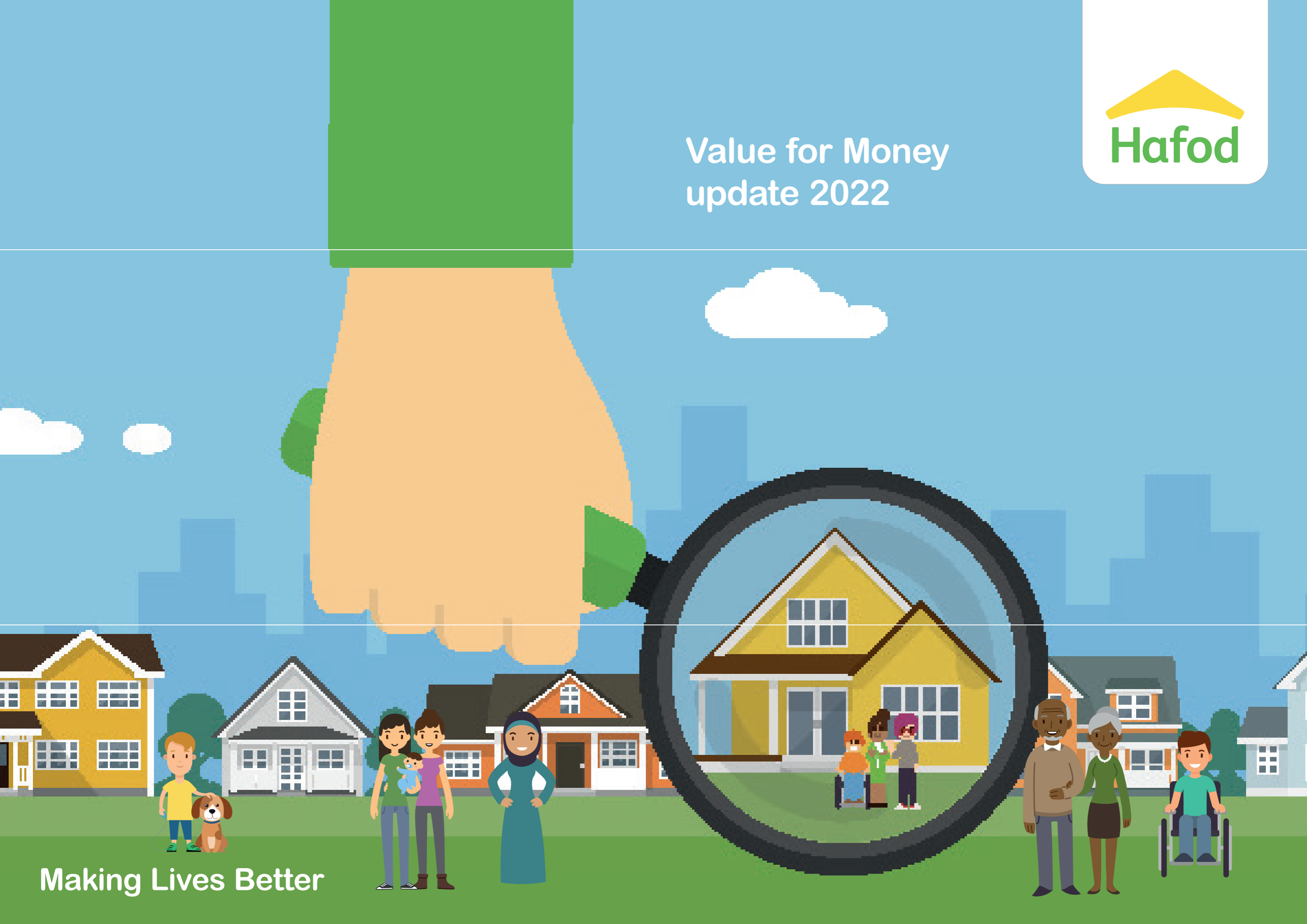




Value for Money update 2022



Making Lives Better

Introduction

We are a charitable not-for-profit organisation that offers a wide range of housing, personal care and support services to more than 20,000 people across south Wales.

