375 home and potentially up to 500 new homes provided, with a mix of tenures so that we offer a range of products for people at all stages of the housing market.



By providing this mix, we can cross-subsidise homes and build social, affordable and discounted homes that are expensive to build, through the sale of outright sale homes and market rent homes. Once delivered, it means that we can use the money generated to continue developing – great value for money in action!

A summary of our summary

Across the metrics highlighted in this report, but also the full version on our website, we have demonstrated that we are a financially strong business with a robust Business Plan that demonstrates we can deliver our objectives within our current investment capabilities.

We are committed to spending and investing wisely to create savings that will increase our resources and generally, our approach to achieving VfM reinforces our key values of Partnership, Respect, Pride and Creativity.

We recognise that in some areas we need to improve even more and we will continue to work with staff, customer and volunteers to keep a focus on this important area of work.