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Introduction

Our Value for money (VFM) strategy was approved by Board in April 20218, 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 <http://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.

Priority one – Delivering an exceptional housing service

Key action and targets	Bernicia Target 2022	Bernicia Target 2021	Bernicia 2021	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	N/A
Customer satisfaction with:					
• VFM of rent (STAR)	83%	83%	89%	89%	89%
• Responsive repairs	90%	92%	93%	93%	92%
• Major works	93%	93%	N/A	91%	92%
• Overall service (STAR)	89.6%	89.6%	90%	90%	90%
• Views taken into account (STAR)	71%	71%	73%	73%	73%
• Lettings	93%	93%	93%	96%	97%
Performance:					
• Repairs completed at first visit	80%	80%	89%	87%	84%
• Appointments made and kept	92%	92%	93%	93%	94%
• Emergency repairs within 24 hours	99.5%	99.5%	99.7%	99.1%	99.8%
• % of customer enquiries resolved at first point of contact	87%	85%	97%	94%	88%

Transforming delivery – The target here is to have 80% of transactions across the business conducted on-line by the end of the five-year period. This is a Key Success Factor (KSF). An associated measure is to monitor the increase in the number of tenants signed up for and using Bernicia's digital portal. Significant progress has been made on phase II of the QL (housing management system) project, primarily the tenant and staff portal, alongside the new tenant app. These were significantly developed during 2020, although the expected launch date of Q4 2020/21 was ultimately not achievable. The formal introduction of these is now Summer 2021, although a soft launch and a number of pilot activities are well underway. This will significantly increase the ability for tenants to transact with us on-line, including managing

payments, scheduling and tracking repairs, requesting aids and adaptations and reporting non urgent ASB. The staff portal will enable our colleagues to operate with greater agility, allowing them to transact through the portal, as they would their desk top computer.

The tenant and staff portals will continue to build our digital offer, following the success of our contractor portal that was launched in 2019 and which enabled our business transactions to move online. A Customer Contact Centre manager has also recently been appointed, with a key objective being the transition of the call centre to a contact centre, creating a multi-channel contact centre that manages service requests through a range of digital mediums and platforms.

The advent of COVID-19 saw Bernicia move to a remote working basis, with the digital provision of services to customers (albeit a more limited range) and more business to business services conducted on-line. Examples of the changes include:

- On-line meetings with vulnerable tenants supported by the Intensive Housing management team.
- Resident involvement activities conducted on-line and through social media.
- 'Your say, services your way' campaign delivered using digital and social media, as well as traditional methods.
- The demise of the 'cheque-run' with all electronic payments.
- On-line ordering, variations and invoicing of sub-contractor repairs and gas servicing.
- External and internal audit conducted remotely through share filing and the use of business intelligence and analytics.
- Conferences, seminars, and other meetings held using video technology thereby reducing travel, cost and time resources.
- Recruitment and on-boarding undertaken digitally.






















The number of tenants now registered to transact with us through the tenant portal was 2,418 at the year end and 2,589 at the end of May, we aim to increase this number through the promotion of our digital offer. It is recognised that as we aim to continue to tailor services and their delivery to the specific needs of individuals, that digital is not the preferred option for all customers and we must continue to provide different options for how we interact with our customers. Thus, the next iteration of our Corporate Strategy will focus more on the range of interactions we facilitate, including, but not exclusively digital.

Customer satisfaction – The Board agreed six targets, five of which have met or exceeded the target and one, satisfaction with major repairs, not being reported this year. The results for three of the targets (VFM, Overall Service and Views) are based on the STAR survey with the target being the previous result and as such are only reported triennially (2019 results shown here). The other three are collected and reported annually and quarterly as part of the Operational KPIs with annual targets as set out in the Business Plan.

Performance - The Board agreed four targets with performance meeting or exceeding the target for all four. It is pleasing to note that emergency repairs have improved from last year when an amber was reported. Three of the four measures show an improvement, from an already high base, on the previous years with a minor decrease (0.3%) being reported for appointments made and kept. Given the challenges during the year, the performance levels have to be viewed as excellent. Additionally, a measure, the number of complaints received, forms part of the reporting in this area with 329 complaints being received during 2020/21 (312 in 19/20, 373 in 18/19). Interestingly compliments over the same period were 1,523, 1,229 and 1,274.

