

# **VALUE FOR MONEY SELF-ASSESSMENT 2015/16**

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## **VALUE for MONEY (VfM) SELF-ASSESSMENT 2015/16**

### **1.0 Strategic Overview**

#### **1.1 Role of Board**

The Board has a strong commitment to delivering VfM, seeking an appropriate balance between cost, performance and quality and ultimately customer satisfaction. The Board considers VfM to be critical to achieving its Corporate Themes, which are detailed in the 2016-19 Corporate Improvement Plan (CIP). VfM activities specifically support the Board's overarching objective of achieving 95% customer satisfaction by 2017 by driving performance improvement.

The Board has a "hands on" role in developing the VfM strategy and reviewing the published self-assessment. It appraises VfM performance throughout the year and quarterly performance reports are scrutinised by the Compliance Committee with its Chair reporting through to Board on the key issues.

#### **1.2 VfM Strategy and Framework**

The VfM Strategy and Framework incorporates planning and financial management (including zero-based budgeting, delegated budget responsibility, monthly budget monitoring reports), performance management (including benchmarking), satisfaction surveys, mystery shopping, tenant involvement in procurement and return on assets.

#### **1.3 Review of VfM Approach**

At bdht Value for Money (VfM) is embedded in our day-to-day activities and we have adopted a dynamic approach to managing resources in order to direct investment in much needed new affordable homes.

In recognition of the new operating environment, especially the introduction of the -1% rent reductions for 4 years from April 2016, it has been necessary to adjust our VfM approach. Our new approach retains many of the original aspects such as cost-control and ensuring the focus is always on "value of services" for tenants measured through customer satisfaction ratings with our services. However, the new approach recognises that in order to deliver on the Board's target of achieving 95% customer satisfaction by 2017, this will involve doing "more for less". In order to achieve this the Senior Management Group has established an Efficiency and Effectiveness Plan containing a number of high-level projects which are aimed at taking bdht to the next stage in the VfM journey.

The high-level projects prioritised for 2016/17 onwards are:-

- Capture business efficiencies following the implementation of new integrated housing management system (QL);
- Roll-out of digital delivery of appropriate services;
- Revisit the "sweating of assets" approach;
- Review the procurement approach to Decent Homes programme;
- Review the procurement of grounds maintenance services;
- Review the operational arrangements in respect of the property materials "one-stop shop" arrangement;
- Aim to reduce volume of day-to-day repairs through better processes as recommended by the Tenant Panel;
- Review of all third-party contracts of a material value.

#### 1.4 **Key Delivery Areas in 2015/16**

In 2015/16 the key areas for VfM delivery included:

- Further cost efficiency gains of 1.4% (target 1.5%) for reinvestment in in-house repairs services, including the internalisation of the roofing service. Customer feedback indicates that not only is the repairs and maintenance service the most significant driver of satisfaction but they also prefer bdht's repairs service to that of external contractors;
- Measures to further control costs, such as continuing to negotiate contractual increases no greater than CPI have been strengthened. In response to the 1% rent decrease for each of the 4 years from 2016/17, bdht immediately commenced a review of its 30 year Business Plan and the costs structures therein.
- An updated Major Commercial Contracts Register, providing improved information regarding contractual commitments with the stated intention of improving VfM and procurement decisions;
- Investment in the new Affordable Homes Programme of £11m, with £1 million grant secured from the HCA towards the cost of schemes, and major improvements to existing properties of £3.6m;
- Improvement of our understanding of our assets, including implementation of Stock Profiler software and establishing a future-proofing approach to asset management;
- The Tenant Panel Enquiry Group (TPEG) for VfM have conducted an extensive review of the Responsive Repairs service which, although high performing in terms of satisfaction with the service, has been achieved at a higher cost compared to its benchmarking peer group;
- A Strategy for the digitalisation of services for tenants has commenced. This process will accelerate when the new housing management system is implemented in June 2016 improving the efficiency of our operations and the quality of customer services.

#### 1.5 **Approval Process**

The 2015/16 VfM Self-Assessment was approved by Compliance Committee on 15<sup>th</sup> June 2016, Tenant Panel and PRC on 6<sup>th</sup> July 2016 and Board on 11<sup>th</sup> July 2016. It will be presented to the HCA as part of the regulatory requirement. It is **publicly available from the bdht website** as follows:

**<http://www.bdht.co.uk/about-bdht/our-performance/value-for-money/>**

## 2.0 Assessment of Performance in 2015/16

### 2.1 Introduction

Our self-assessment illustrates how the embedding of VfM into our strategic and day-to-day work supports bdht's Corporate Themes, the needs of its stakeholders and the HCA VfM Standard. It demonstrates how we are managing our resources and assets. Effective cost control has created strong financial performance in the form of operating margins and surpluses which have been utilised to reinvest in new homes, improving existing stock and customer services and adding value to the communities within which bdht operates. However, it also highlights areas for improvement and how we are planning to improve. The assessment consists of the following elements:

- VfM Performance Targets;
- Efficiency Targets;
- Operating Cost Efficiencies 2012/13 -2015/16;
- Benchmarking;
- Creating Value Through Our Teams;
- Performance and Satisfaction;
- Creating Value Through Our Assets;
- Creating Value Through Technology;
- Creating Value Through Treasury Management;
- Creating Social Value.

Many of these elements have formed the basis of reports to the Board, its delegated committees and the Tenant Panel as part of the ongoing assessment of performance throughout the year.

### 2.2 VfM Performance Targets for 2015/16

These simple and high level set of targets are monitored over a period of time. Any significant variation prompts further investigation and improvement actions where appropriate. The position for 2015/16 together with the results for 2011/12 to 2014/15, to show the direction of travel, is summarised below.

