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| CITIZEN APPROACH TO VALUE FOR MONEY (VfM) |

## OVERVIEW

## In April 2018 the Regulator of Social Housing (RSH) introduced a new Value for Money (VfM) Standard and Code of Practice.

## The specific requirements of the new Standard require social housing providers to clearly set out their strategic objectives, which are aligned to the purpose of the organisation. Transparency of our performance is also key and must be understood by our boards and stakeholders with targets set accordingly.

## In addition to our own performance measures, the Standard introduced a set of standard metrics (VfM 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 along with our targets for 2018/19. Our reporting of the VfM Metrics was further enhanced in the 2018/19 financial statements, when we included graphical and narrative peer comparison information in respect of each of the metrics.

## We produce monthly consolidated group management accounts in statutory format, which include forecast calculations of the VfM metrics for the year and report on our performance and trends compared to our targets for the year and explain the direction of travel during the year.

## Our overarching approach to VfM was adopted by our Board on 25 March 2019. This has continued to be developed, and our high level approach to VfM was included in our published financial statements for the year ended 31 March 2019, which were approved and signed by the Board on 5 August 2019. 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.

## PRINCIPLES OF VFM

At Citizen we are committed to demonstrating the three principles of VfM; Economy, Efficiency and Effectiveness. We believe that VfM is achieved by balancing these key principles when delivering our business objectives.

VfM is not an exercise in cost cutting or limiting resources; it is about ensuring we can create an efficient, effective and economical business.

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 we spend our money wisely.

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|  | **Required Outcomes  (what we must provide)** | **Current evidence (high level)** | **Specific expectations**  **(What we must demonstrate)** | **Current evidence (high level)** |
| **a)** | clearly articulate our strategic objectives | 2017-21 business strategy and future annual delivery plan | a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance | KPI Targets are stepped towards achieving top quartile performance in specific service areas by 2021 – as set out in our current Business Strategy. KPI Target Setting is closely aligned to the budget setting process.  Benefit realisation tracking includes performance improvements. |
| **b)** | have an approach agreed by our board to achieving value for money in meeting these objectives and demonstrate our delivery of value for money to stakeholders | key activities/principles signed off by board which are published on our website – see below | regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures | Benefit Realisation tracking document  Amalgamation to streamline structure /Consultation Response  VfM Implication on all board reports |

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|  | **Required Outcomes  (what we must provide)** | **Current evidence (high level)** | **Specific expectations**  **(What we must demonstrate)** | **Current evidence (high level)** |
| **c)** | through our strategic objectives, articulate our strategy for delivering homes that meet a range of needs | New development strategy and also part of a Growing Business objective to build 500+ homes per annum | consideration of value for money across our whole business and where we invest in non-social housing activity, we should consider whether this generates returns commensurate to the risk involved and justification where this is not the case | Signature New Homes Business Plan   Development Risk Register reviewed and assessed quarterly   Separate Development Board in place with skills to review and make decisions on non-social housing activity |
| **d)** | ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of our strategic objectives | Asset Management Plan and ROI model   Benefit realisation model and lean reviews to target inefficiencies | that we have appropriate targets in place for measuring performance in achieving value for money in delivering our strategic objectives, and that we regularly monitor and report our performance against these targets. | Monthly/Quarterly Performance Reporting against each Business Strategy objective with annual targets set.  Sustainable Business includes VFM metrics reported quarterly in management accounts |

## EMBEDDING VFM AT CITIZEN: Business Strategy (evidence for required outcomes a & c)

VfM is not a standalone project or reliant on lots of new projects to achieve it, rather it is a fundamental guiding principle that is integrated into all ways of working, and into our strategic planning. Our Business Strategy objectives will be translated into an annually-updated corporate delivery plan which will provide measurable outputs for the Board to track progress against.

Our success measures seek to optimise VfM across all our activities, whilst meeting our purpose as a social housing provider and delivering against our group purpose, which is that *Citizen provides homes that are a foundation for life*.

In our Business Strategy (2017-21) we have agreed the following three objectives; to be:

* A growing business
* A delivery focussed business
* A sustainable business

Each objective has an accountable executive together with defined key performance measures that are measured and monitored in line with our Performance Management Framework.

Plans for 2019/20: Having achieved a statutory amalgamation of our Registered Providers on 1 September 2019, rebranded the Group and refreshed our purpose and, we are working up a revised Business Strategy with a detailed corporate delivery plan sitting underneath it, where the Group’s corporate objectives over the next 3 years will be identified and described. The Board will be able to hold the Executive to account for the delivery of these objectives.

