

BERNIA



Summary Overview
2016



Overview of 2016

Introduction

Bernicia has developed an enviable reputation as one of the North's most successful property development, management and maintenance businesses. Our range of properties, business interests and network of private and public sector partners means we are a go to company for end to end real estate solutions across the Region.

Our portfolio of affordable homes to rent and buy caters for a range of households; from single people and couples moving into their first home, to larger family accommodation, retirement housing, and especially designed homes that can support people to live independently. Added to this we provide a spectrum of management and maintenance services so everyone can enjoy their home and surroundings.

To complement our social housing business our commercial companies offer residential and commercial facilities management and private rented accommodation, further adding to the value we create for the Region's diverse housing markets.

As we look back over the last twelve months it has without doubt been extraordinary. A new Conservative Government announced changes in housing policy, a Brexit referendum, further welfare reform and a shift to more diverse affordable housing tenures. This, at a time when some housing associations had to rethink service delivery and priorities in response to rent reduction, has proved challenging.

But for us, our year 2015/16 started from an excellent position of strength and optimism.

We had continued our trend of exceeding financial and operational targets. The improving picture of financial return from assets reinforced the value of our Asset Management Strategy and customer satisfaction rose in 9 out of 10 service areas.

This excellent performance, effective management of resources and careful risk management approach enabled us to raise a further £50.5m to fund investment in new homes and services.

With clarity of purpose and our strong business planning model we remained firmly on track to deliver against our three strategic objectives:



Relevant services



Fantastic Organisation



Great Property and Place

Working toward these objectives wasn't our only focus. We entered the year with the prospect of merging with Four Housing Group; another well respected housing provider.

The respective Boards recognised the synergy between the operating environments, cultures and ambitions of Bernicia and Four Housing, and agreed to take forward proposals to achieve a merger, further strengthening our business and increasing the financial and social investments we could bring to the Region.

This report highlights just some of the achievements of our past year. And if you're interested in finding out even more about Bernicia you'll find a comprehensive account of all our activities and how we do business in our Report of the Board and Financial Statements.

April



Our Asset Management Strategy couples comprehensive stock condition information with intelligence on our operating environment.

It identifies where investment, or indeed disinvestment may be required to ensure we maintain a healthy financial return from our Assets. With 87% of all our properties producing a significant positive rate of return and only 0.8% potentially at risk, we are confident in our Strategy and assured our money is invested wisely

This year alone we have invested £13m improving our existing homes, with the benefit of forward programming saving us £1.2m on contract procurement.

Part of the programme was the Burnside Estate in Bedlington, an estate with over 100 rented properties, many of which were small 3 bedroom houses with large back gardens and undefined boundaries.

The estate also had limited parking and looked dull and monolithic. But it had many longstanding residents, a wonderful community spirit and is in a great location.

We knew Burnside was an estate well worth investing in, so developed a regeneration programme, investing £3.6m to create;

- **remodelled homes with superior space standards**
- **improved parking & open spaces**
- **enhanced facades and defined property boundaries.**

May



But we don't limit our investments to just the physical regeneration of areas. We also complement this with social value initiatives that support social and financial inclusion and health and wellbeing programmes.

At the Burnside Estate we welcomed learners with great fanfare to our latest Learning Hive facility. The educational and learning programmes delivered from this resource centre enable residents to gain a whole range of new skills, including IT, money management, cookery, social entrepreneurs and self-employment.

This latest facility adds to a network of Learning Hives, which have continued to prosper since we opened our first over 4 years ago. With the fantastic news that our partners the Northern Learning Trust had secured £337,000 Big Lottery funding, two new community engagement tutors could be appointed and we could extend the hours of the service to help learners in even greater numbers than before.

Koast Radio is another social value project we're happy to support, with a few alterations to a shop unit on one of our recently improved estates, Koast Radio gained a purpose built studio in the heart of an established community and we got to help a local organisation, ran by volunteers to thrive.

And as the main housing provider and major employer in the area we've been invited to promote what we do and what we can offer to people and business.



Another way we support communities is through our Community Grants Programme, an excellent example being the Full Circle Food Project, which develops cooking and budgeting skills, with participants achieving a healthier diet and lifestyle, and food hygiene qualifications.

