



# BERNOCIA

Housing people,  
helping people

VALUE FOR MONEY  
STRATEGY

**2022-2026**

# Contents

	<b>Page</b>
Introduction	1
About Bernicia	2
Value for Money in Bernicia	4
Why VFM is Important	5
Our VFM Framework	6
Our Strategic Objectives	
Listening and Delivering Exceptional Services	7
Investing in Homes and Neighbourhoods	8
Demonstrating Organisational Effectiveness and Inclusivity	9
Working Collaboratively to Support the North East Region	10
Our Core and Enabling Strategies	11
The Regulators VFM Metrics	14
Risk	17
Monitoring and review	18

# Introduction

Value for money (VFM) is a concept that we apply daily in our lives. We are constantly choosing which items or services to buy and judging what is the right balance between quality and cost. Bernicia as an organisation is no different. For us, it is about obtaining the maximum benefit with the resources available. It is a way of doing things that underpins everything we do; from performance management to procurement, from business planning to consultation. Value for money is integrated within all areas of Bernicia's strategic planning and operational delivery.

This VFM strategy builds on the last VFM strategy which ran from April 2018 to 31 March 2022.

This new VFM strategy focuses on the four years from 1 April 2022 to 31 March 2026 and draws upon the VFM initiatives and objectives of the Group's new Corporate, operating, enabling and cross cutting strategies which run for the same time period.

The strategy is centred around the strategic objectives and outcomes for the Group. It considers the medium and longer-term aspirations for the Group, and presents the measurable targets, based on outcomes that are associated with the aims and purpose of Bernicia.

Bernicia will ensure that it achieves optimum economy, efficiency and effectiveness in the delivery of our strategic objectives, recognising the need to balance factors such as available resources, risks and other responsibilities to ensure long term financial viability.

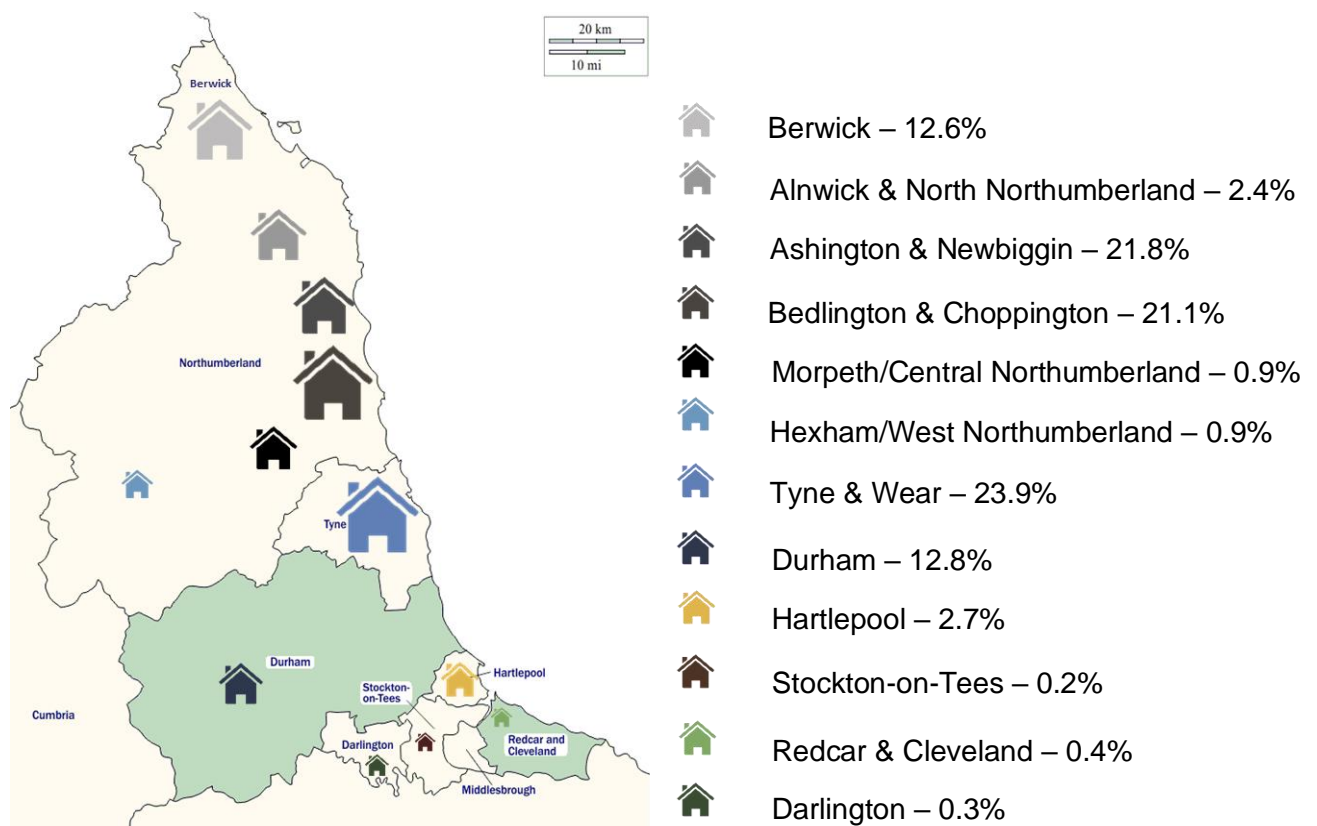
In terms of deriving "optimal benefit" from resources and assets, Bernicia will take a measured and proportionate approach, considering the requirements of all the Regulator of Social Housing's (RSH's) Standards in particular, the Value for Money and Governance and Viability Standard. In optimising the financial return from assets and activities, Bernicia will ensure that the approach taken is consistent with our overall purpose and strategic objectives:

- Listening and Delivering Exceptional Services.
- Investing in Homes and Neighbourhoods.
- Demonstrating Organisational Effectiveness and Inclusivity.
- Working Collaboratively to Support the North East Region.

# About Bernicia

We are first and foremost a social housing business, providing homes and services to leaseholders, tenants and their households living in just under 13,000 social rented homes, along with 650 specialist supported units of accommodation and 400 properties classed as intermediate housing, primarily shared ownership and rent to buy.

Our properties are spread across 12 local authority areas in North East England with just over 70% of these homes located in Northumberland and Durham.



In addition, our commercial arm provides managed services to leaseholders in relation to both block and estate management across the north east, alongside estate agency services. The purpose of this subsidiary is to provide a financial return to the social housing business in the way of gift aid payments.

Lastly, our charitable subsidiary, the Bernicia Foundation, provides non-repayable grants to worthwhile causes that make a difference to people and communities where Bernicia Group operates.

Our annual turnover is in the region of c£80m, with the main source of income being from property rents and services charges, totalling c£62m. We employ more than 500 people, incurring payroll costs in the region of c£19m each year. Maintaining our assets is imperative to the Group. In order to sustain the long-term life of our properties, we plan to invest in the region of £62m in major repairs (investment programme) and sustainability measures in existing homes and neighbourhoods with a further £60m in day to day planned works, repairs, voids and cyclical maintenance.

Growing the business continues to be a priority of the Group. Our plans include approximately £75m of investment in new housing supply over this strategy period.

Overall, this will bring our investment to c£200m over the next four years, in both new and existing homes.

The Group has housing assets in excess of £450m (net book value), available funding of £237m (of which £142m is drawn) and significant unencumbered security. During 2020/21 £75m of new finance was secured through a private placement and a new £70m revolving credit facility was entered into, strengthening liquidity into the medium term.

The economic, regulatory and operational environment continues to change at pace. Increased focus on building safety and sustainability measures, increased costs of maintenance and construction and the changing needs of the communities within which we operate, all place additional financial pressure on us.

