Bernicia Group

Report of the Board of Management and Financial Statements

Registered society number 7711

31 March 2020

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Report of the Board of Management

BOARD OF MANAGEMENT			
Chair:		J Holmes	
Members:		A Tarn	
		A Pegg	
		X Setna	
		K Riddell	(resigned 10 September 2019)
		T Stevenson	
		L Charles-Jones	(resigned 2 July 2019)
		D Jennings	
		C Rewcastle	
		A Gibson	(full board member from 10 September 2019)
		M Roe	(resigned 10 September 2019)
		A Dunn	(board member from 10 September 2019)
		L Shearing	(Co-optee board member from 10 September 2019

SENIOR MANAGEMENT TEAM	
Group Chief Executive:	J Johnston
Executive Director, Finance	J Longstaff
Executive Director, Assets and Growth	M Farr
Executive Director, Customer Service	D Pickard (resigned 6 April 2020)
Executive Director, People, Homes and Communities	A Malcolm (from 1 January 2020)
Company Secretary:	M Axe

Registered Office:
Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

Auditor:
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Principal solicitors:
Trowers & Hamlin LLP
3 Bunhill Row
London
EC1Y 8YZ

Principal bankers:
Barclays Bank plc
Barclays House
5 St Ann's Street
Quayside
Newcastle upon Tyne
NE1 3DX

Other information:
A Registered Society (under the Co-operative and Community Benefit Societies Act 2014) No. 7711

Registered with Homes England No. 4868

Report of the Board of Management *(continued)*

About Bernicia

Bernicia Group Limited ('Bernicia') is a registered provider of social housing regulated by and registered with the Regulator of Social Housing (RSH).

The Bernicia Group is predominantly and at its heart, a social landlord, and is one of the largest in the North East of England. We are proud of our North East heritage, with our geographical location spanning from the Scottish border in the north, to Teesside in the South, and to the Durham dales in the West.

The overriding objective of Bernicia is to help people in need of housing. We are a leading social landlord, building, renting, selling and managing homes, and providing estate and facilities management to over 60,000 customers and employing over 550 people.

Within our communities, we devise plans to develop community assets, provide employment and training opportunities, and a range of products and services to support financial and social inclusion. Services and activities are provided to promote health and wellbeing, tackle isolation and loneliness and support independence.

We strive to ensure that Bernicia is a business that people want to work with and be part of. We are recognised and respected by our customers, colleagues, business partners and within communities where we are renowned as an organisation that gets the job done.

We continue to strengthen our business, generating surpluses through our operational activities, improving our efficiency and maximising profits through our commercial companies. Surpluses are reinvested into our existing and new homes, services and our people to help us achieve our mission of 'Housing People, Helping People' through the achievement of our strategic objectives.

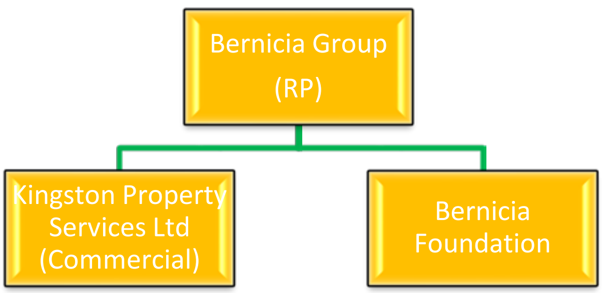
The Bernicia Foundation is the Group's wholly owned subsidiary with charitable objects and charitable status; registered with the Charity Commission under number 1190094. The Foundation enhances and consolidates Bernicia's approach to investment in its communities. The Board have agreed the priorities of the Foundation, which are as follows:

- Social wellbeing / inclusiveness
- Financial wellbeing / inclusiveness
- Supporting young talent and innovation

The Foundation is funded from the increased profits expected to be realised from the Group's commercial subsidiary. Initial funding of £500k was provided during 2019/20 with the first allocation of £200k being made during the first quarter of 2020/21, via local authorities in our operational area, to charities and other similar organisations that were providing support to those impacted most by the coronavirus outbreak.

Bernicia Group structure

Bernicia Group is a single Registered Provider of Social Housing and the ultimate parent company within the Group. On the 1st March 2020, the Group's Commercial subsidiaries, Kingston Property Services Limited, Avoca Estate Management Limited and Livingspaces (UK) Ltd were consolidated to form a single Commercial entity operating under Kingston Property Services Limited.

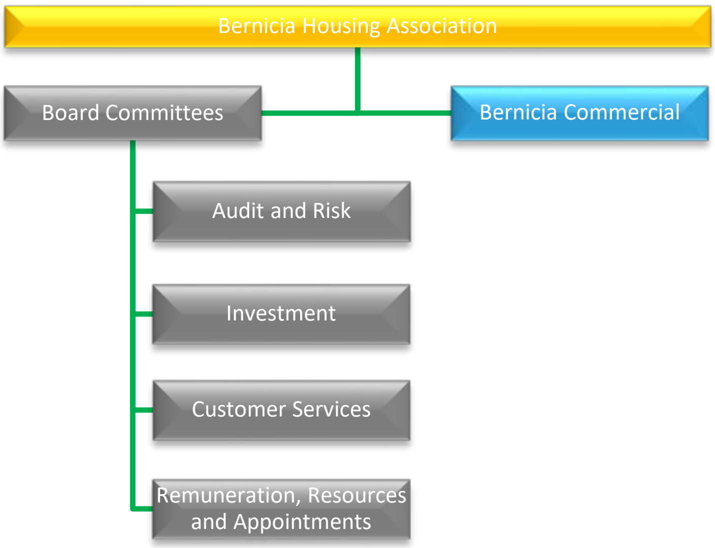


Report of the Board of Management *(continued)*

Bernicia's governance structure

Bernicia is governed by its Group Board. The governance structure below represents Bernicia's overarching governance framework. The Group Board delegates decision making responsibilities to four sub committees. This ensures the Group's Board focuses on key areas of Strategy. The Group Board has also delegated some decision-making responsibilities to the Bernicia Commercial Board. The Commercial Board focuses on all areas of the Group's Commercial activities and has responsibility for developing and monitoring the delivery of the Commercial Strategy.

The Board aims to achieve a high standard of governance and has therefore adopted the National Housing Federation Code of Governance (2015 edition). An assessment of compliance of the Code was carried out during the 2019/20 financial year and subsequently reported to Board. Bernicia is rated G1 for governance by our regulator.



Committee Objectives

<u>Audit and Risk Committee</u>

The Audit and Risk Committee has responsibility for the effectiveness of the Group's internal control framework. The Committee also monitors and reviews the financial performance and considers the annual financial statements, making recommendation of their approval by Group Board. In doing so, the committee works effectively with both the Group's internal and external auditors.

<u>Investment Committee</u>

The Investment Committee reviews the Group's major development proposals and investment in existing schemes, making recommendations to the Group Board.

<u>Customer Services Committee</u>

The Customer Services Committee focuses on the Group's tenant facing service delivery. It provides oversight of our approach to tenant involvement and influence and the improvement of customer experience through insight. The Committee also reviews the Group's compliance with consumer standards.

<u>Remuneration, Resources and Appointments Committee</u>

The Remuneration, Resources and Appointments Committee is responsible for advising the Board on governance, remuneration and Board or Committee appointments and succession planning.

Report of the Board of Management (continued)

The Bernicia companies

Business model

Bernicia Group

Bernicia Group has charitable status, is an asset owning Registered Provider with the Regulator of Social Housing (No 4868) and a Registered Society with the FCA (No7711) under the Co-operative and Community Benefit Societies Act 2014 and the Housing Act 1974, respectively.

Bernicia Group manages over 15,900 properties across the North East of England which includes units transferred as part of the large-scale voluntary transfer of housing stock from Wansbeck Council in February 2008 and Berwick-upon-Tweed Council in November 2008.

Commercial subsidiaries

During the 2019/20 financial year, the Group and Commercial Board considered the outcome of a comprehensive review of the Commercial structure.

The review concluded Kingston Property Services Limited had an enhanced consumer brand awareness and a larger market share than its sister companies within the Commercial structure.

Following the review, the Commercial Board and Group Board agreed to transfer trading activities and consolidate the assets and liabilities of Avoca Estate Management Limited and Livingspaces (UK) Limited into Kingston Property Services Limited, creating a single vehicle for the Group's Commercial operations. The consolidation took effect on the 1st March 2020. Following the statutory deferral period of three months, the Group has filed an application to strike off Avoca and Livingspaces from the Companies House Register.

The consolidation is expected to generate both front line and back office efficiencies leading to an enhanced service delivery.

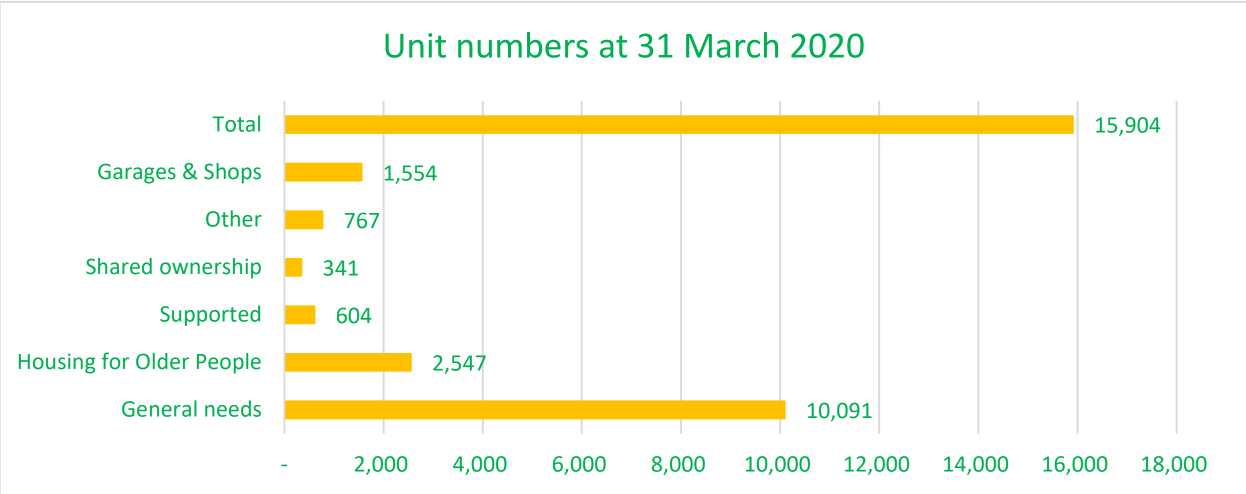
The principal activity of Kingston Property Services is leasehold block, facilities and estates management. Following the consolidation of Livingspaces (UK) Limited into Kingston Property Services Limited, additional trading activities relating to residential sales and lettings is recognised.

A single commercial board oversees the operations of the commercial company.

Housing stock owned and managed

The Group continues to develop new homes across a range of property types and tenures. Bernicia provides housing, care and support services for single people, couples, families, older residents and those requiring additional support and assistance.

Housing properties by category



Report of the Board of Management *(continued)*

Operating environment and risks

The external environment

Whilst the current operating environment continues to present challenges, having been impacted by major economic and political events taking shape at a regional, national and global level, Bernicia is well placed to respond and react. The current circumstances affecting Bernicia's operating environment are broadly categorised into several key issues, namely Brexit, postponement of a Housing White Paper, Regulation and most significantly, the global outbreak of Coronavirus (COVID-19).

On 31 January 2020 a Brexit deal was agreed by Parliament and the UK officially left the European Union. Transition arrangements are in place and negotiations are underway to ensure the UK has a trade deal in place before the transition arrangements expire on 31 December 2020. Until final trade arrangements are agreed a level of economic uncertainty will undoubtedly remain.

Brexit negotiations and the general election dominated the government's agenda in 2019. The Social Housing White Paper had been expected to be received throughout the year, setting out Government expectations relating to enhancements in the quality of homes and services, tenant safety and involvement and paving the way to a potential revised Decent Homes Standard. These themes have driven much preparatory work in 2019, with the White paper now anticipated to be published in 2020. At the December election the Conservative Party had a majority victory and their campaign manifesto included several Housing related themes. These included spending to level up the regions, improving energy efficiency of homes, renewal of the Affordable Homes Programme, extension of the Voluntary Right to Buy Pilot Scheme, extension of Help to Buy to 2023, a right to shared ownership, measures to eradicate homelessness and building safety. Once Government is able to turn its attention more fully to its manifesto pledges, it's likely the future operating environment will evolve further.

In October 2019, Government issued a consultation document titled *"The Future Homes Standard"*. The Consultation sets out a "roadmap" towards achieving low carbon heating and world-leading levels of energy efficiency by 2025 for new build homes. In relation to existing homes we anticipate that the revised decent homes standards will include enhanced energy performance obligations. Bernicia will keep the position under review and ensure that we are best placed to meet changing needs and requirements.

Along with many, the social housing sector has had its immediate plans disrupted. During the first quarter of 2020/21, the lockdown period has impacted the sector's ability to deliver some services along with new housing supply and capital investment works to be undertaken in 2020/21. Looking forward, providers will be expected to concentrate on recovery plans, determining existing and future operating models and approaches to service delivery.

Prior to the outbreak of COVID-19, Bernicia had formulated its five-year budget, with Board subsequently approving detailed significant spending plans aimed at delivering and improving existing service delivery. Following the outbreak, Bernicia has reshaped its plans and formulated its response accordingly. Although the circumstances of late are expected to have an impact on the medium term operating and financial environment, Bernicia remains confident that the Group's outstanding financial strength, resilience and dedicated and flexible work force uniquely positions it to tackle and withstand the challenges ahead.

Brexit related factors have weighed heavily on the UK's ability to increase Gross Domestic Product (GDP). Growth throughout 2019 had been modest, with the final quarter of 2019 (Oct 19 to Dec 19) recording a zero percent increase in GDP.

Economic growth shrank in the first quarter of 2020 with an overall decrease in GDP of 2%. That said, this reflects economic performance impacted by the mid-March lockdown, forcing businesses to close and consumers to stay at home as the UK battled the outbreak of COVID-19.

Looking forward, the outlook for UK GDP in 2020 is expected to tell a similar story with a further contraction in GDP anticipated in the second quarter. The full extent of the economic consequence of COVID 19 will evolve and be impacted by a range of issues, including Government spending plans and stimulus package. Bernicia will remain tuned into these and agile in its own response.

Report of the Board of Management *(continued)*

The external environment (Continued)

Following the Bank of England Monetary Policy Committee's decision to cut the bank rate to 0.1%, interest rates continue to be forecasted to remain at the all-time low for the remainder of the year, with the first rise in the rate to 0.25% not expected until 2021.

CPI for the first half of 2019 roughly hovered around Government target of 2%, before falling away in the second half of the year closing out in December at 1.3%. The first two months of the first quarter of 2020 witnessed a sharp increase in CPI which maintained its level around 1.7% to 1.8%. The CPI year on year increase at March 2020 was recorded as 1.5%, before falling lower in April 2020 to 0.8%. Forecasts for the remainder of the year are expected to be below the Government target of 2% as the economy further adjusts to the impacts of the pandemic.

There is a large amount of uncertainty inherently built into economic forecasts, predicated on assumptions and historical data. However, as we manoeuvre the existing unprecedented and uncertain economic climate, Bernicia remains cautious and aware that economic turbulence remains on the horizon, creating challenges for Registered Providers to tackle throughout 2020.

The reinstatement of the 2015-2025 rent settlement agreement took effect from April 2020 with Social Rents being able to be increased by a maximum of CPI plus 1% (2.7%) on 2018/19 rent charges. During 2019/20 Bernicia carried out a comprehensive assessment of rent affordability. This work provided a high degree of confidence in the competitiveness and affordability of our homes and was used to inform rent increases for 2020/21.

The Group's asset base continues to be unaffected by the loss of properties through Right to buy. The Group is not anticipating a large increase in disposals throughout 2020/21. However, potential national policy changes could further impact the sector and performance will continue to be monitored.

Risks and challenges relating to building more homes and adapting to changing customer and marketplace requirements all remain. The risks and challenges resulting from the financial and political environment will continued to be factored into our future plans.

Bernicia is a key stakeholder within its operating geography and recognises the significant disruption to the regional economy and its operating environment. As a key partner to many agencies and regional organisations, Bernicia is preparing its recovery and resurgence plans and remains confident it has the financial resources and expertise to support the recovery effort in the North East of England. .

COVID-19

During the first quarter of 2020, the UK, along with the majority of other global nations, was impacted by the Global outbreak of a Coronavirus (COVID-19). The outbreak has had an unprecedented effect on the Global economy, and has impact on almost every industry, causing economic disruption throughout the world.

On the 19 March 2020, the Bank of England Monetary Policy Committee took action to cut the bank rate to an all-time low of 0.1%.

The reduction in the bank rate was aimed at slowing economic deterioration from COVID-19 but failed to have much influence on consumer sentiment. On 20th March 2020, Government announced further measures including the Job Retention Scheme, VAT and business rates payment breaks, Mortgage repayment holidays, Business Interruption loans, increases in working tax credits and an increase in Universal Credit standard allowances as they battled to slow down economic deterioration.

On 23rd March 2020, Government placed the UK into a temporary state of lockdown. The partial re-opening of the country took place on 1st June 2020. A further easement of restrictions was introduced with the intention to kick start the economy on 15th June 2020, the additional relaxation of the measures has allowed Registered Providers to resume the full repairs, maintenance and housing services.

Report of the Board of Management *(continued)*

COVID-19 (Continued)

In the weeks leading up to lockdown, the risk presented by COVID-19 was escalated from the Executive to the Strategic risk map, furthermore a bespoke COVID-19 risk map was developed and a 'Command and Control' structure was implemented led by a 'Gold Team' made up of the Executive Team, the Commercial Director and the Company Secretary. The purpose of the Group was to ensure that there was clear leadership, direction and oversight being cascaded via the 'Silver' and 'Bronze' teams to ensure operational delivery.

In the early days of the pandemic our previous investments in technology and staff, alongside comprehensive business continuity planning allowed us to quickly and seamlessly transition from traditional to home and remote working arrangements.

On 24th March, a virtual meeting of the Board took place. At the meeting Members discussed the 'Command and Control' structure and were advised that every major decision made by the Chief Executive, Chair and Control and Command group was being logged accordingly in a weekly key decisions and actions log. Members endorsed the structures, decision-making and reporting arrangements put in place to provide the Executive with the space and time to respond quickly and effectively to the rapidly changing situation, whilst also ensuring good board oversight remained.

The decisions log was shared weekly with members and the frequency of Board meetings changed to monthly, with meetings taking place at the end of April, May and June, before reverting to the normal meeting cycle.

Throughout the early days of lockdown, Bernicia continued to undertake critical services such as emergency repairs and urgent repairs with the potential to escalate to emergency status, compliance checks and servicing and welfare allocations. All services were carried out in accordance with associated safe systems of work, supported by a suite of live COVID-19 risk assessments. Services such as call centres and community alarm also continued to be fully operational and Bernicia worked directly and in partnership to provide wider community support.

During May, a framework and plan was developed for the re-establishment of services. Developed in accordance with Government guidelines and in partnership with our involved tenants and staff representative structures, this was approved by the Customer Services Committee and Board.

Consultation with the tenants check and challenge group, staff liaison and the Health and Safety Committee was undertaken on 20th May, whereby it was agreed that services that were unable to be delivered from home, in full or part, would be reintroduced where compliance with Government guidance could be demonstrated around social distancing and safe systems of work measures, and in accordance with our COVID-19 risk assessments.

On 21st May, the full process for allocating properties commenced. On 25th May external property repairs commenced, and on 15th June the full repairs service recommenced.

At the end of May, full assessments of all of Bernicia's offices and depots were undertaken. Several actions and control measures were identified to support the return of staff to office environments. These actions and measures have subsequently been carried out and Bernicia's office environments opened to limited numbers of staff members on 6th July. Bernicia's offices will begin to open to the public and visitors from 3rd August.

Throughout the pandemic period, Bernicia has closely monitored performance against a range of COVID-19 specific key performance indicators, focussing particularly on loss of income through voids, arrears and cash collection, compliance matters such gas and electrical servicing, enforcements and eviction action postponed and impacts on staffing, with reports being provided to Board each month.