#### VfM Performance Targets Position for 2015/16

	2015/16 Budget	2015/16 Actual	Variance	2014/15 Actual	2013/14 Actual	2012/13 Actual	2011/12 Actual
<b>1. Operating Margin</b>							
Operating Surplus	£5.04m	£6.70m	£1.66m	£6.03m	£5.60m	£5.0m	£4.25m
Operating Margin	26%	34%	8%	33%	32%	31%	26%
<b>2. Operating Costs</b>							
Per Property Per Week	£67	£63	£4	£63	£61	£60	£68
As a % of Turnover	65%	62%	3%	64%	64%	67%	73%
<b>3. Per Employee Targets</b>							
Properties Per Employee	27	28	1	28	29	28	29
Turnover per Employee	£147K	£147K	-	£146K	£142K	£130K	£128K

<b>4. Responsive Repairs (CRT)</b>							
Number of Repairs per Property	3.1	3.1	-	2.9	2.8	2.7	2.6
Average Cost per Repair	£97	£97	-	£100	£99	£91	£103
<b>5. Void Repairs</b>							
Average Cost per Void	£2,300	£2,013	£287	£2,388	£1,955	£2,219	£2,120
Voids during year as a % of stock	9.5%	9.6%	(0.1%)	8.1%	10.7%	8.9%	8.1%

**Operating Margin:** Operating surplus and margin significantly exceeded target for 2015/16 which is attributable to operating costs for many budget headings being lower than budget. The margin includes a surplus on 1<sup>st</sup> tranche shared ownership sales of £0.425m and has progressively increased over the period from 2011/12 to 2015/16 (and also prior to this period) as turnover has increased at a greater rate than operating costs. Although, HouseMark results are not available for 2015/16, figures for 2014/15 show second quartile performance.

**Operating Costs:** Operating costs per property are broadly consistent with the previous year whilst actual performance for 2015/16 was better than target. Operating costs as a percentage of turnover illustrates a performance better than both target and previous years as a consequence of continued cost control across the business. It should be noted that the operating costs per property and operating costs as a percentage of turnover measures exclude shared ownership first tranche costs of sales.

**Responsive Repairs – CRT (Internal Team):** The average cost per repair for 2015/16 is consistent with the target, with a £3 reduction in average cost being achieved compared to the previous two years. Resources and skills are reviewed on an on-going basis with a view to reducing associated costs and achieving efficiencies with the following results:

- In accordance with strong tenant preference for internal repairs teams, these teams have been expanded over a number of years. Furthermore, an internal roofing service was established in September 2015. CRT now undertake 98% of all responsive repairs;
- Increase in satisfaction with repairs and maintenance service from 82% to 89% within the last STAR Survey. Furthermore a previous survey of tenants who had experience of the repairs service generated an exceptionally high net promoter score of +62% which compares favourably with the very best private sector companies;
- ICT solutions have reduced downtime, with average jobs per operative per day of 4.23 (3.73 including sickness, annual leave and training) (2014/15: 4) which has gradually increased compared to a figure of 2.5 in 2011/12
- Time on site on jobs has improved to 90.37% from 86.64% in 2014/15 as the central materials contract with Travis Perkins, which initially became live in July 2012 has reduced travelling time;
- Zero uplift in the materials contract prices for 2014/15 and 2015/16.

**Review of Responsive Repairs Service by VfM TPEG:** Whilst internalisation of repairs has significantly increased satisfaction and efficiency initiatives have generated improvements, overall responsive repair costs (including external contractors) have traditionally been comparatively high when benchmarked against our peer group within the HouseMark benchmarking process.

Whilst the HouseMark results would appear to contradict the positive maintenance cost results in the sector wide HCA analysis in 2.5, it should be noted that these two sets of results are calculated on a different basis, for instance the HCA data is drawn from providers' financial statements, and

the methods utilised in the allocation of costs between management and maintenance costs are potentially widely divergent. The HouseMark benchmarking process is also based on a small select peer group of 27 providers and is not a sector wide comparison.

Previous reviews concluded that there was no discernible correlation between type of property and number of repairs aside from recently void properties generated relatively more repairs. The void standard was consequently amended to address this and impact is being monitored via a KPI.

A TPEG was subsequently established in December 2015 with the specific remit of investigating the VfM of the repairs and maintenance service and identifying measures to deliver fewer responsive repairs, at lower cost whilst building on existing impressive levels of tenant satisfaction. An extensive review, which concluded in March 2016, was conducted by the TPEG. It noted that much work had either been undertaken or planned including; the appointment of a Project Co-ordinator for larger works, extension of the MOT pilot scheme, which initial results suggest prompt a significant fall in volume of repairs requested during the second, and enhanced diagnostics and scheduling modules incorporated in the new HMS system.

The approved recommendations, in summary, are:

- Continue with existing strategy of rationalising boiler stock around the Worcester Bosch Range and developing reporting systems to identify those generating high levels of repairs;
- A whole organisation approach to identification and management of heavy users of the service to ascertain underlying problems;
- Emphasise landlord expectations relating to repairs that are a tenant responsibility;
- Place emphasis on identifying and eliminating avoidable repairs visits.

**Void Repairs:** The average cost of void repairs of £2,013, which is less than the target cost of £2,300, has significantly reduced from the average cost of void repairs in 2014/15 of £2,388. Measures were successfully implemented to reduce costs during the financial year. The balance of cost, quality and number of repairs will continue to be rigorously monitored and approach will be adjusted accordingly.

Void repairs as percentage of stock has increased from 8.1% in 2014/15 to 9.6% in 2015/16 which is slightly higher than the target of 9.5%. This increase is attributable to a significant increase in the number of void repairs to 351 (2014/15:292) although the number of void repairs is consistent with the number of repairs on which the budget was based of 350.

## 2.3 **Efficiency Targets for 2015/16**

### 2.3.1 **Summary**

A 1.5% efficiency target (of operating costs excluding depreciation and bad debts) was set for 2015/16. This equated to a cash target of £147,000. Actual efficiencies achieved of 1.40% just fell short of the target as demonstrated in the table below.

Efficiency Level	Target Cashable Gain	Target	Actual Achieved	Actual Achieved
1. Base Budget Efficiency Savings	£49,000	0.5%	£63,000	0.64%
2. Procurement Savings	£98,000	1%	£74,000	0.76%
<b>Total for 2015/16</b>	<b>£147,000</b>	<b>1.5%</b>	<b>£137,000</b>	<b>1.40%</b>

### 2.3.2 **Base Budget Efficiency Savings**

The main efficiency savings achieved in 2015/16 are as follows:

- A review of the lifeline maintenance contract culminated in the maintenance of units being undertaken in-house generating savings of £36,000;
- An initiative to reduce the number of printers and introduce pin numbers for printing, which was introduced in August 2015, and the reduction of various under-utilised budgets, including garage repairs, subscriptions and cash collection facilitated savings of £4,000 and £23,000 respectively.

