Bernicia Group

Report of the Board of Management and Financial Statements

Registered society number 7711

31 March 2022

Contents

Report of the Board of Management

Board

John Holmes (Chair)
A Tarn
A Pegg
X Setna
D Jennings (resigned 9 November 2021)
C Rewcastle
A Gibson
A Dunn
L Shearing
A Alden (appointed 9 November 2021)
R Cave
V Smart
M Massey
S Safdar (appointed by 18 January 2022)

Executive Directors

John Johnston, Chief Executive Officer
Janette Longstaff, Executive Director, Finance
Michael Farr, Executive Director, Assets and Growth
Andrea Malcom, Executive Director, People, Homes and Communities

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

Independent 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

Report of the Board of Management *(continued)*

About Bernicia

Bernicia Group Limited ('Bernicia') is a registered provider (RP) 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 the modern-day areas of Berwickshire, Northumberland, Tyne and Wear, Durham and Teesside, in essence stretching from the Forth to the Tees.

The overriding objective of Bernicia is to help people in need of housing. We believe a good home makes lots of other things possible, so we provide great homes and services that do just that. 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 have 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 through maximising the profits of our commercial company Kingston Property Services. 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.

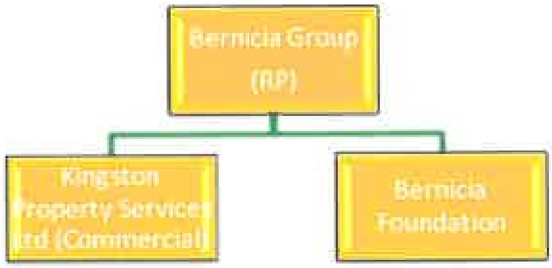
The Bernicia Foundation is the Group's wholly owned subsidiary with charitable objects and charitable status; registered with the Charity Commission under number 1190094. The Foundation enhances and consolidates Bernicia's approach to investment in its communities. The Board has agreed the priorities 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 that are realised from the Group's commercial subsidiary. During 2021/22 the Foundation allocated grants totalling £195,534 (2021: £468,428) in respect of the three priority areas.

Bernicia Group structure

Bernicia Group is a single Registered Provider of Social Housing and the ultimate parent company within the Group.

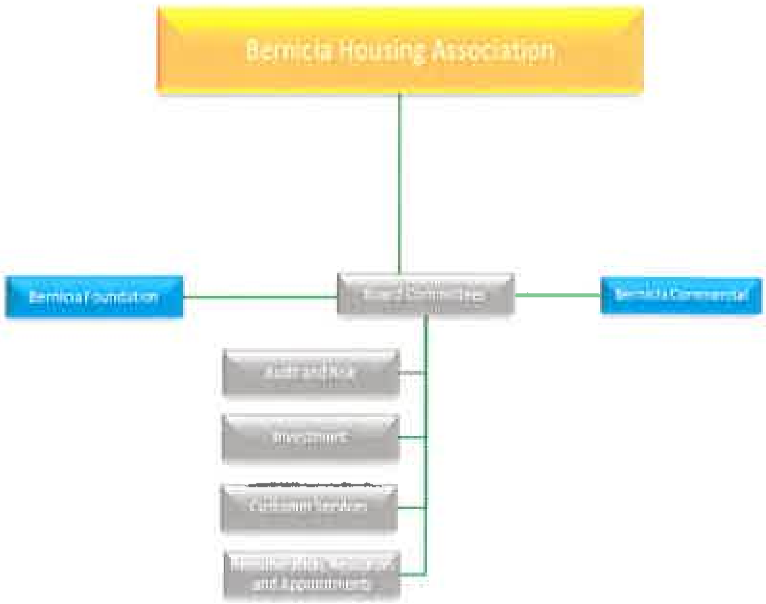


Report of the Board of Management *(continued)*

Bernicia's governance structure

Bernicia is governed by its Group Board. The Board aims to achieve a high standard of governance and has therefore adopted the National Housing Federation Code of Governance (2020 edition). An assessment of compliance with the Code was carried out during the 2021/22 financial year and subsequently reported to Board. Bernicia is rated G1 for governance by our regulator, RSH.

The governance structure below represents Bernicia's overarching governance framework. The Group Board maintains overall control and retains the ability to appoint and remove subsidiary Board and Committee Members. It delegates an appropriate level of decision-making responsibility to its two subsidiaries and four committees. This ensures the Group's Board focuses on key areas of strategy.



The Group Board has 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 Commercial Board's overarching aim is to maximise profits to gift aid to Bernicia, whilst also ensuring the provision of excellent services and business practises that are consistent with Bernicia Group's values framework.

The Group Board is responsible for setting the strategic direction of the Bernicia Foundation, and has responsibility for appointing the Board of Trustees. The management of the Foundation is delegated to the Trustees who consider applications and allocate grant to groups and individuals, within the parameters set by the Group Board.

Report of the Board of Management *(continued)*

Committee objectives

Audit and Risk Committee

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 for their approval by Group Board. In doing so, the Committee works effectively with both the Group's internal and external auditors.

Investment Committee

The Investment Committee approves and monitors the delivery of Bernicia's new homes programme, within parameters set by the Group Board. The Committee also considers major investment proposals for our existing homes and neighbourhoods and monitors the effectiveness of our responsive repairs, cyclical and compliance programmes, making recommendations to the Group Board where appropriate.

Customer Services Committee

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.

Remuneration, Resources and Appointments Committee

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

The Bernicia companies

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.

The association manages over 15,800 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.

Bernicia Commercial

The principal activity of Kingston Property Services is leasehold block, facilities and estates management, along with additional trading activities relating to residential sales and lettings.

A commercial board oversees the operations of the commercial company.

Bernicia Foundation

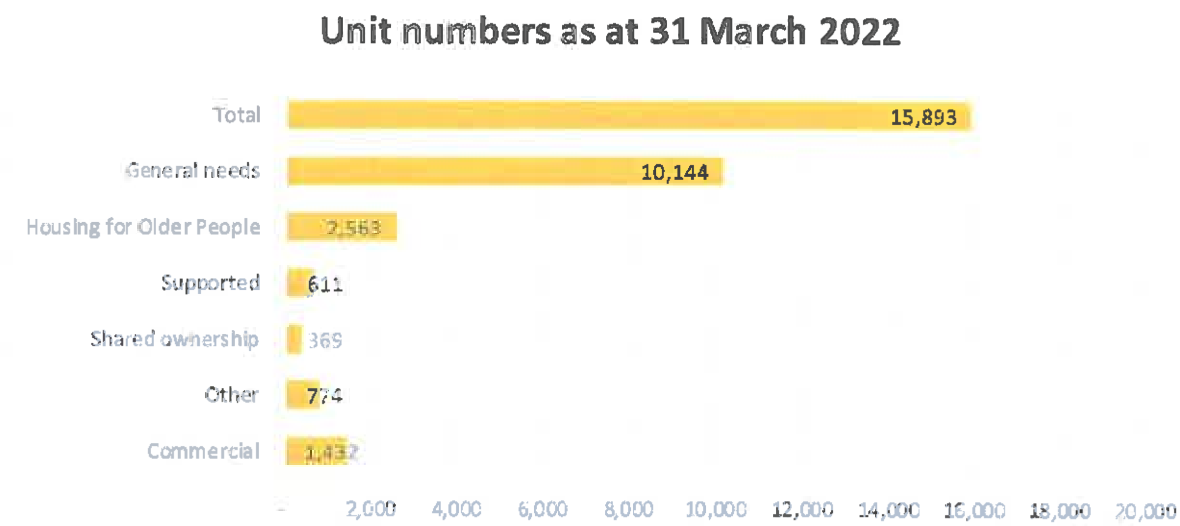
The Bernicia Foundation is a charity registered with the Charities Commission. It is managed by Trustees, appointed by the Group Board, for the purposes of meeting the aims and objectives of the charity. Bernicia Group funds the Foundation each year. The Foundation aims to improve the quality of life for people living in our communities. It makes non-repayable grants to worthwhile causes that make a difference to people and communities in Bernicia's operational area.

Report of the Board of Management *(continued)*

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.

Association housing properties by category



Operating environment and risks

The external environment

The current operating environment continues to present challenges. Whilst the impact of the global outbreak of Coronavirus (COVID-19) has reduced during the 2021/22 financial year, the economic landscape resulting from this, Brexit, the conflict in Ukraine and other global, national and regional factors, continues to impact our business and the lives of our tenants and staff alike. Over the year, operating and ways of working have continued to evolve, with a pilot of hybrid working now underway, taking on board learning around remote working that was developed during the lockdown periods. Bernicia continues to be well placed to respond, react and to support the North East's recovery. The current circumstances affecting Bernicia's operating environment are broadly categorised into several key issues, namely Economic, Regulation (known and emerging) and the aftermath of the Coronavirus (COVID-19) pandemic.

In July 2020, the draft Building Safety bill was published, introducing new and enhanced regimes for building safety in England and construction products throughout the UK. The Bill received Royal Assent on 28 April 2022 with the raft of secondary legislation expected to come into force over the coming 18 months. We have sustained good levels of investment to both understand and manage our assets through detailed stock condition surveys and works programmes, and in developing our approach to Health and Safety management. We adopt a zero risk to Health and Safety and are well placed to meet the requirements of the Bill.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment (continued)

In September 2020, Homes England published details of the Affordable Homes Programme (AHP) for the period 2021 to 2026. The programme is intended to fund up to 180,000 homes while tying into the government's wider objectives for modern methods of construction and reduced carbon emissions. Of the available £12bn funding, London is receiving £4bn, with the balance being made available to the rest of the country. The programme targets rented housing; social rent, affordable rent and supported housing and affordable homes ownership. Changes were made to the previous shared ownership model, with lower minimum initial stakes, lower staircasing increments, responsive maintenance costs being met by landlords for the first ten years and the Right to Shared Ownership on most of the rented homes built through this programme.

In November 2020 the Government published the long-awaited Social Housing White Paper. This was subsequently further updated in January 2021. The paper set out a Charter for Social Housing Residents and outlined plans for new regulation, a strengthened Housing Ombudsman to speed up complaints, and a set of tenant satisfaction measures that social landlords will have to report against. The Charter focuses on key themes including building and resident safety, landlord accountability, consumer regulations, tenants voice, good quality homes and neighbourhoods and finally a drive to greater home ownership. The Charter also announced a review of the Decent Homes Standard to understand the appropriateness of it for the sector today. These key themes had already driven much preparatory work across Bernicia and have been incorporated into our new Corporate Strategy.

In January 2021, the Government published the outcome of its 2019 consultation on the Future Homes Standard which will see an interim uplift in building regulations to improve the energy efficiency of new homes coming into force in 2022. This paves the way for the Government to introduce the new Future Homes Standard in 2025 which will require significant reductions of at least 75% in CO2 emissions produced by new homes.

In April 2021 the Government set out an ambitious climate change target, to reduce emissions by 78% by 2035, compared to 1990 levels. This would take the UK more than three quarters of the way to achieving its net zero target by 2050. In April 2022, the government published a UK Energy Security Strategy aimed at moving away from "expensive fossil fuel prices set by global markets we cannot control". Housing accounts for around 14% of the UK's greenhouse-gas emissions, mostly because of gas-boiler heating systems and poor insulation according to the Committee on Climate Change. Bernicia have built into the new Corporate Strategy resources to ensure the significant majority of our properties (well over 90%) are at a SAP-C level or above by 2026, along with a number of other energy efficiency and decarbonisation measures.

Along with many, the social housing sector continued to face disruption during 2022 with additional lockdown periods impacting the sector's ability to deliver some services along with resourcing and economic challenges resulting from the pandemic, Brexit and the conflict between the Ukraine and Russia amongst other global issues.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment *(continued)*

Inflation (CPI) has increased during 2021/22, with 2022/23 rent levels set based on the September CPI rate of 3.1%. In June 2022 the rate had increased to 9.4% with our new build and planned works programmes seeing underlying rates of inflation at over 15%. Cost pressures from raw materials, labour and energy prices, all point to the period of high inflation continuing over the coming 12-24 months. High inflation and pressures from the increased cost of living are providing business challenges and increasing pressures on our tenants and communities.

Managing increased cost with capped income is an issue for the sector. At Bernicia we are well placed to manage the issues, we have put in place new loans to take advantage of low long-term interest rates, lowered our overall cost of borrowing, increased our levels of fixed rate debt and improved our headroom. We have good levels of liquidity and operating surplus and an excellent system of financial controls to forecast and manage costs, identify savings and drive out efficiencies. We are conscious of the impact on our tenants and wider communities, as well as our staff and have increased resources to tenant support budgets and wellbeing initiatives generally.