We are pleased to advise, that despite such challenging circumstances, income levels are being sustained and the only compliance works that remain outstanding are limited numbers due to shielding or self-isolating. A control process is in place to ensure that these works are completed as soon as practicably possible, alongside the backlog of standards repairs that will be resolved by early August. Measures continue to be in place to monitor performance of these areas, along with the wider COVID specific KPI's.

Report of the Board of Management *(continued)*

COVID-19 (Continued)

Bernicia continues to be well placed to meet the challenges presented at this difficult time. We have a strong financial position, together with strong and focussed leadership, an amazing and compassionate workforce and excellent governance arrangements.

Key risks

The Board has devised a Risk and Assurance Framework, setting the Risk Appetite for the Group. Board monitors Risk against the framework regularly and considers the framework and risk appetite remains relevant and appropriate. Board considers the key risks to achieving the corporate objectives are:

Impact of the operating environment - Changes in government policy around welfare reform and rents against the context of a challenging and changing economic and operating environment, continue to place demand on the Group's resources and its income. To protect the financial viability of the Group we seek to manage our resources within the constraints of existing loan covenants and our own golden rules. In addition, the Group, like other organisations, continues to view cyber security as a risk.

Bernicia mitigates both risks by:

- Regularly reviewing financial and contingency planning (Re-modelling and stress testing).
- Setting minimum acceptable levels of headroom in the 30-year business plan.
- Regularly reviewing and updating our treasury strategy.
- Support and validation of financial plans and assumptions by external consultants.
- Robust performance monitoring of key indicators including budgets.
- Targeting resources to support income optimisation.
- Ensuring flexibility in our plans, priorities and objectives, with regular reviews.
- Strengthening our partnerships and alliances to help inform decision making and reduce costs.
- Remaining tuned into national, regional and local strategies and plans.
- Setting realistic but challenging efficiency savings targets.
- Independent cyber security, ethical hacking and phishing.
- Increased cyber security measures.

Pensions - As pension costs increase, the Group continually revises the financial impact on the business and the decisions we make. We have a number of employees (79) who are members of the now closed Local Government Pension Scheme (LGPS) administered by Tyne and Wear Pension Fund, others (81) who have accrued benefits in the closed Social Housing Pension Scheme (SHPS) final salary scheme and others in active SHPS defined benefit structures. The Group continues to fund Deficit reduction plans associated with SHPS triennial valuations. With continued uncertainty created by Brexit and the global economic crisis, caused by COVID-19, having a severe impact on the value of investments held within pension funds, Pension risk remains a risk to the Group. We are mitigating this risk by:

- Annually reviewing the Group Pensions Scheme.
- Continued specialist advice.
- Including provisions for future deficit payments into our 30-year business plan.
- Implementing our Pension Strategy which was approved by Board during 2019/20. The strategy creates increased options and flexibility for our employees, whilst still allowing Bernicia to manage and mitigate exposure.

We have also transferred members from the closed final salary SHPS structure to lower risk structures.

Report of the Board of Management *(continued)*

Key risks (Continued)

Regulation - The protection of social housing assets is a major requirement for the sector, meaning that historically the regulatory framework has been at the heart of ensuring this objective is successfully met by providers. This has included ensuring that we not only protect but also make best use of our assets. Changes to the Housing and Planning Act 2016 introduced deregulatory measures, effective from 6 April 2017. These changes broadly relate to the removal of, changes to and the introduction of various consent requirements, full details of which can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590274/Detailed_overview_of_legislative_changes.pdf. These changes have removed elements of previous bureaucracy; however, RP's are still expected to follow due process and ensure that appropriate documentation is retained to support any changes or actions taken. That aside, we are mitigating this by:

- Ensuring that our Governance arrangements are strong and effective, and aspiring to achieve "Excellence in Governance".
- Utilising specialist staff within dedicated areas of Business Assurance and Governance.
- Dedicated responsibilities and controls in relation to regulatory returns.
- Conducting self-assessments against Regulatory Framework and subsequent action planning.
- Maintaining an Asset & Liabilities register.
- Board and Committee oversight including training and briefings.
- Business Planning and decision making within the parameters of the Group's risk appetite.
- Commission triennial external reviews of governance arrangements to ensure that they are fit for purpose and are in keeping with best practice. The last review was carried out in 2017/18.

COVID – 19 and similar Coronaviruses - The spread of the virus occurred at a significant pace, creating an unprecedented deployment of financial resources and social measures to contain the global outbreak. The virus has created many layers of risk and uncertainty to the daily lives of both tenants and staff. By maintaining our risk based approach to the measures we take, as mentioned in previous sections and to repeat again in summary, the Group has mitigated the risks caused by COVID-19 by:

- Creating a bespoke Risk Map, monitoring key risks
- Developing a robust suite of COVID-19 risk assessments
- Creating an Operational Command Team structure, led by the Chief Executive
- Improving timeliness of decision making through improved Governance arrangements
- Implemented and maintaining an action and decision log, demonstrating robust Governance
- Monitoring and adhered to Government and Regulatory guidance
- Audit and Risk Committee providing oversight and additional scrutiny of decisions taken
- Ensuring liquidity and accessibility to the Group's undrawn Revolving Credit Facility
- Implementing effective staff and tenant communications and support arrangements
- Developing and implementing Safe Systems of Work for all service areas.
- Reducing the repairs and maintenance service at the peak of the pandemic, moving to the delivery of emergency and health and safety related works.
- Making capacity within our workforce and services available to local authority and health service partners.

Report of the Board of Management *(continued)*

The Group's approach to risk management

We understand that there are a variety of complex, interplaying factors which affect our business. Risks to our business include economic factors, government policy and social change. How we handle these provides us with opportunities and threats which form the context of our business. Our strategic objectives sit within this context, but we identify and monitor operational and strategic risks and change our approach accordingly to ensure our objectives are not put at undue risk.

All staff share in the responsibility of identifying and managing risk. Each risk is assessed and given a score based on impact and probability. Risks are recorded along with key controls to manage the risk, who is responsible for the control and how the control effectiveness is monitored. The Group continues to monitor and develop its Business Assurance Model (BAM). The model considers each risk and adopts a three lines of defence approach to managing and mitigating the risk and is a key document considered by the Audit and Risk Committee.

The management of operational risks can be escalated in the organisation to the Senior Management, or Executive Team who will retain effective management of the risk, providing an overview of key operational risk.

Risk is a standard item on all Board and Committee agendas. Members have the opportunity to raise any matters which will be investigated and assessed and added to the risk map and BAM where appropriate.

The Group Risk Map details key risks that impact on our strategic objectives. It is prepared by the Executive, reviewed quarterly by the Audit Committee and approved annually by the Group Board as part of the annual planning process.

Our plans for the future are impacted by the external environment, including factors such as government policy and changes in regulation which we pro-actively prepare for. These are factored into our forward planning - along with risks which we have identified over previous years that remain current.

In conclusion, the current financial environment remains challenging and it is likely to stay that way in the short to medium term. However, Bernicia has in place an excellent Governance and Financial framework underpinning its financial strength. The Groups financial position continues to remain strong, as reflected in our V1 rating. This position of strength will assist Bernicia in managing the impact of the challenges it faces. Bernicia continues to deliver its corporate strategy covering the period 2018 to 2023, implementing plans to enhance services and invest in existing homes and communities. Our financial plans remain resilient and the Group's continued drive to seek out efficiencies will increase resilience further going forward.

Report of the Board of Management *(continued)*

The year under review

Financial review

Against the backdrop of a volatile financial and uncertain political landscape, the Group remains positive in its future outlook and has once again delivered an outstanding set of financial results, out-performing a budget and reforecast, designed to challenge the Group to deliver further efficiencies. This has been achieved despite the challenging economic landscape and operating environment faced by the Group and the sector.

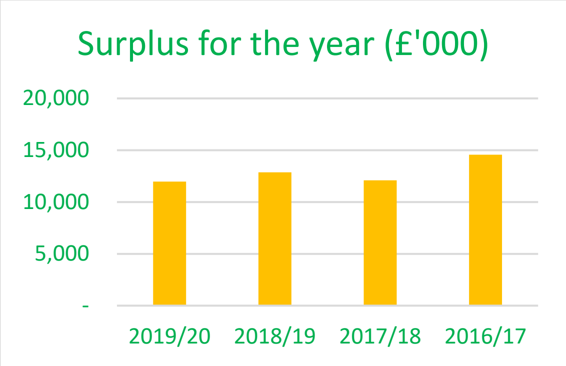
Financial results: four year summary

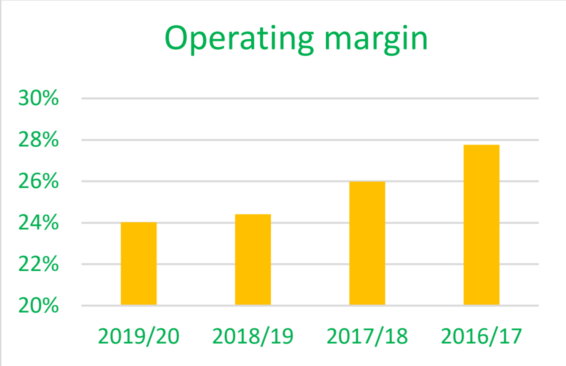
Statement of Comprehensive Income	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Turnover	75,424	73,899	74,991	74,934
Operating costs and cost of sales	(57,298)	(55,862)	(55,501)	(54,126)
Operating surplus	**18,126**	**18,037**	**19,490**	**20,808**
Net interest charge	(6,679)	(6,665)	(8,764)	(8,002)
Gain/(loss) on disposal of assets	728	1,739	1,350	546
Share in surplus in associate	-	-	-	374
Other finance (costs)/income	(203)	(228)	(7)	18
Movement in fair value of investment properties	(8)	(12)	31	92
Gift Aid	-	-	-	734
Taxation	-	(2)	(5)	(17)
Surplus for the year (before pensions)	**11,964**	**12,869**	**12,095**	**14,553**

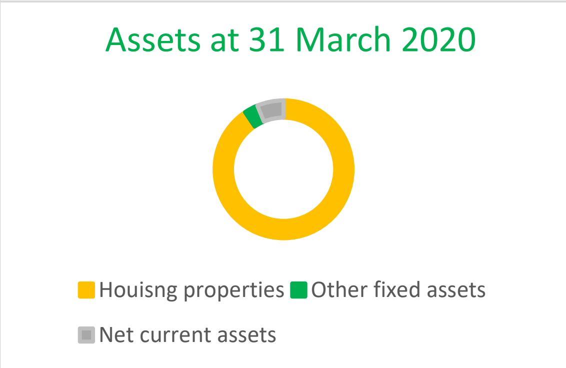
Statement of Financial Position	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Housing properties	442,159	434,700	430,399	425,791
Other fixed assets	15,750	15,721	15,893	16,649
Total fixed assets	**457,909**	**450,421**	**446,292**	**442,440**
Net current assets	30,334	36,318	56,087	80,136
LGPS Pension asset	340	3,340	1,404	2,247
Total assets less current liabilities	**488,583**	**490,079**	**503,783**	**524,823**
Creditors: amounts falling due more than one year	(282,647)	(289,584)	(317,691)	(343,185)
Provisions for liabilities and charges	(35,174)	(38,406)	(43,920)	(50,634)
SHPS Pension liability	(5,618)	(12,912)	-	-
Total net assets	**165,144**	**149,177**	**142,172**	**131,004**
Revenue reserve	165,144	149,177	142,172	131,004
Capital and reserves	**165,144**	**149,177**	**142,172**	**131,004**

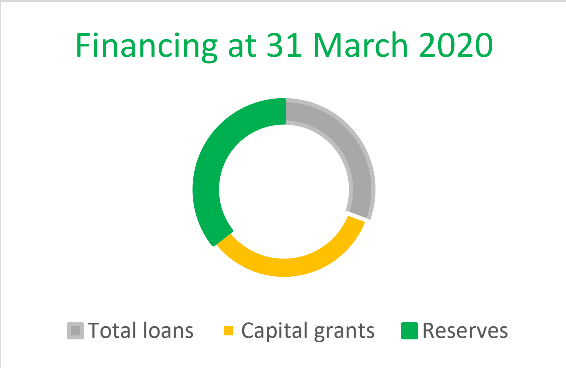
Asset data	2020	2019	2018	2017
Social housing stock owned at year end (no.)	13,583	13,580	13,611	13,460
Non-social housing and other property types	2,321	2,500	2,615	2,506
Average existing use value (EUV-SH) per unit (£)	28,416	28,874	30,060	26,742

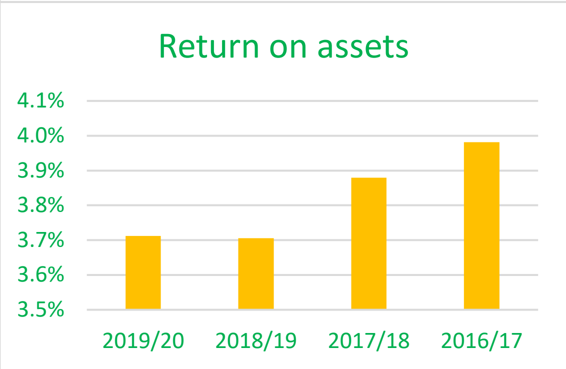
Report of the Board of Management *(continued)*

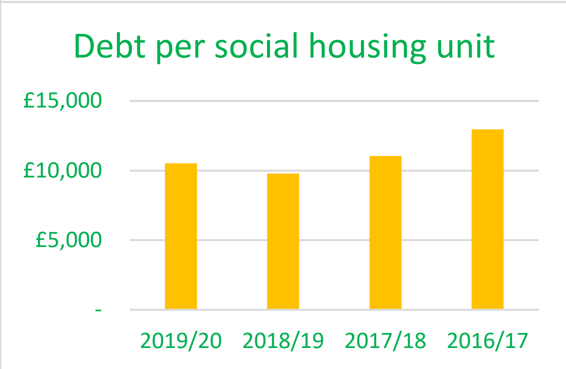












Financial position

The Group's consolidated statement of comprehensive income for the year ended 31 March 2020 is shown on page 42 of the financial statements, and its consolidated statement of financial position as at 31 March 2020 is shown on page 44.

The Group delivered a strong result, generating a surplus after tax, before actuarial losses or gains on pension schemes of £11.96million (2019: £12.87million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective.

Bernicia continues to meet the requirements set out in the Governance and Financial Viability Standard with a G1 grade for governance and a V1 grade for financial viability. Bernicia therefore meets the Governance and Financial Viability Standard requirements of The Regulator of Social Housing and can demonstrate financial capacity to deal with a wide range of adverse scenarios.

Report of the Board of Management *(continued)*

Accounting policies
The Group's principal accounting policies are set out in the notes to the financial statements on pages 49 to 56. Accounting policies have been reviewed and updated for FRS 102 and the Housing SORP 2018: Statement of Recommended Practice for registered social housing providers. The policies that are most critical to the understanding of the financial results relate to the accounting treatment of housing properties, government grants, the capitalisation of costs, housing property depreciation and the treatment of shared ownership properties.

Significant judgements and estimation uncertainties
Any significant judgements and estimation uncertainties included in the financial statements are set out in the accounting policies note.

Housing properties
At 31 March 2020, the Group owned 13,583 and managed a further 130 housing properties (2019: owned 13,580 and managed 129).

The Group holds its housing properties at cost. As at 31 March 2020, the carrying value of housing properties is £442.2million (2019: £434.7million). Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated value of secured and unsecured properties is £386.0million (2019: £387.7million).

There was no property impairment recognised during the financial year (2019: £nil).

The Group's investment in housing properties this financial year was funded through a mixture of social housing grant, loan finance and internally generated cash surpluses. The Group's treasury management arrangements are considered below.

Other freehold land and buildings
Other freehold land and buildings includes garages, commercial properties and office buildings owned by the Group. An impairment adjustment of £nil has been made during the financial year (2019: £12k).

Cash flow statement
Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 48 of the financial statements.

The Group generated a cash inflow from operating activities of £29.1million (2019: inflow £25.3million). The cash inflow in the financial year was funded mainly by operating activities and new loan financing, cash inflows in respect of financing was £2.8million (2019: outflow £24.2million), social housing grant of £3.7million (2019: £0.9million) and property sales of £2.5million (2019: £3.3million) resulting in a net increase in cash of £16.6million (2019: decrease of £13.3million).

Cash at bank and in hand increased to £31.4million (2019: £14.8million).

Reserves
After the transfer of the surplus (including other comprehensive income) for the financial year of £15.97million (2019: £7.0million) at the financial year end, the Group's reserves amounted to £165.1million (2019: £149.2 million).

Report of the Board of Management *(continued)*

Treasury Management

Treasury activities focus on ensuring that the Group has sufficient liquidity to fund its operations for a minimum of two years, mitigating the impact of adverse movements in interest rates, ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

Capital Structure

Liquidity is secured from free cash flow from operations, government grant and external lending facilities. At 31 March 2020, the Group had drawn loans totalling £142.8million (2019: £132.9million) and available undrawn credit facilities of £113.8 million (2019: £55.8million). Cash equivalents held at the year-end totalled £31million (2019: £14.8million).

Funding

On the 26th March 2020 the Group entered into a new £70m Revolving Credit Facility (RCF) with Barclays. At the same time the historic agreement was restated to remove reference to what was the original £39m RCF. An exercise to reallocate security with EUV-SH of £56.6m to the new facility completed on 12th May 2020. Further property charging is underway to meet the shortfall and is expected to complete towards the end of the 2021 financial year.

In response to the Government's social distancing and "lock down" measures announced on the 23rd March 2020 the Group increased its borrowing by £15.0m (2018: £ nil) utilising the existing RCF arranged with Barclays. This provided the Group with the comfort of readily available working capital to deal with the initial uncertainty of the COVID-19 pandemic. Following successful remote working practices of the Group and its counterparties, the drawdown was subsequently repaid on 7th May 2020. In line with the Treasury Strategy the Group will be exploring further financing through the capital markets later in the year.

Debt Repayment Profile

The Treasury Strategy ensures that the Group spreads the repayment and refinancing of loans. The Group has repayments of £46.5million (2019: £34.0 million) due over the next five years and has facilities in place to undertake this. A further £96.3million matures after year 5, representing 67.4% of total debt (2019: £98.9 million, 74.4%).

Counterparty Risk

The Group operates a conservative counterparty risk management strategy that aims to minimize the risk of a financial loss, reputational loss or liquidity exposure as the result of a counterparty to any Treasury transaction becoming insolvent. As at 31 March 2020, all cash investments are held with counterparties who meet the criteria of our Treasury Management Policy.

Currency Risk

The Group borrows and invests surplus cash only in sterling and does not have any foreign currency risk.

Interest Rate Management

The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost.

As at 31 March 2020, 80% (2019: 87%) of the Group's drawn debt (inclusive of hedging activity) was fixed at rates between 1% and 11.6%.

Loan Covenant Compliance

Loan covenants are primarily based on interest cover, gearing ratios and asset cover. Covenants are monitored monthly and were comfortably met throughout the year and at the year-end for all loan facilities.

Report of the Board of Management *(continued)*

Value for Money

Introduction

Our Value for Money (VFM) strategy was approved by Board in April 2018, runs for a five-year period from 1st April 2018 to 31st March 2023, and reflects the requirements of the Regulator's 2018 VFM Standard and Code of Practice. Our Value for Money Strategy can be accessed via the following link https://www.bernicia.com/wp-content/uploads/2015/03/Value-for-Money-Statement-2017%5E18.pdf

Bernicia's corporate strategy and VFM

VFM is embedded throughout Bernicia's business and is a constant theme that runs throughout our corporate and associated operational strategies. Our business strategy continues to place our work as a social landlord at the heart of what we do. Our vision is "Housing people, helping people". We believe that a good home makes lots of other things possible, so we aim to continue to provide great homes and services that do just that.