We have a history that spans over 50 years and we are very proud of what we have achieved in that time.

We care for some of the most vulnerable people in society, enabling them to maintain their independence and well-being for as long as possible in their own homes, in supported housing or in our residential care homes.

We are committed to Making Lives Better for our customers and communities.

What is Value for Money? (VfM)

Value for money (VfM) is about delivering services in the most effective and efficient way aligned to our vision of 'improving health, well-being and prosperity in communities by helping to integrate the systems of housing, health, social care and support'. There are a range of perspectives held by different stakeholders on what 'value' means in VfM. For us, VfM is about ensuring that every pound spent delivers the maximum impact possible in terms the best use of resources in the pursuit of social objectives that benefit a range of stakeholders.

For us, value for money and community benefits (VfM) is about being effective in:

How we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes backed by high quality services, care and support.



What informs our VfM update?



In 2019 we developed our first VfM strategy. On developing our strategy and meeting our obligations under the Welsh Government's Regulatory Framework (Regulatory Standard 6), we also saw an opportunity. An opportunity to thrive during times when resources are being stretched to meet the challenges 2021 has brought us and beyond.

Within our strategy, we identified four key objectives:

1. Maximise value from our group structure
2. Obtain VfM via procurement
3. Understand value, optimise efficiencies and use resources effectively
4. Deliver community benefits

The following pages provide an update of our activities throughout 2021 and 2022 and the outcomes this work has achieved in relation to VfM. Assessments are provided for each objective highlighting what we feel our current position is, along with future plans and improvements for each VfM objective.

Each assessment follows a red, amber, green (RAG) rating:

	Definition	Rating
	Meeting objective	3
	Further improvements required	2
	Urgent attention required	1



“

As a modern and innovative housing, care and support provider, value for money (VfM) sits very much at the heart of our activities, ensuring we continue to deliver quality and efficient services to the communities we serve. Our continued push to provide social value for our customers and communities remains a key objective across all our group businesses and functions.

Tracey Healey, Corporate Director – Assurance, Governance and Business Change

”

Everyone has a role to play in delivering our VfM strategy



Our Board

Our Board are responsible for maintaining a robust assessment of all of our assets and resources, and a robust approach to decisions on the use of resources to deliver the business strategy. The Board approves the VfM strategy and action plan, although the detailed review of progress and monitoring of the VfM action plan is delegated to the senior management team (SMT).

All Board members will aim to ensure a culture of VfM in all aspects of our activities and ensure that challenging but achievable efficiency targets are agreed as part of the annual financial planning process. VfM is a standard consideration in all reports to ensure that the Board are aware of all the options and implications for each decision.



Colleagues

Colleagues are made aware of the importance of VfM through training, briefings and team meetings, and encouraged to contribute ideas for improving VfM to the SMT.



Executive team

Our Executive team are responsible for ensuring VfM is considered in both the day-to-day management of their services and in respect of any new proposals or service reviews.

They need to ensure that VfM is understood by all colleagues and that actions relevant to their services are completed.

Future plans



VfM project board

We plan to develop a project board which will ensure that the VfM strategy and action plan is implemented. Members will be responsible for ensuring that a VfM culture is embedded throughout our organisation and will lead on the review of services and processes, the identification of VfM savings and efficiencies, and the implementation of improvements and future plans.

Customer involvement

We engage and involve our customers as part of our VfM activities. This includes:



Involvement within our rent and service charge setting process.



Input into Board reporting on VfM through our Scrutiny panel.



Implementation of actions agreed by our Scrutiny panel which focus on service delivery to customers.

Our Executive team will:



Build our VfM objectives within our Strategic Plan.



Establish a project board to oversee strategic projects and monitor progress against our VfM strategic objectives.



Monitor our individual VfM service action plans.



Ensure colleagues engage in achieving our VfM objectives.



Facilitate customer involvement in VfM where relevant.