Our budgets and long-term financial plan have been built to include the costs associated with these, where known, and demonstrates that these costs will be met, within existing covenant restrictions and with the capacity and resilience to meet those costs we do not yet know.

Internal targets, set annually, seek to outperform the business plan. This approach ensures we continue to drive efficiency and economic benefit, whilst a clear focus on the satisfaction of our customers through our suite of metrics monitors the effectiveness and quality of services.

# Value for Money in Bernicia

Our definition of VFM is simple – we want to optimise the value derived from the money and other assets we have available, and in doing so deliver our corporate objectives in the most cost-effective way.

The value we produce is directly related to our social purpose – our vision is “Housing people, helping people”. We believe that a good home makes a lot of other things possible, so we aim to provide great homes and services that do just that. We are “housing people” – professional and passionate about what we do. For Bernicia, VFM is about making as big a difference as is possible with the resources available to us.

In taking decisions, the Bernicia Board will balance financial investment decisions against the overall objectives of the organisation. It will consider issues such as the geographical areas where we operate, the local housing markets and the nature of the communities that we want to help. Of particular note is the relatively deprived nature of some of our communities and the positive impact that good quality affordable housing and associated services can have on our tenant’s quality of life.

As a socially responsible landlord, we regularly consider how we can optimise value for money gains, we challenge what we do and how we do it, in order to ensure that optimal value is achieved across the whole of Bernicia.

In addition, we recognise and strive to optimise the return from our assets which are crucial to our long-term business and financial plans. We do this with due regard to our mission, social objectives and values. Whilst we fully understand the financial impacts of investing or disinvesting in our existing homes, our strategic asset management decisions give great consideration to the positive social return that our homes provide.

# Why VFM is important

Evidencing that we achieve optimum value for money is a regulatory requirement. The Value for Money Standard requires social housing providers to clearly articulate their strategic objectives, have an approach agreed by Board on how value for money will be achieved, have an appetite for delivering new housing supply and ensure that optimum benefit is derived from resources and assets in order to optimise economy, efficiency and effectiveness in delivering strategic objectives.

Regulation aside, the principles of value for money make good business sense, after all, why would any organisation not strive to optimise such benefits?

The key elements of the VFM standard are as follows:

- There should be a **robust approach** to achieving value for money. This will include a robust approach to decision making and rigour in appraising options for improving performance.
- There should be **regular and appropriate consideration by Board** of potential value for money gains.
- Value for money should be a **whole business approach**, and where there is investment in non-social housing activity, consideration should be given to whether the return from such activity is commensurate with the risk involved. Where this is not the case Board should seek justification.
- There should be **appropriate targets in place** for measuring performance in achieving value for money. Performance against the targets should be regularly monitored and reported.

In terms of demonstrating VFM, the annual statutory accounts should contain updates in respect of performance against our own value for money targets, performance against metrics set out by the regulator, and how our performance compares to our peers.

Where underperformance is evident, plans should be disclosed which clearly detail area where improvements would not be appropriate, along with the rationale for this.

# Our VFM Framework

Our Corporate Strategy sets out the type of organisation that Bernicia is and what we are trying to achieve. This Strategy is supported by our detailed medium-term Business Plan which includes four-year key success targets with annual milestones.

In addition, underpinning the Business Plan, there are a range of core, enabling and corporate (cross-cutting) strategies which have been developed and refreshed as part of the process of developing the 2022-26 Corporate Strategy.

This is shown diagrammatically below:



The key success targets, along with the regulator’s value for money metrics, provide the Board with assurance that value for money is being achieved and that resources are being used efficiently and effectively to achieve Bernicia’s strategic objectives.

In addition, the Executive Team set granular targets within each of the supporting strategies ensuring that this approach to value for money is embedded throughout the organisation.



