Bernicia Group

Report of the Board of Management and Financial Statements

Registered society number 7711

31 March 2023

Contents

Report of the Board of Management

Board

John Holmes (Chair)
A Tarn
A Pegg
X Setna
C Rewcastle
A Gibson
A Dunn
L Shearing
A Alden

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Janette Longstaff, Executive Director, Finance
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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 NorthEast 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 Tweed 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.

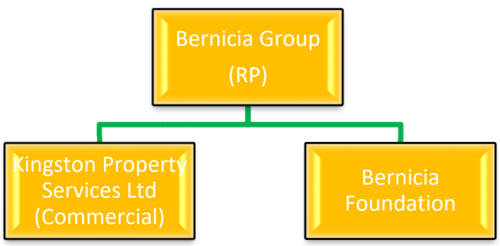
The Bernicia Foundation is the Group's wholly owned subsidiary with charitable objects and charitable status; registered with the Charity Commission under number 1190094. The Foundation enhances and consolidates Bernicia's approach to investment in its communities. The Board has agreed the priorities 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 2022/23 the Foundation allocated grants totalling £226,979 (2022: £192,534) 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.

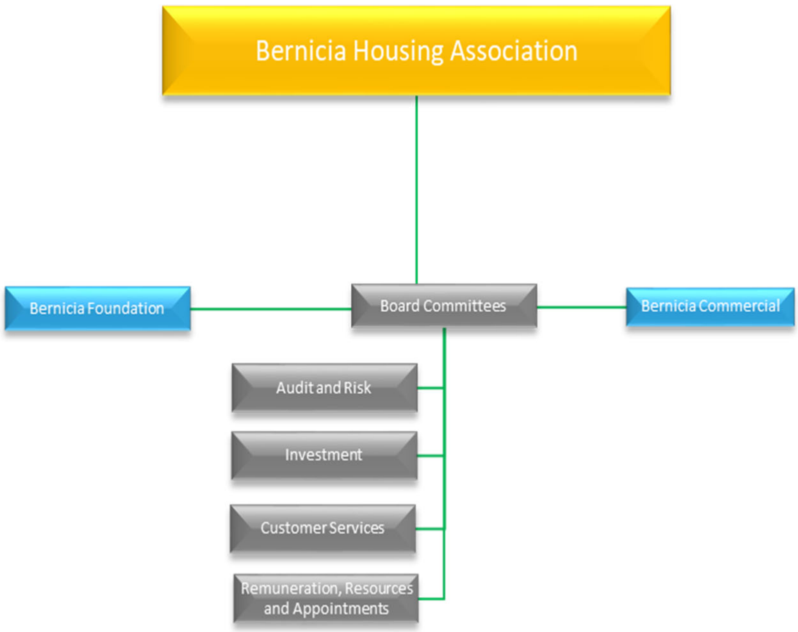


Report of the Board of Management *(continued)*

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 2022/23 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 (RRA) 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 15,600 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

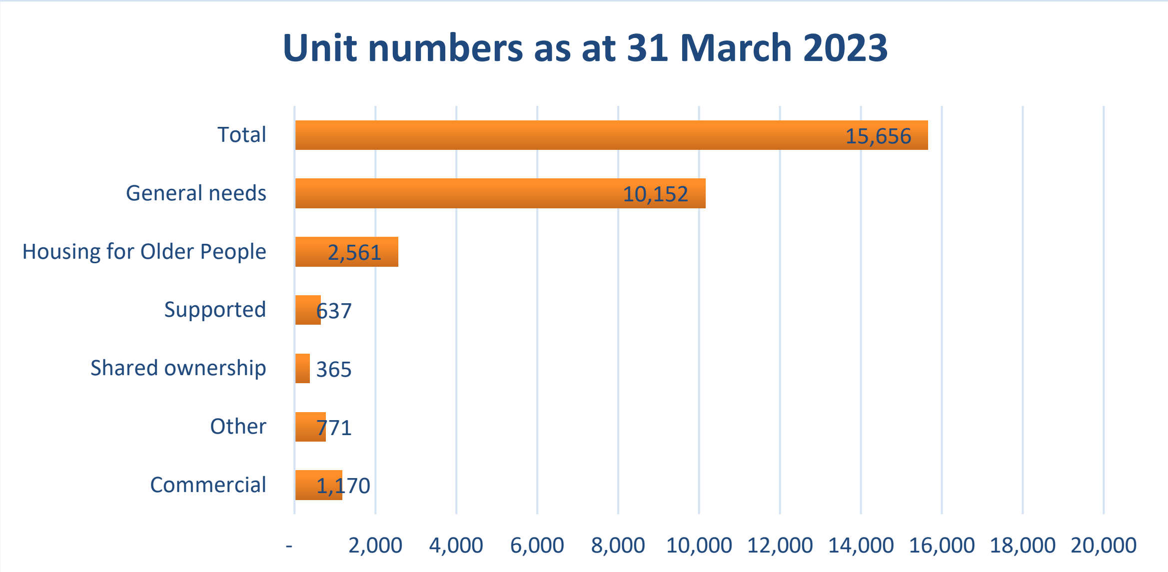
The Bernicia Foundation is a charity registered with the Charities Commission. It is managed by Trustees, appointed by the Group Board, for the purposes of meeting the aims and objectives of the charity. Bernicia Group funds the Foundation each year. The Foundation aims to improve the quality of life 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 further during the 2022/23 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 stabilised, with the pilot of hybrid working now embedded within the organisation. 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 broadly falling into one of two categories, namely Economic and Regulation (known and emerging).

The Building Safety Act 2022 came into force on 1st April 2023, with several pieces of secondary and supporting legislation (including the Fire Safety Act 2021 and Fire Safety (England) Regulations 2022) being introduced to support building safety. We have sustained good levels of investment to both understand and manage our assets through stock condition surveys, detailed investigations and in delivering our approach to building safety. We adopt a zero risk to landlord compliance and are well advanced in the delivery of our building safety programme.

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.

Homes England launched a new strategic plan in May 2023. This plan recognises and supports the need for regeneration and place making alongside new supply, placed based working driven by locally defined and led solutions, the need for long term partnerships and the importance of the quality of what is being delivered as well as the quantity. We welcome the key messages in this plan and hope that alongside enhanced devolution proposals for the North-East and strong existing partnerships and collaborative working, particularly with our Local Authorities that this can help deliver positive change for our communities.

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 are incorporated into our current Corporate Strategy.

The Future Homes Standard saw the introduction of new regulations from June 2022 aimed at improving the energy efficiency of new homes. This interim position 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 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 the risk of disruption to services with materials, sub-contractor, and labour shortages across a number of areas. This disruption during the year has impacted the sector's ability to deliver in some areas as a result of these resourcing and economic challenges. At Bernicia we continue to manage and mitigate these risks and to deliver quality service to our tenants.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment (*continued*)

Inflation (CPI) has increased during 2022/23, with 2023/24 rent increases capped for the majority of our tenants at 7% rather than being based on the September CPI rate of 10.1%. In June 2023 the rate had reduced to 7.9% and whilst our future plans do anticipate a reduction in comparison to recent levels, they still anticipate levels above the Bank of England's target of 2% in the short to medium term. 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 mandated our revolving credit facilities during the year and repaid some legacy debt, lowering our overall cost of borrowing and improving 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 remain focussed on our core business and have again delivered impressive operational performance results. We are very conscious of the impact on our tenants and wider communities, as well as our staff and have further 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 2023/24, potential national policy changes could further impact the sector.

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 continues to use its financial resources, intellectual expertise, and local knowledge to support the recovery effort in the North-East of England and to help build a stronger and better region.

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 continued 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 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.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

Key risks *(continued)*

- Remaining tuned into national, regional, and local strategies and plans.
- Setting realistic but challenging efficiency savings targets.
- Independent cyber security, ethical hacking and phishing and increased security.

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 the latest SHPS triennial valuations, whilst surpluses identified through the annual accounting review for LGPS are capped within the accounts to the extent by which they are deemed receivable. The risks presented by pensions are mitigated as follows:

- 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.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

- 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.