June



Our staff conference was the ideal opportunity for Chairman Ian Armstrong and Chief Executive Bill Heads to catch up with staff. After some of the recent announcements impacting the sector it was refreshing to hear how Bernicia were well placed to respond and how staff were at the centre of plans for the future.

Both Ian and Bill were keen to recognise that all of what we achieve relies on the skills, dedication and commitment of our staff. They explained that this, coupled with our strong financial position and excellent reputation, meant they were confident we would prosper and respond positively to these new challenges.

The conference was also a great occasion to honour staff nominated by colleagues in a number of our award categories: Going the Extra Mile, Inspirational Colleague, Rising Star, and best Team.



According to staff, what sets us apart from other employers is the career development potential we offer. This year we launched our new Move Ahead Programme, giving staff greater control of their own career development and creating conditions for talent to flourish.

78%

of staff believe working at Bernicia is good for their personal growth.

89%

of staff believe Bernicia give back to their communities

80%

of staff say they are proud to work for Bernicia.



July



Ian Armstrong MBE chair of Bernicia said “initial discussions have been extremely positive and there is a clear geographical and cultural fit between the organisations. This provides an opportunity to come together to manage risks, deliver services with greater efficiency and in doing so produce an organisation stronger than the sum of the two individual parts”.



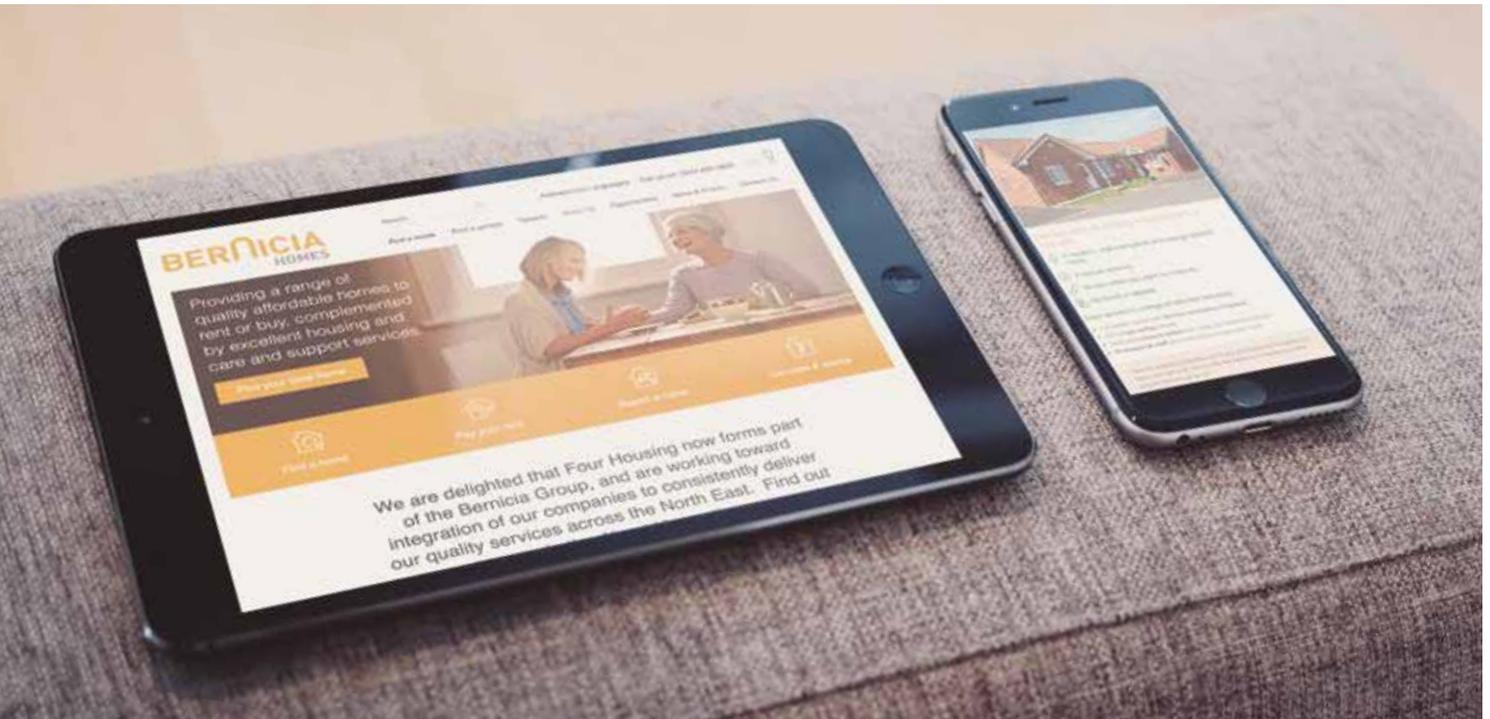
Bill Worth Chairman of Four housing said “both organisations have much in common in relation to vision, values, culture and business aims. A merger will deliver positive outcomes for tenants and customers, enable us to continue to build homes to help meet existing and newly emerging need and continue to deliver excellent services to support the communities where we work.’