The Group's asset base has not been significantly affected by the loss of properties through Right to Buy, and while the Group is not anticipating an increase in disposals throughout 2022/23, potential national policy changes could further impact the sector. Performance will therefore 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 continue 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 has prepared and implemented 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.

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 ensures the framework and risk appetite remains relevant and appropriate. The key risks to achieving our corporate objectives are:

Impact of the operating environment – This includes changes in government policy, alongside economic conditions linked to the aftermath of Brexit, the global pandemic and wider global events which 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.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

Key risks *(continued)*

- 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 who are members of the closed Local Government Pension Scheme (LGPS) administered by Tyne and Wear Pension Fund, along with active members who have accrued benefits in the now 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 latest 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, pensions remain 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, and further updated during 2021/22 following the release of the latest SHPS valuation results. 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.

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, RPs 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 the Regulatory Framework and subsequent action planning.
- Maintaining an Assets & Liabilities register.
- Board assurance framework detailing how members gain assurance of compliance and performance.
- Board and Committee oversight including training and briefings.
- Business Planning and decision making within the parameters of the Group's risk appetite.
- Commissioning 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 2020/21.

Report of the Board of Management *(continued)*

Operating environment and risks (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's Risk Map details key risks that impact on our strategic objectives. It is prepared by the Executive, reviewed quarterly by the Audit and Risk 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.

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 has successfully achieved the outcomes of the 2018 to 2023 corporate strategy and moves into the new 2022 to 2026 corporate strategy period with plans to continue to enhance services and invest in existing homes and communities. Our financial position remains resilient and the Group's continued drive to seek out efficiencies will increase resilience further going forward.

In conclusion, we have the highest governance and financial viability ratings. We work hard to maintain our financial strength and to understand our risks, effectively managing and mitigating, as opposed to being overly constrained and made inert by them, as for us at a time of growing need that is one of the biggest risks of all.

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, outperforming 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: five-year summary

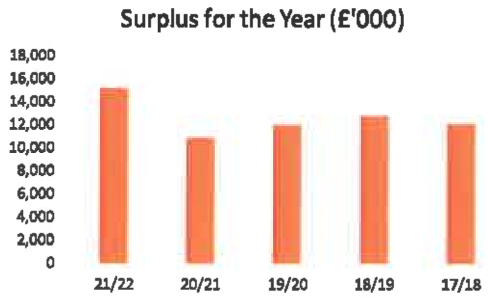
Statement of Comprehensive Income	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Turnover	78,661	75,994	75,424	73,899	74,991
Operating costs and cost of sales	(58,982)	(54,984)	(57,298)	(55,862)	(55,501)
Operating surplus	**19,679**	**21,010**	**18,126**	**18,037**	**19,490**
Net interest charge	(5,751)	(11,315)	(6,679)	(6,665)	(8,764)
Gain/(loss) on disposal of assets	1,770	1,286	728	1,739	1,350
Share in surplus in associate	-	-	-	-	-
Other finance (costs)/income	(272)	(97)	(203)	(228)	(7)
Movement in fair value of investment properties	126	42	(8)	(12)	31
Gift Aid	-	-	-	-	-
Taxation	-	-	-	(2)	(5)
Surplus for the year (before pensions)	**15,552**	**10,926**	**11,964**	**12,869**	**12,096**

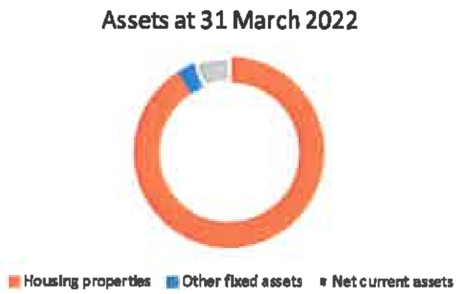
Statement of Financial Position	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Housing properties	466,652	447,549	442,159	434,700	430,399
Other fixed assets	15,665	15,410	15,750	15,721	15,893
Total fixed assets	**482,317**	**462,959**	**457,909**	**450,421**	**446,292**
Net current assets	30,095	12,714	30,334	36,318	56,087
LGPS Pension asset	5,857	415	340	3,340	1,404
Total assets less current liabilities	**518,269**	**476,088**	**488,583**	**490,079**	**503,783**
Creditors: amounts falling due more than one year	(294,720)	(264,807)	(282,647)	(289,584)	(317,691)
Provisions for liabilities and charges	(21,856)	(30,468)	(35,174)	(38,406)	(43,920)
SHPS Pension liability	(6,560)	(13,248)	(5,618)	(12,912)	-
Total net assets	**195,133**	**167,565**	**165,144**	**149,177**	**142,172**
Revenue reserve	195,133	167,565	165,144	149,177	142,172
Capital and reserves	**195,133**	**167,565**	**165,144**	**149,177**	**142,172**

Asset data	2022	2021	2020	2019	2018
Social housing stock owned at year end (no.)	13,687	13,582	13,583	**13,580**	**13,611**
Non-social housing and other property types (no.)	2,206	2,253	2,321	2,500	2,615
Average existing use value (EUV-SH) per unit (£)	32,153	31,503	28,416	28,874	30,060

Report of the Board of Management *(continued)*

The year under review (continued)





Financial position

The Group's consolidated statement of comprehensive income for the year ended 31 March 2022 is shown on page 45 of the financial statements, and its consolidated statement of financial position as at 31 March 2022 is shown on page 47.

The Group was able to deliver a strong result, generating a surplus after tax and before actuarial losses or gains on pension schemes of £15.55million (2021: £10.93million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective, with the further added complexities presented by the COVID-19 pandemic.

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)*

The year under review (continued)

Accounting policies

The Group's principal accounting policies are set out in the notes to the financial statements on pages 52 to 58. Accounting policies have been reviewed and are in accordance with the requirements of 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 31.

Housing properties

At 31 March 2022, the Group owned 13,687 and managed a further 108 social housing properties (2021: owned 13,582 and managed 109).

The Group holds its housing properties at cost. As at 31 March 2022, the carrying value of housing properties is £466.7million (2021: £447.6million). Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated unaudited value of secured and unsecured properties is £511.3million (2021: £423.0million).

Following a review of the housing stock, no property impairment has been recognised in the year (2021: £290k).

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. Following the annual review, no impairments have been recognised in the year (2021: £0.3m).

Cash flow statement

Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 51 of the financial statements.

The Group generated a cash inflow from operating activities of £24.0million (2021: inflow £28.0million). The overall cash inflow in the financial year was funded mainly by operating activities and new loan financing, social housing grant of £5.4million (2021: £1.9million) and property sales of £3.3million (2021: £3.0million). Cash inflows in respect of financing was £17.9million (2021: outflow £38.5million), capitalised expenditure £27million (2021: £18.5million), resulting in a net increase in cash of £22.5million (2021: decrease of £24.6million).

Cash at bank and in hand increased to £29.3million (2021: £6.8million), following the drawdown of £30million, the second of a three notes series private placement, in August 2021.

Report of the Board of Management *(continued)*

The year under review (continued)

Reserves

After the transfer of the surplus (including other comprehensive income) for the financial year of £27.6million (2021: £2.5million), the Group's reserves amounted to £195.1million (2021: £167.6 million) at 31 March 2022.

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 2022, the Group had drawn loans totalling £139.8million (2021: £116.1million) and available undrawn credit facilities of £97million (2021: £127million). Cash equivalents held at the year-end totalled £29.3million (2021: £6.8million).

Funding

Existing borrowing arrangements include an undrawn revolving credit facility of £70million. On 18 September 2020, a new private placement (PP) of £75million was mandated with Legal and General Investment Management. The PP consists of three notes series. Note A of £20million drawn at spot in November 2020, Note B of £30million was drawn in August 2021 and Note C of £25million to be drawn in August 2022. A private credit rating, with Fitch Ratings was obtained in support of the PP process. Securitisation is well progressed to facilitate the Note C drawings.

Following the development of the new corporate strategy, the treasury strategy will be refreshed to ensure that the funding structure delivers the optimum benefit to Bernicia.

Debt Repayment Profile

The Treasury Strategy ensures that the Group spreads the repayment and refinancing of loans. The Group has repayments of £10.9million (2021: £14.2 million) due over the next five years and has facilities in place to undertake this. A further £128.9million matures after year 5, representing 92.2% of total debt (2021: £101.9 million, 87.8%).

Counterparty Risk

The Group operates a conservative counterparty risk management strategy that aims to minimise 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 2022, all cash investments are held with counterparties who meet the criteria of our Treasury Management Policy.

Report of the Board of Management *(continued)*

The year under review (continued)

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 2022, and in accordance with the Board approved strategy, 97% (2021: 96%) 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.

Value for Money

Introduction

Our Value for Money (VFM) strategy was refreshed and approved by Board in January 2022. It runs for a four-year period from 1 April 2022 to 31 March 2026 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/corporate/transparency-reports/value-for-money-vfm/

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. During the 2021/22 financial year a new corporate strategy was developed and approved by Board, which builds on our previous strategy. Our new corporate 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 continues to be to invest in homes, services and people 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 corporate strategy forms the basis of our operational strategies and plans. These detail the specific targets and measures in our core social housing business.

The Group has four strategic objectives, which have been refreshed and updated in the new corporate strategy, but for 21/22 these were as follows:

Report of the Board of Management *(continued)*

Value for Money (continued)

Bernicia's corporate strategy and VFM (continued)

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

Performance against our corporate strategy 2018 to 2023 objectives, that were set at the beginning of the corporate strategy period, is set out below. Targets for the new 2022/26 corporate strategy and financial year have been approved by Board and performance will be reported against these in future financial statements.

The new 2022 to 2026 Corporate Strategy can be accessed via the following link https://www/bernicia.com/corporate/transparency-reports/corporate-strategy/

Priority one – Delivering an exceptional housing service

Key action and targets	Bernicia Target 2022	Bernicia 2022	Bernicia 2021	Bernicia 2020
Transforming delivery – aim to have 80% of transactions conducted on-line by 2023	N/A	N/A	N/A	N/A
Customer satisfaction with:				
• VFM of rent (STAR)	83%	89%	89%	89%
• Responsive repairs	90%	89%	93%	93%
• Major works	93%	N/A	N/A	91%
• Overall service (STAR)	89.6%	90%	90%	90%
• Views taken into account (STAR)	71%	73%	73%	73%
• Lettings	93%	95%	93%	96%
Performance:				
• Repairs completed at first visit	80%	86%	89%	87%
• Appointments made and kept	92%	98%	93%	93%
• Emergency repairs within 24 hours	99.5%	99.7%	99.7%	99.1%
• % of customer enquiries resolved at first point of contact	87%	95%	97%	94%

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority one – Delivering an exceptional housing service *(continued)*

Transforming delivery – The target here was to have 80% of transactions across the business conducted on-line by March 2023. This was a Key Success Factor (KSF) for the 2018/23 strategy. An associated measure is to monitor the increase in the number of tenants signed up for and using Bernicia's digital portal. The number of tenants now registered to transact with us through the tenant portal has risen from 2,589 in March 2021 to 3,450. These developments 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. Over the course of the strategy, the customer contact centre has also transitioned to managing service requests through multiple channels.

The experience of working through the pandemic also accelerated the digital provision of services to customers and working remotely. During the course of this strategy, it was recognised that as we aim to continue to tailor services to the specific needs of individuals, digital is not always the preferred option. The new corporate strategy emphasises the need to not leave anyone behind and this incorporates the focus on a range of interactions where we have the ability to interact, but not exclusively, through digital channels.

Customer satisfaction – The Board agreed six targets, four of which have met or exceeded the target, one returned below 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.

Satisfaction with overall repairs returned below target for the year. During the year there has been a change in methodology for collecting real time satisfaction data and a resulting negative impact on performance satisfaction statistics. Satisfaction levels with repairs has increased to 90.25% for April 2022, returning performance to above target.

Significant changes were required to the delivery of the planned works programme, primarily a shift from internal to external works due to Covid restrictions and changes in work streams due to the withdrawal of previous framework partners and difficulties in accessing labour and materials. We suspended the collection of satisfaction data during Covid and as a result of the "moving target" of the programme during 2021/22. Satisfaction surveys have now been recommenced for the new financial year's programme.