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 governance and financial position continues to remain strong, as reflected in our G1/V1 rating. This position of strength will assist Bernicia in managing the impact of the challenges it faces. Bernicia has made good progress in working towards the outcomes of the 2022 to 2026 corporate strategy with plans to continue to work with and listen to our tenants, 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, as confirmed during the Regulators In Depth Assessment that took place during the year. 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

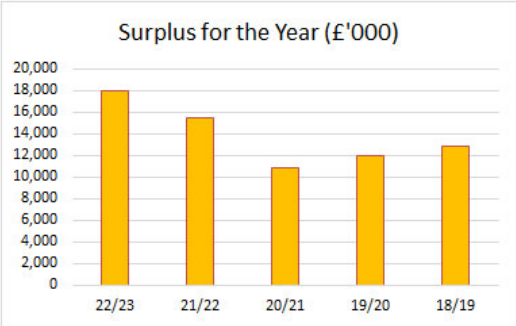
Statement of Comprehensive Income	**2023 £'000**	**2022 £'000**	**2021 £'000**	**2020 £'000**	**2019 £'000**
Turnover	84,392	78,661	75,994	75,424	73,899
Operating costs and cost of sales	(63,249)	(58,982)	(54,984)	(57,298)	(55,862)
Operating surplus	**21,143**	**19,679**	**21,010**	**18,126**	**18,037**
Net interest charge	(5,577)	(5,751)	(11,315)	(6,679)	(6,665)
Gain/(loss) on disposal of assets	2,375	1,770	1,286	728	1,739
Other finance (costs)/income	16	(272)	(97)	(203)	(228)
Movement in fair value of investment properties	20	126	42	(8)	(12)
Taxation	-	-	-	-	(2)
Surplus for the year (before pensions)	**17,977**	**15,552**	**10,926**	**11,964**	**12,869**

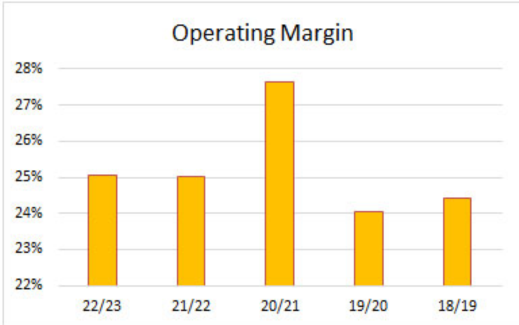
Statement of Financial Position	**2023 £'000**	**2022 £'000**	**2021 £'000**	**2020 £'000**	**2019 £'000**
Housing properties	479,355	466,652	447,549	442,159	434,700
Other fixed assets	15,936	15,665	15,410	15,750	15,721
Total fixed assets	**495,291**	**482,317**	**462,959**	**457,909**	**450,421**
Net current assets	25,317	30,095	12,714	30,334	36,318
LGPS Pension asset	3,628	5,857	415	340	3,340
Total assets less current liabilities	**524,236**	**518,269**	**476,088**	**488,583**	**490,079**
Creditors: amounts falling due more than one year	(306,537)	(294,720)	(264,807)	(282,647)	(289,584)
Provisions for liabilities and charges	(2,336)	(21,856)	(30,468)	(35,174)	(38,406)
SHPS Pension liability	(6,735)	(6,560)	(13,248)	(5,618)	(12,912)
Total net assets	**208,628**	**195,133**	**167,565**	**165,144**	**149,177**
Revenue reserve	208,628	195,133	167,565	165,144	149,177
Capital and reserves	**208,628**	**195,133**	**167,565**	**165,144**	**149,177**

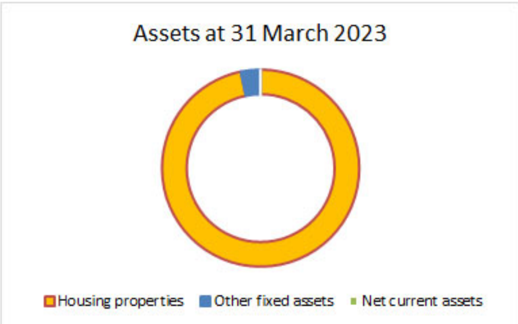
Asset data	**2023**	**2022**	**2021**	**2020**	**2019**
Social housing stock owned at year end (no.)	13,715	13,687	13,582	13,583	13,580
Non-social housing and other property types (no.)	1,941	2,206	2,253	2,321	2,500
Average existing use value (EUV-SH) per unit (£)	34,845	32,153	31,503	28,416	28,874

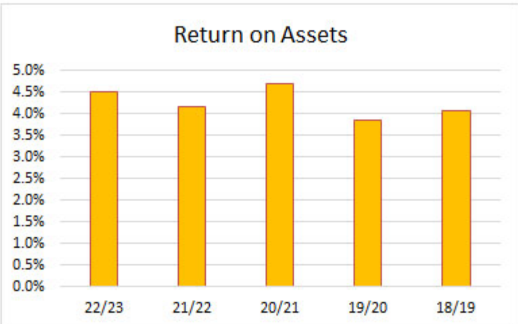
Report of the Board of Management *(continued)*

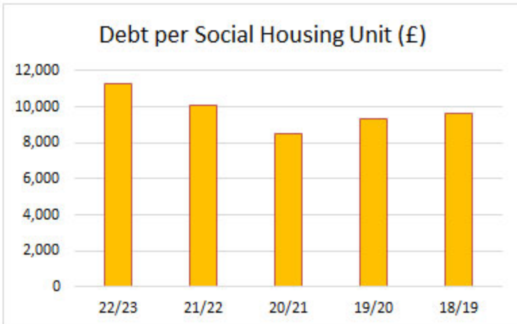
The year under review (continued)











Financial position

The Group's consolidated statement of comprehensive income for the year ended 31 March 2023 is shown on page 43 of the financial statements, and its consolidated statement of financial position as at 31 March 2023 is shown on page 45.

The Group was able to deliver a strong result, generating a surplus after tax and before actuarial losses or gains on pension schemes of £17.98million (2022: £15.55million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective.

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

Report of the Board of Management *(continued)*

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 50 to 56. 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 2023, the Group owned 13,715 and managed a further 107 social housing properties (2022: owned 13,687 and managed 108).

The Group holds its housing properties at cost. As at 31 March 2023, the carrying value of housing properties is £479.36million (2022: £466.65million). Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated unaudited value of secured and unsecured properties is £541.8million (2022: £511.3million).

Following a review of the housing stock, no property impairment has been recognised in the year (2022: nil).

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

Other freehold land and buildings

Other freehold land and buildings includes garages, commercial properties and office buildings owned by the Group. Following the annual review, no impairments have been recognised in the year (2022: nil).

Cash flow statement

Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 49 of the financial statements.

The Group generated a cash inflow from operating activities of £25.0million (2022: inflow £24.0million). The overall cash inflow in the financial year was funded mainly by operating activities and new loan financing, social housing grant of £1.3million (2022: £5.4million) and property sales of £3.8million (2022: £3.3million). Cash inflows in respect of financing was £9.8million (2022: inflow £17.9million), capitalised expenditure £29million (2022: £27million), resulting in a net increase in cash of £10.1million (2022: increase of £22.5million).

Cash at bank and in hand increased to £39.4million (2022: £29.3million), following the drawdown of £25million, from the third of a three notes series private placement.

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 £13.5million (2022: £27.6million), the Group's reserves amounted to £208.6million (2022: £195.1 million) at 31 March 2023.

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 2023, the Group had drawn loans totalling £155.6million (2022: £139.8million) and available undrawn credit facilities of £60million (2022: £97million). Cash equivalents held at the year-end totalled £39.4million (2022: £29.3million).

Funding
Existing borrowing arrangements include two undrawn revolving credit facilities (RCF's) totalling £60million, following the re-financing of the existing £50million RCF during the year. The final of three notes that were mandated on 18 September 2020 as part of a private placement (PP) of £75million with Legal and General Investment Management was drawn during the year. These financing initiatives are part of Bernicia's on-going commitment to achieve value for money through its funding and ensure strong headroom and capacity moving forward. A private credit rating supports the financial strength of the Group.

Debt Repayment Profile
The Treasury Strategy ensures that the Group spreads the repayment and refinancing of loans. The Group has repayments of £7.9million (2022: £10.9 million) due over the next five years and has facilities in place to undertake this. A further £147.7million matures after year 5, representing 95% of total debt (2022: £128.9million, 92.2%).