### 2.3.3 **Procurement Savings**

The procurement savings were predominantly achieved in the following areas:

- A tendering process for the improvements programme contract for Decent Homes works was conducted with the contract being subsequently awarded to Wates Living Spaces. The associated savings for 2015/16 are estimated at £30,000;
- A Travis Perkins materials negotiated price freeze produced savings of £11,000;
- A tendering process was undertaken in relation to employment, HR and Health and Safety consultancy, of which the outcome was an annual cost reduction of £7,000;
- As a consequence of negotiations across the business many suppliers agreed to link contractual price increases to CPI rather than RPI. The estimated cost savings generated are £10,000. Furthermore, a number of areas, where suppliers were contractually entitled to inflationary price increases, were limited to price freezes producing estimated savings of £4k.

### 2.3.4 **Reinvestment of Efficiency Savings**

A key component in 2015/16 has been the reinvestment of cashable gains into front-line services as summarised below:

<b>Efficiency Category</b>	<b>Services Receiving re-investment Savings</b>	<b>Customer Outcomes</b>
<b>Base Budget Efficiency Savings</b>	Increased investment in repairs services.	Increased customer satisfaction in services provided by the Trust in support of the 95% Customer Satisfaction target.
<b>Procurement Savings</b>	Reinvestment in additional Home Improvements and acceleration of work.	Increased customer satisfaction in homes provided by the Trust.

## 2.4 **Operating Cost Efficiencies for 2012/13 to 2015/16**

- 2.4.1 Whilst, the above information suggests a generally impressive cost performance, bdht also annually assesses cost effectiveness by reviewing the operating costs efficiency savings and increases per unit in real terms. For these purposes the period under review is from 2012/13 to 2015/16.



#### 2.4.2 **Basis of Comparison**

A number of costs including capital costs, interest costs, void costs, bad debts, depreciation and first tranche shared ownership cost of sales were excluded from the analysis because they are different in nature from the majority of bdht's on-going operating costs.

#### 2.4.3 **Results**

##### **Operating Cost Efficiencies 2012/13 to 2015/16**

<b>bdht Costs per Unit 2012/13 to 2015/16</b>					
<b>Narrative</b>	<b>Actual 2012/13 £</b>	<b>Actual 2015/16 £</b>	<b>2015/16 Real terms costs £</b>	<b>Real Terms Savings per Unit £</b>	<b>Real Terms Savings per Unit %</b>
<b>Costs per Unit</b>	<b>2,209</b>	<b>2,277</b>	<b>2,125</b>	<b>84</b>	<b>3.8</b>

**\* Note aggregate RPI/CPI used for 2012/13 to 2015/16 was 7.15%.**

Whilst bdht surpassed its operating cost and margin targets in 2015/16, past and current efficiency savings have been reinvested in the expansion of internal repairs teams and additional home improvements. Although the figure of 3.8 % would be much higher if these savings had not been reinvested, this reinvestment in services has been pivotal to achieving the Board's objectives.

Whilst real terms per unit savings have been achieved across a number of service areas, routine maintenance costs, which includes responsive repairs and voids costs, have not only reduced by 24% in real terms per unit but have been reduced in absolute terms from 2012/13 to 2015/16. This, and an increase in staffing costs of 2.9% (although real terms staff costs reduced by 0.9% during 2015/16), should be viewed in the context of the expansion of internal repairs services.

#### 2.4.4 **Delivery of Cost Efficiencies**

Cost control, reducing waste and improving procurement processes have been fundamental to our cost efficiencies delivery, enabling reinvestment in service improvements in response to tenant feedback.

Measures implemented in order to deliver efficiencies include the empowerment of staff to challenge inefficiency, which has led to such initiatives as the reduction in the number of desk top printers, service reviews and restructure of services. This has entailed not filling vacancies without adversely impacting on front-line services. Other measures adopted are negotiation of less than inflation cost increases, zero-based budgeting and eradicating non-Corporate Theme related expenditure.

#### 2.4.5 **Challenges Ahead – Further Cost Efficiencies**

Whilst, bdht has effective cost control mechanisms in place and has consistently achieved cost efficiencies, which it has reinvested in services, it is essential that it continues to review cost structures, particularly in the context of a very challenging operating environment.

The Chancellor’s 2015 Summer Budget incorporated a number of provisions, including a 1% rent reduction for each of the next four years commencing in 2016/17 and welfare reforms such as reductions to the Benefit Cap and reductions in HB for 18-21 year olds. This is in addition to the most significant welfare reform of Universal Credit, for which the true extent of the impact for bdht will not become evident until its wider roll out from 2017 onwards.

The Business Plan was revised and approved on 12<sup>th</sup> October 2015 following the mitigating strategy approved by the Board at its meeting on 17<sup>th</sup> August 2015. These actions were a prompt response to and aimed at dealing with the adverse implications for rental streams of these new policies.

Fundamental to this strategy is an approved cost reductions programme based on financial sustainability, including continued compliance with lenders’ covenants, whilst still delivering strategic objectives within the CIP and supporting the aspiration of 95% customer satisfaction by 2017. The cost reductions encompass the four year period 2016/17 to 2019/20 and comprise savings of £195,000 (2%) and £194,000 (2%) in the first two years and £98,000 (1%) and £100,000 (1%) in the following two years. At the end of this period the Business Plan has a new sustainable base going forward.

EMT and senior managers conducted a budget review which identified the required year 1 cost reductions. A total of £210,000 cost reductions were identified for 2016/17 comprising:

- Staffing £95,000 – Recruitment was frozen and staff structures reviewed. As a result 5 funded vacancies were not filled without impacting on front-line services;
- The implementation of the new HMS from June 2016 will reduce overall annual licence and contract costs by £60,000;
- Transfer of Lifeline Services for elderly tenants reduces costs by £55,000.

Crucially further cost reductions are required from 2017/18 to 2019/20 which require more considered planning. The EMT and senior managers have committed to an “Increasing Efficiency and Effectiveness Strategy” to establish how these additional cost reductions can be delivered, whilst engaging with staff on an ongoing basis. This necessitated a review of why and how services are delivered, identification of all on-going supplier contracts and an assessment of whether they represent VfM.

