

CITIZEN HOUSING GROUP LIMITED AND ITS SUBSIDIARIES
VfM EXTRACT FROM THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

CITIZEN HOUSING GROUP LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT

Value for Money (VfM)

Our approach to Value for Money

Our approach helps to demonstrate how we maximise the potential of our income and assets whilst maintaining awareness of the financial risks and uncertainties facing our Group. Our approach to optimising VfM means we can maintain our credit rating and increase opportunities to attract funding for new homes and services. To us, VfM is about being effective in how we plan, manage and operate our business within an everchanging operational and financial environment to ensure we make the best use of our resources to provide quality homes.

At Citizen we are committed to demonstrating the three principles of VfM; Economy, Efficiency and Effectiveness. VfM is not an exercise in cost cutting or limiting resources; we believe that VfM is achieved by balancing these key principles when delivering our business objectives.

- **Economy** – we will ensure that the price we pay for services and contracts deliver the best outputs; we therefore procure our services based on quality not just price.
- **Efficiency** – we will maximise our productivity through the outputs (results) we get from our inputs (resources), ensuring we spend money well.
- **Effectiveness** – we will ensure that our spend achieves the desired outcomes and to the standard we expect, demonstrating that we spend our money wisely.

We aim to optimise the potential of our Group with efficient services and make the best use of our income whilst managing our costs.

VfM is driven by our Board which continually reviews the efficiency of our work and ensures that we comply with regulatory requirements. Colleagues are encouraged to innovate to find more efficient ways of providing a better service. As a not-for-profit organisation, none of our surpluses are distributed to shareholders, and all efficiencies create opportunities to improve the services that we provide to our customers, to improve our existing homes and to build new homes.

To achieve VfM in all that we do, we have an integrated approach to:

- **Assets** – we are continually improving our understanding of the performance of our assets to ensure they are well maintained and deliver VfM whilst mitigating risks;
- **Customers** – we involve our customers in our decision-making on service improvements to ensure they are continually receiving VfM;
- **Decision-making** – all decisions that commit to significant growth in expenditure are approved by Board and supported by cost benefit appraisals;
- **Financial** – our budgets and financial plans reflect our plans to deliver improved services;
- **Governance** – our Board is responsible for agreeing budgets and establishing financial limits and it reviews the efficiency and effectiveness of our work;
- **Performance** – VfM metrics are embedded within our performance framework and are reported monthly as an integral part of our management accounts. We continuously monitor and review our measures and benchmark our performance, including VfM, with our peers;
- **Staff** – we invest in our staff through training and on-going development;
- **Scrutiny** – our Customer Assurance Committee oversees and drives scrutiny across the Group.

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STRATEGIC REPORT

Value for Money (VfM) (Continued)

VfM Metrics

In April 2018, the RSH introduced an updated VfM Standard and accompanying Code of Practice. The specific requirements of the Standard require social housing providers to clearly set out their strategic objectives, which are aligned to the purpose of the organisation. Transparency with our performance is also key and must be understood by our Boards, Committees and stakeholders with targets set accordingly.

In addition to our own performance measures the Standard introduced a set of standard metrics, which we are required to publish annually, together with our comparable performance against our peers. The metrics are intended to enhance the consistency, comparability and transparency of VfM reporting in the sector.

We published our first set of VfM metrics in the 2017/18 financial statements and have continued to do so in all subsequent financial statements. The forecast VfM metrics for the year are reviewed and reported monthly as an integral part of the Group management accounts.

This updated approach to VfM was adopted at Citizen and approved by the Board on 25 March 2019, and reconfirmed annually thereafter. Within our approach, we have committed to achieve a set of key activities that take account of the specific expectations of the Standard and Code of Practice.

VfM is a fundamental guiding principle that is integrated into all ways of working, and into our strategic planning. Targets in relation to the VfM metrics are set annually based on the approved budget for the year, ensuring that they reflect the strategic decisions taken by the Board. The metrics and targets are fully integrated into the Group's performance framework alongside our other measures that monitor value for money and are reported to our Executive and Senior Leadership Teams monthly as part of our management accounts and to the Board and Audit and Risk Committee quarterly.