Performance - The Board agreed four targets with performance meeting or exceeding the target for all four. Two of the four measures have maintained or improved, from an already high base, on the previous years with minor decreases being reported for repairs completed at first visit and customer enquiries resolved at first point of contact of 3% and 2% respectively. Additionally, a measure, the number of complaints received, forms part of the reporting in this area with 371 complaints being received during 2021/22 (329 in 20/21, 312 in 19/20, 373 in 18/19). Interestingly compliments over the same period were 2,597, 1,523, 1,229 and 1,274.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes, neighbourhoods and communities

Key action and targets	Bernicia Target 2022	Bernicia 2022	Bernicia 2021	Bernicia 2020
New homes:				
- starts on site (cumulative)	420	486	379	251
Existing homes:				
- SAP Rating	72.0 by 2023	71.82	71.55	71.35
- Average NPV of stock	>£25k	£27k	£27k	£27k
Social value:				
- SHIFT accreditation	Silver	Gold	Silver	N/A
- Apprenticeships supported – internal	17	19	19	20
- Direct funding of social initiatives	£182k	£280k	£261k	£120k
- Sustainability investment	£1,350k	£1,417k	£760k	£1,357k

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 four-year period to 31 March 2022 were 486 against a target of 420.

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 aimed 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 71.82 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.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes, neighbourhoods and communities *(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.

During the year we improved our SHIFT rating (housing sustainability standard) to Gold and 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 2021/22 included:

Financial wellbeing

In 2022, our focus has been very much on helping our tenants sustain their tenancies whilst dealing with the lasting financial impacts of COVID-19, Brexit and the wider economy, which have been far reaching to say the least.

Despite restricted face to face contact our Intensive Housing Management Team achieved a 74% success rate in successful tenancy outcomes. This meant 327 tenants were helped to sustain their tenancy, which without this help may have failed. Just over £165,000 was secured in personal gains for tenants.

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

Our Learning Hives and the North of Tyne Working Homes programme, supported 423 individuals into training and 15 into employment. Additionally, Berwick Community Trust helped 112 individuals into training and 93 into employment.

Separately over 200 young people took part in a Career Ready Programme with advice and mentoring provided across subjects such as CV writing skills and mock interviews.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes, neighbourhoods and communities *(continued)*

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. We continued our check in and chat service during restrictions but gradually reduced as in person visits returned, which included coffee and breakfast mornings.

A number of activities have taken place with young people with 137 active participants in group sports activities, in addition to the career support discussed earlier. Outcomes included participants registering relief from anxiety and increased confidence and volunteering.

To help people remain in their homes 533 aids and adaptations were fitted including 143 which were externally funded.

Bernicia owns and funds estate-based community centres, which provide a range of social activities and employability support. 202 people regularly attended social groups as 3 community centres.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority three – Effective organisation

Key action and targets	Bernicia Target 2022	Bernicia 2022	Bernicia 2021	Bernicia 2020
Governance:				
- Retain G1	G1	G1	G1	G1
- Valid gas certificates	100%	99.69%	99.87%	99.86%
- Valid solid fuel certificates	100%	97.96%	98.1%	100%
- Electrical testing	100%	99.48%	99.98%	99.97%
- Water hygiene	100%	98.79%	100%	99.37%
- Asbestos	100%	100%	98.4%	98.57%
- Fire Risk Assessment	100%	100%	100%	96.46%
Income collection:				
- Void rent loss	2.98%	2.74%	2.12%	2.09%
- Bad debts	1.86%	0.44%	0.63%	1.39%
- Rent arrears	4.1%	3.99%	3.83%	3.59%
- Rent collection	97.90%	99.62%	100.02%	100.53%
Cost control:[1]				
- Headline social housing	£3,719	£3,696	£3,212	£3,580
- Housing management	£699	£721	£672	£678
- Service charge	£416	£366	£364	£366
- Maintenance	£1,162	£1,219	£1,098	£1,107
- Major works	£1,047	£995	£751	£892
- Other	£395	£395	£327	£537
People:				
- Retain IIP Gold	Gold	Gold	Gold	Gold
Financial:				
- Minimum V2 rating	V2	V1	V1	V1
- Compliance with Golden Rules	Compliant	Compliant	Compliant	Compliant
- Additional capacity (Years 6-11)	+150 units	+150	+150	+150
- Increase commercial profitability[2]	22%	22%	19%	49%

[1] Cost per unit calculations as outlined by the Regulator of Social Housing in the Value for Money metrics adjusted for sustainability works shown in other costs in line with the Corporate Strategy targets.

[2] Year on year increase in net surplus

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority three – Effective organisation *(continued)*

Governance - Bernicia has a zero-risk appetite for health and safety non-compliance hence all compliance targets are 100%. There is a robust process in place to deal with tenant access issues, the main reason for targets not being achieved. If any compliance requirements are outstanding due to issues associated with Bernicia or our contactors a red indicator is triggered. Audits are regularly carried out in this area to ensure all actions are being taken appropriately. All audits carried out this year have reported substantial assurance in terms of the controls upon which the Group relies to manage the identified risk is suitably designed, consistently applied and operating effectively.

Gas servicing was reported at 99.69% at year end. At the end of the year, 37 properties had gas services outstanding, all of which were due to tenant access issues, hence the amber indicator. At the time of signing eight services were outstanding due to continued no access issues.

There were three solid fuel / oil safety checks outstanding at the end of the year, all due to tenant access issues. At the time of signing one remained outstanding.

Electrical servicing was reported at 100% for properties that have an inspection report within 10 years and 99.48% within the now adopted 5-year cycle, with 67 properties outstanding as a result of tenant access issues. As indicated by these statistics the Group is well on its way to transitioning from a 10-year inspection cycle to a 5-year cycle by March 2023.

Water hygiene was reported at 98.79% at year end, with two schemes over-due. Both of these tenant access issues are Covid 19 related. At the time of signing all services had been completed.

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.

Cost per unit – The cost per unit targets where calculated at the start of the current strategy period in 2018. Naturally, COVID-19 has impacted on the ability to deliver services over the last two financial years. Whilst all services resumed in full, the major works (investment programme) was reprofiled with additional sustainability work, classified as other, being carried out. For maintenance, costs are marginally higher due to well publicised inflationary pressures on both materials and labour costs, as well as costs in respect of unforeseen rectification works as a result of damage caused by several storms.

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.

Whilst the staff survey and perception studies are triennial and were undertaken in 2019/20, the 24-month IIP review demonstrates that we have positively moved forward in all nine indicators.

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.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority four – Helping to deliver the Regional Agenda

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 was important to understand how we are perceived by our stakeholders. A triennial perception study carried out during the strategy confirmed and previously reported, revealed significant progress and provided high levels of assurance from our stakeholders that we are now viewed as a valued and trusted partner that is both committed to and delivering upon this objective.

During 2021/22, 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 108 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 approximately £3.5m (2021:£2.64m) of social benefit to the region, with every £1 we invest generating £1.44 in the local economy.

This year saw The Bernicia Foundation award grants of £192,000 given to inclusion projects and inspirational young talent in the region.

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.

Key financial ratios	2022	2021	2020	2019	2018
Growth					
➢ Growth in turnover	3.51%	0.8%	2.1%	(1.5%)	1.1%
➢ Growth in total assets	9.2%	(4.5%)	3.8%	(2.6%)	(4.5%)
➢ Growth in total debt	20.4%	(18.7%)	7.4%	(11.7%)	(4.3%)
Profitability					
➢ Effective interest rate	4.1%	5.9%	4.7%	5.0%	5.9%
Debt servicing ability					
➢ Adjusted net leverage	24.4%	25.2%	25.7%	27.6%	28.4%
➢ Debt to turnover	1.76	1.5	1.9	1.8	2.0

Report of the Board of Management *(continued)*

Value for Money (continued)

Key financial ratios (continued)

Growth

Growth in turnover of 3.5% was driven by three separate revenue streams in the year. Income from social housing activities was 3% higher than that of the previous year. Rental and service charge income increased by £875k to £62,098k (2021: £61,223k), c1.4% in accordance with the permissible levels as determined by the rent standard. However, first tranche low cost home ownership sales were £1,569k higher at £1,787k (2021: £218k), c720% with reciprocal increases in cost of sales. Finally, the Group's commercial activities continued to generate strong revenues. Turnover for 2022 increased by £691k to £5,730k (2021: £5,039k), 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 increase of 9.2% (2021: decrease of 4.5%). Property, plant and equipment assets have increased by £19.4m during the year as new supply units were added to the statement of financial position. Net current assets have increased by £17.4m. Cash balances at the year-end increased by £22.5m whilst housing properties held for sale (stock) increased. The Group accessed the 2nd tranche of the LGIM Private Placement in August 2021 which contributed to the increase in cash balances.

The Group's growth in total debt of 20.4% reflects this drawdown.

Profitability ratios

The Group's effective interest rate decreased by 1.8% to 4.1% as a direct result of the settling of fixed rate debt in the prior year and these new facilities.

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 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 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 2022 results have been compared to the 2021 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.

Report of the Board of Management *(continued)*

Value for Money (continued)

Business health

Global Accounts VFM Metrics [3]	Bernicia 2023 Target	Bernicia 2022 Target	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2021 Median	Global Accounts 2021 local peer group Median
Operating margin – overall	24.0%	20.9%	25.0%	27.7%	24.0%	24.4%	23.9%	**25.1%**
Operating margin – social housing lettings	27.7%	20.8%	26.2%	29.6%	27.4%	27.9%	26.3%	25.8%
EBITDA MRI interest cover	190.3%	227.0%	272.1%	192.5%	228.7%	223.4%	184%	213%

Operating margin – overall - the 2021 global accounts median across the peer group was 23.9%. Bernicia had an operating margin of 27.7% for 2021 which would have positioned the Group fourth highest within its peer group in 2021. When compared to the 2022 target, the operating margin exceeded expectations. During the year staffing costs were significantly lower than budgeted due to vacancies, with lower day to day operating costs also impacting as a result of on-going changes in working practices during and following the pandemic period. 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.

Development (capacity and supply)

Operating margin – social housing lettings - the 2021 median for the peer group was 25.8%. In 2021 Bernicia ranked 2nd highest with a margin of 29.6%. Margins in the peer group ranged from 17.6% to 29.3%. Bernicia's 2022 result of 26.2% when compared to the in-year target of 20.8% was positively impacted due to, in the main, lower staffing and operating costs and excellent income collection performance in line with 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 2021 Global Accounts median and falling into the 3rd quartile of the peer group despite increased interest charges of £5m associated with the early repayment of some long-term debt. 2022 performance outperforms both the 2021 actual and 2022 budgeted position due to the factors discussed in relation to operating margin.

[3] Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

Report of the Board of Management *(continued)*

Value for Money (continued)

Development (capacity and supply)

Global Accounts VFM Metrics[4]	Bernicia 2023 Target	Bernicia 2022 (Target)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2021 Median	Global Accounts 2021 local peer group Median
New supply delivered – social housing units	135	182	167	78	74	92	N/A	N/A
New supply delivered – social housing %	0.9%	1.2%	1.2%	0.5%	0.5%	0.6%	1.3%	0.9%
New supply delivered – non-social housing %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	25.2%	26.1%	23.4%	24.1%	24.9%	26.9%	43.9%	42.8%

In 2022, Bernicia delivered a new supply of Social Housing accommodation totalling 167 units comprised of 118 affordable rent units and 49 low cost home ownership units.

Bernicia's five-year Corporate Strategy, in which the Group targeted 600 units to start on site, has now completed its fourth year. During the four years, the Group has delivered 486 units against its target exceeding the profiled target of 420 new homes. The new Corporate Strategy, commencing a year earlier than originally planned, will see out the commitment with an additional 178 units approved to start on site under the original strategy commitment. In addition, the new corporate strategy will see a further 600 units start on site over the next four years.

Bernicia continues to deliver appropriate housing accommodation, to meet local demand and strengthen communities. When comparing 2022 performance to the regional peer group for 2021, the new supply of social housing is recognised as 2nd quartile, however as discussed earlier, 2021 was a difficult year in relation to progressing on site and the two periods are not necessarily comparable.

Bernicia's Gearing is low when compared to other providers. As such, gearing relating to 2021 is recognised in the lower quartile of the Global Accounts national data set and third quartile in the regional peer group, where Bernicia is ranked fourth lowest. 2022 gearing levels are consistent with the previous year and reflect decisions made historically in relation to the repayment of expensive legacy debt, along with reduced expenditure during the year.

[4] Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

Report of the Board of Management *(continued)*

Value for Money (continued)

Outcomes delivered

Global Accounts VFM Metrics[5]	Bernicia 2023 Target	Bernicia 2022 (Target)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2021 Median	Global Accounts 2021 local peer group Median
Reinvestment %	7.2%	9.1%	6.8%	4.1%	4.6%	4.2%	5.9%	5.4%

In 2021/22, Bernicia made a combined investment in existing stock and new stock of £31.8m (2021: 18.5m), with £21.1m (2021: £12.6m) invested in the new supply of properties and £10.7m (2021: £5.9m) invested in existing properties. This represents a reinvestment of 6.7% 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 has been reshaped during the last two years 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 2021/22 onwards. This impacted performance in both 2021 and 2022 financial years.