Maximising value from the group structure

Our group structure provides a range of opportunities to deliver more with the resources we have available. Some of these gains are already being realised; for example, we have optimised our treasury management policy by creating additional capacity through the amalgamation of housing and care. There will, however, be further opportunities to enhance our commercial offer by leveraging the diverse range of services offered by the group across the areas of housing, support and care.




£64m
turnover



£135m
external borrowing



£14m
invested in our properties



£390m
fixed assets



£78m
reserves



91
growth in properties in management

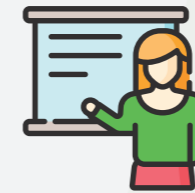
Maximising value from the group structure

VfM strand	Economy (Doing things at the right cost)	Efficiency (Doing things the right way)	Effectiveness (Doing the right things)
Assessment			
VfM outcomes achieved	<p>Achieved cost savings across corporate cost areas</p> <p>Re-investment in our properties</p> <p>Inward investment maximised</p> <p>Enhanced budget setting process</p>	<p>Robust governance framework</p> <p>Improved workflow efficiency</p> <p>Resources effectively allocated</p> <p>Optimised treasury management policy</p>	<p>Bi-monthly senior team meetings</p> <p>Growth in property management</p> <p>Reviewed resource structures</p> <p>On-going leadership focus on investment</p> <p>Improved understanding of our stock</p>
RAG rating	2	3	2

Future plans and improvements:



Write an ESG strategy to provide stakeholders and investors with an insight into the goals, achievements and the impact of the business.



Annual treasury strategy update which considers the minimisation of financing costs to allow more to be achieved from our financial capacity.



Improve core operating efficiency through increased productivity.



Re-engineer our back-office system to drive productivity gains through improved processes, controls and system use.

Obtain value for money via procurement

A significant potential for VfM efficiencies across our operations is through procurement of goods and services. We have a good track record of delivering efficiencies through effective procurement and that approach will continue. Our Procurement Strategy aims to maximise the achievement of VfM by embedding processes in line with commercial procurement best practice.

	<p>We have re-tendered: Energy performance certificate (EPC) services</p>		<p>Savings achieved*: £21,450</p>
	<p>treasury advice services</p>		<p>£30,000</p>
	<p>cleaning products</p>		<p>£100,000 +</p>
	<p>and utilised e-procurement tools such as Sell2Wales</p>		<p>This means our procurement activity has enhanced</p>

	<p>We have re-tendered: our roofing and roofline services</p>		<p>Savings achieved*: £982,353.84</p>
	<p>our vehicle lease, furniture and customer interaction products</p>		<p>£50,000</p>
	<p>and set up a new preferred supplier list for care and support agency colleagues</p>		<p>this means lower agency costs and a more streamlined process</p>

Since 2018, we have achieved the following savings through adherence with our Procurement Strategy:

<p>£1,000,000+ Works</p>	<p>£248,000 IT</p>	<p>£107,000 Energy supplies</p>
<p>£70,000 Small lots (supplies)</p>	<p>£51,000 Professional services</p>	<p>£40,000 Postage</p>
<p>£35,000 Uniforms</p>	<p>£14,000 Waste</p>	<p>£10,000 Furniture</p>

*Savings achieved – against previous provision / budget

Obtain value for money via procurement

Recent global events have seen unprecedented change in costs and pricing. Our Procurement Manager maintains an active and strategic monitoring of these fluctuations.



Services

Professional services costs have maintained at a reasonably steady rate, ONS reporting 2-3% increases. Some mitigation has been provided by working from home but the drastic impact of energy cost increases will likely see this sector begin to creep up as we move into the back end of 2022.



Supplies

Supplies across commodities have seen a range of increases, primarily driven by steep inclines in raw materials, fuel and wage increases. Of significant note for us are food (3-5%), telecoms (5-10%) and computer based supplied (c.30+%).



Works

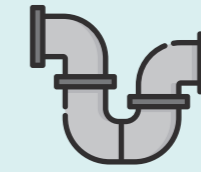
Our works costs have seen significant increases, driven in part by labour shortages, but primarily around material prices.