It is important to understand the context behind each metric's output. Where metrics are related a positive result could either be a high or low number.

For example, a lower-gearied provider with limited/no new social housing supply could be challenged to stretch its gearing further to deliver more new homes. A lower-gearied provider which does deliver new social housing could indicate a very efficient provider using its cash generation to build new homes with limited borrowing.

To understand how our metrics are performing, we not only compare our results year-on-year and against target, but also against our peers. To facilitate meaningful comparison of the Citizen VfM metrics with the global accounts, a comparator peer group has been established comprising the M6 group of housing associations and English LSVTs owning between 14,000 and 40,000 homes. We consider that these RPs demonstrate both an appropriate geographical and operational correlation on which to base our peer comparisons.

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Value for Money (VfM) (Continued)

VfM Metrics (Continued)

The members of this peer group comprise: -

GreenSquare	Accord Housing Association Limited (M6)	Midland Heart Limited (M6)
Aster Group Limited		Onward Group Limited
Beyond Housing Limited		Orbit Group Limited (M6)
Believe Housing Limited		Platform Housing Group Limited (M6)
Bolton at Home Limited		Stonewater Limited (M6)
Bromford Housing Group Limited (M6)		Thirteen Housing Group Limited
ForViva Group Limited		Together Housing Group Limited
Gentoo Group Limited		Torus62 Limited
Incommunities Group Limited		Vivid Housing Limited
Jigsaw Homes Group Limited		Wakefield and District Housing Limited
Karbon Homes Limited		Walsall Housing Group Limited (M6)

Table 1 below shows these metrics for the Group for the 2020/21 financial year onwards and the Group's targets for 2025/26 based on the Board approved 2025/26 Budget. Table 2 compares our performance relative to that of our selected peer group in 2023/24 as disclosed in the 2023/24 Global Accounts.

Although comparison of the 2024/25 results and the 2025/26 budget with the global accounts is useful, we need to be mindful that our peer comparators will also be going through the process of re-setting budgets for the year ahead, and their actual VfM results for 2024/25 and 2025/26 will impact on the Citizen quartile position for each metric. The historical composition of our group means that at Group level we must account for non-cash adjustments to reflect the fair value of assets at the time the owner joined the Group. These adjustments affect the calculation of the VfM Metrics, and therefore hinder direct comparison with providers who do not have fair value adjustments to account for.

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Value for Money (VfM) (Continued)

VfM Metrics (Continued)

Table 1 – Group Metrics

Metric	VfM cost chain	Metric description	Positive indicator (aim to maximise/minimise)	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25	2025/26
				Actual	Actual	Actual	Actual	Target	Actual	Target
1	Efficiency	Reinvestment	Either	6.12%	6.63%	8.94%	10.98%	14.12%	10.58%	14.23%
2a	Effectiveness	New supply (social)	Maximise	1.61%	1.65%	1.94%	2.20%	1.60%	1.34%	2.02%
2b	Effectiveness	New supply (non-social)	Either	0.16%	0.07%	0.09%	0.12%	0.06%	0.00%	0.08%
3	Efficiency	Gearing	Either	45.78%	45.81%	46.80%	50.05%	53.70%	51.44%	55.35%
4	Efficiency	EBITDA (MRI) Interest Cover	Maximise	196.96%	184.41%	128.26%	34.69%	-96.45%	-32.69%	-7.85%
5	Economy	Social Housing Cost per unit	Minimise	£3,309	£3,356	£4,188	£5,528	£7,759	£6,629	£6,740
6a	Efficiency	Operating margin (social housing)	Maximise	24.88%	26.24%	23.54%	24.12%	19.39%	20.66%	21.12%
6b	Efficiency	Operating margin (overall)	Maximise	24.91%	25.07%	23.87%	23.55%	20.01%	20.16%	20.35%
7	Efficiency	Return on capital employed	Maximise	3.33%	3.36%	3.55%	3.13%	2.42%	2.74%	2.52%

Key commentary in respect of movements in these metrics between 2023/24 and 2024/25 and in respect of the 2025/26 targets are shown in Table 3 below.