The Customer Services Committee in April 2021 considered a detailed report on all aspects of customer feedback.

Priority two – Investing in homes, neighbourhoods and communities

Key action and targets	Bernicia Target 2022	Bernicia Target 2021	Bernicia 2021	Bernicia 2020	Bernicia 2019
New homes:					
- starts on site (cumulative)	420	250	379 	251 	116 
Existing homes:					
- SAP Rating	72.0 by 2023	72.0 by 2023	71.55 	71.35 	71.13 
- Average NPV of stock	>£25k	>£25k	£27k 	£27k 	£25k 
Social value:					
- SHIFT accreditation	Silver	Silver	Silver 	N/A 	N/A 
- Apprenticeships supported – internal	17	17	19 	20 	15 
- Direct funding of social initiatives	£182k	£229k	£261k 	£120k 	£225k 
- Sustainability investment	£1,350k	£1,350k	£760k 	£1,357k 	£930k 

New homes - the Business Plan had originally set a target of 500 new start on sites within the five-year period which was increased by a further 100 in 2019. Actual start on sites over the three-year period to 31 March 2021 were 379 against a target of 250.

Existing homes - Bernicia invests significantly in its existing stock. Two targets have been set to provide assurance that this investment is making a difference. The first relates to the SAP rating of our properties where we aim to increase the average rating from the 2018 level of 70.24 to 72 over the five-year business plan period. This supports our aim of helping to tackle fuel poverty by improving the thermal efficiency of our homes. The SAP rating has shown year on year increases and is now 71.55 thereby continuing to report a 'green'.

The second target relates to increasing the average NPV of our stock as measured by our asset sustainability tool (SAMS). This KSF provides an assurance on two broad fronts, firstly that our investment is improving our homes rather than simply maintaining them. Secondly whilst we are committed to making decisions on scheme sustainability not simply on financial grounds and will continue to invest in schemes with a negative NPV where the socio-economic arguments over-ride the financial factors, this can only

be supported if the business as a whole is financially healthy and robust. Hence, the Board set a target that the average NPV of our stock should increase over the period.

In 2017/18 this stood at £25k per unit. SAMS is updated triennially with the latest update being reported in October 2019. This showed an increase to £26.6k and thus returns a 'green' rating.

Whilst we did not fund sustainability works to the level anticipated, due to the impact of the pandemic on our ability to deliver works on the ground, we did make some important decisions on projects that are now being undertaken and we are developing a pipeline of schemes that will benefit our tenants and communities.

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 nineteen apprentices. Four colleagues were also upskilled through the apprenticeship levy.

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 and social wellbeing.

Examples of our added value work during 2020/21 included:

Financial wellbeing

In 2021, our focus has been very much on helping our tenants sustain their tenancies whilst dealing with the impacts of COVID-19, which have been far reaching to say the least. Impacts ranged from having to change methods of payment as places closed and people couldn't go out, to individuals and families having no income at all while Universal Credit claims were processed. This meant redirecting resources and upskilling colleagues to support households and protect income streams, and, unfortunately, help people access additional help through food banks, volunteering services and community hubs. Nine local food banks received funding from Bernicia.

Our staff benefitted from joining the Money Advice and Pensions Service network and Money Guiders initiative, both of which provided free, brilliant information and training. Continuing our work with the Illegal Money Lending Team we became the first housing provider in the North East to achieve Stop the Loan Sharks Partner recognition.

Despite restricted face to face contact our Intensive Housing Management Team achieved a 73% success rate in successful tenancy outcomes. This meant 347 tenants were helped to sustain their tenancy, which without this help may have failed. Just over £83,000 was secured in additional income and grants for tenants.

Sadly, our Learning Hives had to close, however, by using other methods of engagement and in partnership with Northern Learning Trust, 463 individuals were supported into training and 18 into employment.

Additionally, Berwick Community Trust helped 105 individuals into training and 35 into employment.

