

Vectis Housing Association Limited

Financial Year Ending 31 March 2018

Value for Money Statement 2018

Value for Money (VfM) is central to delivering our mission, values and Business Strategy. As a small housing association with limited resources we are extremely conscious of the need to manage our activities in the most effective manner. We are ambitious to provide our residents with the best quality services and to achieve this we must ensure that we optimise the productivity from our finances, staff and contractors.

Driving maximum value has become increasingly important with the Government's requirement that housing associations reduce their rent charges by 1% for the four years to 2020. We are now in the third of those years and have seen income drop considerably as a result. We remain committed to reducing costs or generating additional income rather than cutting staff or services where possible.

However, we serve a community with an unexpectedly high level of deprivation, linked to a combination of low incomes, low educational attainment and poor health. We are committed to providing services that make a positive contribution to local lives within the challenging constraints of an Island economy.

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. Achieving value for money is therefore about getting the right balance between the cost of delivering our services (economy) together with how efficient and effective we are as an organisation. We are clear that as an association committed to delivering a wider community service and investing in new homes, that our efficiency approach 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 registered landlords 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.

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 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 2018