Our purpose, or mission is to invest in homes, services and people in order to make a positive impact on the communities of the North East. We will invest to provide quality new and existing homes, and provide services that respond to our tenants, customers and market-place requirements, in our people and the communities within which we operate.

The Group's Business Strategy forms the basis of our Annual and Operational Strategies and Plans. This details the specific targets and measures in our core social housing business.

The Group has four strategic outcomes:

- Delivering an exceptional housing service;
- Investing in homes, neighbourhoods and communities;
- Building an effective organisation;
- Helping to deliver the regional agenda.

Our full corporate strategy can be accessed via the following link https://www.bernicia.com/wp-content/uploads/2019/01/Housing_People_Helping_People_Jan_2019.pdf.

Report of the Board of Management *(continued)*

Priority one – Delivering an exceptional housing service

Key action and targets	Bernicia Target 2021	Bernicia Target 2020	Bernicia 2020	Bernicia 2019
Transforming delivery – aim to have 80% of transactions conducted on-line by 2023	N/A	Progression to 80% by 2023.	N/A	N/A
Customer satisfaction with:				
• VFM of rent (STAR)	83%	83%	89%	89%
• Responsive repairs	91%	92%	93%	92%
• Major works	93%	93%	91%	92%
• Overall service (STAR)	89.6%	89.6%	90%	90%
• Views taken into account (STAR)	71%	71%	73%	73%
• Lettings	93%	93%	96%	97%
Performance:				
• Repairs completed at first visit	80%	80%	87%	84%
• Appointments made and kept	92%	92%	93%	94%
• Emergency repairs within 24 hours	99.5%	99.5%	99.1%	99.8%
• % of customer enquiries resolved at first point of contact	87%	85%	94%	88%

Transforming delivery - The Group is in the process of implementing a new housing management software system which will support and facilitate this objective, thereby ensuring a wider range of digital access points are made available to customers.

The first phase of the project was delivered in September 2019. The Group is delighted with the contribution this has made to date in supporting the transitions in both Housing related services and the delivery of the Group's day to property maintenance, where the majority of gains have been made to date. The first phase of the transition has created opportunities for partners to interact and engage more effectively with the repairs service. Since September 2019 a significant increase in efficiency has been created through automation of finance, admin and contract management processes.

The second phase of the project is expected to be in place by March 2021, creating improved engagement and interaction opportunities for tenants and the front line delivery of housing services. The next phase of the project will differentiate Bernicia's offer to tenants and is designed to respond to the changing needs and expectations of tenants throughout the next decade.

Report of the Board of Management *(continued)*

Customer satisfaction - Five of the targets were met during the year, with one falling short of target, "satisfaction with major works". Three of the targets have been measured in line with the Group's most recent STAR survey. Major works was 2% short of the target set as a result of a Group contractor failing to deliver performance in line with the Group's target and therefore expectation. The matter relates to a single project with customer satisfaction recorded at 89%. Following feedback from Tenants the contractor is under review. Bernicia continues to monitor performance and has engaged with the contractor setting out the expectation relating to the delivery of future contracts.

Priority two – Investing in homes, neighbourhoods and communities

Key action and targets	Bernicia Target 2021	Bernicia Target 2020	Bernicia 2020	Bernicia 2019
New homes:				
- starts on site (cumulative)	250	150	251	116
Existing homes:				
- SAP Rating	72.0 by 2023	72.0 by 2023	71.35	71.13
- Average NPV of stock	>£25k	>£25k	£27k	£25k
Social value:				
- SHIFT accreditation	Silver	Silver	N/A	N/A
- Apprenticeships supported – internal	17	17	20	15
- Direct funding of social initiatives	£229k	£225k	£120k	£225k
- Sustainability investment	£1,350k	£1,350k	£1,357k	£930k

New homes - The business plan set a target of 500 new starts on site within the five year corporate strategy period. At the Board strategy day in April 2019, Board approved the delivery of a further 100 units. The business plan has been revised and is now focused on delivering 600 new units over the same agreed five year strategy period.

The target within the 2019/20 year was 115 units. Actual performance was better than target with 135 starts on site achieved, reflecting Bernicia's agile financial capabilities and relationships with partners.

Existing homes - Bernicia knowingly invests in its stock at a rate above the median for the sector. Two targets have been set to provide an assurance that this investment is making a difference. The first relates to the SAP rating of our properties, with increases in ratings being targeted to tackle fuel poverty. For 2019/20 the SAP rating increased to 71.35. Bernicia's target for 2021 is 71.55 and 72 by the end of 2023.

The second relates to increasing the average NPV of our stock. This provides an assurance on two broad fronts, firstly that the investment above the median is improving our homes rather than simply maintaining them. Secondly, that whilst we are committed to making decisions on scheme sustainability not simply on financial grounds, and we will continue to invest in schemes with a negative NPV where the socio-economic arguments override the financial factors. This can only be supported if the business as a whole is financially healthy and robust. The Board set a target that the average NPV should increase over the Corporate Plan period. In 2019/20 this stood at £27k (2019: £25k) per unit.

Report of the Board of Management *(continued)*

Social value – As a socially responsible landlord, we undertake affordability assessments of our rents. These assessments are then used to inform the annual rent setting process. Our assessments compare our rents to market rents within the same beacon reference area (e.g. NE63 0) applying an 80% affordability marker. We further layer this work with local earnings information. Using published average local earnings from the Office of National Statistics, and the Affordable Housing Commission (Lord Best) report, a 33% affordability marker was applied to the data. From this exercise we are able to determine our rents as affordable. Our affordability assessments are further supported by comparing our rents with our regional peers.

During the year Bernicia supported twenty apprentices. By year end, three had completed their apprenticeship and progressed to a permanent position within Bernicia.

Direct funding of social initiatives performed lower than target as a result of the disbanding of an external management committee that ran a community centre that the Group supported.

Added social value
Optimising resources, be it financial or physical, and obtaining value for money across the business creates the opportunity for reinvestment in providing quality homes and services and delivering added value initiatives.

The added social value activities we continue to focus on are financial wellbeing, social wellbeing and building brighter futures.

Examples of our added value work during 2019/20 included:

Financial wellbeing
We recognise that in many of our communities people are targeted by unscrupulous money lenders. To help combat this we've formed a close relationship with Northumberland Community Bank. Whilst we can't recommend the products and services offered by the bank we have worked alongside the bank to raise awareness that there are ethical ways to borrow and safe places to save. To support this we offer to pay an opening fee of £1 for anyone who wants to save with the bank. During the year we stood side by side with Northumberland Community Bank in supporting and participating in campaigns such as 'Let's Talk Money' and 'Stop the Loan Sharks'.

Our own Intensive Housing Management Team helped 350 households maintain their tenancy which, without the help and support the team provided, could have undoubtedly failed. Tenancies that end in a negative outcome have a significant cost not only to our business but also to statutory agencies and, most significantly, the person who may become homeless and/or damage their chances of accessing alternative settled housing. As a result of the work of the Team, £111,517 in additional income was secured for tenants.

By the end of the financial year Universal Credit cases had increased to approximately 3,000. Our staff have become expert in dealing with and advising those moving onto and in receipt of Universal Credit. Good partnership working with the DWP, Stepchange and the Voluntary Sector has continued, this has been essential in managing the impacts of Universal Credit.

Additional funding has, again, been provided to third sector organisations to help deal with more complex Universal Credit cases and facilitate access to food banks whilst people wait for claims to be processed.

The 'Here for you' project in Berwick is an example where 273 people received financial advice and 647 people benefitted from food parcels.

Social wellbeing
By providing a shop unit on a peppercorn rent to an individual with a great idea, clear vision and business model and real determination to succeed, a thriving social enterprise is now going from strength to strength. The Northern Soul Kitchen take unsold food from supermarkets and turn it into nutritious meals that are

Report of the Board of Management *(continued)*

Social wellbeing (Continued)

offered to people, on a 'pay as you feel' basis. Northern Soul Kitchen now serves hundreds of people per month with healthy nutritious meals and, in doing so, has saved over 3 tonnes of unsold food over the last year and because of popularity has increased its seating capacity from 20 to 30. There is so much more value generated from this project, examples would include serving food at major local film and music festivals, hosting book club and knit and natter social groups, being a Disability Confident Employer, using the premises for weekly Narcotics Anonymous meetings and having a volunteer complete their silver Duke of Edinburgh award.

The healthy and innovative eating theme continued with our residents at two sheltered housing schemes. Working with the Full Circle Food Project residents experimented with new food parings to create delicious recipes made from locally sourced fresh produce.

Berwick Kicks continued in partnership with the Newcastle United Foundation which attracted an average of 39 participants at each of three 1 hour sessions held on Friday evenings. The Kicks programme is a combination of sport and promotion of good lifestyle choices. The project has caught the attention of some important people including the MP and High Sheriff.

New projects this year included supporting the Redheugh Boys Club and Silx Teen Bar. Both of which provide sporting and social activities for young people.

Brighter futures

Working with local councils, other housing providers and third sector organisations North of Tyne Working Homes was launched in 2019. This is a £4.3 million, ESF funded, collaborative project that will help workless social housing tenants enter the labour market.

Our Learning Hives, which we operate in partnership with Northern Learning Trust, are a big part of our delivery model for Working Homes. Throughout the year the Hives continued to provide places that people go to for help and support and to undertake training, gain qualifications, access IT and build confidence. Headline results show 75 learners gained job interviews with 42 people moving into employment. There were 425 maths training sessions delivered along with 275 English lessons. Overall footfall in the Hives is recorded as 7,318.

In February 2020 we completed an ambitious National Apprenticeship Week Project at a local school in the heart on one of our most disadvantaged communities, our apprentices project managed and built an enchanted garden, building a story time fire pit, a 10 metre sand pit and a mud kitchen, with the aim of offering pupils at the school outdoor learning experiences.

Working in schools from Berwick to Durham we deliver employability skills through construction and business masterclasses, CV and mock interview classes and work experience opportunities.

We are an Enterprise advisor for the North East Local Enterprise Partnership (NELEP) in a school in Northumberland and in October 2019 we partnered with a school in Durham working strategically with the school careers lead on improving and developing their career plan to embed the Gatsby Career Benchmarks.

We are working in partnership with Leonard Cheshire to work on their Change Now programme, with the aim of kick starting the careers of young disabled people by offering them visits to our workplace, career talks and work experience.

Overall in 2019/20 we engaged with 1200 young people aged 7 – 18 from 9 schools in our local communities

We also retained the Better Health at Work Continuing Excellence Accreditation in December 2019 and are working towards Maintaining Excellence Level (the highest accreditation level). Our portfolio and assessment were highly commended, so much so we've been asked to share our best practice in a newly formed North East BHAW working group.

Report of the Board of Management *(continued)*

Priority three – Effective organisation

Key action and targets	Bernicia Target 2021	Bernicia Target 2020	Bernicia 2020	Bernicia 2019
Governance:				
- Retain G1	G1	G1	G1	G1
- Valid gas certificates	100%	100%	99.86%	99.96%
- Valid solid fuel certificates	100%	100%	100%	100%
- Electrical testing	100%	100%	99.97%	99.8%
- Water hygiene	100%	100%	99.37%	98.1%
- Asbestos	100%	100%	98.57%	100%
- Fire Risk Assessment	100%	100%	96.46%	100%
Income collection:				
- Void rent loss	4.47%	2.98%	2.09%	1.81%
- Bad debts	2.79%	1.86%	1.39%	1.32%
- Rent arrears	6.00%	3.90%	3.59%	3.28%
- Rent collection	95.60%	97.80%	100.53%	99.24%
Cost control:				
- Headline social housing	£3,405	£3,633	£3,580	£3,510
- Housing management	£773	£700	£678	£628
- Service charge	£382	£414	£366	£348
- Maintenance	£1,203	£1,121	£1,107	£1,105
- Major works	£697	£998	£892	£977
- Other	£350	£400	£537	£452

Report of the Board of Management *(continued)*

Key action and targets	Bernicia Target 2021	Bernicia Target 2020	Bernicia 2020	Bernicia 2019
People:				
- Retain IIP Gold	Gold	Gold	Gold	Gold
Financial:				
- Minimum V2 rating	V2	V2	V1	V1
- Compliance with Golden Rules	Compliant	Compliant	Compliant	Compliant
- Create additional capacity (Years 6-11)	+150 units by 2023	+150 units by 2023	+150 units by 2023	100 agreed
- (Decrease) / Increase profitability of Commercial Companies	22%	18%	49%	21%

Governance - Bernicia has no risk appetite for health and safety compliance hence all compliance targets are 100%. Year end performance against the targets was impacted by COVID-19.

Gas servicing was reported at 99.86% at year end. At the end of the year seventeen properties had gas services outstanding. All were due to tenant access issues, with three of these cases linked to COVID-19. Five gas services remained outstanding at the date the financial statements were signed.

Electrical servicing was reported at 99.97% at year end. At the end of the year four properties were outstanding. Three were due to tenant access and one no access linked to COVID-19. Three electrical services remained outstanding at the date the financial statements were signed.

Water hygiene was reported at 99.37% at year end. There was one outstanding service at the end of the year, access issues are linked to COVID-19. The outstanding service was completed in April 2020.

At the end of March there were five common parts where the re-inspection of the condition of known asbestos had been prevented due to COVID-19. All works will be reprogrammed when restrictions are removed.

Fire Risk Assessments fell short of the Group's target at 96.4%. This related to eight common parts where it was not possible to complete the review of the Fire Risk Assessments within timescale as access was prevented through issues linked to COVID-19. The Group carries out reviews on a twelve month cycle, therefore all eight common parts have a Fire Risk Assessment in place completed within the previous thirteen months. Arrangements will be made to carry out further reviews as restrictions are eased.

Income collection – Collection rates remained strong whilst all financial indicators relating to voids, bad debts and arrears have out-performed the targets set for the year. The increase in target for 2021 reflects the Group's assumptions relating to the underlying current economic environment.

People - The retention of our gold accreditation status was confirmed during the year. Bernicia is proud of its IIP status and will continue to invest in its people throughout 2020/2021. The continued retention of Gold status for another year is regarded as a major success.

Report of the Board of Management (continued)

Cost per unit – Other cost per unit exceeded the target by £137 and is therefore reporting a red RAG rating. During the year, Bernicia had undertaken several projects and initiatives contributing towards the increase over and above target. A fuller explanation of our other cost per unit is detailed on page 29.

Priority four – Helping to deliver the Regional Agenda

Progress against this objective is assessed against the results of a triennial perception study. The original study identified Bernicia had a relatively low profile and little known presence in the region. The perception study was completed during the first quarter of 2020/21 and was reported to Board on 30 June 2020. Overall this was an overwhelming positive perception study. The results confirmed that extremely positive progress had been made, citing greater strategic communications that Bernicia is more outward focussed and that Bernicia has become more engaged and influential in the region.

The overall aim of this objective is to ensure Bernicia is able to engage positively with Government policy on matters relating to Social Housing within Bernicia's geographical operating area. However, Bernicia understands that Social Housing is only one aspect of its tenants requirements, and so where it can, it will work with other regional and national agencies operating within the same space to promote healthcare, wellbeing, transport and social and economic inclusion.

Bernicia welcomes the opportunity to work collaboratively with other like minded partners and will seek to influence and deliver plans aimed at improving the North East of England region. By growing its knowledge and understanding of the communities and markets it serves, Bernicia will position itself to promote and champion the needs of its current and future tenants.

Throughout 2019/20 Bernicia has continued to make progress on improving its stakeholder perception. In addition, significant investment and a wider social impact has been created in the communities where we work and the lives of our tenants and wider service users. In helping to deliver the regional agenda Bernicia has:

- Established the Bernicia foundation, contributing over £500k towards local social and economic initiatives. The projects delivered by the Foundation include:
  - helping to reduce isolation
  - promoting independence
  - building confidence
  - promoting inspiration
  - helping remove barriers to unemployment
  - working towards eradicating Child and Fuel poverty
  - improving financial wellbeing

- Reviewed the Social Value Impact of the Group's core added value initiatives. During 2019/20, a review of the 2018/19 social value activities was assessed. Using the wellbeing cost benefit analysis technique, Bernicia's social impact through projects it has supported has totalled £5.8m. It is estimated that 67% of this has created wellbeing for individuals, with the remaining 33% benefiting the state or economy.

- Developed a corporate public relations and communications strategy designed to promote Bernicia's ambitious Corporate Strategy, maximising the Group's profile amongst stakeholders, peers, tenants and communities we serve.

Report of the Board of Management *(continued)*

Key financial ratios

Historically the Group has reported performance against a number of key financial ratios covering growth, profitability and our ability to service debt. The table below sets out the changes over the last four years and compares our performance to the latest available data for the sector (2019 Global Accounts).

Key financial ratios	2020	Global benchmark 2019*	2019	2018	2017
Growth					
➢ Growth in turnover	2.1%	2.0%	(1.5%)	1.1%	1.0%
➢ Growth in total assets	3.8%	12.0%	(2.6%)	(4.5%)	(0.3%)
➢ Growth in total debt	7.4%	6.0%	(11.7%)	(4.3%)	(3.5%)
Profitability					
➢ Effective interest rate	4.7%	4.7%	5.0%	5.9%	4.6%
Debt servicing ability					
➢ Adjusted net leverage	25.7%	Not available	27.6%	28.4%	29.1%
➢ Debt to turnover	1.9%	3.8	1.8	2.0	2.3

* *The Global Benchmark is taken from the 2019 Global Accounts of Housing Providers and is the mean cost across social housing providers.*

Growth

Growth in Turnover of 2.1% was driven by three separate revenue streams in the year, with each contributing one third towards the overall increase. Income from social housing activities was broadly in line with 2019 performance. Increases in other services income offset the final year statutory rent reduction contributing £507k (0.7%) towards the overall increase. Disposals of First Tranche Shared Ownership properties of £908k (2019: £377k) also contributed 0.7% towards the increase in Turnover. Finally, The Group's Commercial activities continue to generate strong revenues. Turnover for 2020 increased by £507k to £4,789k (2019: £4,282k), the increase in the year also contributed a further 0.7%. Growth in total assets reports a year on year increase of 3.8%. Property, plant and equipment assets have increased by £7.5m during the year as new supply units are added onto the statement of financial position. Additionally, net current assets have increased by £12m. Cash balances at the year end increased by £16.6m whilst reductions in housing properties held for sale (stock) and long term provisions decreased. The Group accessed its Revolving Credit Facility towards the end of the year drawing down £15m to ensure liquidity remained in place throughout the outbreak of COVID-19. The full amount of £15m was repaid to the Facility in May 2020. The Group's growth in total debt of 7.4% reflects the short term drawdown from the Revolving Credit Facility.

Profitability ratios

The Group's effective interest rate dropped by 0.3% to 4.7% as a direct result of settling variable loan debt within the year.

Debt servicing ability

This remains strong and well below the sector averages. Bernicia remains lowly geared with sufficient capacity for investment to support the Group's overall objectives.

Report of the Board of Management *(continued)*

How we perform against the RSH VFM metrics
Bernicia routinely reports its performance, against the sector as a whole and a regional peer group, to the Board, ensuring performance information is used to inform Board's decision making.

Demonstrating Bernicia's continued emphasis on value for money and understanding its performance, the following sections present how Bernicia has performed against the VFM metrics published by the RSH, along with Bernicia's own internal targets and performance measures. The 2020 results have been compared to the 2019 Global Accounts median VFM metric results with commentary provided where appropriate. A further comparative has been made with performance compared to a peer group of thirteen registered providers in the region. The 2021 targets contained within the following sections are based upon the Groups budget which was updated to reflect financial changes derived from COVID-19.

Business health

Global Accounts VFM Metrics	Bernicia 2021 Target	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2019 Median	Global Accounts 2019 local peer group Median
Operating margin – overall	17.5%	24.0%	24.4%	26.0%	25.8%	24.4%
Operating margin – social housing lettings	17.0%	27.4%	27.9%	28.7%	29.2%	25.8%
EBITDA MRI interest cover	242.2%	228.7%	223.4%	194.9%	184.0%	201.0%

Operating margin – overall - the 2019 global accounts median across the peer group was 24.4%, with margins ranging from 17.7% to 29.7%. Bernicia had an operating margin of 24.4% for 2019 and positioned the Group seventh highest within its peer group in 2019. The 2020 result has decreased slightly to 24% for the year and therefore operating margin overall, when compared to the 2020 global accounts, is expected to continue to be median quartile.