Earlier this year we began merger discussions with another leading housing provider; Four Housing Group. Briefings and meetings highlighted we were both financially strong, successful and resilient businesses and it was quickly apparent that the synergy of the two would make for an excellent collaboration.

We took the time to talk to staff, tenants and stakeholders about what we expected to achieve and with their mandate to the merger, determined to bring this about as quickly as possible.

A ‘shadow board’ of Bernicia and Four was established to oversee preparations for the merger; with the business case highlighting the range of opportunities and potential created by a stronger, regionally focussed business making us even better placed to influence and help deliver key regional objectives. We would also have greater capacity to deliver more new homes, provide a range of quality services and add value to communities.

August



We've always been modest about our work and achievements, considering most of what we do is what's expected of us. But looking at all that we have and can accomplish we've realised the value of giving greater recognition to the huge difference we make to our customers and communities.

We often ask customers and stakeholders for their views and consistently receive excellent feedback. From this we know that Bernicia means a lot of different things to a lot of different people.

We've learnt that people want to know even more about us and everything that we do. So we've refreshed our approach to be sure we communicate the right message to the people interested; supporting this with a fresh new brand that better exemplifies all that we do.

We worked with colleagues and experts to create a professional brand mark to represent us breaking down barriers to social integration and building communities.

Our new brand mark represents homes not houses, with the 'open door' execution representing openness, and positivity, a welcoming gateway to a multitude of opportunities.

To coincide with the introduction of our new Bernicia Brand, we launched our new website and tenant portal, and were delighted online registrations rose by over 28%.

But whilst we're all familiar with terms like digital transformation, online services, and instant 24 hour access, not everyone is ready. We know our tenants well so continue to provide choice in the way people talk to us and access our services.

We learn a lot listening to our tenants. Respondents to our 2015 comprehensive satisfaction survey told us:



88%

think we have friendly and approachable staff



81%

say it's easy to get hold of the right person



4 out of 10

respondents have access to the internet

September



If things aren't relevant to our tenants or business, we don't do it.

With our new brand proudly on show we took to the roads with our mobile events trailer for a series of roadshow in areas ranging from rural Northumberland to south of Sunderland and a host of places in between.

People had the opportunity come and chat about the services we offer and the things that affect their home or neighbourhood. We also provided valuable advice on energy saving and welfare benefits. The feedback was overwhelmingly positive.

Brenda from Sunderland said *"Its great to see Bernicia getting out and about, being able to talk face to face and answer questions is really helpful, as well as enjoyable"*



73%

prefer to contact us by telephone



88%

were satisfied with the quality of their home



Repairs are the most important service we provide

October



It's our Board's responsibility to set the strategic direction of the Group.

The Board have established 'golden rules' for the financial performance we expect to see, and regularly review this in the context of operational achievements, ensuring we remain a robust and resilient business, able to absorb adverse changes that might impact us.