Works continue to be informed by our information in relation to the condition of the stock, which supports the sustained higher than average investment in existing properties being a conscious and informed decision of the Board. This approach to stock investment, the associated data and the linkage between this data and our business plan was externally validated in July 2021. 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.

The Group's actual investment in new supply reflects the 2018/23 Corporate Strategy aim of delivering at least 600 new units.

With a total spend of £12.6m on the development of new properties in 2020/21, the 2021 Global Accounts position Bernicia as tenth highest investor in new housing accommodation out of the thirteen in the peer group.

The 2021/22 year-end accounts include a total spend on new supply of housing accommodation of £21.1m as the Corporate Strategy aim progresses and restrictions in relation to Covid have eased. Whilst significant, this spend is lower than planned due to on-going pressures in this area, relating to labour and material shortages and subsequent price increases.

[5] Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

Report of the Board of Management *(continued)*

Value for Money (continued)

Effective Asset Management

Global Accounts VFM Metrics[6]	Bernicia 2023 Target	Bernicia 2022 (Target)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2021 Median	Global Accounts 2021 local peer group Median
Return on capital employed (ROCE)	3.9%	3.6%	4.19%	4.69%	3.88%	4.06%	3.30%	3.50%
Ratio of responsive repairs to planned maintenance	57.51%	77.9%	58.02%	69.4%	57.8%	51.9%	73%	79%

The Group is proud of its approach to 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 24.

The Return on Capital Employed at 4.69% for the year 2020/21 was within the top quartile when compared to the 2021 Global Accounts national group and 2nd quartile in the regional peer group data set. Bernicia was 5th 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 2021/22 indicate a Return on Capital Employed of 4.19%, and whilst lower than the previous year, assuming no change in the quartiles, the result for 2022 is expected to be in line with the 2nd quartile for both data groups. It should be noted, that Bernicia's operating surplus during both this and the previous financial 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 2020/21, Bernicia's ratio of responsive repairs to planned maintenance was 69.4%, meaning for every pound spent on planned maintenance, Bernicia spent a further sixty-nine pence on responsive repairs. A ratio of 69.4% positioned Bernicia towards the lower quartile (most favourable) and fifth lowest in the regional peer group. The results for 2022 report that Bernicia spent 51.3% on responsive maintenance when compared to planned maintenance which is a reduction on the prior year, however, it should be noted that expenditure on both routine and planned maintenance has been disrupted during the last two years due to the pandemic and Storm Arwen.

Strategic asset management
Our property and assets are crucial to our long-term business plans. Our updated Asset Management Strategy will commence in April 2022. Our strategy continues to be based on full financial appraisals 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.

[6] Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

Report of the Board of Management *(continued)*

Value for Money (continued)

Effective asset management *(continued)*

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)*

Value for Money (continued)

Operating efficiencies

Global Accounts VFM Metrics[7]	Bernicia 2023 Target	Bernicia 2022 (Target)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Bernicia 2020 (Group)	Bernicia 2019 (Group)	Global Accounts 2021 Median	Global Accounts 2021 local peer group Median
Headline social housing cost per unit (CPU)	£4,162	£3,779	£3,696	£3,212	£3,580	£3,578	£3,731	£3,212
Management CPU	£756	£756	£721	£672	£678	£628	£1,060	£722
Service charge CPU	£389	£375	£366	£364	£366	£348	£435	£364
Maintenance CPU	£1,282	£1,184	£1,219	£1,098	£1,107	£1,105	£1,108	£1,209
Major repairs CPU	£1,240	£1,004	£1,098	£751	£991	£1,045	£717	£751
Other social housing CPU	£495	£460	£292	£327	£437	£452	£211	£74
Overheads as a % of turnover	-	8.62%	7.37%	7.71%	7.41%	6.17%	-	-

Bernicia's headline social housing cost per unit for 2021/22 was £3,696 with both that and the more granular cost per units being comparable to historic periods excluding 2020/21. In 2020/21 the major repairs cost per unit was lower, as explained earlier, as the delivery of the major repairs programme was hindered by the pandemic. Allocations were made in the 2022 budget to enable catch up works, however work was also impacted during the year and some of the allocation was utilised for sustainability works planned for future periods. The collection of water rates on behalf of Northumbrian Water cause the other social housing metric to be higher for Bernicia than many other providers, as these costs aren't applicable to all.

When compared to the 2021 Global Accounts, Bernicia's cost per unit for 2020/21 was £519 per unit lower than the national median and in line with the regional peer group median. Caution should be made when trying to compare 2022 with the 2021 benchmark due to the anomalous year that 2021 has been due to COVID-19, that said, the 2022 individual cost per units are broadly comparable to the 2021 peer group median, with the exception of the major repairs and other categories.

Future plans

At the end of year 3 (2020/21) the Board acknowledged that the majority of the priorities that underpinned the 2018/23 Corporate Strategy has been successfully achieved and, as such, embarked on the development of a new strategy one year early. The new 2022/26 Corporate Strategy was approved by Board on 18th January 2022 and builds on the key themes and objectives of its predecessor.

We will invest £210 million into new and existing homes over the next four years and have set ourselves four strategic objectives which will provide the focus for our work.

We will continue to listen to, and work with our tenants and customers, and will invest to deliver exceptional services that leaves no one behind.

Report of the Board of Management *(continued)*

[7] Cost per unit calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

Future plans (continued)

We will invest in our homes and neighbourhoods, maintaining them as places where people want to live, we will commit additional resources to help tackle fuel poverty and to increase the number of new homes we provide.

We will be effective and inclusive, demonstrating strong leadership, corporate governance and business discipline and we will invest in our people and promote inclusivity as this makes Bernicia a stronger and better organisation

We will support the North East region, through our own work, but also by working collaboratively, we will invest initiatives that support levelling up and focus on aspiration and confidence building, training and employability.

In addition to exceeding the commitment on delivering 600 new housing units from the previous strategy, an additional 600 units will commence over the next four years in order 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 Governments direction in relation to energy efficiency and decarbonisation. 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 continue to 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.

As detailed in the financial review and supported by the financial statements, the Group has had a further year of solid financial performance despite the on-going challenges presented by the pandemic, Brexit and wider world events. This operating environment and changing requirements of the sector were all considered in the development of the strategy, though the Board agreed that the four objectives of the current strategy remain relevant.

With an evolving landscape ahead, Bernicia continues to work towards further 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 have all been considered in the development of the new corporate strategy, with a commitment for the significant majority of our properties to have a SAP-C rating of at least C by 2026.

As a responsible landlord, Bernicia is aware of its Corporate Social Responsibilities. As part of the suite of documents developed to support the Corporate Strategy 2022/26, an overarching Corporate Social Responsibility framework was adopted comprising of an Environmental Plan and Community Investment Strategy. Central to these proposals, an additional £500,000 for each year of the new strategy was committed to support enhanced community investment activities focused on economic and social inclusion. Our first externally published Environmental, Social and Governance (ESG) reporting will be completed for the 2021/22 financial year which we will then continue to build on.

Report of the Board of Management *(continued)*

Tenant Involvement

The Group's approach to tenant and customer engagement is offered in the widest sense, whilst involvement is delivered in the purest sense.

Engagement is facilitated in everything Bernicia does, whether this be solicited or unsolicited feedback, consultation or everyday interactions between colleagues and customers. This is the voice of our tenants.

The vast amount of intelligence provided by tenants and customers along with performance information is then scrutinised and interpreted by a highly empowered and informed Tenant Voice Panel. The formation of the Tenant Voice Panel is the final element of the revised co-regulatory approach agreed and designed with tenants in 2019. This approach is built on what is right for tenants and is reflective of Bernicia's commitment to do the right thing taking into account local circumstances and how tenants want and prefer to engage and be involved.

The work of the Tenant Voice Panel ensures that what the tenant voice is saying is interpreted, validated and used to put customer priorities into policy, plans and practice.

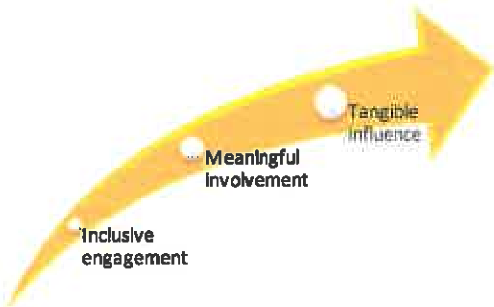
The Tenant Voice Panel is cemented within the overall governance structure, with a close relationship to the Customer Services Committee and ultimately Board.

Embedded within Bernicia's values and culture exists a longstanding tradition of listening to and acting on the tenant voice. A deep dive assessment of Bernicia's engagement and involved arrangements by national experts TPAS confirmed that Bernicia is a listening organisation that puts tenants at the heart of service delivery.

Confirmation by TPAS that Bernicia meets all of the National Engagement Standards and achieves excellence in three of these is a welcome endorsement that the co-regulatory approach now in place is authentic, effective and robust.

The Tenants Voice Strategy sets out Bernicia's commitment to inclusive engagement, meaningful involvement and tangible influence. This along with validation by the Tenant Voice Panel and the endorsement by TPAS demonstrates the voice of tenants and customers is valued, trusted and respected, heard and welcomed throughout the organisation and there is no complacency in encouraging and facilitating an even bigger voice going forward.

Bernicia's aim is to deliver:



> The organisation has clear expectations on a tenant first culture that influences service delivery through strong and effective leadership. Staff have a real positive commitment and this was shown through their behaviours and attitudes both to colleagues and tenants.
>
> *tpas Review of Customer Involvement – July 2021*

Report of the Board of Management *(continued)*

Tenant Involvement *(continued)*

The year in review

Bernicia's involved tenants were invited to assess performance and compliance against the Consumer Standards. Authentic feedback is both welcome and encouraged, this provides an understanding of what Bernicia does well and where improvement can be made. The following is a statement written by involved tenants and is taken from the Tenants' Annual Review 2021/22.

Tenant statement

Looking back over 2021 / 22 we can't not mention that this began with the phased easing of COVID-19 restrictions which provided great optimism of a return to a new normal. Whilst lockdown and the ensuing restrictions didn't stop our business as usual, it was good to, again, start meeting face to face with each other and Bernicia colleagues.

Throughout the year we've scrutinised performance including customer feedback, undertook an assessment of Bernicia's compliance against the Regulators' Consumer Standards and met with Bernicia's Executive Team to agree our annual priorities and debate the rent increase. This, as always, puts us in an excellent position to give our view of how Bernicia has performed during 2021 / 22.

Homes

It's been great to see Bernicia restart its modernisation programme and resume a full repair service. As well as investing in existing homes, Bernicia has continued to fulfil its commitment to build more much needed new homes. Despite the emerging challenges of material and labour shortages and rising costs Bernicia has continued to perform well on delivering planned improvements, responsive repairs and new builds.

We saw Bernicia respond to the unprecedented damage and disruption caused by storms Arwen, Barra and Malik. These events required immediate action to make properties safe and longer-term planning to repair and reinstate structures damaged by the storms. We are aware of the huge number of homes affected and have confidence that Bernicia has worked in a planned and efficient way to carry out the work caused by the storms. Major events, such as the storms, cannot be predicted therefore it was inevitable that normal service delivery was impacted.

Neither the pandemic or the storms distracted Bernicia from its health and safety obligations. This is evidenced in the information we receive on servicing and inspections. Therefore, we are assured that tenants remain safe in their homes and legal requirements have been met.

Tenancy

Good performance has been achieved in collecting rent and keeping arrears under control.

The slower turnaround of reletting properties has been monitored closely and we understand that the ability to relet certain properties quickly has become more difficult. This is particularly evident in retirement housing schemes, where people are still cautious about moving into apartments with communal facilities. Bernicia has undertaken research and has a plan to promote the quality and benefits of living in its retirement schemes.

We continue to see a steady increase in Universal Credit cases as people's circumstances change. The removal of the £20 uplift in October 2021 undoubtedly was difficult to manage for UC claimants. We can see that Bernicia colleagues have worked hard to support tenants through difficult times whilst protecting the income streams needed to deliver the services we rely on. Bernicia's Intensive Housing Management Team continued to provide the extra support needed by some to help manage their home and robust arrangements are in place to safeguard children and vulnerable adults.

Report of the Board of Management *(continued)*

Tenant Involvement *(continued)*

Tenant statement *(continued)*

Neighbourhood
From the Your say, services your way campaign it was abundantly clear that the appearance of neighbourhoods is vitally important.