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 2023, 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 2023, and in accordance with the Board approved strategy, 99% (2022: 97%) 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. 2022/23 was the first year of our new corporate strategy that was developed and approved by Board, building on our previous strategy. The 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 were refreshed and updated in the new corporate strategy, and are as follows:

Report of the Board of Management *(continued)*

Value for Money (continued)

Bernicia's corporate strategy and VFM (continued)

- Listening and delivering exceptional services
- Investing in homes and neighbourhoods
- Demonstrating organisational effectiveness and inclusivity
- Working collaboratively to support the North-East region

Performance against our corporate strategy 2022 to 2026 objectives, that were set at the beginning of the corporate strategy period, is set out below.

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

Priority one – Listening and delivering exceptional services

Key action and targets	Bernicia Target 2024	Bernicia Target 2023	Bernicia 2023	Bernicia 2022	Bernicia 2021
Customer satisfaction with overall service	82%	n/a	81%	90%	90%
Segmental Analysis of satisfaction and complaints	n/a	n/a	Underway	n/a	n/a
Tenants confirm compliance with the Bernicia Promises	Published	Published	Published	Published	Published
Triennial external review of tenant engagement	Completed	n/a	n/a	n/a	Completed

Customer satisfaction – The Business Plan target was set in November 2022 for 2023/24, after the results of the STAR survey were available. The results of the survey were discussed by our Customer Services Committee in July and by Group Board at its August meeting and show 81% of respondents are satisfied with the overall service provided by Bernicia. The Customer Services Committee considered a range of sector benchmarked information, alongside comparators from other industries and felt Bernicia continued to compare favourably. The Committee recommended an overall satisfaction target of 82% for the forthcoming year, which was felt to be challenging but realistic and may be reviewed against new Tenant Satisfaction Measures (TSMs) to ensure this remains appropriate.

Satisfaction measures are a combination of externally assessed STAR survey responses and regular internal surveys. The Regulator of Social Housing is consulting on a range of new Tenant Satisfaction Measures, and it is anticipated that our satisfaction measures and targets will change to reflect this.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority one – Listening and delivering exceptional services *(continued)*

Satisfaction with repairs exceeded target, an excellent achievement given the importance of this service to our tenants and the external challenges impacting this area of the business. Satisfaction with major repairs was adversely affected by difficulties in engaging and managing certain contractors. The contractual arrangements that resulted in higher levels of dissatisfaction have now ceased. We also worked closely with tenants to mitigate the impact of the associated delay, inconvenience, and quality.

Segmental analysis - A project to obtain more detailed Tenant profile information to support this key success factor is underway and the recent introduction of a new IT platform will also support analysis. Once key areas are established the project will set targets for % profile information to be obtained.

Tenants annual report to Board on compliance with the Consumer Standards – A consultation exercise with tenants has been undertaken with improvement areas identified and the report confirming compliance submitted to Board.

External validation of tenant involvement/engagement - To be undertaken in 2024/25 in line with the agreed programme.

Priority two – Investing in homes and neighbourhoods

Key action and targets	Bernicia Target 2024	Bernicia Target 2023	Bernicia 2023	Bernicia 2022	Bernicia 2021
Good stock condition data	22%	20%	12%	100%	100%
Full suite of health & safety indicators					
Valid gas certificates	100%	100%	99.80%	99.69%	99.87%
Valid solid fuel / oil certificates	100%	100%	98.73%	97.96%	98.10%
Electrical testing	100%	100%	99.85%	99.48%	99.98%
Water hygiene	100%	100%	96.95%	98.79%	100%
Asbestos	100%	100%	99.17%	100%	98.40%
Fire risk assessments	100%	100%	100%	100%	100%
Passenger lifts	100%	100%	100%	100%	100%
90% of homes at least SAP - C (73) by end of strategy period	72.34	72	72.06	71.82	71.55
New homes start on site (cumulative) 2018/22 Strategy	-	-	-	486	379
2022/26 Strategy	261	113	124	-	-

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes and neighbourhoods (continued)

Bernicia has good stock condition data and uses it to drive satisfaction - We continue to have 100% decent homes compliance and our 5 yearly external stock review was last completed in 2021. We have slightly fallen behind our annual stock condition survey target of 20% due to human resource (inspectors) being redirected to damp and mould inspection work. We consider that with our exceptionally high-quality stock information, this does not present a risk and surveys will be caught up over the course of the strategy period.

Full suite of Health & Safety Indicators - 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.

The red trigger for the asbestos metric relates to two properties outstanding at the end of the period due to access issues which were not caused by the tenant. This was reported to Board members during the year and has subsequently been completed with updated processes and procedures in place to mitigate the risk of this happening in the future. We have a rolling programme of internal audit reviews across landlord compliance areas, the latest reviews confirm all areas as Substantial Assurance.

Percentage of homes at least SAP-C - We are on track to achieve this by the end of the strategy period. We have accelerated our improvement plans with recent funding helping investment in retrofit works.

New homes - In view of market conditions, the target was reduced to 522 over the life of the strategy. The build profile is on course to achieve this, with cost metrics all being under control despite very challenging circumstances.

Priority three – Demonstrating organisational effectiveness and inclusivity

Key action and targets	Bernicia Target 2024	Bernicia Target 2023	Bernicia 2023	Bernicia 2022	Bernicia 2021
Retain regulatory compliance	G1/V2	G1/V2	G1/V1	G1/V1	G1/V1
Retain IIP gold accreditation	Gold	Gold	Gold	Gold	Gold
Annual assessment of ED&I action plan	Complete	Complete	Complete	n/a	n/a
Meeting financial targets					
Golden rule compliance	Compliant	Compliant	Compliant	Compliant	Compliant
Strategies fully funded	Funded	Funded	Funded	Funded	Funded
Improved covenants	n/a	n/a	On-going	n/a	n/a
More commercial return	£1,500k	£1,200k	£1,467k	n/a	n/a

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority three – Demonstrating organisational effectiveness and inclusivity (continued)

Retain regulatory compliance – G1V1 regulatory standards achieved in the IDA 2023. A range of supporting codes and accreditations are in place to ensure ongoing compliance.

Retain IIP gold accreditation – Achieved in the recent assessment carried out in 2023 with further improvements record, including advanced level achieved for all nine indicators.

EDI Action Plan - We have been undertaking data collection to support segmental analysis. The recent introduction of a new IT platform will help this. Continuous progress against the wider action plan was reported to Board in February 2023.

Meeting financial targets – We continue to achieve our golden rules (internal financial metrics), have fully funded strategies, and continue to work towards improving our covenant position through increased headroom.

In anticipation of growth in our commercial activities, especially Open Spaces, we made investment in our commercial company's structures and systems which meant that although the company continued to be profitable, it did not show profit growth for the past year. In many ways Kingston is a “victim of its own success” it tripled profit levels in 10 years (from £497k to £1,542k in 2021/22) and has doubled them in the last 5 years. The slight reduction in profits from the previous year reflected conscious decisions by board to invest in the business in order to effectively absorb the anticipated forward growth pipeline.

Priority four – Working collaboratively to support the North-East region

Bernicia welcomes the opportunity to work collaboratively with other like-minded partners and will seek to influence and deliver plans aimed at improving the North-East of England region. By growing its knowledge and understanding of the communities and markets it serves, Bernicia will position itself to promote and champion the needs of its current and future tenants. To evaluate delivery on this objective it is important to refresh how we are perceived by our stakeholders.

Positive stakeholder perception report – The external stakeholder survey is currently in progress and results will be reported to Board in 2023/24.

Delivering social value (£15m over the strategy period) - 2022/23 figures are being independently verified by the Housing Associations Charitable Trust (HACT) and will be reported to RRA committee in September 2023. The activities we have undertaken and are currently delivering lead us to be confident of achieving this outcome.

Affordability of rents – 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.

Board receives the assessment each year with the latest assessment demonstrating affordability along with the reviewed rent policy and rent plan being approved by Board in February 2023.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority four – Working collaboratively to support the north-east region (continued)

Funding added value initiatives – 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.