# Our Strategic Objectives

Our four strategic objectives set out the main focus for the organisation and what we are seeking to achieve. Each objective has a number of key performance targets, supplemental targets and measures (measures being an overall indication of our direction of travel towards a target). The achievement of our targets and measures will provide clear evidence of the successful delivery of our corporate objectives and therefore the successful delivery of our Corporate Strategy. Our strategic objectives are:

- Listening and Delivering Exceptional Services.
- Investing in Homes and Neighbourhoods.
- Demonstrating Organisational Effectiveness and Inclusivity.
- Working Collaboratively to Support the North East Region

## Listening and Delivering Exceptional Services

Bernicia has high levels of customer satisfaction and we aim to maintain this by continuing to promote a customer centric approach.

We recognise that to deliver exceptional services we must listen to our customers, understand their needs and involve them in not only the setting of clear service standards (known as the 'Bernicia Promise') but also the monitoring of our performance against them. To do this we will ensure that our Tenant's Voice is heard across the organisation and that we respond positively to feedback. We also recognise that different people have different needs, we need to understand these and make sure our services are capable of being tailored to respond. We will provide a menu of ways customers can be involved and enable customers to access services in ways and at times that suit their needs and preferences. Through monitoring and analysing our satisfaction ratings and feedback we will make sure that we are being inclusive, are focused on the needs of all our customers and that no one is left behind. We also understand it's not just about what we provide but how we provide it, so we employ people who embrace our culture and promote our values and goals.

As a major regional housing provider and a socially responsible organisation, we will be more than just a landlord and will provide support through a programme of social inclusion projects and partnership working, targeted at maintaining people's independence and reducing isolation and loneliness.

### Success Measures

- Tenant satisfaction with the overall service %
- % of EDI data relating to tenants
- Tenant confirmation of compliance with the Consumer Standards and local offers to Board
- Triennial external review of tenant involvement / engagement

## Investing in Homes and Neighbourhoods

Bernicia owns and manages over 14,000 properties across the North East and develops new homes across a wide range of types and tenures. We want our customers to be proud to call a Bernicia property their home.

We will maintain up to date 100% stock condition information on our homes, (20% refreshed annually). This will be used to actively manage our assets, maintain standards and make investment decisions that help to sustain our estates as part of wider communities.

We will continue to invest over the next four years in major works and sustainability projects to not only maintain but to improve the quality of our homes and neighbourhoods, meeting or exceeding the quality and service standards that have been set with our customers as part of the 'Bernicia Promise'. We will keep our tenants safe with our programmes of continued investment, regular inspection and servicing.

We will deliver maintenance services through a mixed economy approach. Our in-house property maintenance division will continue to play a central role and we will also look to work with a range of partners to meet capacity, specialism and geography requirements.

As a socially responsible organisation, Bernicia is committed to helping reduce fuel poverty and carbon emissions and we have set the ambitious target of achieving an energy efficiency rating of SAP C for the significant majority of our homes by 2026, some ten years ahead of the government's target.

We will work collaboratively and ensure local housing markets are understood and develop a range of property types and tenures to help meet identified needs. Our new homes will be the right properties, in the right place and at the right cost to help strengthen communities. We aim to develop at least 600 new homes over the four years of this strategy and hope to exceed this target if opportunities and resources permit.

### Success Measures

- % stock condition data, no more than 5 years old
- Targets across all 7 statutory H&S requirements
- % of homes at least SAP C
- Number of new homes delivered

## Demonstrating Organisational Effectiveness and Inclusivity

Bernicia has strong leadership and corporate governance, is financially robust and aims to be an inclusive organisation. Our staff are a major factor in our success, delivering our services and living our values.

Bernicia aims to demonstrate excellence in governance, having the right leadership, skills, experience and structures to deliver our strategy. Comprehensive performance measurement, risk management and assurance frameworks are maintained to support this aim. We will continue to regularly review collective and individual effectiveness and ensure we have clear succession planning in place that meets our strategic needs. Our structures and involvement strategies will ensure that the voice of our Tenants' is an integral part of our governance structures and that the Board receive an annual assessment, undertaken by our tenants, of our compliance with the 'Bernicia Promise' – standards that were developed with, and agreed by, them.