We are really pleased that Bernicia has listened and that we have been involved in reshaping the delivery of grounds maintenance services. This includes being involved in the decision to insource more work by increasing capacity in Bernicia's internal Estates Services Team and in the retendering of the remaining work. Going forward we will work with Bernicia to monitor the performance of the internal team and contractors.

Bernicia continues to take anti-social behaviour extremely seriously and has robust processes and partnership arrangements in place to prevent and tackle this.

We continue to administer a Community Grant Fund, which gives us the opportunity to support projects and initiatives and see the difference our help has made.

Customer experience
We know good customer service is dependent on how we feel before, during and after we do business with Bernicia.

This will only be achieved if Bernicia listens, hears and acts on what tenants and customers are saying and feeling.

We can evidence that Bernicia has a range of ways of hearing the tenant voice and has processes to capture information that helps deliver services to meet individual needs and preferences.

During the year, independent tenant engagement experts TPAS undertook a deep dive review of Bernicia's involvement and engagement arrangements. The outcome of this validates our view that Bernicia is a listening organisation that puts tenants at the heart of service design and delivery.

We know that Bernicia doesn't get everything right, but it learns when things go wrong. We also know that Bernicia isn't complacent and has ambitious plans to make the customer experience easier and simpler and get more things right first time.

In summary
In concluding our review of 2021 / 22 we are confident that Bernicia has risen to unprecedented challenges effectively and has never lost sight of being a customer focussed, listening organisation.

Through our involvement, the information we have available to us and particularly our review of Bernicia's compliance with the Regulators' Consumer Standards, we are confident that Bernicia continued throughout 2021 / 22 to deliver against service standards and meet regulatory requirements and expectations.

Again, people have been kept safe, homes have been maintained, estate and neighbourhood services have been delivered, properties have been allocated fairly, rent has been collected and customers including involved tenants have remained left, right and centre of service delivery and decision making.

Report of the Board of Management *(continued)*

Tenant Involvement *(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. This review was undertaken during 2021/22 and will be revisited every three years.

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 2020 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. The Code of Conduct is currently under review by the NHF, once the new Code is published, the Group's Standards of Behaviour Policy will be reviewed to ensure ongoing alignment to the Code. Copies of the Group's policies are available on request.

Having reviewed the Group's self-assessment against the Standard and NHF 2020 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 2021 review identified a number of key pieces of work to further strengthen compliance these were implemented during 2021/22 and included:

- Review the board skills matrix against the new Corporate Strategy and use to assess board skills and experience requirements to deliver the new strategy
- Implement the agreed actions to ensure full compliance with the NHF Code of Governance 2020
- Oversee the adoption of relevant Codes of Governance by each subsidiary.

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 40. A brief description of the role of the Board is provided below, 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. The Board does not currently have any Co-optee Board Members but has the ability to recruit Co-optees to meet any specific identified needs or 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, traditionally, two strategy and planning days, setting and monitoring the strategy and performance, ensuring adequate funding and formulating policy on key issues. During 2021/22 more strategy events were held with the Board in support of the development of the new Corporate Strategy.

The Group has four committees, Audit and Risk, Investment, Customer Services and Remuneration, Resources and Appointments, each having delegated to them, some of the 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. The Bernicia Executive Management Team comprises the Chief Executive, Executive Director, Finance, Executive Director Assets and Growth and Executive Director, People, Homes and Communities. The Executive Management Team meets regularly, and members attend meetings of the Board and Committees.

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 risks 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

Within an established hierarchy of responsibilities, the Board has overall responsibility for the system of internal control and 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 landscape. Through monitoring the work of internal and external audit services, as well as other assurance activities, Audit and Risk Committee are 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 continue 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 remains 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, Business Continuity Strategy and Policy.

Risk Maps - A Strategic Risk Map, Executive Risk Map, Commercial Risk Map, suite of Operational Risk Maps and Bespoke Risk Maps (including Procurement and Bernicia Foundation) are in place. These 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 2021/22 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 substantial assurance: Asbestos (Phase 2), Legionella, Complaints, Business Continuity Planning, Void Management and Lettings, NNC Testing (Financial Controls and Payroll), Performance Data Management, Business Planning and Stress Testing, Fire Safety, Commercial Fleet, and Assets and Liabilities. Meanwhile Cyber Security received a reasonable assurance rating, with Non-Negotiable Follow-Up and Whistleblowing all advisory audits, with no medium or 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. This was the highest rating possible.

Report of the Board of Management *(continued)*

Statement on Internal control *(continued)*

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 97.5% of the tests conducted, controls were either fully or mostly effective.

Business Continuity – A Business Continuity Cycle is in place, with a Strategy, Policy and Plans that are regularly reviewed. During the year, the Framework received a substantial assurance rating from the internal auditors.

Anti-Fraud Measures - The Group has anti-fraud policy and procedures in place that are reviewed annually by the Audit and Risk Committee. 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 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.

Report of the Board of Management *(continued)*

Statement on internal control *(continued)*

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

Compliance with the Regulatory Framework
The Group continued to operate within the Regulatory Framework. We continued to undertake self-assessments against the Regulatory Standards and the Sector Risk Profile. We maintained the highest possible regulatory judgement of a G1, V1 rating.

Global Events
During the year, the Group was required to manage and mitigate against a number of multi-layered risks relating to global events including the Covid-19 pandemic, Brexit, the War in Ukraine and rising inflation pressures. These mitigating actions continue to be utilised and regularly reviewed.

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 2022.

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 21 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.

Report of the Board of Management *(continued)*

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 2 August 2022 and signed on its behalf by:

J Holmes
Chair

Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

2 August 2022

Statement of Board's responsibilities in respect of the Board's 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;
- assess the group's 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 2022 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 2022 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 prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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's 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").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

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

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 above conclusions are not a guarantee that the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the audit and risk committee, internal audit as to the association's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the association's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit and risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group's management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the lack of opportunities due to the nature of the revenue streams.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Board and other management as required by auditing standards, and from inspection of the Association's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Association is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation including related co-operative & community benefit society legislation, and taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: health and safety, employment law and social housing legislation recognising the regulated nature of the Association's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report. 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.

We have nothing to report in these respects.

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 its 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.

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

Board's responsibilities

As explained more fully in their statement set out on page 40, 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 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

16/09/2022

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	2	**78,661**	75,994
Cost of sales	2	**(1,460)**	(216)
Operating expenditure	2	**(57,522)**	(54,768)
Operating surplus		**19,679**	21,010
Gain on disposal of tangible fixed assets	6	**1,770**	1,286
Interest receivable and similar income	10	**25**	26
Interest payable and similar charges	11	**(5,776)**	(11,341)
Other finance expense	12	**(272)**	(97)
Movement in fair value of investment properties	16	**126**	42
Surplus on ordinary activities before taxation		**15,552**	10,926
Tax on surplus on ordinary activities	13	**-**	-
Surplus on ordinary activities after taxation		**15,552**	10,926
Actuarial gain / (loss) in respect of pension schemes	23	**12,016**	(8,505)
Total comprehensive income for the financial year		**27,568**	2,421

The notes on pages 52 to 90 form an integral part of these financial statements.

These financial statements were approved by the Board on 2nd August 2022 and were signed on its behalf by:

J Holmes	**A Alden**	**J Allinson**
Chair	Member	Secretary

Association Statement of Comprehensive Income
for the year ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	2	72,931	70,955
Cost of sales	2	(1,460)	(216)
Operating expenditure	2	(53,413)	(50,878)
Operating surplus		18,058	19,861
Gain on disposal of tangible fixed assets	6	1,770	1,286
Interest receivable and similar income	10	25	26
Interest payable and similar charges	11	(5,776)	(11,341)
Other finance expense	12	(272)	(97)
Movement in fair value of investment properties	16	126	42
Gift aid receivable		1,546	1,265
Surplus on ordinary activities before taxation		15,477	11,042
Tax on surplus on ordinary activities	13	-	(8)
Surplus on ordinary activities after taxation		15,477	11,034
Actuarial gain / (loss) in respect of pension schemes	23	12,016	(8,505)
Total comprehensive income for the financial year		27,493	2,529

The notes on pages 52 to 90 form an integral part of these financial statements.

These financial statements were approved by the Board on 2nd August 2022 and were signed on its behalf by:

J Holmes	**A Alden**	**J Allinson**
Chair	Member	Secretary

Consolidated Statement of Financial Position
At 31 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible fixed assets	14	**2,391**	2,496
Tangible fixed assets	14	**476,885**	457,514
Long term investments	15	**632**	652
HomeBuy loans receivable		**126**	140
Investment properties	16	**2,283**	2,157
		482,317	462,959
Current assets			
Stock	17	**2,161**	1,078
Debtors (including £23,112k (2021: £31,800k) due after more than one year)	18	**29,455**	36,775
Cash and cash equivalents	19	**29,323**	6,835
		60,939	44,688
Creditors: amounts falling due within one year	20	**(30,844)**	(31,974)
Net current assets		**30,095**	12,714
LGPS Pension asset	23	**5,857**	415
Total assets less current liabilities		**518,269**	476,088
Creditors: amounts falling due after more than one year	21	**(294,720)**	(264,807)
Provisions for liabilities and charges	22	**(21,856)**	(30,468)
SHPS Pension liability	23	**(6,560)**	(13,248)
Total net assets		**195,133**	167,565
Reserves			
Share capital	24	**-**	-
Income and expenditure reserve		**195,133**	167,565
Total reserves		**195,133**	167,565

The notes on pages 52 to 90 form an integral part of these financial statements.

These financial statements were approved by the Board on 2nd August 2022 and were signed on its behalf by:

J Holmes	**A Alden**	**J Allinson**
Chair	Member	Secretary

Registered society number: 7711

Association Statement of Financial Position
at 31 March 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible fixed assets	14	908	921
Tangible fixed assets	14	476,667	457,311
Long term investments	15	632	652
HomeBuy loans receivable		126	140
Investments in subsidiaries	16	2,367	2,367
Investment properties	16	2,283	2,157
		482,983	463,548
Current assets			
Stock	17	2,161	1,078
Debtors (including £23,112k (2021: £31,800k) due after more than one year)	18	30,065	37,561
Cash and cash equivalents	19	27,984	5,411
		60,210	44,050
Creditors: amounts falling due within one year	20	(30,058)	(31,127)
Net current assets		30,152	12,923
LGPS Pension asset	23	5,857	415
Total assets less current liabilities		518,992	476,886
Creditors: amounts falling due after more than one year	21	(294,720)	(264,807)
Provisions for liabilities and charges	22	(21,856)	(30,468)
SHPS Pension liability	23	(6,560)	(13,248)
Total net assets		195,856	168,363
Reserves			
Share capital	24	-	-
Income and expenditure reserve		195,856	168,363
Total reserves		195,856	168,363

The notes on pages 52 to 90 form an integral part of these financial statements.

These financial statements were approved by the Board on 2nd August 2022 and were signed on its behalf by:

Mike Alden

Jenny Allinson

J Holmes Chair	**A Alden** Member	**J Allinson** 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 2020	-	165,144	165,144
Total comprehensive income for the year			
Surplus	-	10,926	10,926
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	138	138
Actuarial movement in respect of SHPS pension scheme	-	(8,643)	(8,643)
Balance at 31 March 2021	-	167,565	167,565
Balance at 31 March 2021	-	167,565	167,565
Total comprehensive income for the year			
Surplus	-	15,552	15,552
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	5,685	5,685
Actuarial movement in respect of SHPS pension scheme	-	6,331	6,331
Balance at 31 March 2022	-	**195,133**	**195,133**

Association Statement of Changes in Reserves

	Called up share capital £000	Income and expenditure reserve £000	Total reserves £000
Balance at 31 March 2020	-	165,834	165,834
Total comprehensive income for the year			
Surplus	-	11,034	11,034
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	138	138
Actuarial movement in respect of SHPS pension scheme	-	(8,643)	(8,643)
Balance at 31 March 2021	-	168,363	168,363
Balance at 31 March 2021	-	168,363	168,363
Total comprehensive income for the year			
Surplus	-	15,477	15,477
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	5,685	5,685
Actuarial movement in respect of SHPS pension scheme	-	6,331	6,331
Balance at 31 March 2022	-	**195,856**	**195,856**

Consolidated Statement of Cash Flows
for year ended 31 March 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Surplus for the year	**15,302**	10,926
Adjustments for non-cash items:		
Depreciation of tangible fixed assets and software	**12,004**	11,793
Amortisation of goodwill		116
Taxation		
(Increase) in stock	**(1,083)**	(781)
Decrease in trade and other debtors	**7,320**	5,202
(Decrease) / increase in trade and other creditors	**(1,090)**	357
Decrease in provisions	**(8,612)**	(4,706)
Pension costs less contributions payable	**(387)**	(1,047)
Gain on sale of tangible fixed assets	**(1,770)**	(1,286)
Movement in fair value of investment properties	**(126)**	(50)
Government grants utilised in the year	**(3,585)**	(3,923)
Interest payable	**5,776**	11,341
Other finance expense	**272**	97
Interest receivable	**(25)**	(26)
Net cash from operating activities	**23,996**	28,013
Cash flows from investing activities		
Capitalised housing properties expenditure	**(26,996)**	(18,464)
Purchases of other fixed assets and software	**(1,170)**	(551)
Proceeds from sale of tangible fixed assets	**3,323**	2,992
Grants received	**5,427**	1,878
Interest receivable	**36**	6
Net cash from investing activities	**(19,380)**	(14,139)
Cash flows from financing activities		
Interest payable	**(5,853)**	(11,790)
Issue costs	**139**	-
New secured loans	**30,000**	20,000
Repayments of borrowings	**(6,414)**	(46,677)
Net cash from financing activities	**17,872**	(38,467)
Net increase / (decrease) in cash	**22,488**	(24,593)
Cash and cash equivalents at 1 April	**6,835**	31,428
Cash and cash equivalents at 31 March	**29,323**	6,835

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 2022 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 considers to be appropriate for the following reasons.