Operating margin – social housing lettings - the 2019 median for the peer group was 25.8%. In 2019 Bernicia ranked fourth highest with a margin of 27.9%. Margins in the peer group ranged from 20.1% to 33.0%. Bernicia's 2020 result shows a similar performance to that of 2019 with Operating margin – social housing lettings reported at 27.4%. The Group therefore expects to retain a ranking similar to that of 2019 when compared to the peer group results for 2020.

EBITDA MRI interest cover is a key measure of liquidity and investment capacity. The Group's Interest cover continues to remain strong, with 2020 performance exceeding the 2019 global accounts median.

EBITDA MRI interest cover for 2019 the median for the peer group was 201%. When comparing Bernicia's 2019 result to the regional peer group, Bernicia's EBITDA MRI was recorded at 223%, placing Bernicia in fourth highest position. EBITDA MRI for 2020 has outperformed the reported 2019 result at 229% and therefore Bernicia once again expects to retain a similar position within its peer group when compared to the 2020 global accounts.

Report of the Board of Management *(continued)*

Development (capacity and supply)

Global Accounts VFM Metrics	Bernicia 2021 Target	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2019 Median	Global Accounts 2019 local peer group Median
New supply delivered – social housing units	65	74	92	135	N/A	N/A
New supply delivered – social housing %	0.4%	0.5%	0.6%	0.9%	1.4%	0.8%
New supply delivered – non-social housing %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	26.5%	24.9%	26.9%	28.1%	43.4%	40.7%

In 2020, Bernicia delivered a new supply of Social Housing accommodation totalling seventy four units. Sixty four units related to new development accommodation with a further ten units refurbished, bringing previous low demand property back into use.

Bernicia's five year Corporate Strategy, in which the Group targets the completion of 600 units, has now completed its second year. Within the two years, the Group has delivered 79 units against its target, with a further 65 units targeted for delivery in 2021. The remaining 456 units are forecast to be delivered in 2022 and 2023. The current progress towards achieving the delivery of 600 new units in this Corporate Strategy should be considered alongside the Group's start on site target as detailed on page 17.

Bernicia continues to deliver appropriate housing accommodation where there is a demand. When comparing 2020 performance to the regional peer group for 2019, the new supply of social housing is recognised as median quartile, this is in line with 2019 performance. The Board and Officers have considered this measure with both a retrospective and prospective outlook and remain confident Bernicia's contribution to the supply of housing accommodation in the region is comparable to that of other providers.

Bernicia's Gearing is low when compared to other providers. As such, Gearing relating to 2019 is recognised in the lower quartile of the Global accounts national data set and in line with the median of Bernicia's regional peer group, where Bernicia is ranked fifth lowest.

Although Bernicia delivered seventy four units in the year ended March 2020, no new funding was required to deliver the programme. Towards the end of the financial year the Group accessed its Revolving Credit Facility, drawing £15m to ensure liquidity throughout the COVID-19 pandemic. The full amount was subsequently repaid in May 2020.

Despite the Group accessing its Revolving Credit Facility, Gearing at 24.9% for the year ended March 2020 remains in line with the 2019 lower quartile of the global accounts national data set and median quartile when compared to the peer group data set. Therefore, performance is expected to be unchanged when compared to the 2020 Global accounts and peer group quartiles.

Bernicia's business plan has sufficient finance in place to meet the requirements of the 2018-2023 development programme. Bernicia's low gearing therefore demonstrates it is well positioned, nationally and regionally, to weather a potential economic storm and at the same time, is able to leverage more debt than others should it choose to.

Report of the Board of Management *(continued)*

Outcomes delivered

Global Accounts VFM Metric	Bernicia 2021 Target	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2019 Median	Global Accounts 2019 local peer group Median
Reinvestment %	5.7%	4.6%	4.2%	4.2%	6.2%	5.7%

In 2019/20, Bernicia made a combined investment in existing stock and new stock of £20.3m, with £9.3m invested in existing properties and £11m invested in the new supply of properties. This represents a reinvestment of 4.6% when compared to the overall value of Housing properties.

Investment in **existing** properties considers only the capital expenditure spent on improvement and modernisation of existing housing stock.

A sustained higher than average investment in existing properties has been a conscious and informed decision of the Board. Taking its responsibilities seriously, the Board aims to ensure the quality and safety of its Tenants homes remains at the very highest standards possible. This continues to be a Board priority.

The Global accounts for 2019 highlighted Bernicia's continued investment for the 2018/19 year of £9.8m, equating to £715 per property. Investment at this level positioned Bernicia as the regions fourth highest investor in its existing stock.

During 2019/20, Bernicia invested £9.3m equating to £678 per property in existing stock, providing further evidence of a continuous commitment to focus on the quality and safety of Tenants homes. With investment maintained at similar levels to the prior year, Bernicia expects to retain its position as one of the regions highest investors in its existing housing stock.

The Group's investment in **new supply** continues to benefit from the Corporate Strategy aim of delivering 600 new units.

With a total spend of £8m on the development of new properties in 2018/19, the 2019 Global accounts position Bernicia as the regions seventh highest investor in new housing accommodation.

The 2019/20 year end accounts include a total spend on new supply of housing accommodation of £11m. 2019/20 has seen a higher amount of investment made than reported in the prior year as the Group makes progress on its Corporate Strategy. With continued high investment in the region throughout 2019/20, Bernicia anticipates maintaining its position as one of the regions highest investors in new supply housing accommodation.

When comparing with the local peer group, Bernicia's 2020 reinvestment percentage is in line with the 2019 median.

Report of the Board of Management *(continued)*

Effective asset management

Global Accounts VFM Metrics	Bernicia 2021 Target	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2019 Median	Global Accounts 2019 local peer group Median
Return on capital employed (ROCE)	2.6%	3.88%	4.06%	4.10%	3.80%	3.60%
Ratio of responsive repairs to planned maintenance	74.5%	57.8%	51.9%	44.4%	66.2%	63.6%

The Group is proud of its approach to effective asset management. This is underpinned by significant capital investment deployed into the Group's property portfolio. Investment decisions are informed through the use of the Group's sustainability model, further demonstrating the Group considers effective asset management critical in its strategic and operational activities. The metrics above focus on how well Bernicia has taken care of its assets, ensuring the high quality of homes that people want to live in, now and in the future.

Return on Capital Employed is essentially a profitability ratio focused on returns over the long term aspect and is a measure of how well net assets is performing. The ratio focuses on two primary calculations, operating surplus and the capital employed in the business. The Group's profit margin performance is detailed in the Business Health section on page 24.

The Return on Capital Employed at 4.1% for the year 2018/19 was within the upper quartile when compared to the 2019 Global accounts national and regional peer group data set. Return on Capital Employed at 4.1% placed Bernicia fifth highest when compared to its regional peer group. With an upper quartile performance, the Group can demonstrate it is using its debt and capital to effectively manage its assets. The results for the year 2019/20 indicate a Return on Capital Employed of 3.9%, assuming no change in the quartiles, the result for 2020 is expected to remain in line with the upper quartile.

Ratio of responsive repairs to planned maintenance explains how much money is spent on responsive repairs when compared to the amount invested into planned maintenance. Generally a lower percentage is regarded as more favourable. In 2018/19, Bernicia's ratio of responsive repairs to planned maintenance was 52%, meaning for every pound spent on planned maintenance, Bernicia spent a further fifty two pence on responsive repairs. A ratio of 52% positioned Bernicia in the lower quartile (most favourable) and fifth lowest in the regional peer group, where ratios ranged from 49% to 230%. The results for 2020 are promising, Bernicia spent 58% on responsive maintenance when compared to planned maintenance which is an increase on the prior year. The results are expected to remain in line with the median quartile.

In its 2019 Sector Risk profile, the Regulator has highlighted it will focus particularly on areas of health and safety compliance, overall condition of housing stock, business plan reliance on market sales exposure, reputational risk, rent setting beyond the current agreed settlement and new business entrants.

The areas of Regulatory focus all have a potential to influence the results of the effective asset management ratios, along with the other ratio's contained within this report. It's therefore important that Bernicia monitors the emerging risks to ensure it remains able to deliver its strategic objectives and reports its financial performance in-line with the targets set out in the short-term financial plan.

Report of the Board of Management *(continued)*

Strategic asset management
Our property and assets are crucial to our long term business plans. Our five year Asset Management Strategy, commenced in April 2018, and it governs the decisions we make on future stock.

Our strategy is based on full financial appraisal of current stock collectively and individually, together with the assessment of other factors such as social and environmental issues of each estate, enabling us to take a view on the future potential of each asset we own.

In informing our decisions we consider:

Stock condition information	Surveying of our existing stock enabling better planning of work and expenditure. This has helped us to identify savings within the investment programme.
Asset management matrix	We have developed the matrix to enable the analysis of a range of indicators to assess the future sustainability of our homes including; property condition, demand and socio-economic factors. From this we categorise our estates as high, medium high, medium and low risk.
Financial return on assets	To help us determine the financial return on our assets and inform investment decisions we have implemented a model to assess the net present value (NPV) of each estate and individual property, taking into account income and expenditure.

This information tells us a considerable amount about our properties and estates. We have a full financial appraisal of our current stock, and this helps us form an overall assessment when making decisions to invest in our existing homes.

In taking those decisions, Board balances financial investment decisions against the overall objectives of the organisation, which takes into account issues such as the geographical areas where we operate, the local housing market and the nature of the communities that we want to help. We take particular note of the relatively deprived nature of some of the communities and the positive impact that good quality affordable housing can have on the quality of life there.

In terms of assessing the overall returns from our assets a sustainability matrix is used. The matrix is re-run in full every three years and uses a range of indicators including demand and socio economic factors to assess sustainability of estates, and provide us with an indication of the social value that our estates provide to our communities. The model was re-run in 2019/20 with results being analysed and informing the Group's future spending priorities.

Report of the Board of Management *(continued)*

Operating efficiencies

Global Accounts VFM Metrics	Bernicia 2021 Target	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2019 Median	Global Accounts 2019 local peer group Median
Headline social housing cost per unit	£3,405	£3,580	£3,578	£3,695	£3,367
Management cost per unit	£773	£678	£628	£1,004	£678
Service charge cost per unit	£382	£366	£348	£395	£358
Maintenance cost per unit	£1,203	£1,107	£1,105	£1,013	£1,105
Major repairs cost per unit	£697	£892	£1,045	£794	£906
Other social housing cost per unit	£350	£536	£452	£245	£235
Overheads as a % of turnover	8.62%	7.41%	6.17%	-	-

Bernicia's headline social housing cost per unit for 2019/20 was £3,580, some £115 per unit lower than the 2019 Global Accounts median. Our management costs continue to be in line with previous year's trends being considerably lower than the median. Our budgets expect this level of resourcing to continue into the future. Our 2019 STAR survey reported significant customer satisfaction levels, so we are confident in holding resourcing at this level at the present moment in time.

Both maintenance and major repair costs are higher than the 2019 Global Accounts median. As discussed in the outcomes delivered section, Board has made an informed decision to invest substantially in the existing property base; ensuring quality and safety remain throughout our tenant homes. Included within our annual spend is an amount of £1,234k invested in fire safety works. This added £90 onto the major repairs cost per unit. When compared to the peer group; performance is in line with the median.

Other social housing costs are also higher than the median by £291 per unit. Bernicia collects water rates on behalf of Northumbrian Water under the terms of its agency agreement. Accounting treatment determines that the income (water rates collected from the tenant) and the expenditure (water rates paid back to Northumbrian Water) should be treated on a gross basis. This treatment has the impact of adding £261 onto each unit's cost. In addition to this, during the year, Bernicia invested £1,357k on property and estate sustainability works, in support of our strategic aim "Investing in homes, neighbourhoods and communities". This contributed a further £99 per unit. Finally, Bernicia made a £250k contribution towards the Bernicia Foundation in 2019/20 adding an additional £18 onto other social housing cost per unit. Had Bernicia not made the conscious decision to include these costs within its operating base the other social housing cost per unit would have been £158, which would have been lower than the median.

When comparing Bernicia's 2019 performance to the 2019 local peer group, overall headline cost per unit ranked sixth highest (2019: third highest), with the peers costs ranging from £2,848 to £5,082.

For Bernicia, our less favourable performance against the peer group is directly as a result of our higher "other costs" spend.

Report of the Board of Management *(continued)*

Future plans

Bernicia's Corporate Strategy is its most ambitious yet, setting a high but attainable target of investing in the delivery of six hundred new housing units aimed to address the needs of the communities Bernicia serves. Investment in housing stock will also extend to the Group's existing properties, which will continue to benefit from significant investment as the Group makes plans towards ensuring its portfolio is well positioned to respond to the challenges presented from an expected revised Decent Homes Standard. Through its transformation agenda, Bernicia continues to invest in its capabilities, which will ultimately lead to further improvements in services and the way they are delivered.

Bernicia will also seek ways to influence and work collaboratively with its partners so it can do more to support the communities it serves. Commercially, Bernicia will continue to grow and develop its commercial division with the intention of maximising profit through ethical and responsible services expected from a highly reputable Provider of social housing.

The 2020/21 financial year will be the third year of Bernicia's 2018-2023 Corporate Strategy. Within the first two years, many of the priorities which underpin the Strategy have been successfully achieved and the Group looks forward to building upon the strong foundations already in place.

As detailed in the financial review and supported by the financial statements, the Group has had a further year of solid financial performance. It has in place a robust short term and long term financial plan, benefiting from low debt. Furthermore, Bernicia's performance when compared to its peer group indicates Bernicia is well positioned with sufficient resources in place to continue delivering its Corporate Strategic aims.

Looking forward, the Group has set its sights on the work to be achieved in the forthcoming year as it continues its progress against its Corporate Strategy.

During 2020/21, Bernicia will launch the Your Homes / Your Service campaign, where it will work with Tenants in reviewing local offers and devising a range of metrics and performance measures in which it will enable Tenants to monitor performance against.

With an evolving landscape ahead, Bernicia will work towards understanding the impact of emerging quality standards and Government policy. In particular, the outcomes from the Housing White Paper and policy relating to building safety and energy efficiency will all have an influence on the future housing offer made to tenants as well as a future impact on the delivery of services and financial resources.

As a responsible landlord, Bernicia is aware of its Corporate Social Responsibilities. To that effect, Bernicia will develop its approach to reducing potential damaging effects the business may have on the environment and communities it serves.

As Bernicia continues to contribute towards the regional agenda, it is important for Bernicia to understand stakeholder perception of the Group. The study was commissioned during the first quarter of 2020/21, with the results reported to Board in June 2020. The study was intended to gain a deeper understanding of stakeholder perception, and extremely positive results have been reported, with Bernicia now being seen as more influential in the region. The study will support the formation and delivery of future plans.

Following the outbreak of a Coronavirus (COVID-19), The Group will review its response and the lessons learned from the handling of the pandemic. Although Bernicia is confident and proud of the decisions it made to safeguard tenants, contractors, staff and the business, it intends to have an independent review of its approach and to incorporate any learning into future scenario testing.

Finally, the group has devised a COVID-19 recovery and resurgence plan. The coming year will see the plan deployed as Bernicia seeks to re-establish services. The plan aims to support economic and social recovery within the region. With significant financial capacity and a robust and healthy financial base, Bernicia is very well placed to engage with partners in driving forward a regional economic and social recovery plan.

Report of the Board of Management *(continued)*

Future plans (Continued)

Bernicia will be revisiting its corporate strategy during 2020/21, with a view to developing and launching a new strategy the following year that is reflective of what our new operating environment will be. The Annual Plan for 2020/21 contains various work streams that will support its development.

Tenant involvement

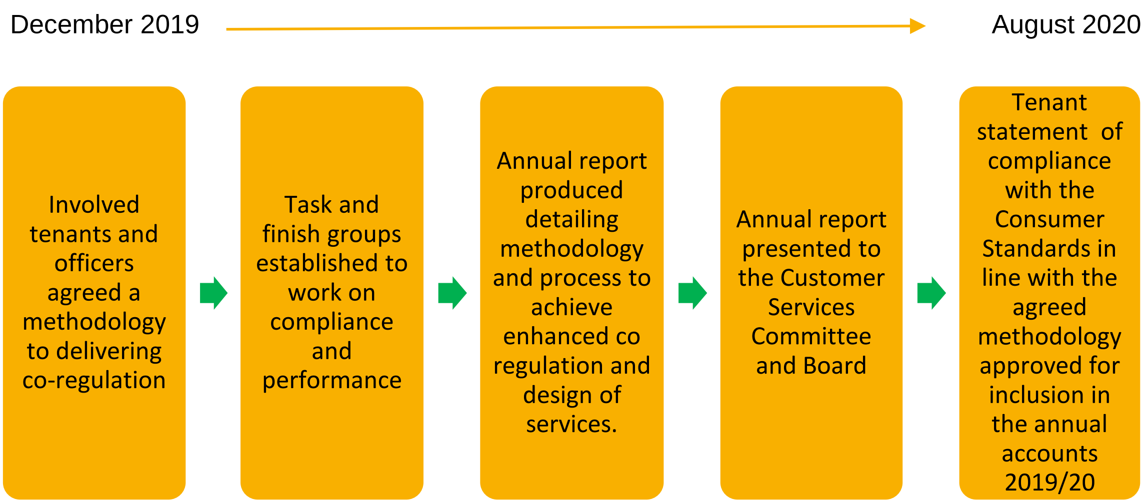
The Group encourages tenant involvement in all aspects of the business including individual consultation on operational matters and tenant scrutiny panels. Service users' opinions are canvassed regularly on an individual basis, and collectively periodically. Tenants' scrutiny panels and other representative forums help staff to put customer priorities into policy and practice. Clear reporting arrangements exist between tenant groups and the Board. The Group remains committed to improving further opportunities for tenant involvement and the scrutiny of performance.

During 2019/20 both the Customer Services Committee and Board approved Bernicia's framework designed to strengthen and enhance co-regulation of the Consumer Standards, with particular focus on the Tenant Involvement and Empowerment Standard.

Embedded within Bernicia's values and culture exists a long-standing tradition of listening to and acting upon Tenant's voices. Bernicia has always considered that whilst the Consumer Standards are designed to ensure Tenant involvement is in place, responsible landlords should be clear that local circumstances differ and should be willing to engage with Tenants to determine what is right for them locally. With a proud history of working in collaboration with Tenants, Bernicia can confidently demonstrate its Tenant's voices are valued, trusted, heard and welcomed throughout the organisation.

To that extent, Bernicia's approach to devising a framework of co-regulation began with involving Tenants in the co-design of a methodology upon which Bernicia will measure its performance against enhanced consumer regulation. The revised framework demonstrates Bernicia's proactive and continuous approach to improvement, setting targets and annual improvement plans in the pursuit of best practice. The Board and Customer Services committee consider that this approach demonstrates Bernicia's endeavours to deliver an enhanced co-regulation and reporting framework which exceeds basic compliance with the Consumer Standards.