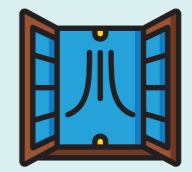
11% ↑
Bathrooms



12% ↑
Roofing



12% ↑
Plumbing



17% ↑
Windows and Doors

Future plans and improvements:

Over the next year we will be re-tendering for the following:



Agency and recruitment
Annual value £1,100,000
Targeted contract savings £220,000



Care equipment and furniture
Annual value £480,000
Targeted contract savings £252,000



Water hygiene
Annual value £150,000
Targeted contract savings £75,000

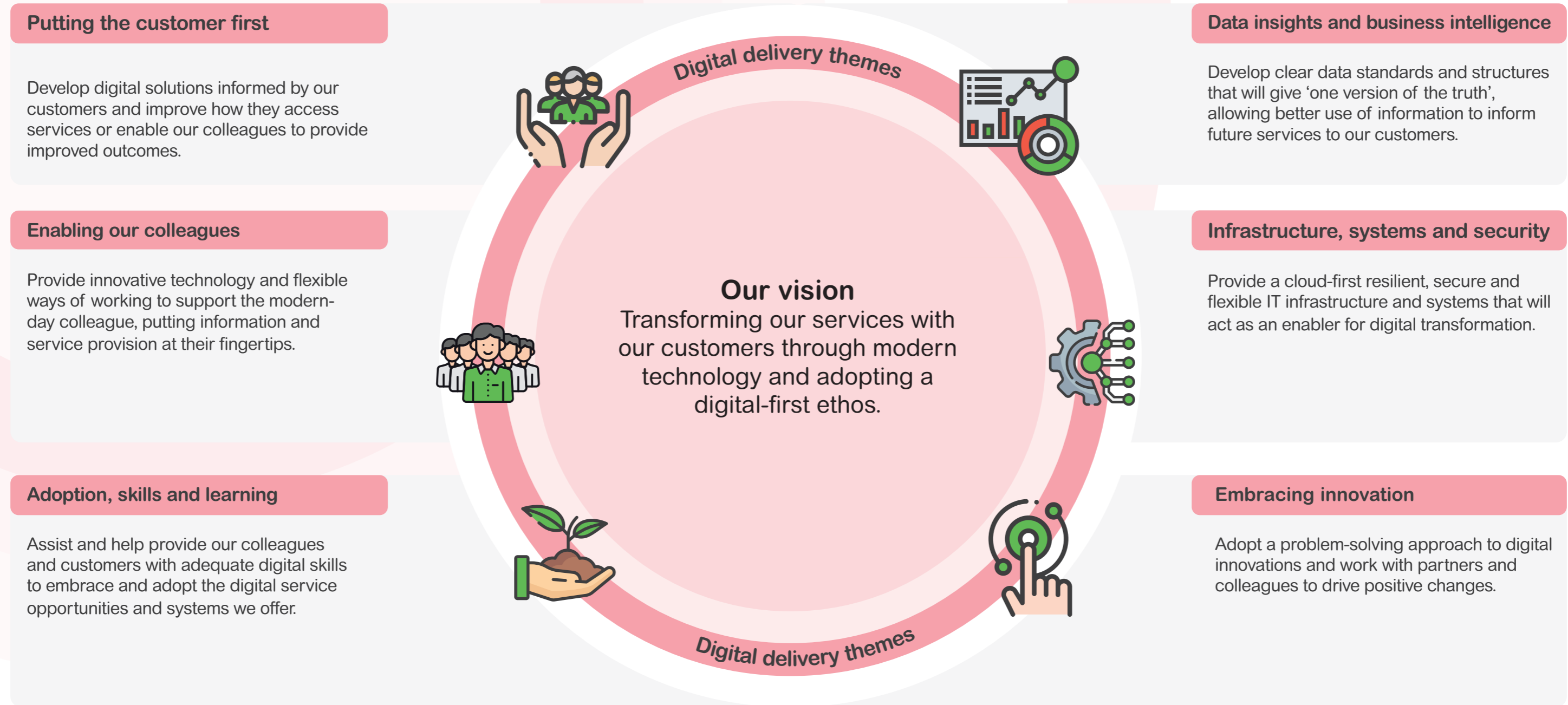


Food supplies
Annual value £600,000
Targeted contract savings £150,000






VfM strand	Economy (Doing things at the right cost)	Efficiency (Doing things the right way)	Effectiveness (Doing the right things)
Assessment			
VfM outcomes achieved	<p>Savings over £1.1m achieved, ensuring we have more money to invest in services for our customers</p> <p>Maximum value obtained from every pound spent</p> <p>Social value initiatives benefiting communities</p>	<p>Controls implemented for high value contracts</p> <p>Business needs correctly defined</p> <p>The right contractors for the right jobs</p>	<p>Effective procurement processes implemented in line with commercial best practice</p> <p>Business needs correctly defined</p>
RAG rating	3	3	2

Understand value, optimise efficiencies and use resources effectively

We have developed a transformation programme to promote the benefits of change and create a culture of improvement. Through utilising recognised improvement techniques, ways of working will be streamlined to maximise efficiency, reducing colleague time spent on administration, adding value to the business, its operations and to our customers. In 2021, we launched our first Digital Transformation strategy and outlined how we will use innovative digital solutions to meet the needs of our customers. The aim of this work is to improve the systems that we use and provide visible improvements for our colleagues and customers, and make sure that we have meaningful conversations with customers.






Our strategy means:




- 
 We have a clear direction of where we want to be in the future, using a detailed annual plan to see the milestones
- 
 We embrace the growing demand for digital services, focusing on our customers and colleagues' needs
- 
 We encourage customers, colleagues and partners to be part of our digital journey
- 
 We increase our efforts to get customers and colleagues digitally connected
- 