## 2.5 **Benchmarking to HCA Global Accounts 2015**

2.5.1 Our need to continuously improve dictates that we compare our performance with that of our peers. We have therefore compared our financial performance against the HCA 2015 Global Accounts.

2.5.2 bdht’s financial performance is compared with that of the LSVT social housing sub-sector of 332 providers as measured by a number of high level financial indicators contained within the HCA 2015 Global Accounts.

<b>MEASURE OF FINANCIAL PERFORMANCE</b>	<b>BDHT 2015</b>	<b>HCA GA LSVT 2015</b>	<b>BDHT 2014</b>	<b>HCA GA LSVT 2014</b>
Growth In Turnover from BDHT Company Accounts	3.3%	5.0%	6.0%	4.3%
Growth in Turnover including BDHT/BHI 1st Tranche S/O Sales	5.0%	5.0%	9.0%	4.3%
Operating Margin from BDHT Company Accounts	27.7%	28.8%	28.8%	27.2%
Operating Margin including BDHT/BHI 1st Tranche S/O Sales	32.84%	28.8%	32.6%	27.2%

Management Costs per Unit	£1,390	£972	£1,339	£939
Routine and Planned Maintenance Costs per Unit	£827	£1,018	£824	£1,039
Capitalised Major Improvement Costs per unit	£810	£1,138	£514	£1,183
Total Maintenance Costs per Unit	£1,637	£2,156	£1,338	£2,222
Total Management and Maintenance Costs per Unit	£3,027	£3,128	£2,677	£3,161
Unadjusted Operating Costs per Unit	£3,064	£3,515	£2,960	£3,472
Current Tenants Arrears	1.38%	4.2%	1.51%	4.1%
Rent loss due to voids as % rent due	0.53%	1.6%	0.98%	1.7%
Arrears written off as % of rent due	0.31%	0.8%	0.22%	1.0%

- 2.5.3 In terms of operating margin bdht compares favourably to the comparator group particularly when, what were bhi activities (the previous development company) such as 1<sup>st</sup> tranche shared ownership activity are included. As a result of Transfer of Engagement (ToE) requirements the figures relating to these activities were excluded from statutory accounts. The second and fourth rows include these to ensure consistency with the comparator group.
- 2.5.4 Management costs per unit for the LSVT comparator group for 2015 and 2014 of £972 and £939 respectively are significantly less than the bdht cost per unit owned and managed. This is reflective in many ways of the different methods of allocating costs between maintenance and management costs, within the relevant note to the financial statements, utilised by providers across the sector. Work conducted, in conjunction with our auditors, established that other providers allocated a proportion of overhead costs, such as HR, Finance and ICT costs to maintenance costs. These costs are contained within bdht's management costs.
- 2.5.5 Reassuringly, bdht's maintenance costs per unit of £1,637 (2014:£1,338) are significantly lower than those of the comparator group. Furthermore, bdht's overall management and maintenance costs of £3,027 (2014: £2,677) are exceeded by the comparator group's figures.
- 2.5.6 Unadjusted operating costs per unit for bdht of £3,064 (2014:£2,677) is significantly less than the costs per unit of the comparator group.
- 2.5.7 The introduction of significant welfare reforms, such as reduction in housing benefit to under occupying households from April 2013 has been the precursor to a programme of further reforms. Whilst bdht has not yet experienced the full impact of Universal Credit, it is within this context that its arrears, arrears written off and void rent loss performance is eminently impressive compared to that of the comparator group.

#### 2.5.8 **HCA Cost Variation Analysis**

In accordance with the need for consistency in the reporting of operating costs, and to enhance the understanding of the drivers of operating costs and their variations across the sector, our regulator, the HCA, has published its analysis of the sector wide operating cost drivers. As with HCA Global Accounts, the information is extracted from the published financial statements of registered providers. The position for bdht is set out below compared to both sector level data and specifically against local registered providers.

Entity	bdht 2015	bdht 2016	RP1 2015	RP2 2015	RP3 2015	RP4 2015	RP5 2015	RP6 2015	RP7 2015
<b>Headline Cost per unit</b>	<b>£3,250</b>	<b>£3,244</b>	£2,480	£2,780	£3,170	£3,380	£3,830	£3,850	£4,260
Sector Level Data:									
Upper Cost Quartile	<b>£4,300</b>								
Median Cost Quartile	<b>£3,550</b>								
Lower Cost Quartile	<b>£3,190</b>								

The table above illustrates that bdht's headline social housing costs per unit lies towards the lower cost quartile for the sector for 2015 and that its unit cost compares favourably with those of the sample of local registered providers. The table includes the 2016 figure for bdht which reveals a reduction in costs per unit from 2015.

The HCA concluded that 50% of unit cost variations can be statistically explained by seven critical factors included in its regression analysis including supported housing and housing for older people which are associated with unit costs £10,800 and £1,800 respectively in excess of general needs unit costs. Other key factors identified are regional wages, stock transfers (although the impact disappears after 12 years), neighbourhood deprivation and the Decent Homes Standard (DHS).

The report confirms that the methods used for apportioning costs differs amongst providers. For example, management costs per unit can vary significantly between providers depending on the method employed to allocate overheads, particularly between group subsidiaries and between management and maintenance activities. Indeed, the cost data provided by the HCA shows that bdht's measured management cost per unit of £1,390, contained within the headline cost per unit, significantly exceeds the median for the sector of £950. However, many providers, unlike bdht, do allocate a proportion of overhead costs to maintenance costs, thus reducing their management costs. Conversely, bdht's service charge cost per unit of £230 per unit (sector median: £360) and maintenance cost per unit of £830 (sector median: £980) are well below the sector median.

Furthermore, other housing providers allocate costs to "Other social housing costs" (median cost per unit £200, bdht cost per unit £0) which may further reduce their reported management costs. A further factor impacting on bdht management costs is that 25.4% of bdht units are housing for older people compared to the sector median of 8%. As noted above, the HCA analysis highlights that this type of housing provision is more expensive than general needs housing. Irrespective of the debate about apportionment of costs, the overriding conclusion is that bdht's overall cost per unit currently compares favourably with the sector as a whole.