Financial viability will be maintained through sound management, by being efficient, by being clear about our priorities and working effectively to deliver these. We will continue to understand and control our cost base, balancing our funds between core functions, service delivery, investment in existing homes, new supply and community wellbeing.

We will invest in both our people and in technology to benefit both staff and customers. Staff are encouraged to be customer-focused and adopt a can-do attitude through a culture that supports our people to grow and develop. We will be an employer of choice and have high levels of staff engagement and motivation. We will continue to invest in technology and ensure we have the skills, capacity and capabilities to deliver our plans.

Bernicia seeks to promote inclusivity. We recognise that our customers come from all walks of life and so should we. We aim to employ great people from a wide variety of backgrounds, not just because it's the right thing to do, but because it makes Bernicia a stronger and better organisation.

### Success Measures

- At least a G1 V2 regulatory judgement
- Retaining IIP Gold
- Effectively delivering our ED&I Strategy and action plan
- Meeting our financial targets.

## **Working Collaboratively to Support the North East Region**

As a North East Housing Association and significant regional business Bernicia are more than just a landlord. We truly are a one stop property shop, we build manage and maintain social homes, across a wide range of property types and tenures, we provide a raft of services to support our tenants and communities.

Our commercial company, Kingston, is the premier leasehold block management and open spaces management company in the region, and through its estate agency living spaces it also provides sales and private rented services to a wide range of customers. We will support and continue to increase the profitability of our commercial company, who gift aid these profits to Bernicia and we will direct these additional resources to deliver more social value.

Employing over 550 highly skilled and motivated people, we support the local supply chain and have at our very heart a strong social purpose and commitment to the North East. We will continue to work to influence and help deliver strategic plans for the North East and we will support and promote the work of our sector trade and professional representative bodies, as well as organisations championing the needs and potential of our region.

We are determined to do even more to support our tenants, customers, and the wider communities that we serve. We will work collaboratively with our partners and stakeholders and will positively engage in the levelling up and community wealth building agendas.

We are pledging significant additional resources to support financial inclusion – building aspiration and increasing confidence, providing training, skills and job opportunities. We will also remain focused on, and ensure our homes and services remain affordable and within the reach of local people.

Whilst we are not actively pursuing growth through merger, we are open to working with, and supporting likeminded organisations, if they feel there is additional value, particularly for tenants and customers, in working with, or joining Bernicia.

We will deliver maximum value for our tenants and customers, wider communities, partners and stakeholders and the North East.

### **Success Measures**

- Positive stakeholder perception report
- Delivering at least £15m of social value over the strategy period
- Rents set at affordable levels, assessed annually.
- Increased commercial profits to fund Bernicia added value initiatives.

# Our Core and Enabling Strategies

Our suite of performance metrics are as follows. They are categorised in line with our strategic outcomes and draw on the metrics contained within our core and enabling strategies:

## **Housing Services Strategy – key metrics**

Clarity:

- Agreed service standards promoted.
- Maintain high levels of customer satisfaction.
- Deliver over £150m added value through social inclusion projects.

Effortless:

- Implement a fully functional self-service tenant app and portal.
- Call centre transitioned to contact centre.

Relationship and trust:

- Segmental analysis of satisfaction and complaints to inform service improvement plans.
- Annual report to board from tenants on performance against standards and priorities set by them.
- Triennial external validation of engagement/involvement approach.

Efficiency:

- Increase in tenants registered to transact with us online.
- Fully implemented and embedded agile working model.