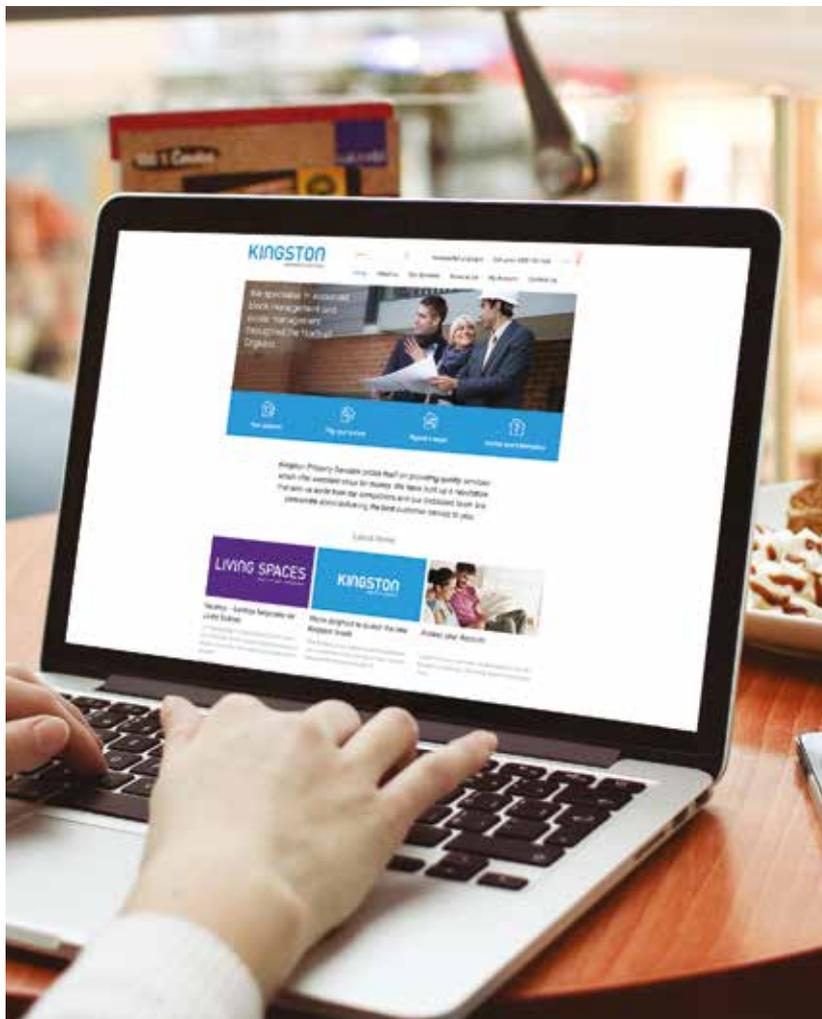
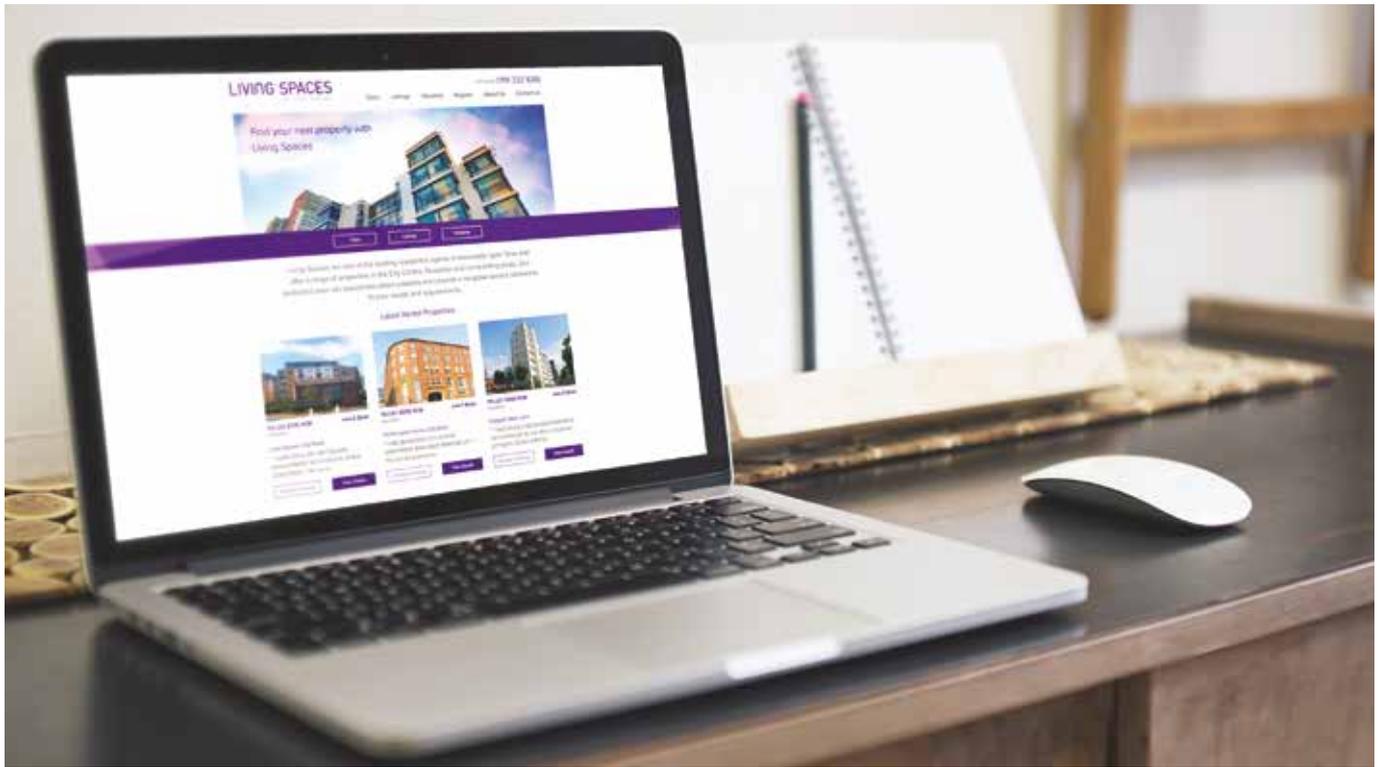
The Government's 2015 budget contained a number of measures that could bring adversity to the social housing sector.