The Board has prepared cash flow forecasts covering a period of 24 months from the date of approval of these financial statements (the going concern period) which indicate that, taking account of severe but plausible downsides, the Group and Association will have sufficient funds to meet their liabilities as they fall due for that period. In addition, the Board prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in June 2022 by the Board.

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

The Board, after reviewing the Group and Association budgets for 2022/23 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, 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 going concern period. In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of delays in handovers along with any sales proceeds from right to buy or right to acquire properties reducing to breakeven;
- Maintenance costs – budget and business plan scenarios 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 receivable – void rates, arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities across the group of £98m 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 increases in the number of void properties; and
- Pension deficit – budget and business plan scenarios have taken account of increased pension deficit payments.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)
The Board believes 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.

Basis of consolidation

The statutory accounts for Bernicia Group incorporate the results of Bernicia Group, Kingston Property Services Limited and the Bernicia Foundation 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.

Notes *(continued)*

1 Accounting policies *(continued)*

***Tangible fixed assets – housing properties** (Continued)*

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.

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 22.

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 Limited is registered for UK taxation. The charge for taxation is based on the profit for the year and considers 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 are 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 are 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.

The operating costs of providing employee (retirement) benefits to participating employees are recognised in the financial years in which the benefits are earned. The related finance costs, and any other changes in fair value of the assets and liabilities are recognised in the financial year in which they arise. The operating costs and finance costs are recognised in the statement of comprehensive income with any other changes in fair value of assets and liabilities being recognised in other comprehensive income.

National Employment Savings Trust (NEST)

The Group participated 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)*

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

Group

	Turnover £000	Cost of sales £000	Operating expenditure £000	2022 Operating surplus £000	2021 Operating surplus £000
Social housing lettings					
General needs housing	48,151	-	(36,056)	12,095	13,798
Housing for older people	13,179	-	(9,381)	3,798	4,171
Supported housing accommodation	6,273	-	(4,704)	1,569	1,652
Shared ownership accommodation	1,117	-	(587)	530	560
	68,720	-	(50,728)	17,992	20,181
Other social housing activities					
First tranche low cost home ownership sales	1,787	(1,460)	(37)	290	(4)
Support services	150	-	-	150	150
Development services	-	-	(1,266)	(1,266)	(1,173)
Community services	-	-	-	-	-
Other	-	-	267	267	(414)
	1,937	(1,460)	(1,036)	(559)	(1,441)
Activities other than social housing activities					
Leasehold management	5,730	-	(4,188)	1,542	1,265
Charitable activities	-	-	(221)	(221)	-
Other operating income (note 5)	1,134	-	-	1,134	1,209
Private rented accommodation	92	-	6	98	85
Commercial and other	418	-	(39)	379	428
Care & Repair	630		(1,316)	(686)	(601)
Amortisation of goodwill	-	-	-	-	(116)
	8,004	-	(5,758)	2,246	2,270
Total	78,661	(1,460)	(57,522)	19,679	21,010

Shared ownership transactions

	First tranche £000	Staircasing £000	2022 Total £000	2021 Total £000
Proceeds	1,787	992	2,779	1,427
Cost of sales	(1,460)	(654)	(2,114)	(1,058)
Operating expenditure (fees)	(37)	(3)	(40)	(11)
	290	335	625	358

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £1,497,000 *(2021: £222,000)* and arose from first tranche sales. The amount released from balance sheet associated with tangible fixed assets during the period was £657,000 *(2021: £847,000)* and arose from staircasing.

Notes *(continued)*

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

Association

	Turnover £000	Cost of sales £000	Operating expenditure £000	2022 Operating Surplus £000	2021 Operating surplus £000
Social housing lettings					
General needs housing	48,151	-	(36,056)	12,095	13,798
Housing for older people	13,179	-	(9,381)	3,798	4,171
Supported housing accommodation	6,273	-	(4,704)	1,569	1,652
Shared ownership accommodation	1,117	-	(587)	530	560
	68,720	-	(50,728)	17,992	20,181
Other social housing activities					
First tranche low cost home ownership sales	1,787	(1,460)	(37)	290	(4)
Support services	150	-	-	150	150
Community services	-	-	-	-	-
Development service	-	-	(1,266)	(1,266)	(1,173)
Other	-	-	(33)	(33)	(414)
	1,937	(1,460)	(1,336)	(859)	(1,441)
Activities other than social housing activities					
Other operating income (note 5)	1,134	-	-	1,134	1,209
Private rented accommodation	92	-	6	98	85
Commercial and other	418	-	(39)	379	428
Care & Repair	630	-	(1,316)	(686)	(601)
	2,274	-	(1,349)	925	1,121
Total	72,931	(1,460)	(53,413)	18,058	19,861

Shared ownership transactions

	First tranche £000	Staircasing £000	2022 Total £000	2021 Total £000
Proceeds	1,787	992	2,779	1,427
Cost of sales	(1,460)	(654)	(2,114)	(1,058)
Operating Expenditure - fees	(37)	(3)	(40)	(11)
	290	335	625	358

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £1,497,000 *(2021: £222,000)* and arose from first tranche sales. The amount released from the balance sheet associated with tangible fixed assets during the period was £657,000 *(2021: £847,000)* 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	2022 Total £000	2021 Total £000
Income						
Rent receivable net of identified service charges	41,849	9,865	3,269	937	55,920	55,048
Service charge income	1,539	2,466	2,022	151	6,178	6,175
Water rates receivable	2,125	580	9	-	2,714	2,683
Amortised government grants	2,638	268	973	29	3,908	4,337
Turnover from social housing lettings	48,151	13,179	6,273	1,117	68,720	68,243
Operating expenditure						
Management	(6,597)	(2,512)	(578)	(260)	(9,947)	(9,205)
Service charge costs	(3,283)	(1,051)	(591)	(124)	(5,049)	(4,982)
Routine maintenance	(8,933)	(2,344)	(432)	(22)	(11,731)	(10,373)
Planned maintenance	(3,631)	(1,152)	(242)	(55)	(5,080)	(4,663)
Major repairs expenditure	(3,168)	(988)	(205)	(44)	(4,405)	(4,376)
Bad debts	(150)	(66)	(52)	(17)	(285)	(382)
Water rates payable	(2,164)	(608)	(9)	-	(2,781)	(2,727)
Depreciation of housing properties	(8,129)	(660)	(2,343)	(65)	(11,197)	(11,193)
Lease costs	(1)	-	(252)	-	(253)	(161)
Operating expenditure on social housing lettings	(36,056)	(9,381)	(4,704)	(587)	(50,728)	(48,062)
Operating surplus on social housing lettings	12,095	3,798	1,569	530	17,992	20,181
Void losses	(723)	(729)	(73)	(1)	(1,526)	(1,273)

Notes *(continued)*

3 Accommodation owned

Group

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

	2022 Owned and managed Number	2022 Managed by others Number	2022 Managed for others	2021 Owned and managed Number	2021 Managed by others Number	2021 Managed for others Number
General needs housing:						
Social rent	9,019	-	86	9,047	3	86
Affordable rent	1,061	-	1	974	-	1
Housing for older people	2,563	-	14	2,569	-	14
Supported housing accommodation	452	105	7	443	102	8
Care homes	54	-	-	52	-	-
Shared ownership accommodation	369	-	-	331	-	-
Serviced Right to Buy	762	-	-	757	-	-
Rent to HomeBuy	64	-	-	61	-	-
Private rented Accommodation	12	-	-	12	-	-
Commercial and other:						
Garages	1,374	-	-	1,426	-	-
Shops	52	-	-	58	-	-
Other commercial	6	-	-	-	-	-
	15,788	105	108	15,730	105	109

Association

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

	2022 Owned and managed Number	2022 Managed by others Number	2022 Managed for others	2021 Owned and managed Number	2021 Managed by others Number	2021 Managed for others Number
General needs housing:						
Social rent	9,019	-	86	9,047	3	86
Affordable rent	1,061	-	1	974	-	1
Housing for older people	2,563	-	14	2,569	-	14
Supported housing accommodation	452	105	7	495	102	8
Care homes	54	-	-			
Shared ownership accommodation	369	-	-	331	-	-
Serviced Right to Buy	762	-	-	757	-	-
Rent to HomeBuy	64	-	-	61	-	-
Private rented Accommodation	11	-	-	11	-	-
Commercial and other:						
Garages	1,374	-	-	1,426	-	-
Shops	52	-	-	58	-	-
Other commercial	6	-	-			
	15,787	105	108	15,729	105	109

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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Recognised in the Statement of Comprehensive Income	**80,867**	76,949	**80,867**	76,949
Held as deferred income (note 21)	**160,704**	159,409	**160,704**	159,409
	241,571	236,358	**241,571**	236,358

5 Other operating income

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Rate collection allowance	**350**	350	**350**	350
Office rental	**171**	165	**171**	165
Sale of management services	**141**	139	**141**	139
Sundry income	**459**	538	**459**	538
Homebuy income	**13**	17	**13**	17
Total other operating income	**1,134**	1,209	**1,134**	1,209

6 Gain on disposal of tangible fixed assets

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000		
Proceeds from sales of housing properties	**3,323**	2,992	**3,323**	2,992
Cost of sales of housing properties (including fees)	**(1,554)**	(1,706)	**(1,554)**	(1,706)
Net gain on disposal of housing properties	**1,769**	1,286	**1,769**	1,286
Proceeds from sales of other tangible fixed assets	**1**	-	**1**	-
Cost of sales of other tangible fixed assets	**-**	-	**-**	-
Net gain on disposal of other tangible fixed assets	**1**	-	**1**	-
Gain on disposal of tangible fixed assets	**1,770**	1,286	**1,770**	1,286

Notes *(continued)*

7 Expenses and auditor's remuneration

Included in the surplus are the following:

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Charge for the provision of bad debts	**298**	418	**298**	418
Depreciation of tangible fixed assets – housing properties	**11,114**	10,998	**11,114**	10,998
Depreciation of tangible fixed assets – other	**645**	613	**639**	605
Amortisation of intangible fixed assets - software	**245**	182	**226**	182

Auditor's remuneration:

	Group		Association	
	2022	2021	**2022**	2021
Audit of these financial statements	**72**	65	62	57
Amounts receivable by the Group's auditor in respect of:				
Audit of financial statements of subsidiaries of the group	**17**	9	-	9
Audit - related assurance services	**21**	15	11	15
Taxation compliance services	**28**	16	28	7
Other non-audit services		-	-	-
Internal auditors' remuneration from internal audit services	**67**	59	67	59

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	
	2022	2021	**2022**	2021
	Number	Number	**Number**	Number
Operational	**394**	390	**321**	321
Finance and administration	**108**	105	**88**	87
Care and repair	**12**	11	**12**	11
	514	506	**421**	419

The aggregate payroll costs of these persons were as follows:

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Wages and salaries (including car allowance)	**15,782**	15,008	**14,504**	14,002
Compensation for loss of office	**152**	58	**152**	58
Social security costs	**1,470**	1,364	**1,366**	1,285
Current service cost of defined benefit plan (LGPS)	**733**	817	**733**	817
Current service cost of defined benefit plan (SHPS)	**1,223**	1,140	**1,223**	1,098
Contributions to defined contribution plan (NEST)	**-**	75	**-**	62
Contributions to defined contribution plan (Other)	**154**	4	**58**	-
Agency	**66**	19	**66**	19
	19,580	18,485	**18,102**	17,341