## 2.6 **HouseMark Benchmarking**

2.6.1 The peer group used for this HouseMark benchmarking process is for those LSVTs within the Central England benchmarking group (ranging from approximately 3,000 to 10,000 units, with average units held being 5,955) of 27 registered providers including bdht.

### 2.6.2 **HouseMark VfM Scorecard**

2.6.3 Benchmarking results are not available for 2015/16. The HouseMark 2014/15 scorecard below illustrates the results for a variety of indicators.



# Value for money scorecard



Process	Value	Previous	Trend	Median	KPI
Rent collected from current and former tenants as % rent due (excl. arrears b/f)	99.5%	99.9%	●	99.6%	●
Average re-let time (standard re-lets)	17.00	28.29	★	27.30	★
Repairs completed at the first visit %	92.6%	98.2%	●	91.7%	▲
Service charges collected as % service charges due (excl. arrears b/f)	NoData	NoData	●	107.4%	●

People	Value	Previous	Trend	Median	KPI
Staff turnover in the year %	4.5%	2.2%	▲	13.8%	★
Sickness absence average days/shifts lost per employee	7.1	4.8	●	9.3	★
Staff satisfied with organisation as an employer %	100.0%	100.0%	●	73.7%	★

Value	Value	Previous	Trend	Median	KPI
Satisfaction with quality of new home %	100.0%	100.0%	○	100.0%	○
Satisfaction with service provided %	92.0%	92.0%	○	88.0%	★
Satisfaction with repairs & maintenance %	89.0%	89.0%	○	82.7%	★
Satisfaction with neighbourhood %	85.5%	85.5%	○	88.0%	▲
Satisfaction rent provides value for money %	83.7%	83.7%	○	84.2%	▲
Satisfaction service charges provide value for money %	NoData	NoData	●	72.0%	●

Business & Financial	Value	Previous	Trend	Median	KPI
Total CPP of Housing Management	£375.37	£332.66	▲	£422.33	▼
Total CPP of Responsive Repairs & Void Works	£969.07	£963.41	▼	£797.38	▲
Total CPP of Major Works & Cyclical Maintenance	£1,193.25	£840.20	▲	£1,635.53	▼
Total overhead costs as % adjusted turnover	13.0%	12.6%	▲	12.0%	▲
Current tenant arrears as % rent due (excluding voids)	1.38%	1.51%	▲	2.00%	★
Rent loss due to voids as % rent due	0.50%	0.99%	★	0.96%	★
Gross arrears written off as % rent due	0.31%	0.22%	▲	0.43%	▲
Growth in turnover	5.6%	9.0%	●	4.8%	▲
Operating margin	32.3%	32.6%	●	28.4%	▲

### Trend Indicators

This represents your improvement in comparison to your peer groups's improvement.

### Performance Indicators

These represent your performance in comparison to your peer group's performance.

### Trend

This represents your improvement in comparison to your peer groups's improvement.

### KPI

This shows how your actual performance or cost compares with your peer group

## 2.6.4 Analysis of HouseMark Results

Whilst overall performance remains generally favourable, it is necessary to analyse results in more detail as overall positive performance can obscure less positive performance in specific areas. The main highlights are summarised as follows:-

2.6.5 Growth in Turnover) and Operating Margin demonstrates second quartile performance and substantiates the findings of the comparison with the HCA global accounts for 2015.

2.6.6 Overall Housing Management TCPP has increased at a faster rate than the peer group to £375.37 but second quartile performance remains favourable. This is comprised of the following operational areas.

Operational Area	2014/15	Quartile	2013/14	Quartile
Rent Arrears TCPP		Middle		

	£137.95	Lower	£125.54	Middle Upper
Tenancy Management TCPP	£82.12	Middle Upper	£62.31	Upper
Resident Involvement TCPP	£34.39	Upper	£28.30	Upper
Lettings TCPP	£69.75	Middle Lower	£62.95	Middle Lower
ASB TCPP		Middle Upper	£53.56	Middle Upper
<b>Total Housing Management TCPP</b>	<b>£375.37</b>	<b>Middle Upper</b>	<b>£332.66</b>	<b>Upper</b>

- 2.6.7 The significant increase in rent arrears costs from 2012/13 onwards, with costs rising faster than the peer group, is a reflection of the decision to establish a dedicated Financial Inclusion Team (FIT), to mitigate the adverse impact, on bdht's tenants and its rental streams, of welfare reform. This increase in arrears management costs should be viewed in the context of excellent, upper quartile, rent collection and arrears performance. This approach appears to be substantiated by current arrears as a percentage of rent due being the fourth lowest within the group. However, bdht will continue to monitor performance and review staff structures in all areas.
- 2.6.8 Tenancy Management and Resident Involvement TCPP are second and first quartile respectively with overall tenant satisfaction of 92% and satisfaction with views being taken into account (73.8%) being first and second quartile performance respectively.
- 2.6.9 Overall, the Lettings service can be summarised as better than average on quality, with re-let times of 17 days, but more expensive than the average.
- 2.6.10 Major Works and Cyclical Maintenance TCPP and Decent Homes Standard performance (0% failure), is top quartile with median position as regards tenant satisfaction with quality of new home (100%) and SAP Ratings being upper quartile.
- 2.6.11 Responsive Repairs and Voids and Responsive Repairs TCPP are both significantly worse than the median. This cost performance should be viewed in the context of upper quartile satisfaction with repairs and maintenance of 89% (2012/13:82%).
- 2.6.12 Void Repairs average costs increased significantly from £2,340 to £2,910. However, it is reassuring that the average void costs produced and monitored internally has significantly reduced from the average cost of void repairs in 2014/15 of £2,388 to £2,013 in 2015/16.
- 2.6.13 Estate Services TCPP of £250.12 places bdht in the bottom quartile for cost. The quality of grounds maintenance services was highlighted to be of significant importance by tenants during the stock transfer consultation process. Hence, bdht maintains a much higher specification than that operated by the council. Despite this high specification, satisfaction with neighbourhood of 85.5% places bdht in the lower middle quartile. The specification level, associated cost and potential impact on satisfaction will be considered as part of the forthcoming re-tendering process.
- 2.6.14 Overhead costs as percentage of adjusted turnover places bdht in the lower middle quartile. Organisations with larger turnovers will generally have lower percentage of turnover absorbed by overheads. To put this into context bdht's turnover was 22<sup>nd</sup> out of 27 in the peer group. Whilst support team structures are considered to be lean, reviews of team structures are conducted regularly, particularly when vacancies arise.