In 2023, our focus has been very much on helping our tenants sustain their tenancies whilst dealing with on-going cost of living crisis resulting from the turbulence within the wider economy. Examples of our added value work during 2022/23 included:

Our Intensive Housing Management Team achieved a 67% success rate in successful tenancy outcomes. This meant 305 tenants were helped to sustain their tenancy, which without this help may have failed. Just over £172,000 was secured in personal gains for tenants.

During 2022/23, 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, 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.

Our Learning Hives and the North of Tyne Working Homes programme, supported 609 individuals who accessed services which included over 1100 employability sessions with 106 CV's and 6 people into work. 16 Specialist programmes are underway to provide aspiration, skills and jobs for people with barriers to employment. In addition, over 60 people attended a workshop to access an intensive training programme with a job opportunity with Akzo Nobel, 12 of which were selected for the course and possibility of a qualification. Of the 4 available vacancies, 3 were filled by Bernicia tenants.

Separately over 1,500 young people took part in a Career Ready Programme with advice and mentoring provided across subjects such as CV writing skills and mock interviews.

Loneliness and isolation continue to be high on our radar. We have continued our check in and chat service, with activity focused around vulnerable tenants typically handling around 200 calls per week. In addition, community engagement has continued both within our retirement housing schemes and estate-based community facilities that Bernicia owns and funds which provide a range of social activities and employability support.

A number of activities have taken place with young people with 100 regular active participants in group sports activities, including respect and knife crime training courses.

To help people remain in their homes over 600 aids and adaptations were fitted.

This year saw The Bernicia Foundation award grants of £226,979 to inclusion projects and inspirational young talent in the region.

Report of the Board of Management *(continued)*

Value for Money (continued)

Key financial ratios

Historically the Group has reported performance against a number of key financial ratios covering growth, profitability, and our ability to service debt. The table below sets out the changes over the last three years.

Key financial ratios	2023	2022	2021	2020
Growth				
➢ Growth in turnover	7.29%	3.51%	0.8%	2.1%
➢ Growth in total assets	2.24%	7.0%	(4.5%)	3.8%
➢ Growth in total debt	12.17%	20.4%	(18.7%)	7.4%
Profitability				
➢ Effective interest rate	3.9%	4.1%	5.9%	4.7%
Debt servicing ability				
➢ Adjusted net leverage	30.9%	24.4%	25.2%	25.7%
➢ Debt to turnover	1.84	1.76	1.5	1.9

Growth
Growth in turnover of 7.3% was driven by three separate revenue streams in the year. Income from social housing activities was 7% higher than that of the previous year. Rental and service charge income increased by £3,190k to £65,287k (2022: £62,098k), c5%, from rent increases in line with those allowed by the rent standard and income from new properties. In addition, first tranche low-cost home ownership sales were £1,135k higher at £2,922k (2022: £1,787k), c63%, with reciprocal increases in cost of sales. Finally, the Group's commercial activities continued to generate strong revenues. Turnover for 2023 increased by £662k to £6,392k (2022: £5,730k), c12%, favourably contributing to the Group's overall growth in turnover.

Growth in total assets reports a year-on-year increase of 2.24% (2022: increase of 7%). Property, plant, and equipment assets have increased by £13m during the year as new supply units were added to the statement of financial position. Net current assets have decreased by £4.8m. Cash balances at the year-end increased by £10.1m whilst housing properties held for sale (stock) decreased. The Group accessed the 3rd and final tranche of the LGIM Private Placement during the year which contributed to the increase in cash balances.

The Group's growth in total debt of 12.2% reflects the net impact of this drawdown and the repayment of some smaller legacy debt.

Profitability ratios
The Group's effective interest rate decreased by 0.2% to 3.9% as a direct result of the settling of fixed rate debt in the prior year and final drawing of the private placement.

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.

Report of the Board of Management (*continued*)

Value for Money (continued)

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

Demonstrating Bernicia's continued emphasis on value for money and understanding its performance, the following sections 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 2023 results have been compared to the 2022 Global Accounts median VFM metric results with commentary provided where appropriate, it should be noted that 2022 and previous years continue to be, in financial terms, anomalous years due to COVID-19 and the subsequent changing economic landscape.

Business health

Global Accounts VFM Metrics [1]	Bernicia 2024 Target	Bernicia 2023 Target	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Global Accounts 2022 Median	Global Accounts 2022 local peer group Median
Operating margin – overall	16.9%	24.0%	25.1%	25.0%	27.7%	20.5%	21.3%
Operating margin – social housing lettings	19.4%	27.7%	28.3%	26.2%	29.6%	23.3%	21.8%
EBITDA MRI interest cover	192.0%	190.3%	227.1%	272.1%	192.5%	145.7%	201.0%

Operating margin – overall - the 2022 global accounts median across the peer group was 21.3%. Bernicia had an operating margin of 25.0% for 2022 which would have positioned the Group fourth highest within its peer group in 2022. When compared to the 2023 target, the operating margin exceeded expectations. During the year staffing costs were significantly lower than budgeted due to vacancies, with lower costs in bad debts, depreciation, additional income through sundry and other income, and amortisation positively impacting surplus. Furthermore, Bernicia's commercial company Kingston Property Services outperformed budget expectations. All of these factors contributed to the higher operating margin and have also favourably impacted on a number of the other value for money metrics reported in the following sections.

Operating margin – social housing lettings - the 2022 median for the peer group was 21.8%. In 2022 Bernicia ranked 4th highest with a margin of 26.2%. Margins in the peer group ranged from 15.1% to 28.2%. Bernicia's 2023 result of 28.3% when compared to the in-year target of 27.7% 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 2023 performance exceeding the 2022 Global Accounts median and falling into the upper quartile of the peer group. While underlying performance remains consistently strong as highlighted in the operating margin above, EBITDA MRI for 2023 has reduced when compared to the prior year, this is mainly due to an increase in expenditure for property assets, particularly in respect of the investment programme.

[1] 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[2]	Bernicia 2024 Target	Bernicia 2023 Target	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Global Accounts 2022 Median	Global Accounts 2022 local peer group Median
New supply delivered – social housing units	82	135	116	167	78	105	158
New supply delivered – social housing %	0.6%	0.9%	0.8%	1.2%	0.5%	1.4%	1.2%
New supply delivered –non-social %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	26%	25.2%	23.9%	23.4%	24.1%	44.1%	42.4%

In 2023, Bernicia delivered a new supply of Social Housing accommodation totalling 116 units comprised of 102 affordable rent units and 14 low-cost home ownership units.

Bernicia's Corporate Strategy, in which the Group originally targeted 600 units to start on site, has been revised to reflect current economic conditions and now expects to deliver 522 additional new starts on site, over and above the previous strategy commitment.

Bernicia continues to deliver appropriate housing accommodation, to meet local demand and strengthen communities. Whilst 2022 performance is in line with that of the regional peer group for the same period, actual performance has reduced during 2023. This has primarily been associated with delays on-site, particularly in respect of planning, which is prevalent across the house building sector presently.

Bernicia's Gearing is low when compared to other providers. As such, gearing relating to 2022 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. 2023 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 capital expenditure during the year.

[2] 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[3]	Bernicia 2024 Target	Bernicia 2023 Target	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Global Accounts 2022 Median	Global Accounts 2022 local peer group Median
Reinvestment %	7.5%	7.2%	5.4%	6.8%	4.1%	6.5%	6.8%

In 2022/23, Bernicia made a combined investment in existing stock and new stock of £26.1m (2022: £31.8m), with £11.5m (2022: £21.1m) invested in the new supply of properties and £14.6m (2022: £10.7m) invested in existing properties. This represents a reinvestment of 5.4% 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 over the last few years as a direct consequence of the pandemic. Capital expenditure for 2022 was £12.1m, the equivalent expenditure for 2023 was £14.4m.

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 requirements of both the current Corporate Strategy and its predecessor.

With a total spend of £21.1m on the development of new properties in 2021/22, the 2022 Global Accounts position Bernicia as fifth highest investor in new housing accommodation out of the eleven in the peer group.

The 2022/23 results report a lower total spend on new supply of housing accommodation of £11.5m. As previously mentioned, this is primarily due to delays in progressing sites through planning and on-going pressures in this area, relating to labour and material shortages and subsequent price increases.