## **Development Strategy – key metrics**

- Maintained robust financial principles to ensure the development programmes and pipeline remain within our financial capacity, against KPs measuring the cost of new homes and average NPV.
- Deliver a minimum of 600 new homes.
- Design and develop detailed specifications for new homes to achieve both the interim uplift and the Future Homes Standard.
- Establish strong partnerships and alliances to enable us to access opportunities and deliver more homes for less cost.
- Consultation and feedback programmes to inform design and continuously learn lessons about what works well for our customers.
- Aim to achieve satisfaction levels in excess of 90%.

### **Asset Management Strategy – key metrics**

- Percentage of appointments made and kept in excess of 92%.
- Percentage of emergency repairs attended within the 24-hour target period in excess of 99.5%.
- Repairs satisfaction in excess of 92%.
- Repairs completed right first time in excess of 80%.
- 100% of valid:
  - Gas safety certificates.
  - Solid fuel safety inspections.
  - Electrical inspection condition reports.
- 100% Water hygiene tests carried out in line with the programme.
- 100% Fire risk assessments carried out in line with the programme.
- 100% of re-inspections of known asbestos within common parts carried out in line with the programme.
- Stock investment performance against annually set budget
- Tenant satisfaction with investment works in excess of 93%.
- Average SAP of 72 by 2023
- Achieve a SAP C rating by 2026 in over 90% of our homes, improving our overall SAP C rating to over 73%.
- Monitor stock investment programme delivery and performance against a range of measures.

### **Finance Strategy – key metrics**

#### Clarity:

- Financial implication of strategies understood, developed and fully funded.
- Enhanced internal reporting.

#### Capacity:

- Viable 5- and 30-year financial plans.
- Improved covenant requirements to maximise capacity.

#### Efficiency:

- Cost per unit metric at or below median.
- Increased return from commercial activities.

#### Resilience:

- Actual and forecast compliance with golden rules.
- Viability grading of at least V2 with our regulator.

### **ICT Strategy – key metrics**

- Further cyber security accreditations and/or validations regarding our security posture and approach to security.
- Monitoring and reporting of uptake and usage of digital technologies by customers, colleagues and contractors.
- Assessing the effectiveness of adopted technologies in the support of agile/hybrid working methods.

## **People, Performance and Professionalism Strategy – key metrics**

### People:

- Target operating models in place.
- Positive external customer and internal consumer satisfaction.
- Low sickness absence rates and expedited return to work.
- Revised occupational health provision.
- Retain Better Health at Work accreditation.

### Performance:

- Regular performance conversations, identifying both talent development and colleague support needs.
- Retention of IIP gold accreditation.

### Professionalism:

- Positive leadership and colleague feedback.
- Achievement of external accreditation.
- A highly engages, performance driven workforce.
- Retention of IIP accreditation.

# The Regulators VFM Metrics

The Value for Money Standard sets out an expectation to report performance in our annual accounts. Performance includes progress against our own key performance indicators alongside a suite of metrics as determined by the regulator.

The suite consists of 7 metrics, and their aim is to permit meaningful comparison across the sector as a whole, whilst it is acknowledged that there will likely be regional, structural and organisational differences. These metrics are particularly useful for year on year comparisons. The metrics are as follows:

## **Metric 1 – Reinvestment %**

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

**Bernicia response** – our asset management and development strategies identify our ambitions and focus in this area, with investment informed by data to identify need, capacity and risk. The related financial impact of these decisions informs this metric.

## **Metric 2 – New supply delivered %**

The new supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at the period end. Reporting will be on two new supply delivered ratios:

- A. New supply delivered (social housing units)
- B. New supply delivered (non-social housing units)

**Bernicia response** – our development strategy incorporates our plans to deliver new social housing units considering the needs of our communities and the boards appetite for growth.

## **Metric 3 – Gearing %**

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. This metric is seen as an indicator of our appetite for growth.

**Bernicia response** – our finance strategy reports against this metric with new funding primarily being required to fund the outcomes of the development strategy.

## **Metric 4 – Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %**

EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to compare the level of surplus generated compared to interest charges payable. The measure excludes non-cash items and accounting treatments, e.g. depreciation (non-cash) and capitalised maintenance (accounting treatment).