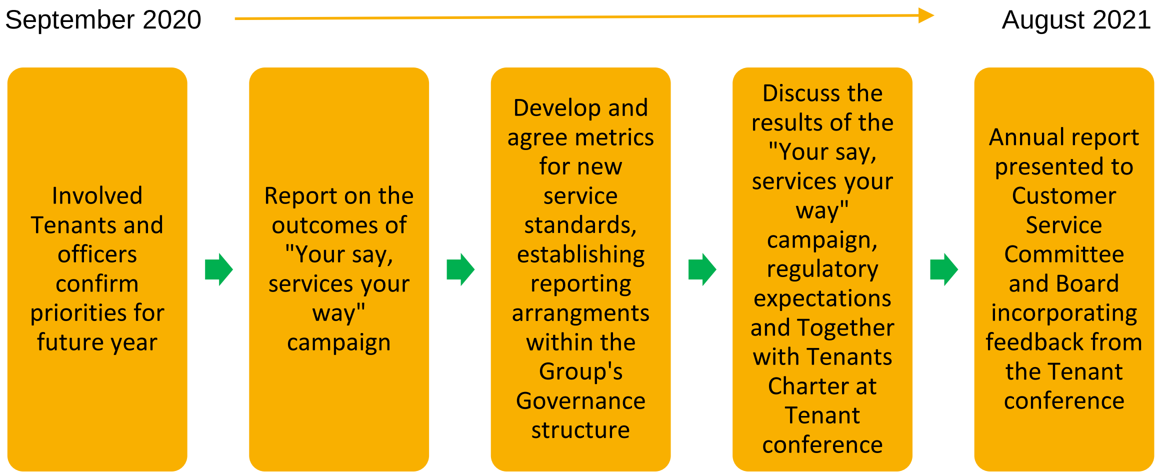
The below describes Bernicia's journey of co-design to co-regulation:



Report of the Board of Management *(continued)*

Tenant involvement (continued)

Continuing to support Bernicia's commitment to an enhanced co-regulation framework, the below explains how Bernicia will continue to evolve during the 2020/21 financial year.



The year in review

Bernicia's involved tenants were invited to assess performance and compliance with the Consumer Standards. Engagement with tenants is both welcome and encouraged with outcomes supporting Bernicia's understanding of what it does well and where it can improve on existing service offering. The following is a statement written by involved tenants and is taken from the Tenants Annual Review Report 2019/20

Tenant statement

Home

It's great to see Bernicia have continued their commitment to building new homes as well as investing in existing properties and communities.

We can see Bernicia fully understands that good quality housing is fundamental in providing the reassurance and stability people and families need to live their lives feeling safe and happy in their home.

It's pleasing to see that Bernicia is committed to continuing to invest in existing and new homes and services and we are confident that Bernicia will aim to deliver its plans for 2020/21, despite the current situation. This remains important to us and for future tenants.

We've had access to good quality information, including on health and safety, which provides assurance that homes are well maintained, tenants are kept safe, and legal requirements are met.

Tenancy

We're pleased to report that good performance has been achieved and maintained by Bernicia over this last year.

Whilst remaining financially strong, as expected Universal Credit cases have risen but it's apparent that staff have worked hard to keep on top of rent collection.

We received a wide variety of performance information throughout the year to allow us to discuss and monitor how things are going within the business. This enables us to hold Bernicia to account and look at service areas which could be improved for customers. We'll continue to grow our positive relationship with Bernicia to help improve services for the wider customer base.

Report of the Board of Management *(continued)*

Tenant statement (Continued)

Neighbourhood

Bernicia make a fantastic difference to tenants and communities with the amount it invests in social value projects, programmes and initiatives. We enjoy being part of the decision making process and seeing the outcomes of the projects that are funded by Bernicia. It is always encouraging to hear the feedback and appreciation of the groups and residents who have benefited.

Employability initiatives and housing support to help people manage their tenancy and improve life skills have achieved some fantastic results, by helping to support individuals which also positively effects the community they live in.

Customer Experience

We can see from the satisfaction results that Bernicia continues to deliver excellent customer focused services to its tenants and meet service standards throughout the business.

This tells us that Bernicia listens and takes on board feedback from tenants to develop and deliver services which are relevant.

Helping to influence and inform services and standards is invaluable, we are looking forward to analysing tenant feedback from the "Your Say, Services your Way" campaign in the coming year.

In summary

The momentous challenge of delivering services due to lockdown restrictions at the end of 2019/20 due to COVID 19 were unprecedented. This saw Bernicia make changes to the way they do things to help prevent the spread of Coronavirus, whilst also ensuring that critical and essential services continued to be delivered.

Working differently during this time and as we all come out of lockdown, we'll reflect to see how this experience can be used positively to help shape the future delivery of services.

In concluding the review of 2019/20 from our involvement throughout the year and the performance information we've monitored and scrutinised along with our ability to challenge, we are satisfied that Bernicia has performed very well and has fully complied with the Regulator's requirements, meeting its service standards and delivering on local offers.

Priorities

We'll focus on the following main priorities in 2020/21:

- We'll continue our work on the resumption of services as things start to return to normal
- We're looking forward to reviewing the feedback from "Your Say, Services Your Way" campaign and setting up the new co regulatory framework
- We'll work with Bernicia to refresh local offers and service standards.
- Hopefully the Housing White Paper will finally be published and we'll pick up what's needed along with overseeing the Together with Tenants Charter and the requirements of the new Housing Ombudsman Service.

Full details of our Tenants' annual review can be found at: https://www.bernicia.com/wp-content/uploads/2020/08/42604_BERNICIA-tenants-report-LR.pdf

Report of the Board of Management *(continued)*

Compliance with the Consumer Standards

The following table summarises Bernicia's performance against the Consumer Standards and reflects the outcome of the Tenants Annual Review of compliance.

Outcome of the compliance check

Consumer Standards					
Standard	No of standards	No of elements	No of elements met	No of elements not met	Compliance Red Amber Green
Home	2	8	8	0	●
Neighbourhood and Community	3	13	13	0	●
Tenancy	2	36	28*	0	●
Involvement and Empowerment	3	27	27	0	●

*8 of the elements relating to fixed term tenancies are not applicable to Bernicia.

Corporate governance
The Group has adopted the National Housing Federation's (NHF) Code of Governance 2015 and undertakes an annual assessment of compliance. The Board has also adopted a Standards of Behaviour policy that is in line with the requirements of the NHF's Code of Conduct 2012. Copies of the Group's policies are available on request.

Having reviewed the Group's self-assessment against the Standard and NHF 2015 Code of Governance and the NHF's 2012 Code of Conduct, the Board can confirm that Bernicia complies with all the requirements of both the Code of Governance and Code of Conduct.

The Group recognises that good governance is a pre-requisite to excellent performance. The Group continually reviews and benchmarks its governance arrangements to ensure that it can comply with the highest standards of corporate governance and has systems in place to deal effectively with governance issues as they inevitably arise. The Regulator of Social Housing's most recent assessment of Bernicia's Governance arrangements concluded they are effective. Bernicia's Governance rating therefore remains G1.

As part of Bernicia's continuous improvement culture, opportunities leading to areas of improvement are regularly considered, this allows the Group to quickly respond to changes in best practice and the regulatory environment.

The 2019 review identified the potential changing landscape in respect of regulation of the consumer standards and how tenants are involved with the organisation as an area of focus over the year. In response to the anticipated changing landscape the Board agreed a number of recommendations to further enhance the effective and efficient governance framework and these were implemented during 2019/20:

- Strengthened the Customer Services Committee with the appointment of an Independent member.
- Developed a Customer Services Strategy and Plan.
- Reviewed the approach and processes to meet the commitments set out in the NHF document 'Together with Tenants'.
- Reviewed Board assurance on compliance with the Consumer Standards and Bernicia's local offers.

Report of the Board of Management *(continued)*

Corporate governance (Continued)

A statement of the responsibilities of the Board of Management in respect of the financial statements is given on page 39. A brief description of the role of the Board is shown on page 35 followed by a statement regarding the Association's internal controls on pages 36 to 38.

The Group is also guided by the RSH's Governance and Financial Viability Standard and the Board undertakes an annual assessment of compliance and can confirm that Bernicia complies fully with its requirements. In particular, it does so by:

(a) maintaining a thorough, accurate and up to date record of its assets and liabilities and particularly those liabilities that may have recourse to social housing assets
(b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result
(c) before taking on new liabilities, ensuring that it understands and manages the likely impact on current and future business and regulatory compliance.

The Board
The Board comprises members with a wide range of skills and experience who are recruited openly by public advert, supplemented by independent committee members and co-optee board members to meet any specific identified needs. Co-optees are also recruited as part of board succession planning. During the year the Board reviewed its skills and experience requirements and ensured that they fully align to the delivery of the Corporate Plan. This is used to inform succession planning and board learning and development plans.

The Board holds at least six meetings per annum plus two strategy and planning days, setting and monitoring the strategy and performance, ensuring adequate funding and formulating policy on key issues.

The Group has four committees, Audit and Risk, Investment, Customer Services and Remuneration, Resources and Appointments, each having delegated to them, some of Board's functions. Representatives from the Group sit on each committee.

The Group also has two subsidiaries, Kingston Property Services Limited and The Bernicia Foundation. The Group Board retains the ability to appoint and replace all members of the subsidiary boards.

Day to day management is delegated to the Group Chief Executive and the other executive officers. Up until 31 December 2019, the Bernicia Executive Management Team comprised the Chief Executive, Executive Director, Finance, Executive Director Assets and Growth and Executive Director, Customer Services. From 1 January 2020 the Executive Management Team comprised of the same members and the Executive Director, People, Homes and Communities (Designate). The Executive Director, Customer Service resigned from his position with effect from 6 April 2020.The Executive Management Team meets regularly and members attend meetings of the Board and committees.
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Report of the Board of Management *(continued)*

Statement on internal control

The Board has responsibility for ensuring an effective system of internal control is maintained and reviewed. It recognises this does not provide absolute assurance or eliminate all risk but is designed to manage risk and provide the necessary assurance that key objectives can be achieved. It also provides assurance in terms of the preparation and reliability of financial and operational information, as well as the safeguarding of the Group's assets and interests.

Roles and Responsibilities
The Board has established a hierarchy of responsibility and has the overall responsibility for the system of internal control and the management of risk. The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of it. Staff are responsible for implementing policies and also in the design, operation and monitoring of appropriate controls across the Risk and Assurance Framework. Through monitoring the work of internal and external audit services, as well as other assurance activities, Audit and Risk Committee is able to ensure the necessary assurance on the effectiveness of internal controls.

Key Elements of Internal Control
The Board, working with the Audit and Risk Committee and Executive Team, established controls which are in place across the Group and form the central pillars of both the Board Assurance Framework and the Risk and Assurance Framework.

Business Assurance Map – We continued to use the BAM to review and assess our critical and essential business processes, as well as our Legal and Regulatory requirements against the 'three lines of defence' model. This remained important in helping us to shape future assurance activities.

Policies on Internal Control - A suite of frameworks, strategies, policies and procedures are in place and accessible for staff. These are designed to contribute to effective internal control and included: Board and Assurance Framework, Business Assurance Framework, Governance Framework, Standing Orders, Financial Regulations and Delegated Financial Authority, Audit Policy, Confidentiality Policy, Whistle Blowing Policy, Fraud and Corruption Policy, Probity Framework, Information Governance Framework, Standards of Behaviour.

Risk Maps - A Strategic Risk Map, Executive Risk Map, Commercial Risk Map, suite of Operational Risk Maps and Bespoke Risk Maps (including Covid-19 and Bernicia Foundation) are all in place. They are continually reviewed to help monitor, manage and mitigate against risks across the Group at all levels.

Internal Audit & Non-Negotiable Controls - RSM were the internal auditors during 2019-20 and had direct access to the Audit and Risk Committee. They worked to recognised Internal Auditing standards and the associated code of practice – as well as the approved Internal Audit Strategy. During the accounting year, the following activities were examined by internal audit, providing either substantial or reasonable assurance: Electrical Safety, Counterparty Risk, Key Financial Controls: Corporate Accounting (KPS), Lift Servicing, Lone Working, CDM2015: Construction and Handover, Grey Fleet, QL Software Data, Cyber Security.

Meanwhile Non-Negotiable Controls Validation, Follow Up (x2) and Care Alarms, were all advisory audits and no high level actions were identified. The annual audit opinion confirmed an adequate and effective framework for risk management, governance and internal control is in place, with some further enhancements recommended to ensure it remains this way.

Non-Negotiable Control Testing - A suite of non-negotiable control tests was in place during the year, with results reported to Audit and Risk Committee on a quarterly basis. In 97.2% of the tests conducted, controls were either fully or mostly effective.

Business Continuity - Business Continuity Plans are in place, these plans are constantly reviewed. Our plans remain live and evolve accordingly.

Report of the Board of Management *(continued)*

Statement on internal control (Continued)

Key Elements of Internal Control (Continued)

Anti-Fraud Measures - The Group has anti-fraud policy and procedures in place. There were no detected incidences of fraud which resulted in financial loss to the Group.

Anti-Money Laundering Policy - An anti-money laundering policy is in place. Large cash transaction entries are recorded onto the register and reported to the relevant authorities where required.

Performance, Stress Testing and Recovery Planning – The Board were provided with information on financial and operational progress against objectives via agreed KPI's which are externally benchmarked. Budgets are set before the beginning of each financial year. Reports on income and expenditure against these budgets are presented to the Board on a quarterly basis. Variance analysis and any corrective action is proposed and discussed at the Board meetings. Board also considered the Value for Money statement and received quarterly updates in respect of performance against the Regulators Value for Money Metrics. They also received information in respect of covenant compliance and performance against golden rules. All reports to the Board contain consideration of risk, particularly around the financial impact of any proposed actions. The Business Plan and key assumptions are reviewed regularly and subjected to stress testing, led by members. This informs the Group's Recovery Planning. These plans are also underpinned by data from our Assets and Liabilities Register which is updated regularly. Board is provided with minutes of all committee meetings. Funders were also provided with financial performance information. All consideration of performance and wider decision-making was considered within the context of the Group's agreed risk appetite parameters.

Recruitment and development of staff – Our People Strategy ensured staff were supported and had the necessary competences and confidence to carry out their respective roles. This was achieved through our Organisational Development and HR activities, including training, appraisal and performance management.

Probity Framework - A Probity Framework is in place. There were no breaches reported during the year.

Modern slavery and child labour – We continued supporting the principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Core Conventions, covering child labour, forced labour, non-discrimination, freedom of association and collective bargaining. We also continued supporting principles endorsed under the UN Global Compact and UN Guiding Principles on Business and Human Rights (the 'Ruggie' Principles). There were no human rights grievance reports made against the Bernicia Group during the year. We remained committed to ensuring that there is no modern slavery in our business and have introduced modern slavery provisions to our terms and conditions of purchase.

Code of Governance - In accordance with the Regulatory Standard on 'Governance and Financial Viability', the Group continues to adopt the National Housing Federation code 'Promoting board excellence for housing.

Compliance with the Regulatory Framework

The Group continued to operate within the Regulatory Framework and we continue to undertake self-assessments against the Regulatory Standards. We continue to maintain the highest possible regulatory judgement of a G1, V1 rating.

Report of the Board of Management *(continued)*

Statement on internal control (Continued)

Summary
The Board delegated authority for the initial review of the internal control and risk framework to the Audit and Risk Committee. The Chief Executive's annual report on internal control assurance, combined with internal audit assurance levels have been considered by Audit and Risk Committee and they offered a reasonable to significant level of assurance. The compiling of this Statement did not identify any significant material breaches; in respect of the controls themselves, or around sources of assurance. After the required scrutiny and consideration of the report, the Audit and Risk Committee has recommended the Statement to Group Board, who retain overall responsibility for the effectiveness of internal controls.

The Board concludes that an effective system of internal control has been in place for the year ended 31 March 2020.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are described in the Report of the Board of Management (Strategic Report).

The Group meets its day to day working capital requirements through the current account, which is cash positive at the year end. The Group meets its development programme requirements through a combination of grant and debt funding. Note 22 to the accounts highlights the current level of debt and repayment terms. The current economic conditions create uncertainty particularly over the longer term availability of grant and bank finance.

The Group's forecasts and projections show that the Group should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms. See note 1 for further details.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Disclosure of information to the auditor

The Board members, who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

In accordance with Section 83 of the Co-operative and Community Benefit Societies Act 2014, a resolution for the re-appointment of KPMG LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

The Report of the Board of Management was approved on 3 August 2020 and signed on its behalf by:

Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

J Holmes
Chair

3 August 2020

Statement of Board's responsibilities in respect of the annual report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to Bernicia Group

Opinion

We have audited the financial statements of Bernicia Group ("the association") for the year ended 31 March 2020 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of financial position, the consolidated and association statements of changes in reserves, the consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2020 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Report of the Board of Management. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Independent auditor's report to Bernicia Group *(continued)*

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 39, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

T. Stonehouse

Tara Stonehouse
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

12 August 2020

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2020

	Note	**2020 £000**	2019 £000
Turnover	*2*	**75,424**	73,899
Cost of sales	*2*	**(879)**	(202)
Operating expenditure	*2*	**(56,419)**	(55,660)
Operating surplus		**18,126**	18,037
Gain on disposal of tangible fixed assets	*6*	**728**	1,739
Interest receivable and similar income	*10*	**112**	139
Interest payable and similar charges	*11*	**(6,791)**	(6,804)
Other finance expense	*12*	**(203)**	(228)
Movement in fair value of investment properties	*17*	**(8)**	(12)
Surplus on ordinary activities before taxation	*2-13*	**11,964**	12,871
Tax on surplus on ordinary activities	*13*	**-**	(2)
Surplus on ordinary activities after taxation		**11,964**	12,869
SHPS opening balance adjustment on initial recognition	*24*	**-**	(5,456)
Actuarial gain / (loss) in respect of pension schemes	*24*	**4,003**	(408)
Total comprehensive income for the financial year		**15,967**	7,005

The notes on pages 49 to 87 form an integral part of these financial statements.

These financial statements were approved by the Board on 3rd August 2020 and were signed on its behalf by:

J Holmes	**D Jennings**	**M Axe**
Chair	*Member*	*Secretary*

Association Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	**2020 £000**	2019 £000
Turnover	*2*	**70,635**	69,617
Cost of sales	*2*	**(879)**	(202)
Operating expenditure	*2*	**(52,563)**	(51,972)
Operating surplus		**17,193**	17,443
Gain on disposal of tangible fixed assets	*6*	**728**	1,739
Interest receivable and similar income	*10*	**111**	134
Interest payable and similar charges	*11*	**(6,791)**	(6,800)
Other finance expense	*12*	**(203)**	(228)
Movement in fair value of investment properties	*17*	**(8)**	(12)
Gift aid receivable		**1,050**	693
Surplus on ordinary activities before taxation	*2-13*	**12,080**	12,969
Tax on surplus on ordinary activities	*13*	**-**	(2)
Surplus on ordinary activities after taxation		**12,080**	12,967
SHPS opening balance adjustment on initial recognition	*24*	**-**	(5,456)
Actuarial gain / (loss) in respect of pension schemes	*24*	**4,003**	(408)
Total comprehensive income for the financial year		**16,083**	7,103

The notes on pages 49 to 87 form an integral part of these financial statements.

These financial statements were approved by the Board on 3rd August 2020 and were signed on its behalf by:

J Holmes	**D Jennings**	**M Axe**
Chair	*Member*	*Secretary*

Consolidated Statement of Financial Position

At 31 March 2020

	Note	**2020** **£000**	2019 £000
Fixed assets			
Intangible fixed assets	*14*	**2,502**	2,357
Tangible fixed assets	*14*	**452,479**	442,949
Long term investments	*15*	**669**	690
HomeBuy loans receivable		**144**	152
Investment properties	*17*	**2,115**	4,273
		457,909	450,421
Current assets			
Stock	*18*	**297**	1,425
Debtors (including £36,485k *(2019: £40,248k)* due after more than one year)	*19*	**41,977**	45,412
Cash and cash equivalents	*20*	**31,428**	14,849
		73,702	61,686
Creditors: amounts falling due within one year	*21*	**(43,368)**	(25,368)
Net current assets		**30,334**	36,318
LGPS Pension asset	*24*	**340**	3,340
Total assets less current liabilities		**488,583**	490,079
Creditors: amounts falling due after more than one year	*22*	**(282,647)**	(289,584)
Provisions for liabilities and charges	*23*	**(35,174)**	(38,406)
SHPS Pension liability	*24*	**(5,618)**	(12,912)
Total net assets		**165,144**	149,177
Reserves			
Share capital	*25*	**-**	-
Income and expenditure reserve		**165,144**	149,177
Total reserves		**165,144**	149,177

The notes on pages 49 to 87 form an integral part of these financial statements.