Which is just one of the reasons we regularly stress test what's in our business plans, with this year's activity applied against 5 areas; Assets, Finance, Services, People and Efficiency and Growth.

This rigorous process subjected our business to a 'perfect storm' battering, but we emerged hardy, strong and resilient, not just able to deliver our own business objectives, but also well positioned to help others with theirs.

This gave us great confidence submitting our 30 year financial forecast to regulators the HCA, who responded by elevating our Viability and Governance ratings to the highest level 1 assurance.

November



We put the property skills and expertise we have amassed to further use through our commercial businesses, Kingston Property Services who provide leasehold block management and estate management, and Living Spaces, an estate agency specialising in property and private lets.

In November we broadened our commercial portfolio through the acquisition of Avoca, a well-respected facilities management company which furthered our offer as a “one stop shop” for all property management and development services.

These commercial activities deliver an excellent financial return to support our social purpose; with the acquisition of Avoca alone forecasting an increased return of £200k pa. This is a great boost to enable us to do more across in the North East.

For more information about our commercial companies, please visit:

www.kingstonpropertyservices.co.uk

www.livingspaces.co.uk

December



We are renowned in the industry for our expertise and skill in developing regeneration projects and new housing products. We enjoy excellent relationships with private housebuilders, contractors, consultants and supply chains, as well as commissioners and funders.

We maintain a keen interest in the diverse housing markets of our Region and use our intelligence to contribute to and influence housing supply.

A great example is the regeneration of an old hospital site in Northumberland. This was vacant for over 10 years until we created plans to build over 100 new homes to rent or buy. This £13m mixed use and diverse tenure development compliments an overall strategy to regenerate the wider area.

Part of 'The Cheviots' development is a state of the art retirement housing complex, complimented by a host of fantastic internal and external amenities and regular activities.

This flagship scheme adds to our portfolio of over 20 retirement housing developments across the Region.

But we haven't stopped at just developing housing sites, we've also fulfilled an ambition to build our own properties through our construction team, with the completion of bungalows in Whitley Bay opening the door to build a further 26 homes in North Tyneside.



Overall we built or acquired 93 new homes during the year.

"I was in a house and couldn't manage the stairs. I can't believe my luck, my new Bernicia bungalow has space for all the family at Sunday dinner, and a spare bedroom means my granddaughter can come to stay."

January



We want to be a good neighbour, so our Corporate Social Responsibility Strategy focuses on managing social, ethical and environmental issues.

We recognise there are times when the right decision may not be a purely commercial one. So our CSR strategy is framed around four key principles.

- **Perception** - using business intelligence, research and positive relationships to understand the changing environment.
- **Resourcefulness** - working skilfully and efficiently to make the most of our resources.
- **Care** - taking the time to understand the important issues affecting people.
- **Responsibility** – acting professionally and ethically because we understand the need to balance social, economic and environmental impacts.



Earlier in the year we decided to pursue SHIFT accreditation, being the recognised environmental sustainability standard for the housing sector.

Working across the group we submitted our body of evidence for assessment against over 50 environmental criteria. We were delighted this resulted in a Silver Award and are now working to improve our approach even further.