We continue as partners in the ESF project North of Tyne Working Homes and during the year joined the Durham LINKCD employability project. This has allowed us to extend our offer of employability support to more tenants across the North East.

Additional funding has again been provided to third sector organisations to help people with more complex welfare benefit issues.

Social wellbeing

Loneliness and isolation have, for obvious reasons, been high on our radar.

Whilst we cannot even start to comprehend the full impacts of lockdown on our tenants and residents, we have done our best to help them through these difficult times, particularly our older residents.

Resources were redirected to make over 3,000 check in and chat calls, activity wellbeing packs, produced in partnership with physical activity organisation RISE, were delivered to 600 residents, small gifts were distributed at Christmas and the overwhelming support from local businesses, individuals and community organisations was amazing. Our main aim was to keep in touch and keep talking to our residents.




















































A whole host of activities that could be done at home, such as celebrating VE Day and Christmas, were encouraged in sheltered housing schemes.













To help people remain in their homes 186 aids and adaptations were fitted by ourselves with a further 30 externally funded adaptations being installed.

Inevitably the uptake of community grants for social activities was lower than previous years with just over £18,000 being accessed for wellbeing initiatives.

Despite the limitations imposed by lockdown periods, we are confident through both human and financial support we have made a significant contribution to maintaining social wellbeing.

Priority three – Effective organisation

Key action and targets	Bernicia Target 2022	Bernicia Target 2021	Bernicia 2021	Bernicia 2020	Bernicia 2019
Governance:					
- Retain G1	G1	G1	G1 	G1 	G1 
- Valid gas certificates	100%	100%	99.87% 	99.86% 	99.96% 
- Valid solid fuel certificates	100%	100%	98.1% 	100% 	100% 
- Electrical testing	100%	100%	99.98% 	99.97% 	99.8% 
- Water hygiene	100%	100%	100% 	99.37% 	98.1% 
- Asbestos	100%	100%	98.4% 	98.57% 	100% 
- Fire Risk Assessment	100%	100%	100% 	96.46% 	100% 
Income collection:					
- Void rent loss	2.98%	2.98%	2.12% 	2.09% 	1.81% 
- Bad debts	1.86%	1.86%	0.63% 	1.39% 	1.32% 
- Rent arrears	4.10%	4.00%	3.83% 	3.59% 	3.28% 
- Rent collection	97.90%	97.80%	100.02% 	100.53% 	99.24% 
Cost control:					
- Headline social housing	£3,719	£3,662	£3,212 	£3,580 	£3,510 
- Housing management	£699	£698	£672 	£678 	£628 
- Service charge	£416	£415	£364 	£366 	£348 
- Maintenance	£1,162	£1,149	£1,098 	£1,107 	£1,105 
- Major works	£1,047	£1,012	£751 	£892 	£977 
- Other	£395	£388	£327 	£537 	£452 

Key action and targets	Bernicia Target 2022	Bernicia Target 2021	Bernicia 2021	Bernicia 2020	Bernicia 2019
People:					
- Retain IIP Gold	Gold	Gold	Gold 	Gold 	Gold 
Financial:					
- Minimum V2 rating	V2	V2	V1	V1	V1
- Compliance with Golden Rules	Compliant	Compliant	Compliant 	Compliant 	Compliant 
- Create additional capacity (Years 6-11)	+150 units by 2023	+150 units by 2023	+150 units by 2023 	+150 units by 2023 	100 agreed 
- (Decrease) / Increase profitability of Commercial Companies	22%	22%	19% 	49% 	21% 

Governance - Bernicia has no risk appetite for health and safety non-compliance hence all compliance targets are 100%.

Gas servicing was reported at 99.87% at year end. At the end of the year, fifteen properties had gas services outstanding. All were due to tenant access issues, with one of these cases linked to COVID-19. No gas services remained outstanding at the date the financial statements were signed.

Electrical servicing was reported at 99.98% at year end. At the end of the year, two properties were outstanding and were due to tenant access issues. No electrical services remained outstanding at the date the financial statements were signed.

Water hygiene was reported at 100% at year end, with all properties having a valid water hygiene inspection.