2.6.15 Overall Satisfaction with bdht, staff satisfaction and turnover and sickness performance are excellent and continue to place bdht in the top quartile.

## **2.7 Performance and Satisfaction**

In summary cost efficiencies have been achieved in conjunction with generally high levels of performance and satisfaction.

### **2.7.1 Performance**

Performance across the business is measured by a comprehensive suite of monthly KPIs. A monthly Strategic Balanced Scorecard SBS is also produced for Board. It combines high-level performance measurement with high level risk assurance and incorporates a number of financial triggers. Aside from a small number of targets not being achieved, such as stock turnover rate of 10% (target 9%) and void rent loss of 0.65% (target 0.58%,) performance has generally exceeded targets

### **2.7.2 Satisfaction**

In addition to the satisfaction measures highlighted in the benchmarking process such as 92% overall satisfaction and 89% satisfaction with the repairs and maintenance, the SBS highlights an exceptional overall net promoter score of +70 for tenants. A review will be undertaken into the factors contributing to net promoter scores for leaseholders and shared owners of -20 and -15 respectively.

## **2.8 Creating Value through Our Teams**

2.8.1 Our relationship with staff and customers and the manner in which they engage with each other is integral to continuous service improvement, VfM performance and ultimately achieving 95% customer satisfaction by 2017.

### **2.8.2 Customers**

Tenants have continued to provide excellent input into service and efficiency improvements in areas such as mystery shopping of service areas, acting as inspectors in areas such as cleaning and providing customer perspective in service area focus meetings. Specifically in 2015/16:

- The tenant's perspective of VfM and ability to scrutinise and influence have been enhanced by continued involvement in the VfM TPEG. During the year the TPEG have concentrated on the review of the Responsive Repairs service.
- The TPEG have also undertaken internal finance training, including explanation of management accounts board reports, to aid their financial understanding, their ability to challenge on financial and VfM matters and to provide valuable insight to those with aspirations to become board members.

### **2.8.3 Staff**

Motivated and engaged staff, who are in essence bdht's most valuable resource, are pivotal to excellent service delivery. An appropriate support network for staff is essential.

Accordingly bdht has invested in both employee specific training and company-wide training for managers and staff. As a consequence of participation in the Sunday Times 100 Best Not-for-Profit Organisations and now the Great Places to Work process, bdht has improved its understanding of the factors that drive staff satisfaction and the crucial role that it has in driving

service improvements and ultimately customer satisfaction. Achieving 7<sup>th</sup> place in the Great Places to Work awards together with impressive staff satisfaction, sickness and staff turnover results is testament to the effectiveness of this ongoing staff investment.

## 2.9 **Creating Value through Our Assets**

### 2.9.1 **Strategic Context**

An active approach to asset management has been acknowledged by the Board as a key contributor to the financial capacity of the business in delivering the Board's priorities of increasing customer satisfaction and providing more affordable homes. Much of this is set out in the latest Asset Management Strategy which was approved by Board in December 2015.

### 2.9.2 **Our Assets**

As at 31<sup>st</sup> March 2016 bdht owned 3,674 homes in Bromsgrove and the surrounding areas analysed as follows:

<b>Tenure</b>	<b>General Needs</b>	<b>Sheltered Housing</b>	<b>Total</b>
Rent	2,511	890	3,401
Shared Ownership	100	11	111
Leasehold	162	0	162
<b>Total</b>	<b>2,773</b>	<b>901</b>	<b>3,674</b>

Our homes are maintained primarily by in-house teams covering repairs, gas heating breakdowns and voids. Tenants have made it clear that they prefer bdht operatives to contractors as bdht staff display higher levels of customer care.

### 2.9.3 **Understanding the Value of our Assets**

The Trust's assets are valued on a regular basis by JLL (external consultants) and the results as at March 2016 are shown below:

#### **Value of Assets as at March 2016**

<b>Asset</b>	<b>Number</b>	<b>Value</b>	
		<b>EUV-SH</b>	<b>Vacant Possession</b>
Houses/Flats	3,674	£124.2m	£442.0m
Garages	1,100	£1.9m	£2.6m

As part of this valuation exercise, a NPV, which is positive for all units, is calculated for each property.

### 2.9.4 **Return on Assets**

The Board recognises the importance of optimising the return on its assets in order to support the growth in overall housing numbers in accordance with the Board's Housing Solutions Corporate Theme. With the falling levels of grant it is essential we make the most of our internal capacity.

This means healthy returns are very important to the Board and this is measured using a Return



on Assets ratio. Using the HCA Global Accounts 2015, the sector position is compared with that for bdht and against local registered providers.

The Association's return on assets ratio for 2015 compares favourably with the sector and local peers and is still amongst the strongest for 2016 despite a major refinancing of the business in April 2015 which, whilst it increased the cost and size of debt, is vital to the future growth aspirations of the Board.

Entity	bdht 2015	bdht 2016	RP1 2015	RP2 2015	RP3 2015	RP4 2015	RP5 2015	RP6 2015	RP7 2015
<b>Headline Ratio</b>	<b>4.48%</b>	<b>3.49%</b>	1.94%	3.53%	3.53%	0.16%	2.30%	< 0%	2.21%
Sector Level Data:									
LSVT Sector	<b>2.41%</b>								
Traditional Sector	<b>1.93%</b>								
<b>Total Sector</b>	<b>2.07%</b>								

The Association uses SDS Stock Profiler to quantify the return on assets by property, type and geographical area. It identifies a NPV and rent yield and from this we are able to determine the optimum properties to retain or dispose as they become void. Stock Profiler records information such as original purchase price and current open market value per property as well as annual values for capital investment, void costs, maintenance costs and management costs per property.

The methodology provides bdht with an indication of the optimal properties to dispose of or retain. It also demonstrates bdht's understanding of property stock returns and that it has a strategy that optimises the future returns on assets. As properties become void the following actions are undertaken:

- A full individual financial appraisal;
- Consultation within bdht is carried out with the Housing Needs/ Allocations teams to ensure that properties considered for disposal are subject to a full needs impact assessment.