These financial statements were approved by the Board on 3rd August 2020 and were signed on its behalf by:

J Holmes	**D Jennings**	**M Axe**
Chair	*Member*	*Secretary*

Registered society number: 7711

Association Statement of Financial Position

at 31 March 2020

	Note	**2020** **£000**	2019 £000
Fixed assets			
Intangible fixed assets	*14*	**915**	691
Tangible fixed assets	*14*	**452,305**	442,786
Long term investments	*15*	**669**	688
HomeBuy loans receivable		**144**	152
Investments in subsidiaries	*16*	**2,367**	2,367
Investment properties	*17*	**2,115**	4,273
		458,515	450,957
Current assets			
Stock	*18*	**297**	1,425
Debtors (including £36,485k *(2019: £40,248k)* due after more than one year)	*19*	**41,917**	45,133
Cash and cash equivalents	*20*	**30,817**	14,339
		73,031	60,897
Creditors: amounts falling due within one year	*21*	**(42,613)**	(24,541)
Net current assets		**30,418**	36,356
LGPS Pension asset	*24*	**340**	3,340
Total assets less current liabilities		**489,273**	490,653
Creditors: amounts falling due after more than one year	*22*	**(282,647)**	(289,584)
Provisions for liabilities and charges	*23*	**(35,174)**	(38,406)
SHPS Pension liability	*24*	**(5,618)**	(12,912)
Total net assets		**165,834**	149,751
Reserves			
Share capital	*25*	**-**	-
Income and expenditure reserve		**165,834**	149,751
Total reserves		**165,834**	149,751

The notes on pages 49 to 87 form an integral part of these financial statements.

These financial statements were approved by the Board on 3rd August 2020 and were signed on its behalf by:

J Holmes	**D Jennings**	**M Axe**
Chair	*Member*	*Secretary*

Registered society number: 7711

Consolidated Statement of Changes in Reserves

	Called up share capital £000	Income and expenditure reserve £000	Total reserves £000
Balance at 31 March 2018	-	142,172	142,172
Total comprehensive income for the financial year			
Surplus for the year	-	12,869	12,869
Other comprehensive income			
SHPS opening balance adjustment on initial recognition	-	(5,456)	(5,456)
Actuarial movement in respect of LGPS pension scheme	-	1,890	1,890
Actuarial movement in respect of SHPS pension scheme	-	(2,298)	(2,298)
Balance at 31 March 2019	**-**	**149,177**	**149,177**
Balance at 31 March 2019	-	149,177	149,177
Total comprehensive income for the financial year			
Surplus for the year	-	11,964	11,964
Other comprehensive income	-	-	-
SHPS opening balance adjustment on initial recognition	-	-	-
Actuarial movement in respect of LGPS pension scheme	-	(2,704)	(2,704)
Actuarial movement in respect of SHPS pension scheme	-	6,707	6,707
Balance at 31 March 2020	**-**	**165,144**	**165,144**

Statement of Changes in Reserves

	Called up share capital £000	Income and expenditure reserve £000	Total reserves £000
Balance at 31 March 2018	-	142,648	142,648
Total comprehensive income for the financial year			
Surplus for the year	-	12,967	12,967
Other comprehensive income			
SHPS opening balance adjustment on initial recognition	-	(5,456)	(5,456)
Actuarial movement in respect of LGPS pension scheme	-	1,890	1,890
Actuarial movement in respect of SHPS pension scheme	-	(2,298)	(2,298)
Balance at 31 March 2019	**-**	**149,751**	**149,751**
Balance at 31 March 2019	-	149,751	149,751
Total comprehensive income for the financial year			
Surplus for the year	-	12,080	12,080
Other comprehensive income			
SHPS opening balance adjustment on initial recognition	-	-	-
Actuarial movement in respect of LGPS pension scheme	-	(2,704)	(2,704)
Actuarial movement in respect of SHPS pension scheme	-	6,707	6,707
Balance at 31 March 2020	**-**	**165,834**	**165,834**

Consolidated Statement of Cash Flows

for year ended 31 March 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Surplus for the financial year	**11,964**	12,869
Adjustments for non-cash items		
Depreciation of tangible fixed assets and software	**11,571**	11,634
Amortisation of goodwill	**116**	116
Taxation	**-**	2
Decrease/(increase) in stock	**1,128**	(1,152)
Decrease in trade and other debtors	**3,435**	5,860
increase in trade and other creditors	**1,576**	674
Decrease in provisions	**(3,232)**	(5,514)
Pension costs less contributions payable	**(941)**	(534)
Gain on sale of tangible fixed assets	**(727)**	(1,739)
Movement in fair value of investment properties	**8**	12
Government grants utilised in the year	**(2,708)**	(3,792)
Interest payable	**6,791**	6,804
Other finance expense	**203**	228
Interest receivable	**(112)**	(139)
Net cash from operating activities	**29,072**	25,329
Cash flows from investing activities		
Capitalised housing properties expenditure	**(20,423)**	(18,078)
Purchases of other fixed assets and software	**(1,161)**	(743)
Proceeds from sale of tangible fixed assets	**2,459**	3,306
Grants received	**3,672**	930
Interest receivable	**112**	139
Net cash from investing activities	**(15,341)**	**(14,446)**
Cash flows from financing activities		
Interest payable	**(7,020)**	(6,804)
New secured loans	**15,000**	-
Repayments of borrowings	**(5,132)**	(17,375)
Net cash from financing activities	**2,848**	(24,179)
Net increase/(decrease) in cash	**16,579**	(13,296)
Cash and cash equivalents at 1 April	**14,849**	28,145
Cash and cash equivalents at 31 March	**31,428**	14,849

Notes
(forming part of the financial statements)

1 Accounting policies

Bernicia Group (the "Group") is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Private Registered Provider.

These financial statements were prepared in accordance with the Housing SORP 2018: Statement of Recommended Practice for registered social housing providers, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Association is a Public Benefit Entity as defined by FRS 102 and has applied the relevant accounting standards accordingly.

Measurement convention

The financial statements are prepared on the historical cost basis except for investments and investment properties which are held at fair value through the profit or loss.

Going concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan, incorporating the Group's most recent assumptions, was presented to and subsequently approved by Board at a Strategy day on 28th July 2020. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group has undertaken a series of further scenario testing including severe but plausible downsides in the worst-case assessment.

The Board, after reviewing the Group's underlying assumptions and Association budgets for 2020/21 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the accounts (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Maintenance costs – budget and business plan assumptions have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years;
- Rent and service charge receivables – arrears and bad debts assumptions have been increased, resulting in a reduction in collection rates to allow for customer difficulties in making payments. The business plan scenarios take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £144.8m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The group's ability to withstand other adverse scenarios such as higher interest rates and an increase in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies *(continued)*

Basis of consolidation

The statutory accounts for Bernicia Group incorporate the results of Bernicia Group and Kingston Property Services Limited in accordance with FRS 102.9.

Turnover

Turnover represents rental income receivable, fees receivable, grants receivable from local authorities and Homes England which are not capital in nature and proceeds from first tranche sales of shared ownership properties held in current assets during the year.

Service charges

Service charges are set annually and are fixed, with the exception of leaseholder service charges, which are variable. Fees receivable from tenants are presented within turnover and the expense of providing the services is presented within operating costs.

Intangible fixed assets

Goodwill

On acquisition of subsidiaries, the difference between the fair value of assets and liabilities and the purchase consideration paid represents goodwill. This is shown in the Statement of Financial Position and is amortised over its expected useful life. Where there is an indication of impairment, the goodwill is written down to the recoverable amount.

Software

Software is deemed to have a useful economic life of 3 years and is amortised on a straight line basis over this period.

Tangible fixed assets – housing properties

Initial recognition

Housing properties are initially recorded at cost of acquisition or construction.

Amounts capitalised include the cost of acquiring land and buildings, development costs and related interest charges incurred during the development period.

Shared ownership properties

The share of shared ownership properties which is to be sold in the first tranche sale is held within stock. The remainder, comprising further tranches and the element which is to be retained by the Group is held within fixed assets.

Right to buy sales

The gains or losses on disposal of social housing properties under right to buy arrangements are calculated as being the difference between the proceeds of a sale of a property and the carrying value of the property. Gains and losses are recognised in the Statement of Comprehensive Income at the date of transfer of title after deducting proceeds that are payable under right to buy sharing arrangements.

Disposals

The surplus or deficit on the disposal of fixed assets, including first and subsequent tranches of shared ownership properties, is accounted for in the income and expenditure account of the period in which the disposal occurs.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets – housing properties *(Continued)*

Depreciation

Freehold land is not depreciated. Freehold properties, other than properties under construction, are depreciated to reduce the net book value of housing properties to their estimated residual value on a straight line basis over their remaining expected useful life as follows:

Housing properties held for letting	-	over 70 - 120 years
Supported housing properties	-	over 70 - 120 years
Shared ownership properties	-	over 70 - 120 years

Individual components are depreciated so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis over their remaining expected useful life as follows:

Bathroom	-	30 years
Electrical systems	-	30 - 40 years
Boilers	-	15 years
Heating (Mechanical & Electrical)	-	30 years
Kitchen	-	20 - 25 years
Windows and doors	-	25 - 30 years
Roof	-	70 years
Solar Panels	-	20 years

The residual value of land is based on the estimated open market value of the land at the date of purchase.

Housing properties are assessed annually to determine whether there is any indicator of impairment. Where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking account of any relevant grants.

Capitalisation of interest

Interest on loans financing the development programme is capitalised up to the date of practical completion of the scheme. Interest costs are included at rates based on the Group's weighted average cost of borrowings. Where a loan is not specifically drawn down to fund a development, no interest is capitalised.

Capitalisation of acquisition and development costs

Acquisition and development costs are capitalised in respect of direct, incremental employee costs and overheads incurred during the development period.

Improvement works to existing properties

Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of economic benefits of the asset, or where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its useful economic life is restored or replaced.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets – housing properties *(continued)*

Impairment

At each reporting date, it is determined whether or not there exist any indicators of impairment for assets held. As a minimum, the indicators listed in FRS 102 Section 27.9 are considered.

It is not possible to estimate the recoverable amount of individual housing property assets as cash flows are not recorded for individual assets. The smallest identifiable group of housing properties is considered to be at a scheme level, therefore, cash-generating units are defined as schemes.

The recoverable amount is the higher of a cash-generating unit's value in use and its fair value less costs to sell. Only where the carrying value exceeds the value in use would the fair value less costs to sell be estimated.

As not all housing properties are held solely for cash inflows, a value in use (in respect of asset held for their service potential) (VIU-SP) is considered the most appropriate method for determining the recoverable amount for each cash-generating unit. The practical expedient permitted in SORP 14.20 is used to initially determine whether there may be an impairment loss on any of the cash-generating units by comparing the carrying value of the cash-generating unit to its expected use value (social housing) (EUV-SH). Where the carrying value exceeds the EUV-SH, a VIU-SP is estimated by determining a depreciated replacement cost of the cash-generating unit.

The replacement cost is the lower of the cost of constructing an equivalent cash-generating unit, based on recent development appraisals, or acquiring an equivalent asset on the open market. The replacement cost is adjusted to reflect the physical deterioration of the asset assuming the same expected useful lives as applied for depreciation purposes.

Where the carrying value exceeds the recoverable amount, an impairment loss is recognised.

Tangible fixed assets – other

Initial recognition

Other tangible fixed assets are initially recorded at cost.

Depreciation

Depreciation of other tangible fixed assets is charged in equal annual instalments commencing in the year of acquisition at rates estimated to write-off their cost, less any residual value, over the expected useful lives which are as follows:

Freehold office buildings	-	50 - 60 years
Leasehold office buildings	-	over the lease term
Computer hardware	-	3 - 4 years
Fixtures and fittings	-	5 - 10 years
Motor vehicles	-	4 years
Scheme fixtures and fittings	-	10 - 120 years

Freehold land is not depreciated.

Capitalisation of IT staff costs

IT staff costs are capitalised in respect of incremental time spent on the development of fixed asset software during the period.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets – other *(continued)*

Long term investments

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investment properties

The Group holds an investment property portfolio. Within the portfolio are assets primarily reserved for commercial undertakings and residential property dwellings. The Group's intention is to maximise rental income on investment property assets, whilst retaining for the long term increase in capital.

The assets are valued on an annual basis by a qualified Chartered Surveyor. Increases or decreases in the value of assets are recognised immediately in the Statement of Comprehensive Income.

Stock

Stock and work in progress are stated at the lower of cost and net realisable value.

Government grants

As housing properties are accounted for at cost, Government grants are recognised using the accrual model. Government grants relating to assets are systematically recognised in income over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis. Grants related to revenue are recognised in income on a systematic basis over the period in which the related costs, for which the grant is intended to compensate, are recognised.

Government grants can be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the Government grant may be used for projects approved by Homes England, however the grant may have to be repaid if certain conditions are not met.

Improvement provision

Provisions represent the Group's liabilities to undertake the refurbishment works under Development Agreements entered into by Wansbeck Homes Limited with Wansbeck District Council and by Berwick Borough Housing Limited with Berwick-upon-Tweed Council. The Group has also recognised a debtor in respect of this work, as the Group will benefit from the work which it is obliged to perform. This is explained further in note 23.

Taxation

Bernicia Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Kingston Property Services, Livingspaces (UK) Limited and Avoca Estate Management Limited are registered for UK taxation. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed by the balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been substantively enacted by the balance sheet date. No discounting is applied to reflect the time value of money.

Value Added Tax

Income and expenditure is shown inclusive of value added tax where applicable. Amounts recovered from HM Revenue and Customs under the provisions relating to partial exemption are credited to expenditure.

As part of the development agreements with Wansbeck District Council and Berwick-upon-Tweed Council, the Group has two approved VAT shelter schemes operative from 25 February 2008 and 3 November 2008 respectively, The Wansbeck VAT shelter lasts for 10 years from that date and the Berwick VAT shelter lasts for 15 years from that date. As a result, the VAT incurred on the property stock improvement programme is recoverable. The balance of VAT recoverable at the period end is included as part of the overall net VAT current asset or current liability in the Statement of Financial Position.

Units managed by third parties

The treatment of income and expenditure in respect of supported housing projects and hostels depends on whether the Group carries the financial risk.

Where the Group carries the financial risk, e.g. for losses from voids and arrears, all the project's income and expenditure is included in the income and expenditure account.

Where the project is managed by an agency and the agency bears the financial risks, the income and expenditure account includes only that income and expenditure which relates solely to the Group.

Employee benefits

Pension costs

The Group participates in two defined benefit pension schemes, the assets of both are held separately from those of the Group.

Local Government Pension Scheme (LGPS)

Bernicia Group participates in the LGPS which was provided for employees that transferred from Wansbeck District Council and Berwick-upon-Tweed Council, respectively, and who possessed TUPE rights. On 25 February 2008 and 3 November 2008, respectively, the assets and liabilities related to the transferring staff from each were assumed by the Group. The schemes are closed to new members.

The pension scheme assets are measured using market values. For quoted securities, the current bid price is taken as market value. The pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is recognised in the Statement of Comprehensive Income as operating charges, finance items and actuarial gains/losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits *(Continued)*

Social Housing Pension Scheme (SHPS)

The Group participates in an industry wide, defined benefit final salary pension scheme, SHPS. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Until 1 April 2019 the assets and the liabilities of the scheme attributable to the Group could not be separately identified, therefore, it was accounted for as a defined contribution scheme where the net present value of the deficit contributions was recognised in the accounts as creditors falling within and more than one year. The pension cost reflected in the accounts represented amounts payable by the Group for the year under review combined with any new contractual agreements to fund past service pension deficits.

The value of any contractual agreements to fund past service pension deficits recognised was based on the expected cash flows, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The unwinding of the liability was recognised in the Statement of Comprehensive Income as a finance cost.

As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation at 31 March 2020. In accordance with FRED 71, no restatement of prior year figures has been made in these accounts with the opening balance adjustment being recorded through OCI.

National Employment Savings Trust (NEST)

The Group participates in NEST which is a defined contribution pension scheme and is accounted for as such.

Termination benefits

Termination benefits are presented within operating costs and include amounts accrued in respect of constructive obligations.

Financial instruments

Capital instruments (other than share capital) are classified as liabilities if they contain an obligation to transfer economic benefits. The finance cost recognised in the income and expenditure account in respect of such instruments is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Leased assets

Assets acquired under finance leases that meet the criteria for capitalisation are held as other tangible fixed assets and depreciated over their expected useful lives. Interest charged under the lease is charge to the Statement of Comprehensive Income in the period in which it is incurred.

Costs in respect of operating leases are charged to the income and expenditure account on a straight - line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

Change in accounting policy/prior period adjustment

In these financial statements the Association has applied the following amendments to FRS 102:

Triennial Review 2017 Amendments: Section 16 Investment Property. No amendments have been made to prior period reported numbers.

Prior to the date of transition, the financial statements recognised office accommodation, occupied by the Group's Commercial subsidiary, as an investment property. The triennial review 2017 permits an association to hold an asset of this nature at either fair value within investment properties or at historical cost less depreciation and impairment within property, plant and equipment. The Group considers the historical cost less depreciation and impairment within property, plant and equipment as the most appropriate way of recognising this particular asset.

The value of the property has been assessed by a suitably qualified RICS Chartered Surveyor who has determined the valuation has remained consistent with its last full valuation performed during the 2018/19 financial year. The deemed cost has therefore remained in line with the value determined at the last valuation.

Notes *(continued)*

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus

Group

	Turnover £000	Cost of sales £000	Operating expenditure £000	2020 Operating surplus £000	2019 Operating surplus £000
Social housing lettings					
General needs housing	**46,695**	**-**	**(34,572)**	**12,123**	13,266
Housing for older people	**14,314**	**-**	**(11,218)**	**3,096**	2,960
Supported housing accommodation	**5,323**	**-**	**(2,568)**	**2,755**	1,955
Shared ownership accommodation	**1,088**	**-**	**(576)**	**512**	515
	67,420	**-**	**(48,934)**	**18,486**	18,696
Other social housing activities					
First tranche low cost home ownership sales	**908**	**(879)**	**-**	**29**	175
Support services	**100**	**-**	**-**	**100**	100
Development services	**-**	**-**	**(1,255)**	**(1,255)**	(1,129)
Community services	**-**	**-**	**(41)**	**(41)**	(57)
Other	**-**	**-**	**(924)**	**(924)**	(1,346)
	1,008	**(879)**	**(2,220)**	**(2,091)**	(2,257)
Activities other than social housing activities					
Leasehold management	**4,789**	**-**	**(3,739)**	**1,050**	710
Other operating income (note 5)	**1,046**	**-**	**-**	**1,046**	1,006
Private rented accommodation	**91**	**-**	**(1)**	**90**	90
Commercial and other	**476**	**-**	**(106)**	**370**	491
Care & Repair	**594**	**-**	**(1,303)**	**(709)**	(583)
Amortisation of goodwill	**-**	**-**	**(116)**	**(116)**	(116)
	6,996	**-**	**(5,265)**	**1,731**	1,598
Total	**75,424**	**(879)**	**(56,419)**	**18,126**	18,037

Shared ownership transactions

	First tranche £000	Staircasing £000	2020 Total £000	2019 Total £000
Proceeds	**908**	**-**	**908**	377
Cost of sales (including fees)	**(879)**	**-**	**(879)**	(202)
	29	**-**	**29**	175

Notes *(continued)*

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus *(continued)*

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £879,000 *(2019: £202,000)* and arose from first tranche sales. The amount released from tangible fixed assets during the period was £nil *(2019: £nil)* and arose from staircasing.