At the end of March there were two common parts where the re-inspection of the condition of known asbestos had been prevented due to no access issues. Any actions arising from the re-inspections are being responded to.

Fire Risk Assessments was reported at 100% at year end. 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.

Income collection – Despite the challenges presented by the pandemic, collection rates were excellent whilst all financial indicators relating to voids, bad debts and

arrears have out-performed the targets set for the year, a reflection on the success of the measures we implemented and the hard work and dedication of our staff.

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 2021/2022. The continued retention of Gold status, and progressing all nine indicators to advanced performance level, is regarded as a major success.

We have undertaken regular surveys of our staff and are pleased to see that our staff valued our approach to managing the pandemic, supporting them, our tenants and customers. These surveys have confirmed high levels of buy in to our corporate objectives and values framework and the results have been used to develop our hybrid working models that will be launched during July 2021.

Cost per unit – The cost per unit targets were calculated at the start of the current strategy period in 2018. Naturally, COVID-19 has impacted on the ability to deliver services over the 2021 year. Whilst all services resumed in full, the major works (investment programme) was redesigned with a focus more on external works. Expenditure on this area exceeded our revised COVID-19 budget and forecasted expectations, however when compared to the 2018 set target, expenditure fell short and was the main contributing factor for the headline cost per unit in year being considerably lower than the 2021 target.

Priority four – Helping to deliver the Regional Agenda

The overall aim of this objective is for Bernicia to engage positively with Government policy on matters relating to Social Housing within Bernicia's geographical operating area. However, Bernicia understands that Social Housing policy is not the only issue impacting on, or important to its tenant's and communities, 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.

To evaluate delivery on this objective it is important to understand how we are perceived by our stakeholders.

A triennial perception study undertaken during the period revealed significant progress and provided high levels of assurance from our stakeholders that we are both committed to and delivering upon this objective. Drawn from local authorities, peer organisations, public and private sector bodies, the business community, trade bodies and politicians, our stakeholders were unanimous in their views that we understand the needs of our region and communities, we recognize the influence and support we can leverage to advantage these, and value the collective impact of partnership working. The following excerpts from the perceptions study epitomize the sentiments of our valued stakeholders;

Bernicia are part of the wider conversations. They try and get involved in regional issues. Other employees, not just those at the top, give back but also have a say'

'[Bernicia has] a growing reputation for what they do. Their engagement with the wider business community has really stepped up in recent years.'

'if we are going to improve the economy in the North East, having more values based, socially confident organisations really does help. The North East business infrastructure needs organisations like Bernicia to be dedicated to it'

Despite the challenging year, which inevitably impeded many of our social value activities, we continued to make a real and lasting impact through our social and financial inclusion activities, enabling hundreds of people to participate in employability training, with many progressing into employment, alongside supporting new entrants to the workplace through apprenticeships, traineeships and work experience, and

delivering a package of wellbeing activities for our tenants to remain active members of the community.

Using the HACT Social Value calculator, we estimate the benefit realised from these activities equates to £2.64m of social benefit to the region, with every £1 we invest generating £1.44 in the local economy.

This year also saw The Bernicia Foundation award its first grants, with circa £465,000 given to charitable organisations and inspirational young talent in the region. Applying social value methodologies to this investment, suggests a further £3.34m of value has been generated in North East communities.

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 (2020 Global Accounts).

Key financial ratios	2021	Global benchmark 2020*	2020	2019	2018	2017
Growth						
➤ Growth in turnover	0.8% (4.5%)	1.8% 6.0%	2.1% 3.8%	(1.5%) (2.6%)	1.1% (4.5%)	1.0% (0.3%)
➤ Growth in total assets	(18.7%)	7.6%	7.4%	(11.7%)	(4.3%)	(3.5%)
➤ Growth in total debt						
Profitability						
➤ Effective interest rate	5.9%	3.8%	4.7%	5.0%	5.9%	4.6%
Debt servicing ability						
➤ Adjusted net leverage	25.2% 1.5	Not available 3.9	25.7% 1.9	27.6% 1.8	28.4% 2.0	29.1% 2.3
➤ Debt to turnover						

* The Global Benchmark is taken from the 2020 Global Accounts of Housing Providers and is the mean cost across social housing providers.