## EMBEDDING VFM AT CITIZEN: Decision Making (evidence for specific expectation a)

Citizen adopts a robust decision-making process. All decisions that commit to significant growth in expenditure are approved by the Board and are supported by a cost benefit appraisal.

We operate a clear scheme of delegation within our financial regulations and Group standing orders. Our governance framework sets out the accountabilities and responsibilities for the Board and executive directors and our governance documents are aligned to our Business Strategy, mission and operating principles.

We have a robust schedule for reporting financial decisions to the boards and the Audit and Risk Committee is responsible for in-depth examination of financial performance alongside risk management and internal and external audit findings.

All reports presented to Boards and Committees must set out the financial and VfM implications for each decision and these are supported as appropriate by option appraisals.

## EMBEDDING VFM AT CITIZEN: Plans for 2019-2020 (evidence for specific expectation b)

The Group’s Service Improvement Programme Board (SIPB) will consider business cases for change and the anticipated benefits arising from any project to be delivered will be captured in a benefits realisation register. We have improved the transparency of identifying the benefits from any initiative by expanding the VfM section on the Board cover report itself to explicitly include benefits realised. This means that VfM is specifically considered in each decision made by our Board and Committees.

## EMBEDDING VFM AT CITIZEN: Key activities which are core to our VfM approach and ensure it is embedded across our organisation (evidence for required outcomes b-d)

* We annually benchmark against our peers through range of mechanisms, this is to ensure we understand our relative performance and drivers for costs. We also have stepped targets to improve our performance year on year to reach our Business Strategy aspirations, and these will be part of our annual plan which tracks our Business Strategy measures.
* We have a net present value assessment refreshed on a cyclical basis to understand the return of our stock and identify any that need a full options appraisal. There are also individual appraisals carried out for any schemes requiring regeneration, as well as individual voids to identify the best use of that stock, including whether disposal and reinvestment would represent the best value and use of resources.
* Through our partnership with other housebuilders and housing associations, we unlock the potential of grant sharing and use our various expertise to maximise our development programme and deliver our development strategy.
* We track our benefit realisation targets including efficiency savings, and these are accounted for in overall performance targets. Improvements identified through the lean projects, although measured separately to understand their impact are incorporated into delivery targets.
* We maximise our partnerships with local authorities to use our assets for community gains including large cost savings for Local Authorities on temporary accommodation using our ‘out of management’ stock. This will save money for the council and generate income, using stock that is ready for regeneration/redevelopment.
* In order to remain transparent with our activities and demonstrate to our Boards and stakeholders how we achieve VfM, we will, where possible, publish outcomes with evidence that supports our approach on our website.

## VfM Metrics (evidence for specific expectation d)

We report our latest performance against the VfM metrics in our management accounts which are reported monthly to the Senior Leadership Team and quarterly to Board. The year-end metrics, along with the following year’s targets and a comparison to peer organisations are published in our statutory financial statements.

Plans for 2019-2020: On the VfM section of the Group’s website, we will publish VfM metric information at least annually.

## HOW WE COMPARE TO OTHERS

We have used the Sector Scorecard and Global accounts datasets to complete a thorough review of Citizen’s relative position in the market to understand performance and market influence relative to other social housing providers in the region. This information will then be used to help inform our development Strategy.

Plans for 2019-2020: On the VfM section of the Group’s website, we will publish VfM metric peer comparisons information at least annually.

## COST BENCHMARKING

Understanding our costs and how we compare to others is a key aspect of our VfM approach and underpins an evidence-based approach to resource allocation, cost reduction and target setting.

We benchmark our costs through the Sector Scorecard to gain the widest possible comparator group.

Plans for 2019-2020: We will continue to benchmark ourselves against peers of a similar size or with similar activities and services using a variety of different methods. We will also continue to participate in the Sector Scorecard which allows us to compare against a range of metrics and demonstrates our commitment to transparency with our stakeholders and customers. We will publish relevant benchmarking information on the VfM section of the Group’s website.

## VERSION CONTROL

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| VERSION | DATE | AMENDMENTS | APPROVED AT/BY | REVIEW |
| V 1.0 | 25/03/2019 | Initial Approach to VfM to reflect the 2018 VfM Standard and Code of Practice | Group Board | Sept 2019 |
| V 2.0 | 27/09/2019 | Updated Approach in new Citizen brand format | Stuart Kellas, CFO | Sept 2020 |