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Value for Money (VfM) (Continued)

Table 2 - VfM Metric Comparisons

Value for Money Metric Comparisons

The table allows comparision of Citizen performance compared to 2023/24 VfM metric results.

A bespoke peer group has been selected based on provider type, stock size and regional competitors.

Value for Money Metrics	Measure	Polarity	LSVT, 15k- 40k units incl. GreensquareAccord, Bromford, Midland Heart, Orbit, Platform, Stonewater, WHG			Citizen performance 2023/24	Citizen quartile 2023/24	Citizen performance 2024/25	Citizen quartile 2024/25	Citizen Budget 2025/26	Citizen Quartile 2025/26
			Lower Quartile	Median	Upper Quartile						
	1. Reinvestment	Aim to maximise	8.39%	11.03%	13.47%	10.98%	3	10.58%	3	14.23%	1
	2A. New Supply (Social)	Aim to maximise, however must be set in context with appropriate risk management	1.25%	2.05%	2.59%	2.20%	2	1.34%	3	2.02%	3
	2B. New Supply (Non-Social)	In Accordance with individual business strategies	n.a.	n.a.	n.a.	0.12%	n.a.	0.00%	n.a.	0.08%	n.a.
	3. Gearing	Neutral	n.a.	n.a.	n.a.	50.05%	n.a.	51.44%	n.a.	55.35%	n.a.
	4. EBITDA MRI Interest Rate Cover	Neutral	n.a.	n.a.	n.a.	34.69%	n.a.	(32.69%)	n.a.	(7.85%)	n.a.
	5. Headline Social Housing Cost per unit (£000s)	Aim to minimise, however should be considered against outcomes achieved	5.143	4.581	4.247	5.528	4	6.629	4	6.740	4
	6A. Operating Margin (SHL)	Aim to maximise	15.69%	23.92%	28.05%	24.12%	2	20.66%	3	21.12%	3
	6B. Operating Margin (Overall)	Aim to maximise	13.89%	20.20%	24.12%	23.55%	2	20.16%	3	20.35%	2
	7. Return on capital employed (ROCE)	Aim to maximise	2.73%	3.24%	3.41%	3.13%	3	2.74%	3	2.52%	4

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Value for Money (VfM) (Continued)

Table 3 - VfM Metric Commentary

Metric	Metric description	Commentary
1	Reinvestment	<p>The size of our spend on energy efficiency and other capital works to our properties has impacted on our Reinvestment metric for 2024/25 compared to 2023/24, with spend of £86.5m in 2024/25 compared to £61.4m in 2023/24, although our spend in 2024/25 was less than our target of £112.6m due to movement in the timing of works. Whilst our spend on new developments in 2024/25 was broadly in line with our spend in 2023/24, we still have a smaller development programme than some of our peer comparator organisations, and this is evident from our peer comparisons.</p> <p>Our 2023/24 performance amongst our 2023/24 defined peer group placed us in the third quartile for this metric, and our 2024/25 performance would also place us in the third quartile based on this comparison. Our 2025/26 target reflects our social and affordable development programme and spend on energy efficiency and other capital works and would still place us in the first quartile compared to our defined peer group results for 2023/24.</p> <p>Over the next few years, our development programme will continue as planned, but our metric is still likely to be lower than some of our peers as we seek to balance investment in new homes with additional expenditure to improve the quality of homes and services that we offer to our existing customers, alongside additional expenditure associated with capital investment in our existing homes.</p>
2a	New supply (social)	<p>Our New Supply Delivered (Social housing units) metric for 2024/25 is lower than 2023/24, and below our target for 2024/25. 401 units were completed in 2024/25, compared to a target of 476 units for the year and completion of 653 units in 2023/24.</p> <p>Our 2023/24 performance amongst our defined peer group placed us in the second quartile for this metric, and the number of homes developed in 2024/25 would place us in the third quartile. Our 2025/26 target reflects our planned development programme for social and affordable homes and would also place us in the third quartile compared to our defined peer group results for 2023/24.</p> <p>As explained above for Metric 1, over the next few years, our metric is still likely to be lower than some of our peers as we seek to balance investment in new homes with additional expenditure to improve the quality of homes and services that we offer to our existing customers.</p>