#### 2.9.5 **Asset Disposal and Reinvestment**

As part of an asset disposal strategy, the Board has approved an initial disposal programme of 30 properties over the period 2012/2017. Using Stock Profiler we sell on the open market any vacant properties which do not represent economic value to retain and have low rent yields. A £4 million capital receipts target has been set and this is to be applied in support of the Trust's development pipeline. To date 11 properties have been sold, producing £2.2m net receipts which have been applied in part to support HCA affordable homes programmes (2011/15, 2013/16 and 2015/18 rounds) of approximately 200 new homes in Bromsgrove.

In this way, bdht has a clear understanding of its stock and that which it intends to dispose of when returned to us as a void property.

#### 2.9.6 **Development**

The development of new affordable homes remains challenging for bdht due to the lack of brown-field sites in the Bromsgrove area and a difficult planning environment. Nevertheless the development of new affordable homes remains a key priority for the Board and performance in year is summarised as follows:

- 94 new or acquired properties completed in 2015/16 with approximately 100 more commenced on site;
- Programme spend of approximately £11 million in 2015/16 with £1 million grant secured from the HCA towards the cost of schemes;
- In response to welfare reforms and the knock-on effect for affordability for some tenants, the Board has approved a pilot of new housing types with lower rents.

### 2.9.7 **Investment in Existing Housing Stock**

To underpin the approach of maintaining the quality of our homes to above the decent homes standard (DHS), we have a 30-year funded investment programme informed by a Stock Condition System (Pocket Survey). The integrity of the stock condition data is maintained by the use of external sample reviews. The latest 5-year review identified an improvements programme of approximately £20 million.

During 2015/16 approximately £3.6 million was invested in the existing housing stock with 1,624 properties benefitting.

From June 2016 the Trust is moving to the QL system for its stock condition and decent homes spend programme details.

### 2.9.8 **Garage Sites**

The Trust has 1,110 garages across 75 sites of which 34% remain void. The majority of the garages are not linked to properties and of those let more than 50% are to people who are not bdht tenants.

Against this background all garage sites have been reviewed to ascertain demand, potential return on investment if sites were improved and development opportunity for new homes. This work has allowed us to identify a “retain or dispose” approach for each garage site.

During 2015/16 in respect of those garage sites identified for disposal, 2 have been developed providing 14 new homes.

### 2.9.9 **Future-Proofing our Assets**

During 2015/16 we continued the review of the suitability and popularity of bdht’s stock in order to support the future-proofing asset strategy. The purpose of the review is to protect and maintain bdht’s income stream by meeting current and future customer demographics and home choices. The results of the review make recommendations for change based upon an evaluation of the stock profile, turnover, demand (current and future) and the reasons certain units of stock are refused more often than others.

The key recommendations are:

- Consider the conversion of less popular three bedroom maisonettes to meet the greater demand for one bedroom flats;
- Consider conversion of flats at The Innage/Simms Lane to general needs;
- The frequency of communal refurbishment be increased to recognise stock with higher rates of turnover;
- A multi-disciplinary review of the design and management of Shawfields to be undertaken to address current issues of ASB;
- That the sheltered market be segmented and schemes be refurbished (where necessary) to attract the relevant market segment;

- Studio flats at Lowes Court and Willow Court be reconfigured based on the relevant identified market segment;
- Convert some sheltered flats at Stoke Prior (for example blocks at Ryefields Road) to general needs to balance housing supply and meet housing need.

The financial and other implications of the recommendations are being scrutinised in order to determine which go forward and priority.

## 2.10 Creating Value through Technology

In recognition of the positive impact of technology on business effectiveness, bdht has, over a number of years, invested in appropriate, fit for purpose systems. This has included network upgrades to ensure staff can work remotely and handheld devices to ensure repairs and sheltered staff can access emails and appointments thus reducing travelling time. The Virtual Boardroom electronic papers system is fully operational for all Board and Committee meetings, annually saving £10,000 as well as improving information sharing. Specifically in 2015/16 bdht has:

- Continued with the Housing Management System (HMS) project, with implementation set for June 2016 which will generate annual savings in maintenance costs of £60,000. Anticipated savings in staff time have not as yet been fully quantified;
- The ongoing HMS work has necessitated incremental changes to the working culture, as well as the obvious technological changes, with staff being empowered to review what they do, how they do it and identify improvements in working practises. The aim is to streamline processes and services and target resources where they are most needed;
- The HMS system project coincides with the development of a three-year Digital Inclusion Strategy. This has been developed with the aim of providing enhanced accessibility to more flexible customer services together with improved business effectiveness. Essentially digital communication will reduce the more time consuming methods of communication such as letters. A primary driver for increasing customer connectivity has been the introduction of Universal Credit;
- Digitalisation will accelerate during 2016/17, an early example being the publishing of the Annual Report digitally which will eliminate printing costs of £6,000.

## 2.11 Creating Value through Treasury Management

The Trust's approved Treasury Management Policy contains a commitment to the pursuit of best value in its treasury management activities and to the use of performance methodology in support of that aim. The table below shows the Business Plan targets and actual performance for treasury activities in 2015/16.

### Treasury Performance in 2015/16

Activities	2015/16 Target	2015/16 Actual	Target Achieved?	2015/16 VFM Gain
<b>Debt Target</b> (loan facility is £78.3m)	£63.3m	£63.3m	Yes	n/a
<b>Net Debt Per Unit</b> (maximum of £24k per unit)	£15,581	£15,749	No	n/a
<b>Loan Interest</b>	£2.8m	£2.8m	Yes	n/a

<b>Weighted Average Interest Rate</b> (Drawn Debt as at 31/3/16)	4.645%	4.38%	Yes	n/a
<b>Returns on Surplus Cash</b>	£29,000	£104,000	Yes	£75,000

The treasury management function has provided value in the support of the Trust's stated business objectives during 2015/16 in respect of:

- Housing Solutions – 94 new homes were completed or acquired during the year;
- Service Excellence – 1,624 tenants had home improvements during the year in support of maintaining the Decent Homes Standard (plus);
- Refinancing the Business – A new funding round for £10m was successfully completed in March 2016 in support of a major new affordable housing scheme.