Growth

Growth in turnover of 0.8% was driven by three separate revenue streams in the year. Income from social housing activities was 1.2% higher than that of the previous year. Rental and service charge income increased by £1,629k to £61,223k (2020: £59,594k), c2.7% in accordance with the permissible levels as determined by the rent standard. However, water rates receivable was £778k lower at £2,683k (2020: £3,461k), c22.5% with reciprocal reductions being reported in water rates payable. Disposals of First Tranche Shared Ownership properties of £218k (2020: £908k) were significantly lower than those of the previous year, thereby impacting growth in turnover. Finally, the Group's commercial activities continued to generate strong revenues.

Turnover for 2021 increased by £250k to £5,039k (2020: £4,789k), the increase in the year also favourably contributed to the Group's overall growth in turnover.

Growth in total assets reports a year on year decrease of 4.5%. Property, plant and equipment assets have increased by £5m during the year as new supply units were added to the statement of financial position. Net current assets have decreased by £17.6m. Cash balances at the year-end reduced by £24.6m whilst housing properties held for sale (stock) increased and debtors and long-term provisions decreased. The Group accessed its revolving credit facility towards the end of the March 20 drawing down £15m to ensure liquidity remained in place throughout the outbreak of COVID-19. This drawing contributed to the higher prior year cash balance. The full amount of £15m was repaid to the facility in May 2020. Other cash balances have been used to early repay other drawn debt and settle other drawn revolving credit facilities during the year.

The Group's reduction in total debt of 18.7% reflects these repayments.

Profitability ratios

The Group's effective interest rate, excluding early debt redemption costs of £5m, increased by 1.2% to 5.9% as a direct result of the settling of fixed rate debt and repayment of the revolving credit facilities during the year.

Debt servicing ability

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

How we perform against 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 would traditionally present how Bernicia has performed against the VFM metrics published by the RSH, along with Bernicia's own internal targets and performance measures. Whilst the 2021 results have been compared to the 2020 Global Accounts median VFM metric results with commentary provided where appropriate, it should be noted that 2021 was, in financial terms, an anomalous year due to COVID-19. Further comparative would also normally be 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 Group's budget which was updated to reflect financial changes derived from COVID-19. Commentary in the following sections therefore compares Bernicia's results with both the Global Accounts and our internal 2021 target.

Business health

Global Accounts VFM Metrics	Bernicia 2022 Target	Bernicia 2021 Target	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2020 Median	Global Accounts 2020 local peer group Median
Operating margin – overall	20.9%	19.3%	27.7%	24.0%	24.4%	26.0%	23.1%	24.0%
Operating margin – social housing lettings	20.8%	18.8%	29.6%	27.4%	27.9%	28.7%	25.7%	26.1%
EBITDA MRI interest cover	227.0%	153.3%	192.5%	228.7%	223.4%	194.9%	170.0%	201.0%

Operating margin – overall - the 2020 global accounts median across the peer group was 24.0%, with margins ranging from 12.8% to 29.5%. Bernicia had an operating margin of 27.7% for 2021 which would have positioned the Group seventh highest within its peer group in 2020. When compared to the 2021 target, the operating margin exceeded expectations. During the year staffing costs were significantly lower than budgeted. This was due to a number of posts not being appointed to in the year due to COVID-19. Recruitment to these posts has now resumed. Lower day to day operating costs and office associated costs were incurred again due to changes in working practices during the pandemic period. The delivery of the major works (investment) programme was reshaped during the year with a greater emphasis on external works. Furthermore, Bernicia's commercial company Kingston Property Services outperformed budget expectations. All of these factors contributed to the higher operating margin and have also favourably impacted on a number of the other value for money metrics reported in the following sections.

Operating margin – social housing lettings - the 2020 median for the peer group was 26.1%. In 2020 Bernicia ranked fifth highest with a margin of 27.4%. Margins in the peer group ranged from 17.6% to 29.3%. Bernicia's 2021 result of 29.6% when compared to the in-year target of 18.8% was positively impacted due to, in the main, lower staffing and operating costs, excellent income collection performance and lower major works expenditure as discussed within the operating margin – overall section.