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Value for Money (VfM) (Continued)

Table 3 - VfM Metric Commentary (Continued)

Metric	Metric description	Commentary
2b	New supply (non-social)	<p>Our metric for New Supply Delivered (Non-social housing units) for 2024/25 is lower than our 2023/24 results, and lower than the target that we set for 2024/25, due to the conversion of some outright sale units to shared ownership during the build process.</p> <p>Our budgeted/target metric for 2025/26 is higher than the target and actual results for 2024/25 as we grow our ambitions for new supply through Joint Ventures with development partners, although the lead-in time for delivery of new homes through the JV's is longer than via traditional build schemes.</p> <p>A quartile position amongst our defined peer group is not appropriate for this measure due to the small range in percentages. Compared to the overall scale of our business our build for sale development programme remains relatively small compared to others in our peer group who have an implied higher risk appetite and more aggressive build for sale programme. We are comfortable that our aspirations in this area are compatible with our strategic objectives and the Board's risk appetite.</p>
3	Gearing	<p>Our Gearing metric is higher in 2024/25 compared to 2023/24, reflecting our desire to make use of our financial capacity to both build new homes and invest in our existing homes, and also the historical nature of our business, which has combined lower geared traditional housing associations with higher geared LSVT's. At 31 March 2024, we had £43.3m of general needs rented and low cost home ownership properties under construction, which have been brought into management during the year and have started to bring cash back into the business by means of rental receipts and the sale of shared ownership initial tranches. Our budgeted/target metric for 2025/26 is higher than both the target and actual results for 2024/25.</p> <p>The impact of historical business combinations makes this a more challenging metric to compare, and needs to be assessed in conjunction with the scale of New Supply Delivered.</p>

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Value for Money (VfM) (Continued)

Table 3 - VfM Metric Commentary (Continued)

Metric	Metric description	Commentary
4	EBITDA (MRI) Interest Cover	<p>Our EBITDA MRI Interest Cover metric for 2024/25 is worse than 2023/24 due to our decision to accelerate decarbonisation works in our homes, so that we will achieve our target of an EPC C rating for all homes ahead of the target of 2030.</p> <p>The 2025/26 target has been set based on the 2025/26 Citizen consolidated budget and the forecast balance sheet as at 31 March 2026 predicted by year 1 of the financial plan, and includes continuing significant additional spend to improve the energy efficiency of our homes as we participate in the SHDF programmes in partnership with both Matrix and Coventry City Council.</p> <p>Benchmarking performance is not appropriate, as the metric could be construed as positive or negative depending on a number of other factors.</p>
5	Social Housing Cost per unit	<p>Our Headline Social Housing Cost per Unit for 2024/25 is higher than 2023/24 but lower than our target for 2024/25 due to high levels of capitalised repairs in relation to SHDF energy efficiency works as well as an impairment charge of £8.5m in respect of our regeneration plans.</p> <p>Our 2023/24 performance amongst our defined peer group placed us in the fourth quartile for this metric, and our results for 2024/25 would also place us within the fourth quartile. Our 2025/25 target reflects the net impact of changes to revenue and capital repair budgets and additional costs in respect of decarbonisation works, and would still place us in the bottom quartile compared to our defined peer group results for 2023/24.</p>

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Value for Money (VfM) (Continued)

Table 3 - VfM Metric Commentary (Continued)