[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)

Effective Asset Management

Global Accounts VFM Metrics[4]	Bernicia 2024 Target	Bernicia 2023 Target	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Global Accounts 2022 Median	Global Accounts 2022 local peer group Median
Return on capital employed (ROCE)	2.8%	3.9%	4.52%	4.19%	4.69%	3.2%	3.6%
Ratio of responsive repairs to planned maintenance	61.38%	57.51%	71.47%	58.02%	69.4%	65.3%	78.1%

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 21.

The Return on Capital Employed at 4.19% for the year 2021/22 was within the top quartile when compared to the 2022 Global Accounts national group and upper quartile in the regional peer group data set. Bernicia was 2nd 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 2022/23 report a Return on Capital Employed of 4.52%, which is not dissimilar to previous year's performance against this metric.

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 2021/22, Bernicia's ratio of responsive repairs to planned maintenance was 58.02%, meaning for every pound spent on planned maintenance, Bernicia spent a further fifty-eight pence on responsive repairs. The results for 2023 report that Bernicia spent 71.47% on responsive maintenance when compared to planned maintenance which is an increase on the prior year (58.02%), however, it should be noted that responsive repairs has been significantly impacted by cost inflation for both materials and sub-contractors, additional spend in relation to storm damage and labour shortages associated with trade staff.

Strategic asset management
Our property and assets are crucial to our long-term business plans. Our updated Asset Management Strategy continues to be informed by 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.

[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)

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 take 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 2022/23 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[5]	Bernicia 2024 Target	Bernicia 2023 Target	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Bernicia 2021 (Group)	Global Accounts 2022 Median	Global Accounts 2022 local peer group Median
Headline social housing cost per unit (CPU)	£4,454	£4,162	£4,086	£3,696	£3,212	£4,150	£3,750
Management CPU	£871	£756	£743	£721	£672	£1,133	£729
Service charge CPU	£542	£389	£431	£366	£364	$471	£366
Maintenance CPU	£1,398	£1,282	£1,345	£1,219	£1,098	£1,232	£1,227
Major repairs CPU	£1,159	£1,240	£1,186	£1,098	£751	£921	£986
Other social housing CPU	£484	£495	£381	£292	£327	£203	£116
Overheads as a % of turnover	-	-		7.37%	7.71%		

As reported in the 2022 Global Accounts, Value for Money Annex, the North-East region has one of the lowest headline costs per unit. Bernicia's headline social housing cost per unit for 2022/23 was £4,086 which shows an increase of £390 (10.6%) from the 2022 reported figures. The largest increase is in respect of Maintenance and is due to a continued increase in demand on both our Repair and Void services. Additional inflationary pressures continue to be a factor resulting in rising costs, this is being compounded by more reliance on sub-contractors due to some vacant trade posts due to shortages in the labour market. Expenditure on major repairs reflects the requirements of our stock as determined by our 100% validated, stock condition survey.

When compared to the 2022 Global Accounts, Bernicia's cost per unit for 2021/22 was £54 per unit lower than the regional peer group median. For 2022/23, headline cost per unit was £336 higher than the peer group. Given the current economic and operating environment, caution should be taken when comparing the prior year position. We anticipate that the headline cost per unit will be broadly comparable to the 2023 peer group median.

Included in the other cost per unit metric are the costs associated with the collection of water rates on behalf of Northumbrian Water. In 2022/23 water rate costs were £220 per unit. Excluding these from the calculation, Bernicia's other cost per unit would have been £161. It should be noted that the water rates are not applicable to all nationally or in the peer group.

Future plans

2022/23 represented the first year of the 2022/26 Corporate Strategy that was approved by Board on 18th January 2022 and built on the key themes and objectives of its predecessor.

Whilst Bernicia's business plan has been updated to reflect the economic environment which continues to be challenging, we continue to focus our work around the four strategic objectives identified within that strategy.

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.

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

Report of the Board of Management *(continued)*

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 in initiatives that support levelling up and focus on aspiration and confidence building, training and employability.

Whilst continuing to deliver on the commitment of delivering 600 new housing units from the previous strategy, the additional 600 units that were planned as part of the 2022/26 Strategy have been reduced to 522 over the period, reflecting the increasingly challenging economic climate. This investment will 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 housing properties are 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 the provision of high quality leasehold block and open spaces management and estate agency services, and the professional management of private rented accommodation portfolios.

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 regional, national, and wider world events. This operating environment and changing requirements of the sector were all considered in the development of the strategy.

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 strategy period was committed to support enhanced community investment activities focused on economic and social inclusion. Our first draft Environmental, Social and Governance (ESG) report was completed for the 2021/22 financial year which we will continue to build on with the aim of publishing this externally.

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 Tenant Voice Panel is an integral element of 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 segmented. This is the insight used to put customer's needs, expectations and 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.

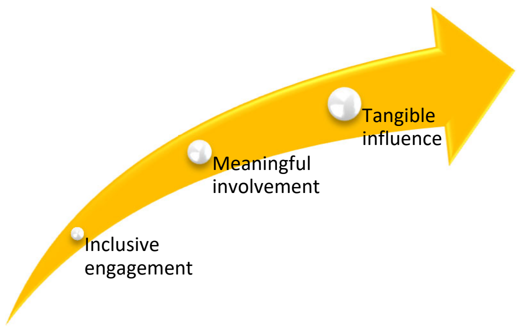
Embedded within Bernicia's values and culture exists a longstanding tradition of listening to and acting on the tenant voice. A deep dive assessment of Bernicia's engagement and involvement arrangements by national experts tpas confirmed that Bernicia is a listening organisation that puts tenants at 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 adopted, collaborative co-regulatory approach is authentic, effective, and robust.

Bernicia was chosen by the Regulator of Social Housing to take part in the first wave of consumer inspection pilots. The pilots are designed to enable the Regulator to test and refine its approach to inspections, before rolling them out in April 2024.

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:



Report of the Board of Management *(continued)*

Tenant involvement *(continued)*

The organisation has been forward thinking in its approach to bringing together insight and involvement – this ensures that insight can be used to hear the 'non-vocalised customer experience' and thus inform the work of the more formalised customer involvement outcomes and impact. This ensures a much more transparent and accountable framework that includes the vocalised and non-vocalised experiences of Bernicia customers.

tpas Review of Customer Involvement – 2021

The year in review

The following is a statement written by the Tenant Voice Panel and is taken from the Tenants' Annual Review 2022/23.

Tenant statement

Undertaking an annual review provides a fantastic opportunity to look back over the past year. As with our lives, it's only when we stop to reflect that we have a true appreciation of the positive contribution involved tenants make in championing the voice of customers and making sure Bernicia delivers the promises it has made.

Throughout the year we've contributed to service reviews of allocations and lettings and the management of vacant properties. Additionally, we've been involved in customer journey mapping of the repairs service and even met with the Regulator of Social Housing about the new proactive approach to consumer regulation.

Long before the news broke about the tragic death of Awaab Ishak, we were busy working on a consolidated approach to tackling damp, condensation, and mould. We'll continue to play an important role in monitoring performance in this area.

As well as our projects, business as usual continued with the scrutiny of performance and tenant feedback, which again makes us well placed to comment on Bernicia's performance, culture and relationships with tenants during 2022/23.

All of this work took place while we transitioned to our formal Tenant Voice Panel, chaired by Sheila Capuano, which alongside our Customer Feedback Panel sits firmly within Bernicia's governance structure.

Home

Whilst we can't remember a year that hasn't been challenging, 2022/23 was certainly near the top. The repairs and maintenance service was no exception, facing difficult times through both legacy and new issues. The soaring costs of materials and the scarcity of labour, coupled with backlogs caused by adverse weather and COVID-19, placed immense pressure on responsive and planned repairs.

Then, just as there appeared to be a slight improvement in market conditions, increased awareness of damp, condensation and mould resulted in higher call volumes placing additional pressures on resources.

Resources had to be redirected to meet shifts in demand which, inevitably, resulted in longer waiting times for non urgent repairs and the turnaround of vacant properties. However, we are pleased there was no need to suspend any services.