**Bernicia response** – our finance strategy reports against this metric and is influenced by operational performance across the group. The VFM metrics contained within each operational strategy contribute to overall performance against this metric.

#### **Metric 5 – Headline social housing cost per unit**

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator and is a measure of efficiency. However, it is important to consider this metric alongside more qualitative data such as satisfaction, to gauge both cost and quality alongside each other.

**Bernicia response** – our finance strategy reports against this metric and is influenced by operational performance across the group. The VFM and cost per unit metrics contained within operational strategies contribute to overall performance against this metric.

#### **Metric 6 – Operating margin %**

The operating margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve financial efficiency. In assessing this ratio, it is important that consideration is given to our purpose and objectives (including our social objectives). Reporting against this metric will be in two ways.

- A. Operating margin (social housing lettings only)
- B. Operating margin (overall)

**Bernicia response** - our finance strategy reports against this metric and, once again, is influenced by operational performance across the group.

#### **Metric 7 – Return on capital employed (ROCE)**

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric supports housing associations with a wide range of capital investment programmes.

**Bernicia response** - our finance strategy reports against this metric and, once again, is influenced by operational performance across the Group.

Our current performance and forecast in terms of these measures over the Corporate Strategy period are shown in the table overleaf:

Metric	Forecast		Target			Global	Bernicia
	Outturn					Accounts Median	Actual
	21/22	22/23	23/24	24/25	25/26	20/21	20/21
Reinvestment %	8.9						4.1
Social Housing	1.2						0.5
Non-Social Housing	0						0.0
Total New Supply Delivered	1.2						0.5
Gearing	26.4						24.1
EBITDA (MRI) %	236.8						192.5
Management (£)							672
Service Charge (£)							364
Maintenance (£)							1,098
Major Repairs (£)							751
Other Social Housing (£)							327
Headline Social Housing CPU (£)	3,741						3,212
SHL Operating Margin (%)	25.0						29.6
Overall Operating Margin (%)	22.3						27.7
Return on Capital Employed (%)	3.7						4.7

# Risk

Risk management is integral to all aspects of our activities, and whilst it is ultimately the responsibility of the Board, all staff share responsibility to identify and manage risk.

The Group has identified a cautious risk appetite in respect of financial matters. This is as follows:

***Maintain the financial viability and strength; and ensuring that adequate and appropriate funding is in place is a prerequisite of the Board. The financial capacity and strength of Bernicia should be used to benefit customers and invest in existing and new properties, whilst maintaining overall financial viability. A minimum of V2 in RSH rating terms should continue to be the aim.***

# Monitoring and Reporting

Reporting on VFM and efficiency activities will take a number of forms, these are summarised below:

- Quarterly internal reporting to Senior Management and annual reporting to Board of performance against operational strategy success measures.
- Quarterly reporting to Senior Management and Board in respect of performance against traditional performance indicators, e.g. void rent loss, bad debts, EBITDA MRI.
- Quarterly Management Accounts reporting, including commentary on variances to Senior Management and Board
- VFM strategy and Annual VFM Report to Board incorporating a summary of VFM gains in the year.
- Annual report to tenants.
- Tenant scrutiny panels.
- As part of the budget setting process, VFM and efficiency gains are identified and reported to Board.
- All proposals for new schemes, investments, staffing structures and projects will include details of how VFM will be achieved.
- Delivery of service improvement review reports.
- Updates to residents on progress through the tenant's newsletter and website.
- Reporting on customer satisfaction surveys.
- Annual benchmarking reports.

**T 0344 800 3800**  
**F 01670 819844**  
**E [contact@bernicia.com](mailto:contact@bernicia.com)**  
**W [www.bernicia.com](http://www.bernicia.com)**

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Oakwood Way  
Ashwood Business Park  
Ashington  
Northumberland  
NE63 0XF

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