Association (Combined)

	Turnover £000	Cost of sales £000	Operating expenditure £000	2020 Operating surplus £000	2019 Operating surplus £000
Social housing lettings					
General needs housing	**46,695**	**-**	**(34,572)**	**12,123**	13,266
Housing for older people	**14,314**	**-**	**(11,218)**	**3,096**	2,960
Supported housing accommodation	**5,323**	**-**	**(2,568)**	**2,755**	1,955
Shared ownership accommodation	**1,088**	**-**	**(576)**	**512**	515
	67,420	**-**	**(48,934)**	**18,486**	18,696
Other social housing activities					
First tranche low cost home ownership sales	**908**	**(879)**	**-**	**29**	175
Support services	**100**	**-**	**-**	**100**	100
Community services	**-**	**-**	**(41)**	**(41)**	(57)
Development service	**-**	**-**	**(1,255)**	**(1,255)**	(1,129)
Other	**-**	**-**	**(924)**	**(924)**	(1,346)
	1,008	**(879)**	**(2,220)**	**(2,091)**	(2,257)
Activities other than social housing activities					
Other operating income (note 5)	**1,046**	**-**	**-**	**1,046**	1,006
Private rented accommodation	**91**	**-**	**(1)**	**90**	90
Commercial and other	**476**	**-**	**(105)**	**371**	491
Care & Repair	**594**	**-**	**(1,303)**	**(709)**	(583)
	2,207	**-**	**(1,409)**	**798**	1,004
Total	**70,635**	**(879)**	**(52,563)**	**17,193**	17,443

Shared ownership transactions

	First tranche £000	Staircasing £000	2020 Total £000	2019 Total £000
Proceeds	**908**	**-**	**908**	377
Cost of sales (including fees)	**(879)**	**-**	**(879)**	(202)
	29	**-**	**29**	175

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £879,000 *(2019: £202,000)* and arose from first tranche sales. The amount released from tangible fixed assets during the period was £nil *(2019: £nil)* and arose from staircasing.

Notes *(continued)*

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus *(continued)*

Group and association

	General needs housing £000	Housing for older people £000	Supported housing £000	Shared ownership £000	2020 Total £000	2019 Total £000
Income						
Rent receivable net of identified service charges	**39,671**	**9,924**	**3,088**	**911**	**53,594**	53,704
Service charge income	**1,467**	**2,548**	**1,842**	**143**	**6,000**	5,630
Water rates receivable	**2,708**	**745**	**8**	**-**	**3,461**	3,303
Amortised government grants	**2,849**	**1,097**	**385**	**34**	**4,365**	4,276
Turnover from social housing lettings	**46,695**	**14,314**	**5,323**	**1,088**	**67,420**	66,913
Operating expenditure						
Management	**(6,130)**	**(2,371)**	**(556)**	**(238)**	**(9,295)**	(8,613)
Service charge costs	**(3,153)**	**(1,012)**	**(740)**	**(114)**	**(5,019)**	(4,771)
Routine maintenance	**(7,993)**	**(2,101)**	**(422)**	**(21)**	**(10,537)**	(10,073)
Planned maintenance	**(3,301)**	**(1,062)**	**(234)**	**(53)**	**(4,650)**	(5,077)
Major repairs expenditure	**(3,111)**	**(968)**	**(210)**	**(43)**	**(4,332)**	(4,526)
Bad debts	**(580)**	**(146)**	**(29)**	**(62)**	**(817)**	(657)
Water rates payable	**(2,800)**	**(778)**	**(8)**	**-**	**(3,586)**	(3,466)
Depreciation of housing properties	**(7,461)**	**(2,780)**	**(225)**	**(45)**	**(10,511)**	(10,840)
Other costs	**(43)**	**-**	**(144)**	**-**	**(187)**	(194)
Operating expenditure on social housing lettings	**(34,572)**	**(11,218)**	**(2,568)**	**(576)**	**(48,934)**	(48,217)
Operating surplus on social housing lettings	**12,123**	**3,096**	**2,755**	**512**	**18,486**	18,696
Void losses	**(721)**	**(367)**	**(28)**	**-**	**(1,116)**	(1,124)

Notes *(continued)*

3 Accommodation owned

Group

The number of units owned for each class of accommodation is as follows:

	2020 Owned and managed Number	**2020 Managed by others Number**	**2020 Managed for others**	2019 Owned and managed Number	2019 Managed by others Number	2019 Managed for others Number
General needs housing:						
Social rent	**9,118**	**3**	**97**	9,461	3	97
Affordable rent	**909**	**-**	**-**	869	-	-
Housing for older people	**2,547**	**-**	**14**	2,236	-	14
Supported housing accommodation	**477**	**127**	**19**	463	127	18
Shared ownership accommodation	**341**	**-**	**-**	357	-	-
Serviced Right to Buy	**755**	**-**	**-**	933	-	-
Rent to HomeBuy	**61**	**-**	**-**	64	-	-
Private rented accommodation	**12**	**-**	**-**	12	-	-
Commercial and other:						
Garages	**1,498**	**-**	**-**	1,499	-	-
Shops	**56**	**-**	**-**	56	-	-
	15,774	**130**	**130**	15,950	130	129

Association

The number of units owned for each class of accommodation is as follows:

	2020 Owned and managed Number	**2020 Managed by others Number**	**2020 Managed for others**	2019 Owned and managed Number	2019 Managed by others Number	2019 Managed for others Number
General needs housing:						
Social rent	**9,118**	**3**	**97**	9,461	3	97
Affordable rent	**909**	**-**	**-**	869	-	-
Housing for older people	**2,547**	**-**	**14**	2,236	-	14
Supported housing accommodation	**477**	**127**	**19**	463	127	18
Shared ownership accommodation	**341**	**-**	**-**	357	-	-
Serviced Right to Buy	**755**	**-**	**-**	933	-	-
Rent to HomeBuy	**61**	**-**	**-**	64	-	-
Private rented Accommodation	**-**	**11**	**1**	-	11	-
Commercial and other:						
Garages	**1,498**	**-**	**-**	1,499	-	-
Shops	**56**	**-**	**-**	56	-	-
	15,762	**141**	**131**	15,938	141	129

Notes *(continued)*

4 Financial assistance and other Government grant receivable

The total accumulated amount of financial assistance and other Government grant received or receivable at the balance sheet date, based upon the properties owned at that date, was recognised as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Recognised in the Statement of Comprehensive Income	**72,603**	68,230	**72,603**	68,230
Held as deferred income (note 22)	**160,815**	163,412	**160,815**	163,412
	233,418	231,642	**233,418**	**231,642**

5 Other operating income

	Group		**Association**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Rate collection allowance	**440**	436	**440**	436
Office rental	**178**	209	**178**	209
Sale of management services	**194**	133	**194**	133
Sundry income	**220**	220	**220**	220
Homebuy income	**14**	8	**14**	8
Total other operating income	**1,046**	1,006	**1,046**	**1,006**

6 Gain on disposal of tangible fixed assets

	Group		**Association**	
	2020	2019	**2020**	2019
	£000	£000		
Proceeds from sales of housing properties	**2,459**	3,291	**2,459**	3,291
Cost of sales of housing properties (including fees)	**(1,732)**	(1,555)	**(1,732)**	(1,555)
Net gain on disposal of housing properties	**727**	1,736	**727**	**1,736**
Proceeds from sales of other tangible fixed assets	**1**	15	**1**	**15**
Cost of sales of other tangible fixed assets	**-**	(12)	**-**	**(12)**
Net gain on disposal of other tangible fixed assets	**1**	3	**1**	**3**
Gain on disposal of tangible fixed assets	**728**	1,739	**728**	**1,739**

Notes *(continued)*

7 Expenses and auditor's remuneration

Included in the surplus are the following:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Planned maintenance and major repairs	**5,920**	7,709	**5,920**	7,709
Charge for the provision of bad debts	**906**	672	**906**	672
Depreciation of tangible fixed assets – housing properties	**10,737**	10,883	**10,737**	10,883
Depreciation of tangible fixed assets – other	**674**	653	**663**	638
Amortisation of intangible fixed assets - software	**160**	98	**157**	68

Auditor's remuneration:

	Group		Association	
	2020	2019	**2020**	2019
Audit of these financial statements	**42**	36	42	36
Amounts receivable by the Group's auditor in respect of:				
Audit of financial statements of subsidiaries of the group	**9**	9	9	9
Audit - related assurance services	**12**	12	12	12
Taxation compliance services	**16**	7	16	7
Other non-audit services	**-**	3	-	3
Internal auditors' remuneration from internal audit services	**67**	67	67	67

Notes *(continued)*

8 Staff numbers and cost

The average number of persons employed by the Group (including directors) expressed in full time equivalents during the year, analysed by category, was as follows:

	Group		Association	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Operational	**396**	378	**377**	371
Finance and administration	**105**	112	**97**	110
Care and repair	**12**	12	**12**	12
	513	502	**486**	493

The aggregate payroll costs of these persons were as follows:

	Group		Association	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Wages and salaries (including car allowance)	**15,189**	14,136	**14,620**	13,934
Compensation for loss of office				
Social security costs	**1,333**	1,216	**1,295**	1,199
Contributions to defined benefit plan accounted for as a defined contribution plan (SHPS)	**-**	-	**-**	-
Current service cost of defined benefit plan (LGPS)	**697**	962	**697**	962
Current service cost of defined benefit plan (SHPS)	**754**	759	**734**	759
Contributions to defined contribution plan (NEST)	**207**	52	**201**	52
Contributions to defined contribution plan (Other)	**4**	6	**4**	6
Capitalised	**(325)**	(297)	**(325)**	(297)
Apprenticeship levy	**60**	54	**57**	54
Agency	**62**	89	**62**	89
	17,981	16,977	**17,345**	16,758
Recharges outside the Group	**-**	-	**-**	-
	17,981	16,977	**17,345**	16,758

The number of all staff whose remuneration payable, including pensions and compensation for loss of office, who have been paid by the Group, expressed in full time equivalents in relation to the period of account were as follows:

	Group		Association	
	2020 £000	2019 £000	**2020 £000**	2019 £000
£60,000 - £70,000	**4**	6	**4**	6
£70,001 - £80,000	**5**	4	**4**	4
£80,001 - £90,000	**1**	4	**1**	4
£90,001 - £100,000	**-**	1	**-**	1
£100,001 - £110,000	**-**	3	**-**	3
£110,001 - £120,000	**4**	-	**4**	-
£120,001 - £130,000	**-**	-	**-**	-
£130,001 - £140,000	**-**	-	**-**	-
£140,001 - £150,000	**-**	-	**-**	-
£150,001 - £160,000	**-**	1	**-**	1
£160,001 - £170,000	**1**	1	**1**	1
	15	20	**14**	20

Notes *(continued)*

9 Director's remuneration and key management personnel

Remuneration paid to the Directors and key management personnel in relation to the period of account was as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Wages and salaries	**1,228**	1,046	**1,228**	1,046
Group contributions payable in respect of pensions (SHPS)	**98**	49	**98**	49
Group contributions payable in respect of pension (LGPS)	**44**	43	**44**	43
Compensation for loss of office	**-**	-	**-**	-
Non-executive Board members' emoluments	**78**	70	**78**	70
Total expenses reimbursed to key management	**11**		**11**	
personnel and members of the Board	**-**	6	**-**	6
	1,459	1,214	**1,459**	1,214

The aggregate of his emoluments for the year, including Association pension contributions, as the highest paid director, was £178,857 *(2019: £160,277)*. He is an ordinary member of the Social Housing Pension Scheme, has no enhanced or special pension terms and has no other pension arrangements to which the Association contributes.

	Group		Association	
	2020	2019	**2020**	2019
	Number	Number	**Number**	Number
Retirement benefits are accruing to the following number of Directors and key management personnel under:				
Defined benefit schemes	**11**	11	**11**	11

Notes *(continued)*

9 Directors' remuneration and key management personnel *(continued)*

The gross remuneration of the non-executive Board members for their service to the Group in the year was as follows:

	Group		Association	
Group and Association	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Mr T Stevenson	**6**	6	**6**	6
Mr JP Heron	**1**	3	**1**	3
Ms A Tarn	**6**	6	**6**	6
Mr X Setna	**5**	5	**5**	5
Mr K Riddell	**3**	6	**3**	6
Mr D Jennings	**6**	6	**6**	6
Mr A Pegg	**8**	6	**8**	6
Ms L Charles-Jones	**2**	5	**2**	5
Mr J Holmes	**14**	9	**14**	9
Mrs A Gibson	**5**	3	**5**	3
Mrs M Roe	**2**	3	**2**	3
Mrs C-J Rewcastle	**5**	3	**5**	3
Mrs H Parker	**4**	2	**4**	2
Mr W Worth	**-**	6	**-**	6
Mr I Armstrong	**-**	2	**-**	2
Mr FW Foster	**-**	2	**-**	2
Mr R Cave	**1**	-	**1**	-
Mrs AJ Alden	**1**	-	**1**	-
Mrs L Shearing	**3**	-	**3**	-
Mr A Dunn	**3**	-	**3**	-
Non-executive Board members' emoluments	**75**	73	**75**	73

10 Interest receivable and similar income

	Group		Association	
	2020	2019	**2020**	2019
Bank deposits	**106**	139	**105**	134
Net gain on financial assets measured at fair value through profit or loss	**6**	-	**6**	-
Total interest receivable and similar income	**112**	139	**111**	134

Notes *(continued)*

11 Interest payable and similar charges

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Interest on loans	**6,925**	6,869	**6,925**	6,865
Net loss on financial assets measured at fair value through profit and loss	**-**	123	**-**	123
Interest payable and similar charges	**6,925**	6,992	**6,925**	6,988
Less amounts capitalised	**(134)**	(188)	**(134)**	(188)
Total interest payable and similar charges	**6,791**	6,804	**6,791**	6,800

12 Other finance expense

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Net interest on net defined benefit plan asset / liability	**(203)**	(228)	**(203)**	(228)
Total other finance expense	**(203)**	(228)	**(203)**	(228)

13 Taxation

The total tax expense recognised in the statement of comprehensive income is as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Current tax				
Current tax on income for the period	**-**	2	**-**	2
Total tax	**-**	2	**-**	2

Notes *(continued)*

13 Taxation *(continued)*

The current tax charge for the period is lower *(2019: lower)* than the rate of corporation tax in the UK of 19% *(2019: 19%)*. The differences are explained below:

Reconciliation of effective tax rate

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Surplus for the year after taxation	**11,964**	12,869	**12,080**	12,967
Total tax expense	**-**	2	**-**	2
Surplus on ordinary activities before taxation	**11,964**	12,871	**12,080**	12,969
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	**2,273**	2,445	**2,296**	2,464
Tax exempt revenues	**(2,273)**	(2,443)	**(2,296)**	(2,462)
Total tax expense included in profit or loss	**-**	2	**-**	2

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2019) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2019. However, at budget 2020 UK Government announced the main rate of Corporation Tax would be held at 19% for years starting 1 April 2020 and 1 April 2021.

14 Intangible fixed assets

Group

	Goodwill	**Software**	**Total**
	£000	**£000**	**£000**
Cost			
At 31 March 2019	2,319	1,014	3,333
Additions	-	421	421
At 31 March 2020	2,319	1,435	3,754
Amortisation			
At 31 March 2019	653	323	976
Charged in the year	116	160	276
At 31 March 2020	769	483	1,252
Net book value			
At 31 March 2020	**1,550**	**952**	**2,502**
At 31 March 2019	1,666	691	2,357

Notes *(continued)*

14 Intangible fixed assets *(continued)*

Association

	Software £000
Cost	
At 31 March 2019	893
Additions	381
At 31 March 2020	1,274
Amortisation	
At 31 March 2019	202
Charged in the year	157
At 31 March 2020	359
Net book value	
At 31 March 2020	915
At 31 March 2019	691

14a Tangible assets

Tangible fixed assets comprise housing properties and other fixed assets with net book values as follows:

		Group		Association	
	Note	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Tangible fixed assets – housing properties	*14b*	**442,159**	434,700	442,159	434,700
Tangible fixed assets – other	*14c*	**10,320**	8,249	10,146	8,086
		452,479	442,949	**452,305**	442,786

Notes *(continued)*

14b Tangible fixed asset – housing properties

Group and association

	Housing Properties held for letting		Supported Housing		Shared Ownership		Rent to Homebuy		
	Completed £000	Under construction £000	Completed £000	Under construction £000	Completed £000	Under construction £000	Completed £000	Under construction £000	Total £000
Cost									
At 31 March 2019	390,027	730	132,712	278	16,125	23	8,152	-	548,047
Properties acquired	-	6,650	-	141	205		-	-	6,996
Development of new properties	-	2,382	-	1,718	-	41	24	-	4,165
Works to existing properties	7,031	-	2,229	-	-	-	1	-	9,261
Disposals	(3,098)	-	(1,341)	-	(686)	-	-	-	(5,125)
Completed schemes	7,012	(7,012)	983	(983)	-	-	-	-	-
Transfers	(5,930)	(81)	7,777	(83)	483	13	(2,179)	-	-
At 31 March 2020	395,042	2,669	142,360	1,071	16,127	77	5,998	-	563,344
Depreciation and impairment									
At 31 March 2019	80,715	-	29,860	-	1,948	-	824	-	113,347
Charged in the year	7,641	-	2,650	-	142	-	81	-	10,514
Transfer from OFA	223	-	-	-	-	-	-	-	223
Disposals	(1,910)	-	(923)	-	(66)	-	-	-	(2,899)
Transfers	(925)	-	1,406	-	41	-	(522)	-	-
At 31 March 2020	85,744	-	32,993	-	2,065	-	383	-	121,185
Net book value At 31 March 2020	**309,298**	**2,669**	**109,367**	**1,071**	**14,062**	**77**	**5,615**	**-**	**442,159**
At 31 March 2019	309,312	730	102,852	278	14,177	23	7,328	-	434,700

Notes *(continued)*

14b Tangible fixed assets – housing properties *(continued)*

Security

Tangible fixed assets with a net book value of £244,999,177 ***(2019: £262,652,453)*** are secured.

Borrowing costs

The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £133,781 ***(2019: £188,000)*** with a capitalisation rate of 4.80% ***(2019: 5.10%)***.

Included in the cost of tangible fixed assets – housing properties is £1,953,781 ***(2019: £1,820,000)*** in respect of capitalised finance costs.

Development costs

The amount of development costs capitalised to tangible fixed assets – housing properties during the period was £325,591 ***(2019: £298,000)***.

Land and Buildings

The net book value of tangible fixed assets – housing properties comprises:

	Group and Association	
	2020	2019
	£000	£000
Freehold	**434,912**	428,000
Long leasehold	**3,557**	3,639
Short leasehold	**3,690**	3,061
	442,159	434,700

Notes *(continued)*

14c Tangible fixed assets - other

Group

	Land and buildings £000	Leasehold property improve-ments £000	Office equipment £000	Scheme fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 31 March 2019	9,100	46	5,598	581	1,659	16,984
Additions	-	-	710	22	7	739
Disposals	-	-	-	-	(12)	(12)
Transfer (note 17)	2,150	-	-	(144)	-	2,006
At 31 March 2020	11,250	46	6,308	459	1,654	19,717
Depreciation						
At 31 March 2019	1,587	35	5,210	424	1,479	8,735
Charged in the year	226	2	365	10	138	741
Transfer	-	-	-	(67)	-	(67)
Disposals	-	-	-	-	(12)	(12)
At 31 March 2020	1,813	37	5,575	367	1,605	9,397
Net book value						
At 31 March 2020	**9,437**	**9**	**733**	**92**	**49**	**10,320**
At 31 March 2019	7,513	11	388	157	180	8,249

	2020 £000	2019 £000
Freehold	**9,373**	7,436
Short leasehold	**75**	77
	9,448	7,513

Notes *(continued)*

14c Tangible fixed assets - other *(continued)*

Association

	Land and buildings £000	Leasehold property improve-ments £000	Office equipment £000	Scheme fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 April 2019	9,012	25	5,563	506	1,584	16,690
Additions	-	-	710	-	7	717
Disposals	-	-	-	-	(12)	(12)
Transfer (note 17)	2,150	-	-	(144)	-	2,006
At 31 March 2020	11,162	25	6,273	362	1,579	19,401
Depreciation						
At 1 April 2019	1,568	25	5,200	403	1,408	8,604
Charged in the year	222	-	365	6	137	730
Transfers	-	-	-	(67)	-	(67)
Disposals	-	-	-	-	(12)	(12)
At 31 March 2020	1,790	25	5,565	342	1,533	9,255
Net book value						
At 31 March 2020	**9,372**	**-**	**708**	**20**	**46**	**10,146**
At 1 April 2019	7,444	-	363	103	176	8,086

	2020 £000	2019 £000
Freehold	**9,297**	7,367
Short leasehold	**75**	77
	9,372	7,444

Notes *(continued)*

15 Long term investments

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Valuation				
At 1 April	**690**	813	**688**	811
Revaluation	**(21)**	(123)	**(19)**	(123)
At 31 March	**669**	690	**669**	688

Long term investments are represented as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Long term investment in:				
Haven Funding plc	**523**	542	**523**	542
UK Rents (No 1) plc	**146**	146	**146**	146
Foundations UK	**-**	-	**-**	-
Agents Mutuals Limited	**-**	2	**-**	-
	669	690	**669**	688

The long term investment in Haven Funding plc and UK Rents (No 1) plc represent amounts which are withheld by lenders as a cash reserve under the terms of a loan agreement. The loan to UK Rents (No. 1) plc could be utilised against a shortfall of funds within the other Associations participating in the loan issue.