Report of the Board of Management *(continued)*

Tenant statement *(continued)*

Despite these challenges Bernicia managed the impacts on and expectations of tenants. This is reflected in good performance relating to emergency repairs, appointments made and kept and satisfaction levels.

As always, the health and safety of tenants and their homes remained paramount. A real collaborative approach is used to make sure necessary checks and inspections are undertaken within timescale but, importantly, with customer care at the forefront of delivery.

Tenancy

The cost of living crisis has affected everyone, but this has and continues to be particularly hard for low income households.

A good home is fundamental to wellbeing, and we've been absolutely clear that Bernicia must continue to help tenants live well in their homes. Performance shows Bernicia has worked with tenants facing difficulties paying their rent through empathy, advice, and signposting. Rent collection and arrears levels and the lower number of evictions demonstrate what this approach has achieved.

The work of the Intensive Housing Management Team has supported many tenants to sustain their tenancy. This was achieved through practical advice and guidance, the use of flexible support budgets and securing personal financial gains. A helping hand, at the right time can make a really big difference.

We know Bernicia is financially strong and we are pleased to report that appropriate funds have been made to support tenants facing hardship.

Operationally, longer relet times continued to be a focus for us. Whilst we can't overcome the difficulties market conditions impose, our review of the management of vacant properties found that by repositioning resources and making changes to processes there are opportunities to help reduce the time properties are empty.

Our involvement in the review of allocations brings forward options to ensure that demand for property remains healthy and applying for a new home is easy, inclusive, and simple.

Neighbourhood

This is the first year of new grounds maintenance arrangements. A larger proportion of this work is now carried out by the in-house team and, stronger contractor management arrangements are in place for the remainder.

Our work continued throughout the year in setting up performance measures and targets in this area and designing information for tenants so that we are clear what services, and to what standard, we can expect for maintaining communal and landscaped areas.

There has been a decrease in complaints and an increase in positive feedback about communal landscaping this year, which shows that the arrangements are having a positive impact.

We are really pleased to learn that the Estates Team was supplemented by six 'New Start' participants, five of whom went on to permanent employment. Three of which joined the in-house team.

Good work continued throughout 2022/23 in preventing and tackling anti-social behaviour. Through performance information we have evidence that tools, such as injunctions and enforcement, are effectively used in serious cases. We also have assurance that victims are

Report of the Board of Management *(continued)*

Tenant statement *(continued)*

respected and supported during cases which can, sometimes, require the bravery and courage to come forward with evidence.

Dealing with anti-social behaviour often involves safeguarding and we know that the correct policies and procedures are in place, and adhered to, to protect children and vulnerable adults.

It would be remiss not to mention the good work of the Community Investment Panel who have allocated funds to support cohesive, community activities and projects.

Customer experience

We've all changed over the last 2 to 3 years. Like everyone tenants want value for money, easy access to services and quicker delivery. In doing so, tenants consistently reaffirm their wish to be treated as individuals.

Given the challenging times, quicker delivery hasn't been an easy expectation to meet, particularly, with regards to repairs which is the most used and important service to tenants.

To fully understand the end-to-end repairs journey we've been involved in a mapping exercise that identified which processes do and don't provide a good customer experience. This forms a blueprint for improving the way we do things now, but more importantly informing the design of a brand new Customer Relationship Management (CRM) system that will be built around customers and colleagues.

This is part of a Customer Service Excellence programme which also includes colleague refresher and enhanced training.

Complaints continue to be an extremely valuable source of feedback. In dealing with complaints it is consistently apparent that customers want a speedy, outcome focused resolution. In response to this we have, in collaboration with the Customer Services Committee, reviewed and revised the complaints process from three stages to two. We look forward to the implementation of this along with the introduction of a new case handling system being built as the first module in the new CRM system – Salesforce.

Overall, in 2023, through solicited and unsolicited feedback, we've heard close to 12,000 customer voices.

We welcome the introduction of the new Tenant Satisfaction Measures and the intention to introduce proactive consumer regulation, both of which will strengthen landlord's accountability to tenants and build greater relationships and trust.

In summary

Looking back over 2022/23 we're confident that Bernicia continues to meet whatever challenges come along as well as having the determination and resilience to minimise the impact of these on tenants and customers.

Through the information we have available and can request, we are able to confirm that Bernicia has delivered against its service standards and continues to meet regulatory requirements and expectations during 2022/23.

In conclusion, people are safe in their homes, homes are well maintained, estate and neighbourhood services are delivered, properties are allocated fairly, rents are collected, and customers remain at the forefront of decision making and service delivery.

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 undertaken in 2021/22. This exercise is revisited every 3 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.

The annual ongoing scrutiny by the Tenant Voice Panel, themed around the Consumer Standards, serves as a continual check of performance against Regulatory requirements.

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 2022. 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 2022 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 remains G1.

As part of Bernicia's continuous improvement culture, a Governance Improvement Plan captures actions identified from the triennial external review of governance and internal annual reviews. Progress against actions is overseen by the RRA Committee with reporting to Group Board. There are currently no outstanding actions on the Governance Improvement Plan.

We seek to reflect the communities we serve within our governance structure and take part in the National Housing Federation equality, diversity and inclusion data gathering to learn more about representation within our organisation. In line with our Code of Governance, we publish data externally on representation on our Group Board. We have worked hard to ensure we have a diverse Group Board with the right skills to oversee our business. Diversity is a continued focus when we consider Board succession planning and recruitment.

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 38. A brief description of the role of the Board is provided below, followed by a statement regarding the Association's internal controls on pages 34 to 36.

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 two strategy and planning days, setting and monitoring the strategy and performance, ensuring adequate funding and formulating policy on key issues.

The Group has four committees, Audit and Risk, Investment, Customer Services and Remuneration, Resources and Appointments, each having delegated to them, some of 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 a pivotal tool 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: Probity Framework, Governance Framework, Standing Orders, Financial Regulations Policy, Delegated Financial Authority Policy, Audit Policy, Confidentiality Policy, Whistle Blowing Policy, Anti-Fraud and Corruption Policy, Information Governance Framework, Standards of Behaviour/Code of Conduct, Health and Safety Policy, Business Continuity Strategy and Policy.

Risk Maps - A Strategic Risk Map, Executive Risk Map, Commercial Risk Map, Foundation Risk Map and suite of Operational Risk Maps 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 2022/23 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: Electrical Safety, NNC Testing: Financial Controls and Payroll, Insurance Claims and Estate Inspections, Grey Fleet, Lone Working and Lift Servicing. Meanwhile Emergency Repairs and Health and Safety (Employer) received a reasonable assurance rating, with Non-Negotiable Controls Validation, Follow-Up and Health and Safety (Employer) Follow Up all advisory audits, with no medium or high-level actions identified.

The annual audit opinion was the second highest possible rating and stated: "The organisation has an adequate and effective framework for risk management, governance, and internal control. However, our work has identified further enhancements to the framework of risk management, governance, and internal control to ensure that it remains adequate and effective."

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 95.3% 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.

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. People related analytics are analysed regularly to determine and respond to any adverse trends. RRA committee receive a bi-annual performance report to maintain board oversight.

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

Slavery and Human Trafficking – We continue to publish an annual statement pursuant to Part 6 Section 54 of the Modern Slavery Act 2015 that sets out the steps that Bernicia takes to mitigate the risk of modern slavery or human trafficking in our business or supply chain. The statement also sets out the positive action we will take in the following 12 months to ensure on-going vigilance. There were no human rights grievance reports made against the Bernicia Group during the year.

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.

Report of the Board of Management *(continued)*

Statement on internal control *(continued)*

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 were also subject of an In-Depth Assessment (IDA) by the Regulator during the financial year and retained the highest possible regulatory judgement of a G1, V1 rating.

Global Events
During the year, the Group was once again required to manage and mitigate against a number of multi-layered risks relating to global events including 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 2023.

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 appointment of Beevers and Struthers as auditor of the Group, following a recent tender exercise is to be proposed at the forthcoming Annual General Meeting.

The Report of the Board of Management was approved on 7 September 2023 and signed on its behalf by:

J Holmes
Chair

Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

7 September 2023

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 2022. 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 2023 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 2023 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.