 We will learn through the process and use case studies to showcase the impact digital solutions have made

Understand value, optimise efficiencies and use resources effectively




We have:

-  implemented a new Dynamic Repairs System (DRS)
-  launched our new Digital Transformation strategy
-  moved to Office 365




This means:

-  appointments can be made at first point of contact. Customers receive text updates Consolidated invoicing with our suppliers / contractors
-  digital transformation is promoted creating a culture of improvement across the organisation
-  we can now achieve more with innovative Office apps, intelligent cloud services and greater security




We have:




-  implemented a quick win (digital transformation) framework
-  seen customers use our 24/7 self-service app over 4,200 times
-  set up a digital leadership group

This means:

-  we are able to evidence tangible process efficiencies and cost savings through digital transformation activities across the organisation
-  customers have accessible choices about how and when they contact us
-  we benefit from pooled knowledge and colleague resource to help progress our Digital Transformation strategy

In 2022 we will see:

-  28 digital transformation projects being delivered
-  5 enabling colleague projects
-  WiFi being provided to all of our extra care sites

VfM strand	Economy (Doing things at the right cost)	Efficiency (Doing things the right way)	Effectiveness (Doing the right things)
Assessment			
VfM outcomes achieved	Quick wins framework implemented Moved to Office 365	Quick wins framework implemented Implemented a new Dynamic Repairs System (DRS) Set up digital leadership group Clear direction of where we want to be in the future	Launched Digital Transformation strategy Quick wins framework implemented Clear focus on colleague and customer needs
RAG rating	2	2	2

Understand value, optimise efficiencies and use resources effectively

Future plans and improvements

Below are some of our digital transformation plans for 2022 and 2023:



Identify the full cost and resource efficiencies obtained through digital quick wins programme.



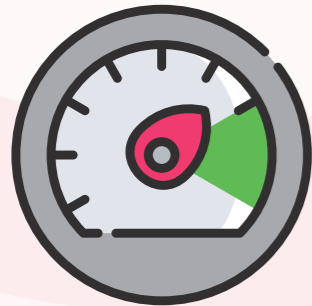
Identify our key customer touchpoint processes that have the biggest impact on our customers' interactions and develop a priority work programme.



Re-design and re-launch our website (based on the customer touch points).
Introducing transactional services.



