

Vectis Housing Association Limited

Financial Year Ending 31 March 2019

Value for Money Statement 2019

VHA is an ambitious community-based housing association which seeks to deliver high quality services and provide new homes for households on the Isle of Wight. To achieve this, significant levels of investment are needed which must be funded through rental income coupled with capital grants. Maintaining Value for Money (VfM) and achieving high rates of Return on Investment (ROI) is therefore central to delivering our mission, values and Business Strategy.

Having successfully balanced a programme of growth and organisational investment for the four years of rent reduction to 2020 we can demonstrate a track record of delivering VfM. During this period, we have increased stock numbers and maintained and improved quality and satisfaction while seeing a reduction in rental income.

We have achieved this in challenging circumstances. Not only have we had to reduce rents, but also contend with labour and material costs increasing, a relatively limited market for driving competition on the Island and an increased level of housing and financial need among Island households. It has also been increasingly difficult to attract external funding for our community activities due to the intense competition nationally for these funds.

We recognise that VfM is not just about saving money. While we consistently aim to get the most out of what we spend, we also look for qualitative improvements, for example increasing/improving services with no increase in cost. This is often as much about how we approach service delivery as much as what we spend. We have a passionate and committed workforce who look consistently to deliver the best outcomes within the resources they have. This is evidenced in the rise in tenant satisfaction with overall services from 92% in 2015 to 98% in 2017.

Achieving value for money is therefore about getting the right balance between cost (economy) together with how efficient and effective we are as an organisation. We are clear that in delivering a wider community service and investing in new homes, that our approach to efficiency must also be geared towards achieving our medium- and longer-term vision of investment and growth.

The Regulatory Framework for housing associations includes a Value for Money standard that requires VHA as a registered landlord to; manage resources **economically, efficiently and effectively** in our provision of housing and services, for Boards to maintain a robust assessment of VfM performance and to articulate how they will deliver VfM. We believe that we fully comply with this requirement.

This is crystallised in the new VfM indicators required by the Regulator for Social Housing (see below)

Regulator for Social Housing Indicator	2018	2017	SPBM Median 2018
RSH101 Operating margin (overall)	16.36	17.15	22.4
RSH102 Operating margin (social housing lettings)	15.48	16.71	26.4

RSH103 EBITDA MRI (as % interest)	285.47	252.72	306
RSH203 Gearing (RSH and Scorecard measure)	20.03	23.94	21.47
RSH204 New supply delivered (social housing units) [as % of existing stock]	.3	.2	0
RSH205 New supply delivered (Non-social housing units)	0	0	0
RSH304 Reinvestment %	6.37	n/a	4.34
RSH401 Return on Capital Employed (ROCE) %	2.13	2.11	3.5
RSH 501 Headline housing cost per unit	£5402.11	£5347.72	£4,317

While operating margin and headline costs appear out of line with our SPBM benchmarking peers, this is largely a result of three key strategic factors:

1. Our investment in the process of developing new homes – this relates to the staff and building costs of new developments, which have not yet come into management.
2. Our investment in supporting and developing communities – this is central to our values and business model
3. Higher than average void, repair and arrears costs partly resulting from a strategic partnership with the IoW Council to provide temporary accommodation for homeless people.

We have an ethos of delivering value to tenants and consistently reduce costs where possible. We continue to drive savings in our unit costs for maintenance while retaining quality and performance. We continue to post repairs and maintenance costs in line with, or lower than our peers and have a positive balance between responsive and planned maintenance.

We have worked to create a value for money culture within VHA. In addition to a focus on saving costs, this has involved making decisions to invest in structural and operational improvements to sustain our planned growth moving forward. While we continue to examine everything we do with a view to improving efficiency, we ultimately view our costs in running the Association within the strategic context of the Business Plan. As a result, some of the benefits flowing from our investment may not be initially obvious but will bear fruit in future years.

We have produced a VfM Statement and Policy that can be viewed and downloaded from our website. A summary of this statement will also be sent to all residents in an edition of our Tenants' Newsletter.

August 2019