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 group or 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 journals posted to revenue and treasury accounts with unexpected corresponding entries.
- 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

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

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.

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 48, 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

22 September 2023

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	2	**84,392**	78,661
Cost of sales	2	**(2,585)**	(1,460)
Operating expenditure	2	**(60,664)**	(57,522)
Operating surplus		**21,143**	19,679
Gain on disposal of tangible fixed assets	6	**2,375**	1,770
Interest receivable and similar income	10	**523**	25
Interest payable and similar charges	11	**(6,100)**	(5,776)
Other finance income / (expense)	12	**16**	(272)
Movement in fair value of investment properties	16	**20**	126
Surplus on ordinary activities before taxation		**17,977**	15,552
Tax on surplus on ordinary activities	13	**-**	-
Surplus on ordinary activities after taxation		**17,977**	15,552
Actuarial (loss) / gain in respect of pension schemes	23	**(4,482)**	12,016
Total comprehensive income for the financial year		**13,495**	27,568

The notes on pages 50 to 89 form an integral part of these financial statements.

These financial statements were approved by the Board on 7 September 2023 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 2023

	Note	2023 £000	2022 £000
Turnover	2	**78,076**	72,931
Cost of sales	2	**(2,585)**	(1,460)
Operating expenditure	2	**(55,637)**	(53,413)
Operating surplus		**19,854**	18,058
Gain on disposal of tangible fixed assets	6	**2,375**	1,770
Interest receivable and similar income	10	**520**	25
Interest payable and similar charges	11	**(6,100)**	(5,776)
Other finance income / (expense)	12	**16**	(272)
Movement in fair value of investment properties	16	**20**	126
Gift aid receivable		**1,445**	1,546
Surplus on ordinary activities before taxation		**18,130**	15,477
Tax on surplus on ordinary activities	13	**-**	-
Surplus on ordinary activities after taxation		**18,130**	15,477
Actuarial (loss) / gain in respect of pension schemes	23	**(4,482)**	12,016
Total comprehensive income for the financial year		**13,648**	27,493

The notes on pages 50 to 89 form an integral part of these financial statements.

These financial statements were approved by the Board on 7 September 2023 and were signed on its behalf by:

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

Consolidated Statement of Financial Position
At 31 March 2023

	Note	**2023**	2022
		£000	£000
Fixed assets			
Intangible fixed assets	14	**2,012**	2,391
Tangible fixed assets	14	**490,218**	476,885
Long term investments	15	**632**	632
HomeBuy loans receivable		**126**	126
Investment properties	16	**2,303**	2,283
		495,291	482,317
Current assets			
Stock	17	**320**	2,161
Debtors (including £1,062k (2022: £23,112k) due after more than one year)	18	**10,055**	29,455
Cash and cash equivalents	19	**39,435**	29,323
		49,810	60,939
Creditors: amounts falling due within one year	20	**(24,493)**	(30,844)
Net current assets		**25,317**	30,095
LGPS Pension asset	23	**3,628**	5,857
Total assets less current liabilities		**524,236**	518,269
Creditors: amounts falling due after more than one year	21	**(306,537)**	(294,720)
Provisions for liabilities and charges	22	**(2,336)**	(21,856)
SHPS Pension liability	23	**(6,735)**	(6,560)
Total net assets		**208,628**	195,133
Reserves			
Share capital	24	**-**	-
Income and expenditure reserve		**208,628**	195,133
Total reserves		**208,628**	195,133

The notes on pages 50 to 89 form an integral part of these financial statements.

These financial statements were approved by the Board on 7 September 2023 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 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible fixed assets	14	**740**	908
Tangible fixed assets	14	**489,693**	476,667
Long term investments	15	**632**	632
HomeBuy loans receivable		**126**	126
Investments in subsidiaries	16	**2,367**	2,367
Investment properties	16	**2,303**	2,283
		495,861	482,983
Current assets			
Stock	17	**320**	2,161
Debtors (including £1,062k (2022: £23,112k) due after more than one year)	18	**10,200**	30,065
Cash and cash equivalents	19	**38,497**	27,984
		49,017	60,210
Creditors: amounts falling due within one year	20	**(23,394)**	(30,058)
Net current assets		**25,623**	30,152
LGPS Pension asset	23	**3,628**	5,857
Total assets less current liabilities		**525,112**	518,992
Creditors: amounts falling due after more than one year	21	**(306,537)**	(294,720)
Provisions for liabilities and charges	22	**(2,336)**	(21,856)
SHPS Pension liability	23	**(6,735)**	(6,560)
Total net assets		**209,504**	195,856
Reserves			
Share capital	24	**-**	-
Income and expenditure reserve		**209,504**	195,856
Total reserves		**209,504**	195,856

The notes on pages 50 to 89 form an integral part of these financial statements.

These financial statements were approved by the Board on 7 September 2023 and were signed on its behalf by:

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

Registered society number: 7711

Consolidated Statement of Changes in Reserves

	Called up share capital £000	Income and expenditure reserve £000	Total reserves £000
Balance at 31 March 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**
Balance at 31 March 2022	-	195,133	195,133
Total comprehensive income for the year			
Surplus	-	17,977	17,977
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(2,261)	(2,261)
Actuarial movement in respect of SHPS pension scheme	-	(2,221)	(2,221)
Balance at 31 March 2023	**-**	**208,628**	**208,628**

Association Statement of Changes in Reserves

	Called up share capital £000	Income and expenditure reserve £000	Total reserves £000
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**
Balance at 31 March 2022	-	195,856	195,856
Total comprehensive income for the year			
Surplus	-	18,130	18,130
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(2,261)	(2,261)
Actuarial movement in respect of SHPS pension scheme	-	(2,221)	(2,221)
Balance at 31 March 2023	**-**	**209,504**	**209,504**

Consolidated Statement of Cash Flows
for year ended 31 March 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
Surplus for the year	**17,977**	15,302
Adjustments for non-cash items:		
Depreciation of tangible fixed assets and software	**11,834**	12,004
Amortisation of goodwill	**203**	116
Decrease/(Increase) in stock	**1,841**	(1,083)
Decrease in trade and other debtors	**19,124**	7,204
(Decrease) / increase in trade and other creditors	**(7,516)**	(1,090)
Decrease in provisions	**(19,520)**	(8,612)
Pension costs less contributions payable	**(447)**	(387)
Gain on sale of tangible fixed assets	**(2,375)**	(1,770)
Movement in fair value of investment properties	**(20)**	(126)
Government grants utilised in the year	**(1,555)**	(3,585)
Interest payable	**6,100**	5,776
Other finance expense	**(16)**	272
Interest receivable	**(523)**	(25)
Net cash from operating activities	**25,107**	23,996
Cash flows from investing activities		
Capitalised housing properties expenditure	**(29,313)**	(26,996)
Purchases of other fixed assets and software	**(1,012)**	(1,170)
Proceeds from sale of tangible fixed assets	**3,757**	3,323
Grants received	**1,334**	5,427
Interest receivable	**483**	36
Net cash from investing activities	**(24,751)**	(19,380)
Cash flows from financing activities		
Interest payable	**(6,232)**	(5,853)
Issue costs	**360**	139
New secured loans	**25,000**	30,000
Repayments of borrowings	**(9,372)**	(6,414)
Net cash from financing activities	**9,756**	17,872
Net increase in cash	**10,112**	22,488
Cash and cash equivalents at 1 April	**29,323**	6,835
Cash and cash equivalents at 31 March	**39,435**	29,323

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 2023 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 2023/24 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 compliant 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 had two approved VAT shelter schemes operative from 25 February 2008 and 3 November 2008 respectively. As a result, the VAT incurred on the property stock improvement programme was recoverable. The Wansbeck VAT shelter has now lapsed with the Berwick VAT shelter running through 2023/24. 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.