We also delivered a number of other social value benefits and initiatives;

- **aids and adaptations for residents to live independently**
- **initiatives to tackle fuel poverty and support social inclusion**
- **Our Runway Programme of work experience opportunities**
- **Procurement practices that create local employment and apprenticeships.**



In total we estimate our CSR Strategy has created **£1.4m** of social value.

February

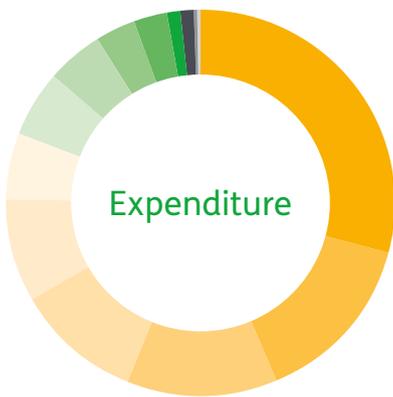
Rounding up the year it's great to know that we remain a resilient, strong, customer focussed organisation, ready and able to invest in homes, communities and staff.

We have retained solid performance in the management of our homes, investment programmes, new development and regeneration projects. And our programmes and services have been delivered to the excellent quality standards expected of Bernicia, with consistently high levels of customer satisfaction returned.

We have exceeded our efficiency targets by 27%, achieving £2.6 m of savings, meaning we again go into the next year from a position of strength.



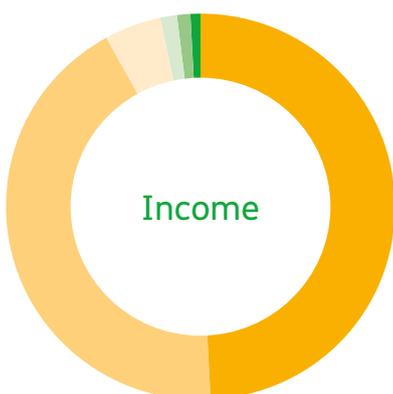
March



- Cash & debtors
£24,766,000
- Loan repaid
£12,180,000
- Major repairs
£10,417,000
- New housing
£8,942,000
- Routine & cyclical
£7,312,000

- Services
£4,743,000
- Net interest
£4,573,000
- Management & overheads
£3,944,000
- Commercial & management
£2,926,000
- Water rates
£2,426,000

- Void rents
£831,000
- Purchase of other fixed assets
£889,000
- Bad debt
£273,000
- Other costs
£151,000



- Rental income
£41,753,000
- New loans
£36,000,000

- Commercial & management
£3,963,000
- Asset sales
£1,255,000

- Other income
£1,026,000
- VAT recovery
£497,000

Heading into 2016

And never one to stand still, Bernicia now heads into a new era of opportunity through our merger with Four Housing.

We worked diligently to establish exactly what could be achieved as the new organisation, and got everything in place for the merger to formally complete in June. This means The Bernicia Group is now a company which:

-  Owns 14,000 homes and provides services to a further 15,000 private customers
-  Has a combined annual turnover of over £80m, including £10m of work undertaken by our own in-house property maintenance division.
-  Employs over 500 staff
-  Has over £0.3billion of property assets
-  Incorporates operating functions dedicated to Housing Management, Property Maintenance, Development and Regeneration, Asset Management, Finance Governance and Risk, People and ICT
-  Operates commercially with Leasehold Management, Estate Management and Estate Agency activities
-  Has the capacity to deliver 2200 new homes
-  Will continue to deliver a range of added value initiatives
-  Will deliver £2m of efficiencies per annum by year 4

We have a transition plan for the business up to 2018 ensuring 'business as usual' for our customers and stakeholders, as we also integrate our teams, systems and approaches. Alongside achieving this we will strengthen relationships and build up intelligence in our new operating environment, to establish and promote our business strategy from 2018 onwards.

We are delighted that Bill Heads continues as Chief Executive of Bernicia to oversee the new organisation. Bill is supported by the Board, which will be chaired by Bill Worth, following the retirement of Ian Armstrong MBE in September 2016.

And with great appreciation we want to take this opportunity to recognise the brilliant guardianship of

Ian, who has presided over Bernicia as Chairman since it's creation and who has led us through a period of significant growth, success and prosperity.

We now look forward to another great year ahead and to sharing our achievements with you once again.

Thank you for reading our annual report,
as always any comments are welcome.

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