The number of all staff whose remuneration payable, including pensions, car allowance 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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
£60,000 - £70,000	**-**	1	**-**	1
£70,001 - £80,000	**1**	1	**1**	2
£80,001 - £90,000	**3**	3	**3**	2
£90,001 - £100,000	**3**	2	**2**	2
£110,001 - £120,000	**2**	2	**2**	1
£120,001 - £130,000	**1**	1	**1**	1
£130,001 - £140,000	**3**	3	**3**	3
£140,001 - £150,000	**-**	-	**-**	-
£150,001 - £160,000	**-**	-	**-**	-
£160,001 - £170,000	**-**	-	**-**	-
£180,001 - £190,000	**1**	1	**1**	1
	14	14	**13**	13

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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Wages and salaries	**1,487**	1,151	**1,392**	1,151
Group contributions payable in respect of pensions (SHPS)	**121**	89	**106**	89
Group contributions payable in respect of pension (LGPS)	**59**	57	**59**	57
Compensation for loss of office	**-**	58	**-**	58
Non-executive Board members' emolument	**81**	83	**81**	83
Total expenses reimbursed to key management personnel and members of the Board	**2**	9	**2**	9
	1,750	1,447	**1,640**	1,447

The aggregate of his emoluments for the year, excluding Association pension contributions, as the highest paid director, was £178,611 *(2021: £176,129)*. 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	
	2022	2021	**2022**	2021
	Number	Number	**Number**	Number
Retirement benefits are accruing to the following number of Directors and key management personnel under:				
Defined benefit schemes	**12**	11	**11**	10
Defined contribution schemes	**1**	1	**1**	1

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	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Mr T Stevenson	**-**	3	**-**	3
Mrs A Tarn	**7**	7	**7**	7
Mr X Setna	**6**	6	**6**	6
Mr D Jennings	**4**	7	**4**	7
Mr A Pegg	**9**	9	**9**	9
Mr J Holmes	**15**	15	**15**	15
Mrs A Gibson	**7**	7	**7**	7
Mrs C-J Rewcastle	**6**	6	**6**	6
Mrs L Shearing	**6**	6	**6**	6
Mr A Dunn	**7**	6	**7**	6
Mr R Cave	**2**	2	**2**	2
Mrs AJ Alden	**4**	2	**4**	2
Mrs V Smart	**2**	2	**2**	2
Mr M Massey	**2**	1	**2**	1
Mrs H Parker	**4**	4	**4**	4
Non-executive Board members' emoluments	**81**	83	**81**	83

10 Interest receivable and similar income

	Group		Association	
	2022	2021	**2022**	2021
Bank deposits	**25**	26	**25**	26
Net gain on financial assets measured at fair value through profit or loss	**-**	-	**-**	-
Total interest receivable and similar income	**25**	26	**25**	26

Notes *(continued)*

11 Interest payable and similar charges

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Interest on loans	**6,042**	6,666	**6,042**	6,666
Early loan redemption costs	**-**	5,029	**-**	5,029
Interest payable and similar charges	**6,042**	11,695	**6,042**	11,695
Less amounts capitalised	**(266)**	(354)	**(266)**	(354)
Total interest payable and similar charges	**5,776**	11,341	**5,776**	11,341

12 Other finance expense

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Net interest on net defined benefit plan asset / liability	**(272)**	(97)	**(272)**	(97)
Total other finance expense	**(272)**	(97)	**(272)**	(97)

13 Taxation

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

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Current tax				
Current tax on income for the period	**-**	-	**-**	8
Total tax	**-**	-	**-**	8

Notes *(continued)*

13 Taxation *(continued)*

The current tax charge for the period remains at the same rate as 2021 levels, 19%

Reconciliation of effective tax rate

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Surplus for the year after taxation	**15,552**	10,926	**15,477**	11,034
Total tax expense	-	-	-	8
Surplus on ordinary activities before taxation	**15,552**	10,926	**15,477**	11,042
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	**2,955**	2,076	**2,941**	2,098
Tax exempt revenues	**(2,955)**	(2,076)	**(2,941)**	(2,090)
Total tax expense included in profit or loss	-	-	-	8

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19%, rather than reducing to 17% as previously enacted. This new law was deemed substantively enacted on 17 March 20. In the March 2021 Budget and confirmed in the March 2022 Budget, the UK tax rate will increase to 25% from 1 April 2023.

14 Intangible fixed assets

Group

	Goodwill	Software	Total
	£000	£000	£000
Cost			
At 31 March 2021	2,319	1,727	4,046
Additions	-	256	256
At 31 March 2022	2,319	1,983	4,302
Amortisation			
At 31 March 2021	885	665	1,550
Charged in the year	116	245	361
At 31 March 2022	1,001	910	1,911
Net book value			
At 31 March 2022	**1,318**	**1,073**	**2,391**
At 31 March 2021	1,434	1,062	2,496

Notes *(continued)*

14 Intangible fixed assets *(continued)*

Association

	Software £000
Cost	
At 31 March 2021	1,462
Additions	213
At 31 March 2022	1,675
Amortisation	
At 31 March 2021	541
Charged in the year	226
At 31 March 2022	767
Net book value	
At 31 March 2022	**908**
At 31 March 2021	921

14a Tangible assets

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

		Group		Association	
	Note	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Tangible fixed assets – housing properties	*14b*	**466,652**	447,549	466,652	447,549
Tangible fixed assets – other	*14c*	**10,233**	9,965	10,015	9,762
		476,885	457,514	476,667	457,311

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 2021	398,569	3,169	150,203	4,742	15,918	530	5,983	110	579,224
Properties acquired	14	3,130	-	225	-	2,122	-	1,865	7,356
Development of new Properties	255	5,717	122	6,480	-	1,141	-	33	13,748
Works to existing properties	8,077	-	2,357	-	301	-	-	-	10,735
Disposals	(1,777)	-	(138)	-	(585)	-	(42)	-	(2,542)
Completed schemes	7,535	(7,535)	3,619	(3,619)	2,989	(2,989)	940	(940)	-
Transfers	(2,949)	3,622	5,975	(3,799)	(2,896)	(17)	(130)	194	-
At 31 March 2022	409,724	8,103	162,138	4,029	15,727	787	6,751	1,262	608,521
Depreciation and impairment									
At 31 March 2021	92,772	-	36,368	-	2,071	-	464	-	131,675
Charged in the year	8,012	-	2,980	-	65	-	57	-	11,114
Disposals	(734)	-	(115)	-	(71)	-	-	-	(920)
Transfers	27	-	(111)	-	78	-	6	-	-
At 31 March 2022	100,077	-	39,122	-	2,143	-	527	-	141,869
Net book value At 31 March 2022	**309,647**	**8,103**	**123,016**	**4,029**	**13,584**	**787**	**6,224**	**1,262**	**466,652**
At 31 March 2021	305,797	3,169	113,835	4,742	13,847	530	5,519	110	447,549

Notes *(continued)*

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

Security

Tangible fixed assets with a net book value of £246,211,214 *(2021: £250,687,429)* are secured.

Borrowing costs

The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £265,819 *(2021: £354,037)* with a capitalisation rate of 4.15% *(2021: 4.74%)*.

Included in the cost of tangible fixed assets – housing properties is £2,573,637 *(2021: £2,307,819)* in respect of capitalised finance costs.

Development costs

The amount of development costs capitalised to tangible fixed assets – housing properties during the period was £324,315 (*2021: £327,585)*.

Land and Buildings

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

	Group and Association	
	2022	2021
	£000	£000
Freehold	**446,783**	431,079
Long leasehold	**19,642**	16,154
Short leasehold	**227**	316
	466,652	447,549

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 2021	11,366	82	2,606	427	1,616	16,097
Additions	555	-	214	145	-	914
Transfer	-	-	-	(2)	(55)	(57)
Disposals	-	-	(1,053)	-	(10)	(1,063)
At 31 March 2022	11,921	82	1,767	570	1,551	15,891
Depreciation						
At 31 March 2021	2,043	39	2,114	341	1,595	6,132
Charged in the year	231		369	24	21	645
Transfers	-	-	-	(2)	(55)	(57)
Disposals	-	-	(1,052)	-	(10)	(1,062)
At 31 March 2022	2,274	39	1,431	363	1,551	5,658
Net book value						
At 31 March 2022	**9,647**	**43**	**336**	**207**	**-**	**10,233**
At 31 March 2021	9,323	43	492	86	21	9,965

	2022 £000	2021 £000
Freehold	**10,233**	9,890
Short leasehold	-	75
	10,233	9,965

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 2021	11,291	25	2,569	333	1,545	15,763
Additions	555	-	215	123	-	893
Disposals	-	-	(1,053)	-	(10)	(1,063)
At 31 March 2022	11,846	25	1,731	456	1,535	15,593
Depreciation						
At 1 April 2021	2,015	25	2,123	315	1,523	6,001
Charged in the year	227	-	368	23	21	639
Disposals	-	-	(1,052)	-	(10)	(1,062)
At 31 March 2022	2,242	25	1,439	338	1,534	5,578
Net book value						
At 31 March 2022	**9,604**	**-**	**292**	**118**	**1**	**10,015**
At 1 April 2021	9,276	-	446	18	22	9,762

	2022 £000	2021 £000
Freehold	**9,604**	9,203
Short leasehold	**-**	73
	9,604	9,276

Notes *(continued)*

15 Long term investments

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Valuation				
At 1 April	**652**	669	**652**	669
Revaluation	**(20)**	(17)	**(20)**	(17)
At 31 March	**632**	652	**632**	652

Long term investments are represented as follows:

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Long term investment in:				
Haven Funding plc	**486**	506	**486**	506
UK Rents (No 1) plc	**146**	146	**146**	146
Foundations UK	**-**	-	**-**	-
Agents Mutuals Limited	**-**	-	**-**	-
	632	652	**632**	652

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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Listed investments	**46**	199	**46**	199
Unlisted investments	**586**	453	**586**	453
	632	652	**632**	652

Notes *(continued)*

16 Investments

Subsidiaries

	Association	
	2022	2021
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.

Investment properties

	Group and Association	
	2022	2021
	£000	£000
Valuation		
At 1 April	**2,157**	2,115
Revaluation	**126**	42
Transfer / change in classification (note 14c)	-	-
Additions	-	-
At 31 March	**2,283**	2,157

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

17 Stock

	Group and Association	
	2022	2021
	£000	£000
Shared ownership properties held for resale	**1,765**	699
Consumables	**396**	379
	2,161	1,078

Notes *(continued)*

18 Debtors

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Rents and service charges arrears	**6,924**	7,367	**6,924**	7,367
Less: Provision for bad and doubtful debts	**(4,941)**	(5,391)	**(4,941)**	(5,391)
	1,983	1,976	**1,983**	1,976
Amounts owed by undertakings in which the association has a participating interest	**-**	-	**1,691**	1,546
Other debtors	**24,876**	32,537	**24,223**	32,174
Prepayments and accrued income	**2,596**	2,262	**2,168**	1,865
	29,455	36,775	**30,065**	37,561
Due within one year	**6,343**	4,975	**6,953**	5,761
Due after more than one year	**23,112**	31,800	**23,112**	31,800
	29,455	36,775	**30,065**	37,561

For the Group, debtors includes Other debtors of £23,112,000 *(2021: £31,800,000)* due after more than one year. £21,856,000 *(2021: £30,468,000)* of these Other debtors due after more than one year relate to contracted refurbishment works described at note 22, and £754,804 *(2021: £754,278)* relate to coupons received in advance on loans taken out by Three Rivers and HAPM and FARR insurance.

	Group		Association	
	2022	2021	**2022**	2021
	£	£	**£**	£
Unpaid share capital	**9**	9	**9**	9

19 Cash at bank and in hand

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Cash at bank and in hand	**29,323**	6,835	**27,984**	5,411

Notes *(continued)*

20 Creditors: amounts falling due within one year

	Group		Association	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Bank loans (see note 21)	**1,597**	6,156	**1,597**	6,156
Rents and service charges received in Advance	**1,840**	1,529	**1,840**	1,529
Trade creditors	**1,085**	1,378	**1,085**	1,378
Taxation and social security	**429**	388	**422**	314
Other creditors	**4,461**	3,728	**3,682**	3,748
Accruals and deferred income	**12,517**	9,595	**12,517**	8,802
Amounts due under finance leases and hire purchase agreements	**-**	176	**-**	176
Deferred capital grants (note 21)	**4,451**	4,469	**4,451**	4,469
Grant in advance	**-**	234	**-**	234
Recycled capital grant fund (note 21)	**373**	214	**373**	214
Interest payable	**1,050**	1,059	**1,050**	1,059
Service charge sinking funds	**1,992**	1,999	**1,992**	1,999
Contractual agreements to fund past service pension deficits (SHPS) (note 23)	**-**	-	**-**	-
Contingent consideration	**1,049**	1,049	**1,049**	1,049
	30,844	31,974	**30,058**	31,127

Notes *(continued)*

21 Creditors: amounts falling due after more than one year

	Group and Association 2022 £000	2021 £000
Bank loans	**137,077**	108,666
Deferred capital grants	**156,253**	154,940
Recycled capital grant fund	**879**	730
Deferred recycled capital grant fund	**511**	471
	294,720	264,807

Recycled capital grant fund (RCGF)

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

Group and association

	2022 £000	2021 £000
At 1 April	**944**	957
Grants recycled	**306**	571
Interest accrued	**2**	-
New build	**-**	(584)
At 31 March	**1,252**	944
Due within one year	**373**	214
Due after more than one year	**879**	730
	1,252	944
Amounts 3 years old or older where repayment may be required (£000)	**-**	-

Notes *(continued)*

21 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 £256,424,935 (*2021: £250,687,429*).