## 2.12 **Creating Social Value**

Adding social value remains integral to bdht's wider community role. Furthermore, whilst unequivocally recognising the necessity of further significant cost savings, the revised Business Plan supports bdht's role in the community. Specific areas where bdht contributes social value are:

### 2.12.1 **Welfare Reform – Mitigating the Impact**

In order to protect its future income streams, bdht continues to adopt a comprehensive mitigation strategy. The provision of Financial Inclusion and Money Advice Services are recognised as essential in supporting tenants. Up to 31<sup>st</sup> March 2016, 79 households had been assisted in moving to smaller properties.

### 2.12.2 **Procurement - Employment and Training**

Our grounds maintenance contracts determine that at least one apprentice and 30% of total labour employed by our contractor should reside locally. In addition to those employed or receiving placements as a result of contractual obligations in previous years, a further two apprenticeships were safeguarded and one work experience was created in 2015/16 as part of our development and home improvement contract terms.

### 2.12.3 **Starlight Café and Community Centre**

The Centre provides employment, training, learning and social interaction opportunities for some of the most vulnerable members of the local community. A combination of partnership contractor funding and self-generating income ensures that the centre breaks even. During the course of 2015/16, 29 NEETS have completed a course within the Aspire programme which represents a 74% success rate, 9 people have successfully found employment, 6 have secured volunteering placements and 18 people have undertaken volunteering placements at the Centre. 192 people have attended groups such as craft clubs and the Autism Group. In accordance with improving digital inclusion, 29 people have completed IT courses during the year.

### 2.12.4 **The Sunrise Project**

The project is an initial 3-year project, primarily located within Charford and Sidemoor which are areas with a variety of the highest deprivation statistics in the district. This integrated multi-agency partnership focuses on complex customers with repeat, reactive needs with the aim of endowing

them with the confidence to make life changes and make positive contributions to their communities. The work of our Sunrise Team significantly reduces the burden and drain on resources of other agencies such as West Mercia Police, BDC, Social Services and local schools. During the year 34 referrals, many of which were families, were received, equating to 96 people engaging with the project. In 77% of 2015/16 cases the client felt they had progressed.

#### 2.12.5 **Homelessness Prevention**

bdht manages a homeless prevention service on behalf of Bromsgrove District Council. During 2015/16, 71 households were prevented from becoming homeless as a result of the various accommodation and advice services bdht provides, thus reducing the public and social costs associated with homelessness.

### **3.0 Conclusions on VfM Performance in 2015/16**

3.1 This VfM self-assessment demonstrates positive performance as exemplified by the cost efficiencies achieved, performance as internally monitored by KPIs and the Strategic Balanced Scorecard, benchmarking of financial performance against HCA Global Accounts and comparison of service costs and performance via the HouseMark benchmarking process. A highly engaged workforce continues to drive customer satisfaction together with the scrutiny and challenge of tenants.

3.2 Areas for further review and potential improvement include;

- High cost of repairs services compared to the peer group which has been subject to a comprehensive TPEG review;
- Despite applying a high specification for grounds maintenance services, and incurring high costs relative to the peer group, satisfaction with the neighbourhood is low compared to the peer group.

## **4.0 Plans for 2016/17 and Beyond**

4.1 A robust financial performance, allied to an embedded approach to VfM, provides a strong foundation for achieving VfM improvements in support of our Corporate Themes in the context of a very challenging operating environment. However, if the forthcoming challenges are to be successfully overcome, business wide focus on the adjusted VfM approach referred to in 1.3 is essential.

4.2 With this in mind, the main plans for 2016/17 and beyond are:

- Further cost savings of 2% to be delivered in 2016/17 as part of bdht's mitigating strategy in response to the Chancellor's 2015 Summer Budget;
- Further required cost savings for 2017/18 of £200,000 to be identified as part of the Efficiency and Effectiveness (EE) Action Plan without compromising front-line services and the target of 95% customer satisfaction by 2017;
- As part of the EE Action Plan third party contractual obligations will be comprehensively reviewed
- Independent reviews of the Travis Perkins materials contract operational arrangements are being undertaken;
- The recommendations of the TPEG review of the Responsive Repairs service will be implemented as part of the company wide approach to reducing the volume and costs of repairs;
- Explore the possibility of a longer term grounds maintenance contract and any associated cost savings. Review specifications without impacting on satisfaction;
- Continue to review the procurement of the Decent Homes Programme contract;
- Delivering up to 100 new homes in 2016/17 funded by a combination of borrowings, asset sales receipts and SHG with a total investment of £9m to be invested in the Affordable Homes Programme with increased funding capacity from refinancing;
- A further £3m to be invested in capital works improvements to existing properties in 2016/17;
- Deliver the Action Plan following the review of the popularity and suitability of bdht's stock as part of a future proofed asset strategy to protect future income streams;
- A new integrated Housing Management System (HMS) teams saving staff time and reducing annual maintenance costs by £60,000 to be implemented in 2016/17;
- Introduction of Proform so that repairs operatives can download information directly onto the new HMS thus further reducing time and, paperwork;
- Continued review of resident involvement in governance, including the training and mentoring of Tenant Panel members to develop necessary skills to potentially become future Board members;
- Continue with a comprehensive welfare reform mitigation strategy;
- Digital Inclusion Strategy to enhance internet access opportunities and drive the streamlining of services in order to provide flexible, convenient services to customers, whilst improving the cost effectiveness of service provision;
- Further support residents into education, training, volunteering and employment;
- Implementation of SDS Stock Profiler to further enhance the management of housing assets;
- To embrace the HCA's soon to be announced (Summer 2016) tougher new approach to VfM and report findings through to Board.

## **5.0 The Boards Assurance of the VfM Assessment**

- 5.1 Much of the information within this self-assessment has been reviewed, and assurance gained on 2015/16 VFM performance, via the presentation of separate reports to Board, its delegated committees and the Tenant Panel throughout 2015/16.
- 5.2 This has culminated in this VfM self-assessment which has been reviewed at the various stages by the TPEG, Compliance Committee and Board.

11<sup>th</sup> July 2016

If there is anything in relation to this VfM Self-Assessment which you do not understand or if you would like to discuss the contents with the author, please do not hesitate to make contact as follows:-

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