EBITDA MRI interest cover is a key measure of liquidity and investment capacity. The Group's Interest cover continues to remain strong, with 2021 performance exceeding the 2020 Global Accounts median.

EBITDA MRI interest cover for 2020 the median for the peer group was 201%. When comparing Bernicia's 2020 result to the regional peer group, Bernicia's EBITDA MRI was recorded at 229%, placing Bernicia in sixth highest position. During 2021, Bernicia repaid some long-term debt early. This increased the Group's interest charges by £5m. EBITDA MRI for 2021, including these additional interest costs is reported at 192.5%, with outperformance against the target being for the reasons as previously mentioned.

Development (capacity and supply)

Global Accounts VFM Metrics	Bernicia 2022 Target	Bernicia 2021 (Target)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2020 Median	Global Accounts 2020 local peer group Median
New supply delivered – social housing units	182	34	78	74	92	135	N/A	N/A
New supply delivered – social housing %	1.2%	0.2%	0.5%	0.5%	0.6%	0.9%	1.5%	1.2%
New supply delivered – non-social housing %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	26.1%	26.7%	24.1%	24.9%	26.9%	28.1%	44.0%	41.6%

In 2021, Bernicia delivered a new supply of Social Housing accommodation totalling 78 units comprised of 69 affordable rent units and 9 low cost home ownership units.

Bernicia's five-year Corporate Strategy, in which the Group targets the start on site of 600 units, has now completed its third year. During the first three years, the Group has delivered 235 units against its target, with a further 144 units on site at the end of the year and a further 197 units approved. During the year, the Board agreed to accelerate start on site units from 2023 to 2022 with the remaining units being targeted to start in 2022.

Bernicia continues to deliver appropriate housing accommodation, to meet local demand and strengthen communities. When comparing 2021 performance to the

regional peer group for 2020, the new supply of social housing is recognised as lower quartile. 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 2020 is recognised in the lower quartile of the Global Accounts national data set and regional peer group, where Bernicia is ranked fourth lowest.

Although Bernicia delivered 78 units in the year ended March 2021, no new funding was required to deliver the programme. In accordance with our Treasury Strategy and golden rules requirements, a new £70m Revolving Credit Facility was entered into at the end of March 2020. In addition, in August 2020 Bernicia secured £75m through a private placement with Legal and General Investment Management, drawing £20m at spot in November 2020. This drawing along with cash balances was used to repay some more expensive legacy debt along with drawn RCF's. These actions, along with reduced expenditure during the year have further reduced Bernicia's gearing levels.

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 respond to potential economic challenges and at the same time, is able to leverage more debt than others should it choose to.

Outcomes delivered

Global Accounts VFM Metrics	Bernicia 2022 Target	Bernicia 2021 (Target)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2020 Median	Global Accounts 2020 local peer group Median
Reinvestment %	9.1%	5.5%	4.1%	4.6%	4.2%	4.2%	7.2%	7.9%

In 2020/21, Bernicia made a combined investment in existing stock and new stock of £18.5m, with £12.6m invested in the new supply of properties and £5.9m invested in existing properties. This represents a reinvestment of 4.1% 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. The investment programme was reshaped during the year as a direct consequence of the pandemic. The budgeted spend for 2021 of £12.8m, approved by Board in March 2020, was adjusted accordingly to £8.5m, with the costs associated with catch up works being incorporated into future budgets.

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 tenant's homes remains at the very highest standards possible. This continues to be a Board priority.

The Global Accounts for 2020 highlighted Bernicia's continued investment for the 2019/20 year of £9.3m, equating to £675 per property. Investment at this level positioned Bernicia as the regions fifth highest investor in its existing stock.

During 2020/21, as a result of the challenges presented by the pandemic, Bernicia's investment was lower at £5.9m equating to £431 per property in existing stock.

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

With a total spend of £11.2m on the development of new properties in 2019/20, the 2020 Global Accounts position Bernicia as the regions eighth highest investor in new housing accommodation.