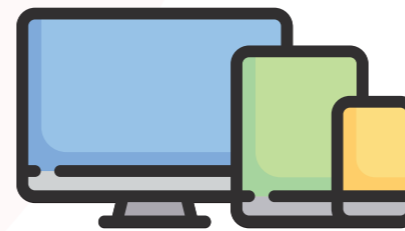
A new strategic reporting framework in 2022 will see a project board approach being implemented to align strategic and operational priorities. It will provide oversight and assurance of key deliverables throughout the organisation.



Refresh and re-introduce the 24/7 self-service app, ensuring the app is aligned to customer needs and preferences.



Identify key colleague touchpoints in order to provide efficient end to end digital services.



Ensure colleagues have the right tools to do the right job at the right time.

A comprehensive picture of planned activity per directorate and corporate projects has been produced highlighting how workstreams interlink and align throughout the business from the six strategic priorities to frontline delivery.



Our project boards will ensure any projects remain on target and are held accountable to achieving their aims. Any slippage, budgetary constraints, risk or requirement for reactive works will be closely monitored and adjustments made accordingly to ensure that 2022 is as productive and efficient as possible.

As part of driving productivity, a standardised methodology is being taken with regard to all projects and documentation across the business – project plans, issue and risk logs, highlight reports etc. This approach will help drive a project delivery culture within Hafod resulting in increased focus on achieving ambition and value of money.

2022 will be a foundation year of this approach with a focus on the current business needs. As this approach embeds there will be additional emphasis on ensuring our customers are at the basis of decision making when identifying organisation development need.

Delivering community benefits

A key priority of ours is to proactively seek and maintain community benefits and enhanced social value into our investment. Through building strong relationships with our customers, understanding community needs and unlocking people's potential, we are paving the way for a future where our customers do for themselves and each other; building sustainable, resilient communities.

We have:

£2.8m+

Revenue provided to businesses in Wales through our development activities

£332k+

Income provided for people living in Wales through our development activities

£7.5k+

Cash donations given to local communities

102

New homes handed over in 2021

5

People living in Wales gained full time employment from our development activities

Future plans and improvements:

Our new contracts officer post will ensure:



Contracts are individually assessed to identify the best community benefit tools to be deployed.



Community benefit clauses have been drafted to deliver upon these and the implementation of our contracts officer will allow us to establish a measurement process.



As part of pre-procurement, customer engagement is being expanded to ensure that this opportunity is used to identify potential for community benefit inclusion – this will require a degree of training to be truly effective.



New legislation passing through both UK and Welsh Government will influence changes in our approach, work is ongoing to incorporate this as it comes into force.

Helping sustain tenancies through financial assistance:

£159,171

Claimed (2021) from the Discretionary Assistance Fund (DAF) and Discretionary Housing payments (DHP) rent rescue funds to help 99 customers struggling with their finances.

10 of the cases in receipt of support avoided court action and eight out of the 10 avoided eviction due to the support provided.

£92,821

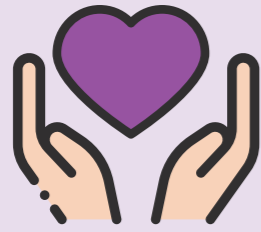
Secured in 2022 (up to end of April) which helped 68 customers, five of which were helped to avoid court action.

Want to know more?

Our neighbourhood coaches continue to work hard to develop positive relationships with customers to enable households and communities reach their full potential, focusing on what people can do rather than what they can't.



Delivering community benefits



12,000 lives directly impacted



6 partnerships created

VfM strand	Economy (Doing things at the right cost)	Efficiency (Doing things the right way)	Effectiveness (Doing the right things)
Assessment			
VfM outcomes achieved	<p>Over £250K obtained for customers through financial assistance</p> <p>Over £2.8m revenue provided to businesses in Wales through development activities</p> <p>Over £332K income provided to people living in Wales through development activities</p>	<p>Enhanced knowledge of community need</p> <p>Help customers navigate through housing, care and support</p> <p>Focus on the causes of problems not the symptoms</p>	<p>102 new homes handed over</p> <p>Full time employment from our development activities</p> <p>Unlocking household and community potential</p> <p>Focus on developing relationships with customers and communities</p>
RAG rating	2	2	2

In 2021 we launched Side-by-Side, a specialist innovation unit with a strong customer focus and a mission to deliver meaningful innovations that have a tangible impact on improving people's lives.