Included within bank loans are borrowings of £135,812,000 (*2021: £111,948,000*) with fixed interest rates ranging from 1% to 11.6% (*2021: 1% to 11.6%*) and borrowings of £3,975,000 (*2021: £4,125,000*) with variable interest rates ranging from SONIA plus 0.5% to 2.27% (*2021: LIBOR plus 0.5% to 1.99%*).

Borrowings are repayable as follows:

	Group and Association	
	2022	2021
	£000	£000
Within one year	**1,597**	6,156
Between one and two years	**2,291**	1,756
Between two and five years	**7,035**	6,238
In five years or more	**128,864**	101,924
	139,787	116,074
Less: issue costs	**(1,113)**	(1,252)
	138,674	114,822
Less: Amounts included within Creditors: amounts falling due within one year (see note 21)	**(1,597)**	(6,156)
	137,077	108,666

Notes *(continued)*

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

Deferred capital grants

	Group and Association	
	2022	2021
	£000	£000
At beginning of year	**154,940**	156,431
Additions	**5,661**	3,875
Disposals	**(781)**	(1,671)
Amortisation	**(3,585)**	(3,610)
Transfer to creditors within one year	**18**	(85)
At end of year	**156,253**	154,940
Deferred capital grant movements within one year		
At beginning of year	**4,469**	4,384
Transfer from grant after more than one year	**(18)**	85
At end of year	**4,451**	4,469
Total deferred capital grants	**160,704**	159,409

22 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	
	2022	2021
	£000	£000
At 31 March	**30,468**	35,174
Capitalised expenditure during the year	**(8,431)**	(3,464)
Revenue expenditure during the year	**(181)**	(1,242)
At 31 March	**21,856**	30,468

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)*

22 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 2022, £21,856 *(2021: £30,468)* is included within non-current debtors and £21,856 *(2021: £30,468)* is included within provisions for liabilities and charges.

23 Employee benefits

Defined benefit plan - LGPS

Group and Association

The information disclosed below is in respect of the Group's share of the Tyne and Wear Council Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme. Bernicia Group were previously part of the Northumberland County Council Pension Fund, until it was merged into the Tyne and Wear pension fund on 01 April 2020. Bernicia Group participates in the Fund which provides defined benefits based on members' final pensionable salary.

Net pension asset

	2022	2021
	£000	£000
Defined benefit obligation	**(45,831)**	(48,194)
Plan assets	**51,688**	48,609
Net pension asset	**5,857**	415

Notes *(continued)*

23 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2022 £000	2021 £000
At 1 April	**(48,194)**	(39,280)
Current service cost	**(985)**	(1,024)
Past service cost	-	-
Interest expense	**(1,007)**	(890)
Remeasurement: actuarial gains/(losses)	**3,468**	(7,933)
Contributions by members	**(149)**	(171)
Benefits paid	**1,036**	1,104
At 31 March	**(45,831)**	(48,194)

Movements in fair value of plan assets

	2022 £000	2021 £000
At 1 April	**48,609**	39,620
Interest income	**1,021**	912
Remeasurement: return on plan assets less interest income	**2,217**	8,071
Contributions by employer	**728**	939
Contributions by members	**149**	171
Benefits paid	**(1,036)**	(1,104)
At 31 March	**51,688**	48,609

Expense recognised in the statement of comprehensive income

	2022 £000	2021 £000
Current service cost	**985**	1,024
Net interest on net defined benefit liability	**(14)**	(22)
Total expense recognised in the statement of comprehensive income	**971**	1,002
Remeasurement: actuarial gain on defined benefit obligation	**2,217**	8,071
Remeasurement: gain/(loss) on plan assets less interest income	**3,468**	(7,933)
Total income recognised in other comprehensive income	**5,685**	138

Notes *(continued)*

23 Employee benefits *(continued)*

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

	2022 Fair value %	2021 Fair value %
Equities	57.0	55.5
Government debt	2.0	2.2
Corporate bonds	18.8	19.8
Property	8.4	7.9
Cash	1.8	4.0
Other	12.0	10.6
	100.00	100.0
	£000	£000
Actual return gain / (loss) on plan assets	2,217	8,071

Principal actuarial assumptions at the year-end were as follows:

	2022 %	2021 %
Discount rate	2.7	2.10
Future salary increases	4.5	4.20
Rate of increase to pensions in payment	3.0	2.70
Rate of increase to deferred pension	N/A	N/A
RPI inflation	N/A	2.70
CPI inflation	3.0	2.70

The last full actuarial valuation was performed on 31 March 2019. To measure the defined benefit obligation as at 31 March 2022, the Association used a qualified, independent actuary.

In valuing the liabilities of the pension fund at 31 March 2022, 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: 21.8 years (male), 25.0 years (female).
- Future retiree upon reaching 65: 23.5 years (male), 26.7 years (female).

LGPS consultation

The Ministry of Housing, Communities and Local Government (MHCLG) has published guidance of the response to its consultation on proposals to remove age discrimination from the LGPS in England and Wales on 4 February 2021. The consultation, concluded on 08 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.

The outcome of the MHCLG's consultation is a proposed route to provide enhancements to members ("the deferred choice underpin") and confirmed which members are in the scope of the judgement:

1. the judgment applies only to members who were active on 31 March 2012 and have accrued benefits between 1 April 2015 and 31 March 2022;
2. the judgment applies to deferred members, as well as members who retire from active service; and
3. the judgment includes those with a qualifying break of service of less than 5 years in the relevant period.

Notes *(continued)*

23 Employee benefits *(continued)*

LGPS consultation *(continued)*
Prior to this confirmation, each of the LGPS Fund Actuaries had set out a standard approach for estimating the impact of McCloud. There was variation in these approaches, taking into account the above points to a greater or lesser degree.

At the previous 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. The adjustment has been carried forward to 31 March 2022.

As the ultimate remedy will not be known until all relevant members have retired, the assessed adjustment in the previous year is still considered to be the best estimate of the additional liability.

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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

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 was not 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 2020 inclusive.

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, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 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 company's net deficit or surplus.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Notes *(continued)*

23 Employee benefits *(continued)*

Net pension liability

	2022 £000	2021 £000
Defined benefit obligation	(57,390)	(58,932)
Plan assets	50,831	45,684
Net pension liability	(6,559)	(13,248)

	2022 £000	2021 £000
Movements in present value of defined benefit obligation		
At 1 April	(58,932)	(45,391)
Current service cost	(1,285)	(910)
Expenses	(34)	(37)
Past service cost		
Actuarial (losses)/gains due to scheme experience	(2,735)	1,272
Actuarial (losses)/gains due to changes in demographic assumptions	842	(198)
Actuarial (losses)/gains due to changes in financial assumptions	5,242	(13,657)
Interest expense	(1,307)	(1,065)
Contributions by members	(129)	(129)
Benefits paid	948	1,183
At 31 March	(57,390)	(58,932)
Movements in fair value of plan assets		
At 1 April	45,684	39,773
Interest income	1,021	946
Experience on plan assets	2,982	3,940
Contributions by employer	1,963	2,079
Contributions by members	129	129
Benefits paid	(948)	(1,183)
At 31 March	50,831	45,684
Amounts recognised in statement of comprehensive income		
Current service cost	1,285	910
Expenses	34	-
Net interest on net defined benefit liability	286	119
Total expense recognised in the statement of comprehensive income	1,605	1,029
Total expense recognised in other comprehensive income		
Actuarial gains/(losses) on assets	2,982	3,940
Actuarial gains/(losses) on liabilities	3,349	(12,583)
Total income/(expense) recognised in other comprehensive income	6,331	(8,643)

Notes *(continued)*

23 Employee benefits *(continued)*

Principal actuarial assumptions at the year-end were as follows:

	2022 %	2021 %
Discount rate	**2.79**	2.21
Future salary increases	**4.15**	3.87
RPI inflation	**3.49**	3.24
CPI inflation	**3.15**	2.87

In valuing the liabilities of the pension fund at 31 March 2022, 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: 21.6 years (male), 23.5 years (female).

Future retiree upon reaching 65: 22.9 years (male), 25.1 years (female).

24 Capital and reserves

Share capital

Group and Association

	2022 £	2021 £
Ordinary shares of £1 each at 1 April	**9**	9
Issued during the year	**1**	2
Surrendered during year	**(1)**	(2)
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.

Notes *(continued)*

25 Financial Instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2022 £000	Group 2021 £000	Association 2022 £000	Association 2021 £000
Assets held at fair value through profit and loss				
Listed investments	**46**	199	**46**	199
Unlisted investments	**586**	453	**586**	453
Assets measured at amortised cost				
Rent and service charge arrears	**6,924**	7,367	**6,924**	7,367
Other debtors	**32,831**	32,537	**32,831**	32,174
Liabilities measured at amortised cost				
Rents and service charges received in advance	**1,840**	928	**1,840**	928
Trade creditors	**1,085**	1,378	**1,085**	1,378
Bank loans	**137,077**	108,666	**137,077**	108,666
Deferred capital grants	**156,253**	154,940	**156,253**	154,940
Contractual agreements to fund past service pension deficits	**11,955**	-	**11,955**	-

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2022 £000	Group 2021 £000	Association 2022 £000	Association 2021 £000
Less than one year	**63**	11	**63**	11
Between one and five years	**383**	679	**332**	607
More than five years	-	-	-	-
	446	690	**395**	618

During the year, £258,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2021: £226,000)*.

27 Capital commitments

The aggregated number of contracts for capital expenditure not provided for at year-end was £42,078,151 *(2021: £52,914,523)*.

The aggregated amount of capital expenditure approved which has not been contracted for at year-end was £23,003,964 *(2021: £24,080,437)*.

The proposed financing of such expenditure is as follows:

	Group and Association 2022
Grant	**13,284,618**
Agreed loans	**28,793,533**
	42,078,151

Notes *(continued)*

28 Contingent liabilities

The Group has a contingent liability of £4,639,000 *(2021: £4,609,000)* in relation to recycled grant applicable to individual housing property components that have been replaced. This will crystallise on disposal of the property.

29 Related parties

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £1,489,702 *(2021: £1,159,413).*

Other related party transactions

Group and association	**Administrative expenses charged to 2022 £000**	Administrative expenses charged to 2021 £000	**Administrative expenses incurred from 2022 £000**	Administrative expenses incurred from 2021 £000
Spirit Regeneration & Development LLP	**68**	73	**9,736**	5,867
	Receivables outstanding £000	Receivables outstanding £000	**Creditors outstanding £000**	Creditors outstanding £000
Spirit Regeneration & Development LLP	**68**	73	**507**	371

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

30 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.

31 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 23. 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.

Notes *(continued)*

31 Accounting estimates and judgements *(continued)*

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 and SHPS pension scheme mortality assumption
The COVID-19 pandemic has led to significant changes in mortality (and likely morbidity) experience in the general population in 2020, 2021 and 2022 to date. In particular, it has led to a significant number of 'excess deaths' in the general population i.e. the number of deaths in excess of those expected if mortality rates had been in line with those observed in 2019. The current pandemic has made mortality experience over 2020, 2021 and 2022 to date highly unusual when compared to historical data, as well as possibly being unrepresentative of future mortality.

The exceptional nature of mortality in 2020 means that a "business as usual" update to the mortality tables used would have shown material falls in projected mortality improvements and cohort life expectancy.

As a result of this, Bernicia Group have not updated their mortality assumptions as at 31 March 2022 to reflect the potential effects of COVID-19. This is due to the lack of evidence on which to make an assessment of the pandemic's impact on longer term expectations. Bernicia Group expect to update these assumptions as further evidence arises over the longer-term impact of the pandemic on future mortality.