Metric	Metric description	Commentary
6a	Operating margin (social housing)	<p>Our Operating Margin on Social Housing Lettings for 2024/25 is lower than 2023/24 but higher than our target for 2024/25 due to lower spend on the revenue element of major repairs, lower depreciation and higher grant amortisation, which have been partially offset by an impairment charge of £8.5m in respect of our regeneration plans.</p> <p>Our margin reflects the fact that our average rents are lower than many of our peer comparators, the impact of non-cash fair value adjustments required and the Board's decision to focus on our social purpose and make a difference to our customers and communities rather than on increasing margins.</p> <p>Our 2023/24 performance amongst our defined peer group placed us in the second quartile for this metric, and our 2024/25 performance would place us in the third quartile. Our 2025/26 target would also place us in the third quartile compared to our defined peer group results for 2023/24.</p>
6b	Operating margin (overall)	<p>Our Operating Margin Overall for 2024/25 is lower than 2023/24 but above our target for 2024/25 reflecting lower spend on the revenue element of major repairs, lower depreciation and higher grant amortisation, higher RTB/RTA sales and lower net interest costs, and the inclusion of the Citizen share of surpluses achieved by our joint ventures which have been partially offset by an impairment charge of £8.5m in respect of our regeneration plans</p> <p>This margin includes the impact of Other Social Housing and Non-Social Housing activities, which includes the impact of shared ownership initial tranche sales and surplus achieved on our build for sale properties, as well as high levels of capitalised repairs in relation to SHDF energy efficiency works. Our 2023/24 performance amongst our defined peer group placed us in the second quartile for this metric, and our 2024/25 performance would place us in the third quartile. Our 2025/26 target would place us in the second quartile.</p>
7	Return on capital employed	<p>Our Return on Capital Employed for 2024/25 is lower than 2023/24, but higher than our target for 2024/25.</p> <p>Our Return on Capital Employed remains lower than many of our peer group, primarily due to the high level of investment that we have made since 2012 to improve the quality and energy efficiency of our existing homes and to regenerate some of our more challenging estates and communities, which has increased the cost of total assets less current liabilities on which this metric is calculated.</p>

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Value for Money (VfM) (Continued)

Plans for Improvement

Plans for 2024/25	Outcomes Achieved in 2024/25
<p><u>Putting our Citizens First</u></p> <p>Our new Putting Our Citizens First programme is now well established, and is a programme designed to improve customer experience and perception.</p> <ul style="list-style-type: none">• Complaints will continue to be an area of focus for the coming year, with plans to move to another updated version of our complaints process and system following collaboration with our Housing Management System supplier and other Registered Providers.• Damp and mould and the number of complex repair cases will continue to be prioritised. We have used our robust complex repair process to inform a new system that they are now developing, which we plan to launch in the first half of 2024/25.	<p>Complaints have been a key area of focus during 2024/25. We have implemented system and process changes, as well as a quarterly Complaints Steering Committee focussed on delivering improvements as a result of lessons learnt and other sources of customer intelligence.</p> <p>We have revised the way that we handle complaints to ensure that we comply with the new Complaints Handling Code that was introduced by the Social Housing Regulation Act with effect from 1 April 2024, and have introduced a new two-stage complaints handling process.</p> <p>The new system and process for managing damp and mould cases was launched as planned early in 2024/25. We have a dedicated damp and mould team in place, and monitor damp and mould and complex repair casers as part of our weekly performance reporting.</p>

CITIZEN HOUSING GROUP LIMITED AND ITS SUBSIDIARIES

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Value for Money (VfM) (Continued)

Plans for Improvement (Continued)