Side-by-Side is the first entity of its kind in the Welsh housing sector and was motivated by the need to understand challenges and opportunities through the eyes of customers. The agility and greater degree of independence afforded by the Side-by-Side model has allowed for a different kind of relationship with customers, rooted more in coproduction. The freedom to work in this way has already generated ground-breaking ideas that would otherwise not have materialised.

Side-by-Side forms alliances with a range of organisations best suited to address the problems customers and communities face. These include Accenture, Amazon Web Services, Swansea University, the Awen Institute, Hubbub, Public Health Wales, TOTM, Frame Collective and others.

In 2021 Side-by-Side focused largely on discovery and generating insight into three main problem areas, namely sustainable lifestyles, re-imagining ageing and loneliness. This insight will be used in 2022 and beyond to develop and test solutions, with the ambition of scaling.



External influence and funding success:



£1m from UK Research and Innovation as part of the HomeCare consortium



£3K from Bristol University to support digital storytelling around sustainability



£4K from Communities 4 Change to support housing and health data collaboration in Cwm Taf



£3.5K from Cardiff Council to support period dignity research and experiment

Welsh VfM sector scorecard

We recognise the value in building a full picture of the performance of our own organisation and how we improve over time, but also how our peers in the sector are performing in comparison with us.

The scorecard aims to demonstrate the sector's accountability to its customers and stakeholders and includes a variety of measurements and metrics across five areas:



Business health



Development capacity and supply



Outcomes delivered



Effective asset management



Operating efficiencies

The following table shows, for a selection of the metrics:

- our performance scores for the year ended 31 December 2020
- our performance scores for the year ended 31 December 2021
- sector median scores for the latest published data based on financial years ending 21 March 2021.*

Sector scorecard measure	2021 performance	2020 performance	Sector median scorecard Mar-21	Narrative
Operating margin (overall)	12.6%	14.1%	23.5%	Care operations depress our overall operating margin.
Operating margin (social housing lettings)	19.4%	24.08%	25.5%	Increased reactive repairs costs in 2021 affected margin, thirty year financial projections target increase.
Interest cover - EDITDA MRI	160.5	219.7%	215.9%	Return to pre-pandemic levels of capital repairs in 2021 reduces level for cover.
Units developed as % of total owned - social	1.6%	3.43%	0.9%	Our higher than sector median, fall in 2021 reflects cyclical nature of development activity.
Gearing	29.1%	33.0%	33.8%	Low gearing is a key strength for us.
Customer satisfaction with overall service provided (%)	67%	63%	86%	We continue to work hard to understand what matters to our customers about the services they receive.
Return on capital employed	2.1%	2.2%	3.1%	Our score depressed by combination of lower operating margins in care and higher investment in care homes without grant support.
Ratio of responsive repairs to planned maintenance	0.5%	0.7	0.7	Falling ratio masks higher reactive spend due to increase in capital spend following removal of lockdown restrictions.
Occupancy (general needs)	99.5%	99.2%	99.2%	Our non-enforcement approach with our customers ensures tenancies are sustained longer and we have fewer evictions.

*Most other participants in the Welsh housing sector have a March financial year end. Published sector information for 2021/2022 will be available towards the last quarter of 2022. Other metrics are collected as part of the sector scorecard but comparisons between Hafod, with a significant care operation, and other traditional social landlords can be misleading.

Overall RAG rating

Objective	Rating
Maximise value from our group structure	7
Obtain VfM via procurement	8
Understand value, optimise efficiencies and use resources effectively	6
Deliver community benefits	6
Total rating	27
Our VfM percentage	75%

The maximum score achievable for all four VfM objectives is 36.

Based on our 2020 update ratings, we would score 27. $27 \times 100/36$ gives us a 2021 update VfM percentage of 75%