Long term investments are analysed as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Listed investments	**316**	330	**316**	330
Unlisted investments	**353**	360	**353**	358
	669	690	**669**	688

Notes *(continued)*

16 Investments in subsidiaries

Subsidiaries

	Association	
	2020	2019
Cost	**£000**	£000
At 1 April and 31 March	**2,367**	2,367

Investments in subsidiaries comprise 100% of the share capital of Kingston Property Services Limited. Following the consolidation of the Group's Commercial entities on 1st March 2020 the investment cost of £1,294k in Livingspaces (UK) Limited and the investment cost of £1,073k in Avoca Estate Management Limited is now recognised in Kingston Property Services Limited.

17 Investment properties

	Group and Association	
	2020	2019
	£000	£000
Valuation		
At 1 April	**4,273**	4,102
Revaluation	**(8)**	(12)
Transfer / change in classification (note 14c)	**(2,150)**	-
Additions	**-**	183
At 31 March	**2,115**	4,273

The fair value of the investment properties has been determined by qualified valuation specialists.

18 Stock

	Group and Association	
	2020	2019
	£000	£000
Shared ownership properties held for resale	**-**	1,140
Consumables	**297**	285
	297	1,425

Notes *(continued)*

19 Debtors

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Rents and service charges arrears	**7,655**	7,073	**7,655**	7,073
Less: Provision for bad and doubtful debts	**(5,318)**	(5,213)	**(5,318)**	(5,213)
	2,337	1,860	**2,337**	**1,860**
Amounts owed by undertakings in which the association has a participating interest	**452**	120	**1,017**	**829**
Other debtors	**36,971**	40,929	**36,864**	**40,474**
Prepayments and accrued income	**2,217**	2,503	**1,699**	**1,970**
	41,977	45,412	**41,917**	**45,133**
Due within one year	**5,492**	5,164	**5,432**	**4,885**
Due after more than one year	**36,485**	40,248	**36,485**	**40,248**
	41,977	45,412	**41,917**	**45,133**

For the Group, debtors includes Other debtors of £36,485,000 *(2019: £40,248,000)* due after more than one year. £35,174,000 *(2019: £38,406,000)* of these Other debtors due after more than one year relate to contracted refurbishment works described at note 23, and £749,643 *(2019: £1,176,000)* relate to coupons received in advance on loans taken out by Three Rivers and HAPM and FARR insurance.

	Group		Association	
	2020	2019	**2020**	2019
	£	£	**£**	£
Unpaid share capital	**8**	9	8	9

20 Cash at bank and in hand

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Cash at bank and in hand	**31,428**	14,849	**30,817**	14,339

Notes *(continued)*

21 Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Bank loans (see note 22)	**16,243**	2,007	**16,243**	2,007
Rents and service charges received in Advance	**928**	817	**928**	817
Trade creditors	**692**	1,285	**692**	1,268
Amounts owed to undertakings in which the association has a participating interest	**175**	91	**175**	3
Taxation and social security	**470**	408	**410**	332
Other creditors	**4,849**	4,350	**4,154**	4,339
Accruals and deferred income	**8,801**	7,379	**8,801**	6,744
Amounts due under finance leases and hire purchase agreements	**424**	-	**424**	-
Deferred capital grants (note 22)	**4,384**	4,318	**4,384**	4,318
Grant in advance	**1,708**	-	**1,708**	-
Recycled capital grant fund (note 22)	**313**	295	**313**	295
Disposals proceeds fund (note 22)	**271**	222	**271**	222
Interest payable	**1,153**	1,352	**1,153**	1,352
Service charge sinking funds	**1,908**	1,795	**1,908**	1,795
Contractual agreements to fund past service pension deficits (SHPS) (note 24)	**-**	-	**-**	-
Contingent consideration	**1,049**	1,049	**1,049**	1,049
	43,368	25,368	**42,613**	24,541

Notes *(continued)*

22 Creditors: amounts falling due after more than one year

	Group and Association	
	2020	2019
	£000	£000
Bank loans	**125,480**	129,744
Deferred capital grants	**156,431**	159,094
Recycled capital grant fund	**373**	500
Deferred recycled capital grant fund	**363**	197
Disposal proceeds fund	**-**	49
	282,647	289,584

Recycled capital grant fund (RCGF) and Disposal proceeds fund (DPF)

RCGF and DPF relate to funding received from Homes England. The movements in the RCGF and DPF are as follows:

Group and association

	RCGF	**DPF**	**2020**	2019
	£000	**£000**	**£000**	£000
At 1 April	**795**	**271**	**1,066**	971
Grants recycled	**156**	**-**	**156**	212
Interest accrued	**2**	**-**	**2**	2
New build	**(267)**	**-**	**(267)**	(119)
At 31 March	**686**	**271**	**957**	1,066
Due within one year	**313**	**271**	**584**	517
Due after more than one year	**373**	**-**	**373**	549
	686	**271**	**957**	1,066
Amounts 3 years old or older where repayment may be required (£000)	**28**	**223**	**251**	**167**

Notes *(continued)*

22 Creditors: amounts falling due after more than one year *(continued)*

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are secured bank loans.

Bank loans are secured against Tangible fixed assets – housing properties with a net book value of £244,999,177 (*2019: £262,652,000*).

Included within bank loans are borrowings of £114,696,000 (*2019: £115,948,000*) with fixed interest rates ranging from 1% to 11.6 % (*2019: 1% to 11.6%*) and borrowings of £28,055,000 (*2019: £16,917,000*) with variable interest rates ranging from LIBOR plus 0.5% to 2.19% (*2019: LIBOR plus 0.5% to 3.4%*).

Borrowings are repayable as follows:

	Group and Association	
	2020	2019
	£000	£000
Within one year	**16,243**	2,007
Between one and two years	**9,456**	1,564
Between two and five years	**20,792**	30,445
In five years or more	**96,259**	98,849
	142,750	132,865
Less: Issue costs	**(1,027)**	(1,114)
	141,723	131,751
Less: Amounts included within Creditors: amounts falling due within one year (see note 21)	**(16,243)**	(2,007)
	125,480	129,744

Notes *(continued)*

22 Creditors: amounts falling due after more than one year *(continued)*

Deferred capital grants

	Group and Association	
	2020	2019
	£000	£000
At beginning of year	**159,094**	165,363
Additions	**2,446**	1,306
Disposals	**(2,602)**	(3,291)
Amortisation	**(2,441)**	(1,979)
Transfer to creditors within one year	**(66)**	(2,305)
At end of year	**156,431**	159,094

Deferred capital grant movements within one year

	2020	2019
At beginning of year	**4,318**	2,013
Transfer from grant after more than one year	**66**	2,305
At end of year	**4,384**	4,318
Total deferred capital grants	**160,815**	163,412

23 Provisions for liabilities and charges

The provision relates solely to the refurbishment of housing stock transferred from the Council as described below.

	Group and Association	
	2020	2019
	£000	£000
At 31 March	**38,406**	43,920
Capitalised expenditure during the year	**(3,077)**	(5,156)
Revenue expenditure during the year	**(155)**	(358)
At 31 March	**35,174**	38,406

The provision represents the best estimate of the cost of works that the Group has contracted to undertake under two Development Agreements for the repair and upgrading of the dwelling properties that were subsequently acquired by the former Wansbeck Homes Limited and by Berwick Borough Housing Limited from Wansbeck District Council and Berwick-Upon-Tweed Council, respectively, (collectively, “the Councils”) on 25 February 2008 and 3 November 2008, respectively.

Immediately prior to entering into the stock transfer agreement between the Councils and the Group, the Councils and the Group entered into a contract for the Group to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum of £173,960,000, which was equal to the expected cost of the works.

Notes *(continued)*

23 Provisions for liabilities and charges *(continued)*

At transfer, the Group contracted with the Councils to acquire the benefit of the agreed refurbishment works (£173,960,000) plus the price of the properties (£nil). The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled the Group to recover the VAT on repair/enhancement costs that would otherwise have been expensed.

At the time of the transfer, the Group paid a net amount of £nil to the Councils, representing the acquisition of the properties in their unenhanced condition and the value of the Councils' obligation to carry out the refurbishment works (£173,960,000) less the amount due to be incurred by the Group under the Development Agreements in relation to the anticipated costs of the repairs/improvements (£173,960,000).

The impact of these transactions is that, whilst the Council (Wansbeck District Council and Berwick-upon-Tweed Council, subsequently succeeded by Northumberland County Council) has a legal obligation to the Group to complete the refurbishment works, this work has been contracted back to the Group which is also equally obligated. The underlying substance of the transaction is therefore that the Group acquired the housing properties in their existing condition at their agreed value and will complete certain repairs and improvements in line with guarantees to tenants of not less that £173,960,000.

The effect of these transactions is that the Group has both an asset (the Councils' obligation to have the refurbishment work carried out) and a legally binding obligation to a third party (under the Development Agreements) and this asset and liability is recognised in the financial statements.

At 31 March 2020, £35,174 *(2019: £38,406)* is included within non-current debtors and £35,174 *(2019: £38,406)* is included within provisions for liabilities and charges.

24 Employee benefits

Defined benefit plan - LGPS

Group and Association

The information disclosed below is in respect of the Group's share of the Northumberland County Council Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme. Bernicia Group participates in the Fund which provides defined benefits based on members' final pensionable salary.

Net pension asset

	2020	2019
	£000	£000
Defined benefit obligation	**(39,280)**	(40,740)
Plan assets	**39,620**	44,080
Net pension asset	**340**	3,340

Notes *(continued)*

24 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2020	2019
	£000	£000
At 1 April	**(40,740)**	(38,290)
Current service cost	**(987)**	(962)
Past service cost	**(330)**	-
Interest expense	**(971)**	(994)
Remeasurement: actuarial (losses)/gains	**3,150**	(724)
Contributions by members	**(171)**	(181)
Benefits paid	**769**	411
At 31 March	**(39,280)**	(40,740)

Movements in fair value of plan assets

	2020	2019
	£000	£000
At 1 April	**44,080**	39,694
Interest income	**1,061**	1,041
Remeasurement: return on plan assets less interest income	**(5,854)**	2,614
Contributions by employer	**931**	961
Contributions by members	**171**	181
Benefits paid	**(769)**	(411)
At 31 March	**39,620**	44,080

Expense recognised in the statement of comprehensive income

	2020	2019
	£000	£000
Current service cost	**987**	962
Net interest on net defined benefit liability	**(90)**	(47)
Total expense recognised in the statement of comprehensive income	**897**	915
Remeasurement: actuarial loss on defined benefit obligation	**3,150**	(724)
Remeasurement: (loss)/gain on plan assets less interest income	**(5,854)**	2,614
Total (expense)/income recognised in other comprehensive income	**(2,704)**	1,890

Notes *(continued)*

24 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value %	2019 Fair value %
Equities	**65.8**	65.7
Government debt	**16.4**	17.1
Corporate bonds	**7.7**	7.9
Property	**4.0**	4.2
Cash	**0.8**	0.0
Other	**5.3**	5.1
	100.0	100.0
	£000	£000
Actual return / (loss) on plan assets	**(3,547)**	3,655

Principal actuarial assumptions at the year end were as follows:

	2020 %	2019 %
Discount rate	**2.30**	2.40
Future salary increases	**3.50**	3.70
Rate of increase to pensions in payment	**2.00**	2.20
Rate of increase to deferred pension	**2.20**	2.20
RPI inflation	**3.30**	3.30
CPI inflation	**2.00**	2.20

The last full actuarial valuation was performed on 31 March 2019. To measure the defined benefit obligation as at 31 March 2020, the Association used a qualified, independent actuary.

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 24.6 years (female).
- Future retiree upon reaching 65: 23.2 years (male), 26.0 years (female).

LGPS consultation

The Ministry of Housing, Communities and Local Government (MHCLG) has published its consultation on proposals to remove age discrimination from the LGPS in England and Wales. The consultation, which will run until 8 October 2020, follows the McCloud court ruling which found protections given to older members in the judicial and firefighters' pension schemes directly discriminated against younger members in those schemes. MHCLG's consultation proposes to bring the LGPS in line with the government's commitment to remove the differences in treatment from all public service pension schemes with similar protections. The consultation seeks to change the basis of the calculation for the impact of McCloud on the beneficiaries to LGPS.

Notes *(continued)*

24 Employee benefits *(continued)*

LGPS consultation (continued)

At the year end, the basis of calculation of the LGPS liability included an assessment for the impact of McCloud based on the information available at that time. Although there is likely to be a change to the pension liability following the completion of the consultation, there is currently insufficient information available to form the basis of any calculations. As a reliable estimate cannot therefore be made of the impact to the pension liability, no adjustment has been made as at 31 March 2020. Due to the timing of the consultation, any resulting changes will be reflected in the pension liability at 31 March 2021.

Defined benefit plan - SHPS

The association participates in the Social Housing Pension Scheme (the Scheme), a multi- employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the association to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February inclusive. The liabilities are compared, at the relevant accounting date, with the association’s fair share of the Scheme’s total assets to calculate the association’s net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Net pension liability

	2020	**2019**
	£000	**£000**
Defined benefit obligation	**(45,391)**	**(50,457)**
Plan assets	**39,773**	**37,545**
Net pension liability	**(5,618)**	**(12,912)**

Notes *(continued)*

24 Employee benefits *(continued)*

	2020 £000	2019 £000
Movements in present value of defined benefit obligation		
At 1 April	**(50,457)**	**(45,437)**
Current service cost	**(973)**	**(759)**
Expenses	**(37)**	**-**
Past service cost		
Actuarial (losses)/gains due to scheme experience	**(502)**	**(3,554)**
Actuarial (losses)/gains due to changes in demographic assumptions	**429**	**(133)**
Actuarial (losses)/gains due to changes in financial assumptions	**6,354**	**312**
Interest expense	**(1,188)**	**(1,186)**
Contributions by members	**(143)**	**(198)**
Benefits paid	**1,126**	**498**
At 31 March	**(45,391)**	**(50,457)**
Movements in fair value of plan assets		
At 1 April	**37,545**	**34,564**
Interest income	**895**	**911**
Experience on plan assets	**426**	**1,077**
Contributions by employer	**1,890**	**1,293**
Contributions by members	**143**	**198**
Benefits paid	**(1,126)**	**(498)**
At 31 March	**39,773**	**37,545**
Amounts recognised in statement of comprehensive income		
Current service cost	**973**	**759**
Net interest on net defined benefit liability	**293**	**275**
Total expense recognised in the statement of comprehensive income	**1,266**	**1,034**
Total expense recognised in other comprehensive income		
Actuarial (losses)/gains on assets	**426**	**1,077**
Actuarial (losses)/gains on liabilities	**6,281**	**(3,375)**
Total (expense)/income recognised in other comprehensive income	**6,707**	**(2,298)**

Principal actuarial assumptions at the year end were as follows:

	2020 %	2019 %
Discount rate	**2.35**	2.35
Future salary increases	**2.56**	3.25
RPI inflation	**2.56**	3.25
CPI inflation	**1.56**	2.25

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioners aged 65: 21.5 years (male), 23.3 years (female)

Future retiree upon reaching 65: 22.9 years (male), 24.5 years (female)

Notes *(continued)*

25 Capital and reserves

Share capital

Group and Association

	2020	2019
	£	£
Ordinary shares of £1 each at 1 April	**9**	9
Issued during the year	**3**	1
Surrendered during year	**(3)**	(1)
At 31 March	**9**	9

The share capital is represented by 1 share held by each member of the Association. Shareholders have a right to attend and vote at general meetings. Shareholders have no rights to a distribution on a winding up and have no rights to dividends.

26 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		**Association**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Assets held at fair value through profit and loss				
Listed investments	**316**	330	**316**	330
Unlisted investments	**353**	360	**353**	358
Assets measured at amortised cost				
Rent and service charge arrears	**7,665**	7,073	**7,665**	7,073
Other debtors	**36,971**	40,610	**36,864**	40,404
Liabilities measured at amortised cost				
Rents and service charges received in advance	**1,359**	1,200	**1,359**	1,200
Trade creditors	**692**	1,285	**692**	1,268
Bank loans	**125,480**	129,744	**125,480**	129,744
Deferred capital grants	**156,440**	159,094	**156,440**	159,094
Contractual agreements to fund past service pension deficits	**-**	-	**-**	-

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Association**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Less than one year	**11**	37	**11**	37
Between one and five years	**807**	233	**711**	198
More than five years	**-**	-	**-**	-
	818	270	**722**	235

During the year, £241,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £89,000)*.

Notes *(continued)*

28 Capital commitments

The aggregated amount of contracts for capital expenditure not provided for at year-end was £54,560,324 *(2019: £9,410,292)*.

The aggregated amount of capital expenditure approved which has not been contracted for at year-end was £33,788,625 *(2019: £13,996,173)*.

The proposed financing of such expenditure is as follows:

	Group and Association 2020
Grant	**10,416,000**
Agreed loans	**44,144,324**
	54,560,324

29 Contingent liabilities

The Group has a contingent liability of £4,594,000 *(2019: £4,450,000)* in relation to recycled grant applicable to individual housing property components that have been replaced. This will crystallise on disposal of the property.

30 Related parties

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £1,188,000 (*2019: £1,100,155)*.

Other related party transactions

Group and association	**Administrative expenses charged to 2020 £000**	Administrative expenses charged to 2019 £000	**Administrative expenses incurred from 2020 £000**	Administrative expenses incurred from 2019 £000
Spirit Regeneration & Development LLP	**251**	61	**1,151**	225
	Receivables outstanding £000	Receivables outstanding £000	**Creditors outstanding £000**	Creditors outstanding £000
Spirit Regeneration & Development LLP	**251**	61	**420**	25

Bernicia Group is a member of Spirit Regeneration & Development LLP.

Notes *(continued)*

31 Ultimate controlling party

The Board of Management is the ultimate controlling party of Bernicia Group. The results of the Group are not consolidated within the results of any other Group.

32 Accounting estimates and judgements

Investment properties

The Group holds a number of properties for commercial rental, they have been revalued to fair value at the reporting date in accordance with FRS 102 Section 16.

Impairment of tangible assets

The Group considers whether tangible assets are impaired. For the purpose of impairment assessments, where an indication of impairment is identified the Group estimates the recoverable value and the depreciated replacement cost of the cash-generating units (CGUs). Individual schemes are considered to be CGUs.

Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Provisions

The Group contracted to undertake works under Development Agreements with Berwick Council on 3 November 2008 and Wansbeck District Council on 25 February 2008 giving rise to a provision for liabilities as described in note 26. The initial value of the provision represented the best estimate of the cost of works. This provision is reduced each year by the cost value of capital works undertaken on the stock.

Defined Benefit Pension Schemes

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the LGPS and SHPS obligations depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension surplus/liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 24 for the disclosures relating to the defined benefit pension scheme.

LGPS pension scheme

At 31 March 2020, in order to reflect the impact of proposals by the UK Chancellor and the UK Statistics Authority (UKSA) to align RPI with CPIH (a variant of the Consumer Prices Index that includes an estimate of housing costs), the CPI assumption methodology was reassessed. In particular, the assumed long-term gap between RPI inflation and CPI inflation was reduced from 1.1% at the prior year end to 0.6% at this year-end. The impact of this change is expected to have resulted in a £3.9m increase in the LGPS Fund's liabilities since the prior year end.