Plans for 2024/25	Outcomes Achieved in 2024/25
<p><u>Migration to Active H Web housing management system</u></p> <p>Underpinning our Putting Our Citizens First programme is our plan to migrate from our current Active H housing management system to Active H Web, which will provide additional functionality and flexibility to enable us to enhance the customer experience, both in terms of contact with the CEC (with improved computer telephony integration) and when using MyAccount.</p>	<p>During early 2025, we implemented a new version of our Housing Management system which provides a modern experience for customers and staff. We have also procured and started the implementation of new technology for connecting with our customers using a modern 'Omni-channel' approach. We are using these new digital services to build a new operating model for the organisation to drive up customer and colleague satisfaction by responding to service requests more quickly and accurately by clearly diagnosing the problem at first contact and then responding with the right services as a result.</p>
<p><u>Asset Management</u></p> <p>We completed 10,000 stock condition surveys in 2023/24, and plan to complete a further 10,000 in 2024/25. These provide valuable information about the condition of our homes and inform our investment plans for the next 30 years of our business plan. We also plan to undertake option appraisals for our most challenging homes, including more of our tower blocks.</p>	<p>We have now completed over 18,000 independent stock condition surveys of our homes, and the data provided by these surveys has been used to inform our update June 2025 financial plan, which incorporates a fully funded investment plan over the first 30 years of the plan.</p> <p>Option appraisals of our most challenging homes have been undertaken, and our June 2025 updated financial plan includes our plans to demolish and redevelop 7 more tower blocks as part of our regeneration plans in Coventry.</p>

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Value for Money (VfM) (Continued)

Plans for Improvement (Continued)

Plans for 2024/25	Outcomes Achieved in 2024/25
<p><u>Low- Carbon Technology</u></p> <p>We will continue to trial a number of low carbon technology solutions across our stock, including infra-red heaters, external wall insulation, heat pumps and solar PV installed in new build properties and a novel Smart Grid system which will provide lower electricity costs for customers.</p>	<p>As part of our ongoing commitment to delivering the priorities set out in the Group's Business Strategy, we are continuing to make strong progress in the delivery of new homes. Embracing a more varied approach to construction, including greater use of Modern Methods of Construction (MMC), remains central to our ambition to create more sustainable, energy-efficient homes for the future.</p> <p>Our MMC pilot programme has continued to move forward at pace. Phase 2, which includes the development of 19 homes using Structurally Insulated Panel (SIP) systems, is on track for completion in September 2025. This marks an important step in our adoption of innovative construction methods that improve quality, reduce build time, and support our environmental objectives. Planning for Phase 3 is now well advanced, with works expected to begin before the end of the 2025/26 financial year.</p>

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Value for Money (VfM) (Continued)

Plans for Improvement (Continued)

Plans for 2025/26
<p><u>Putting our Citizens First</u></p> <ul style="list-style-type: none">• Continue the implementation of improved processes supported by new technology to deliver efficiency benefits, reducing duplication of the systems that we use for connecting with our customers. We will use these new digital routes to support our operating model, allowing customers who want self service options to access services at a time that suits them.• We are reducing the number of systems that we have and ‘retiring’ multiple older systems to provide simplified systems that support improved efficiency in dealing with customer requests for services and out bound contact with customers to reduce wasted effort and improve productivity. This will enable simple and regular contact with our customers using automated contact methods to remind customers about appointments and access requirements.• Launch our new Citizen website, which has been developed based on feedback from our customers and will incorporate a new chatbot called ‘AskCiti’ with improved functionality for customers, and an expanded range of ‘self serve’ options available for them to use. This will improve efficiencies and create a better customer experience, whilst reducing costs.
<p><u>Regeneration</u></p> <ul style="list-style-type: none">• Continue our regeneration of the Spon End and Wyken areas of Coventry, utilising our option appraisals of our most challenging homes to develop plans to demolish and redevelop seven tower blocks as the next stage of our regeneration plans in Coventry.
<p><u>Customer Safety</u></p> <ul style="list-style-type: none">• Embed and develop the new ‘home safety visit’ programme to ensure that Citizen maximises the value and effectiveness of this innovative initiative. Carrying out a comprehensive suite of home safety checks in a single visit will be more efficient for our customers and improve the safety of their homes, whilst offering improved value for money.• Continue to strengthen our response to reports of damp and mould, ensuring that the requirements of Awaab’s Law are implemented in full in accordance with the required timescales.
<p><u>Low- Carbon Technology</u></p> <ul style="list-style-type: none">• Our MMC pilot programme has continued to move forward at pace. Planning for Phase 3, which includes the development of homes using Structurally Insulated Panel (SIP) systems, is now well advanced, with works expected to begin before the end of the 2025/26 financial year.