The 2020/21 year-end accounts include a total spend on new supply of housing accommodation of £12.6m. 2020/21 has seen a higher amount of investment made than reported in the previous year as the Group continues to deliver on its Corporate Strategy objectives.

When comparing with the local peer group, Bernicia's 2021 reinvestment percentage is in line with the 2020 lower quartile.

Effective asset management

Global Accounts VFM Metrics	Bernicia 2022 Target	Bernicia 2021 (Target)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2020 Median	Global Accounts 2020 local peer group Median
Return on capital employed (ROCE)	3.6%	3.4%	4.69%	3.88%	4.06%	4.10%	3.40%	3.90%
Ratio of responsive repairs to planned maintenance	77.9%	76.3%	69.4%	57.8%	51.9%	44.4%	65.3%	68.2%

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 are 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 29.

The Return on Capital Employed at 3.88% for the year 2019/20 was within the median quartile when compared to the 2020 Global Accounts national and regional peer group data set. Return on Capital Employed at 3.88% placed Bernicia seventh highest when compared to its regional peer group. The Group can therefore demonstrate it is using its debt and capital to effectively manage its assets. The results for the year 2020/21 indicate a Return on Capital Employed of 4.69%, assuming no change in the quartiles, the result for 2021 is expected to be in line with the upper quartile. It should be noted, that Bernicia's operating surplus during the year was higher than expected as not all operating costs were expended due to the pandemic.

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 2019/20, Bernicia's ratio of responsive repairs to planned maintenance was 57.8%, meaning for every pound spent on planned maintenance, Bernicia spent a further fifty-

eight pence on responsive repairs. A ratio of 57.8% positioned Bernicia towards the lower quartile (most favourable) and sixth lowest in the regional peer group, where ratios ranged from 33.2% to 209.8%. The results for 2021 report that Bernicia spent 69.4% on responsive maintenance when compared to planned maintenance which is an increase on the prior year, however, it should be noted that expenditure on planned maintenance was lower in the year due to the pandemic.

In its 2020 Sector Risk profile, the Regulator has highlighted it will focus particularly on areas of health and safety compliance and the overall condition of housing stock.

The areas of Regulatory focus all have a potential to influence the results of the effective asset management ratios, along with the other ratios 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.

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.

Operating efficiencies

Global Accounts VFM Metrics	Bernicia 2022 Target	Bernicia 2021 (Target)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Bernicia 2018 (Group)	Global Accounts 2020 Median	Global Accounts 2020 local peer group Median
Headline social housing cost per unit (CPU)	£3,779	£3,405	£3,212	£3,580	£3,578	£3,394	£3,835	£3,429
Management CPU	£756	£773	£672	£678	£628	£651	£1,062	£716
Service charge CPU	£375	£382	£364	£366	£348	£331	£441	£366
Maintenance CPU	£1,184	£1,203	£1,098	£1,107	£1,105	£967	£1,107	£1,129
Major repairs CPU	£1,004	£697	£751	£991	£1,045	£1,064	£813	£879
Other social housing CPU	£460	£350	£327	£437	£452	£381	£273	£83
Overheads as a % of turnover	-	8.62%	7.71%	7.41%	6.17%	8.78%	-	-

Bernicia's headline social housing cost per unit for 2020/21 was £3,212 and the more granular cost per units were comparable to those of the previous year, with the exception of the major repairs and other categories. Major repairs were £240 per unit lower, as explained earlier, delivery of the major repairs programme was hindered by the pandemic. Allocations have been made in the 2022 budget to enable catch up works. Other social housing cost per unit was £110 per unit lower than the previous year. The main contributing factor here was lower water rate costs incurred. 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 £199 onto each unit's cost.

When compared to the 2020 Global Accounts, Bernicia's cost per unit is £623 per unit lower than the national median and £217 per unit lower than the regional peer group median. Caution should be made when undertaking this comparison due the anomalous year that 2021 has been due to COVID-19, that said, the 2021 cost per units are broadly comparable to the 2020 peer group median, with the exception of the major repairs and other categories.

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