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	2023 Operating surplus £000	2022 Operating surplus £000
Social housing lettings					
General needs housing	**50,516**	**-**	**(36,945)**	**13,571**	12,095
Housing for older people	**14,655**	**-**	**(11,066)**	**3,589**	3,798
Supported housing accommodation	**6,137**	**-**	**(3,322)**	**2,815**	1,569
Shared ownership accommodation	**1,282**	**-**	**(699)**	**583**	530
	72,590	**-**	**(52,032)**	**20,558**	17,992
Other social housing activities					
First tranche low cost home ownership sales	**2,922**	**(2,585)**	**-**	**337**	290
Support services	**150**	**-**	**-**	**150**	150
Community services	**-**	**-**	**(403)**	**(403)**	-
Development services	**-**	**-**	**(1,310)**	**(1,310)**	(1,266)
Other	**-**	**-**	**(210)**	**(210)**	267
	3,072	**(2,585)**	**(1,923)**	**(1,436)**	(559)
Activities other than social housing activities					
Leasehold management	**6,316**	**-**	**(4,852)**	**1,464**	1,542
Charitable activities	**-**	**-**	**(259)**	**(259)**	(221)
Other operating income (note 5)	**1,226**	**-**	**-**	**1,226**	1,134
Private rented accommodation	**97**	**-**	**(21)**	**76**	98
Commercial and other	**391**	**-**	**(22)**	**369**	379
Care & Repair	**700**	**-**	**(1,352)**	**(652)**	(686)
Amortisation of goodwill	**-**	**-**	**(203)**	**(203)**	-
	8,730	**-**	**(6,709)**	**2,021**	2,246
Total	**84,392**	**(2,585)**	**(60,664)**	**21,143**	19,679

Shared ownership transactions

	First tranche £000	Staircasing £000	2023 Total £000	2022 Total £000
Proceeds	**2,922**	**1,111**	**4,033**	2,779
Cost of sales	**(2,585)**	**(733)**	**(3,318)**	(2,114)
Operating expenditure (fees)	**-**	**(6)**	**(6)**	(40)
	337	**372**	**709**	625

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £2,585,000 *(2022: £1,497,000)* and arose from first tranche sales. The amount released from balance sheet associated with tangible fixed assets during the period was £733,000 *(2022: £657,000)* 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	2023 Operating Surplus £000	2022 Operating Surplus £000
Social housing lettings					
General needs housing	**50,516**	**-**	**(36,945)**	**13,571**	12,095
Housing for older people	**14,655**	**-**	**(11,066)**	**3,589**	3,798
Supported housing accommodation	**6,137**	**-**	**(3,322)**	**2,815**	1,569
Shared ownership accommodation	**1,282**	**-**	**(699)**	**583**	530
	72,590	**-**	**(52,032)**	**20,558**	17,992
Other social housing activities					
First tranche low cost home ownership sales	**2,922**	**(2,585)**	**-**	**337**	290
Support services	**150**	**-**	**-**	**150**	150
Community services	**-**	**-**	**(403)**	**(403)**	-
Development service	**-**	**-**	**(1,310)**	**(1,310)**	(1,266)
Other	**-**	**-**	**(410)**	**(410)**	(33)
	3,072	**(2,585)**	**(2,123)**	**(1,636)**	(859)
Activities other than social housing activities					
Other operating income (note 5)	**1,226**	**-**	**-**	**1,226**	1,134
Private rented accommodation	**97**	**-**	**(21)**	**76**	98
Commercial and other	**391**	**-**	**(22)**	**369**	379
Care & Repair	**700**	**-**	**(1,439)**	**(739)**	(686)
	2,414	**-**	**(1,482)**	**932**	925
Total	**78,076**	**(2,585)**	**(55,637)**	**19,854**	18,058

Shared ownership transactions

	First tranche £000	Staircasing £000	2023 Total £000	2022 Total £000
Proceeds	**2,922**	**1,111**	**4,033**	2,779
Cost of sales	**(2,585)**	**(733)**	**(3,318)**	(2,114)
Operating Expenditure - fees	**-**	**(6)**	**(6)**	(40)
	337	**372**	**709**	625

The amount of costs related to the sale of shared ownership properties released to the Statement of Comprehensive Income from current assets was £2,585,000 *(2022: £1,497,000)* and arose from first tranche sales. The amount released from the balance sheet associated with tangible fixed assets during the period was £733,000 *(2022: £657,000)* 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**	**2023 Total £000**	2022 Total £000
Income						
Rent receivable net of identified service charges	**43,494**	**10,545**	**3,576**	**1,059**	**58,674**	55,920
Service charge income	**1,619**	**2,677**	**2,164**	**153**	**6,613**	6,178
Water rates receivable	**2,321**	**642**	**10**	**-**	**2,973**	2,714
Amortised government grants	**3,082**	**791**	**387**	**70**	**4,330**	3,908
Turnover from social housing lettings	**50,516**	**14,655**	**6,137**	**1,282**	**72,590**	68,720
Operating expenditure						
Management	**(6,831)**	**(2,585)**	**(598)**	**(267)**	**(10,281)**	(9,947)
Service charge costs	**(3,958)**	**(1,223)**	**(649)**	**(147)**	**(5,977)**	(5,049)
Routine maintenance	**(9,824)**	**(2,563)**	**(493)**	**(22)**	**(12,902)**	(11,731)
Planned maintenance	**(4,099)**	**(1,272)**	**(270)**	**(56)**	**(5,697)**	(5,080)
Major repairs expenditure	**(1,120)**	**(476)**	**(115)**	**(45)**	**(1,756)**	(4,405)
Bad debts	**(244)**	**(71)**	**(55)**	**5**	**(365)**	(285)
Water rates payable	**(2,361)**	**(667)**	**(10)**	**-**	**(3,038)**	(2,781)
Depreciation of housing properties	**(8,508)**	**(2,209)**	**(802)**	**(167)**	**(11,686)**	(11,197)
Lease costs	**-**	**-**	**(330)**	**-**	**(330)**	(253)
Operating expenditure on social housing lettings	**(36,945)**	**(11,066)**	**(3,322)**	**(699)**	**(52,032)**	(50,728)
Operating surplus on social housing lettings	**13,571**	**3,589**	**2,815**	**583**	**20,558**	17,992
Void losses	**(935)**	**(781)**	**(56)**	**(2)**	**(1,774)**	(1,526)

Notes *(continued)*

3 Accommodation owned

Group

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

	2023 Owned and managed Number	**2023 Managed by others Number**	**2023 Managed for others**	2022 Owned and managed Number	2022 Managed by others Number	2022 Managed for others
General needs housing:						
Social rent	**8,957**	**-**	**86**	9,019	-	86
Affordable rent	**1,115**	**-**	**1**	1,061	-	1
Housing for older people	**2,561**	**-**	**14**	2,563	-	14
Supported housing accommodation	**476**	**107**	**7**	452	105	7
Care Homes	**54**	**-**	**-**	54	-	-
Shared ownership accommodation	**365**	**-**	**-**	369	-	-
Serviced Right to Buy	**759**	**-**	**-**	762	-	-
Rent to HomeBuy	**80**	**-**	**-**	64	-	-
Private rented Accommodation	**12**	**-**	**-**	12	-	-
Commercial and other:						
Garages	**1,114**	**-**	**-**	1,374	-	-
Shops	**50**	**-**	**-**	52	-	-
Other commercial	**6**	**-**	**-**	6	-	-
	15,549	**107**	**108**	15,788	105	108

Association

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

	2023 Owned and managed Number	**2023 Managed by others Number**	**2023 Managed for others**	2022 Owned and managed Number	2022 Managed by others Number	2022 Managed for others
General needs housing:						
Social rent	**8,957**	**-**	**86**	9,019	-	86
Affordable rent	**1,115**	**-**	**1**	1,061	-	1
Housing for older people	**2,561**	**-**	**14**	2,563	-	14
Supported housing accommodation	**476**	**107**	**7**	452	105	7
Care Homes	**54**	**-**	**-**	54	-	-
Shared ownership accommodation	**365**	**-**	**-**	369	-	-
Serviced Right to Buy	**759**	**-**	**-**	762	-	-
Rent to HomeBuy	**80**	**-**	**-**	64	-	-
Private rented Accommodation	**-**	**11**	**-**	-	11	-
Commercial and other:						
Garages	**1,114**	**-**	**-**	1,374	-	-
Shops	**50**	**-**	**-**	52	-	-
Other commercial	**6**	**-**	**-**	6	-	-
	15,537	**118**	**108**	15,766	116	108

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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Recognised in the Statement of Comprehensive Income	**85,206**	80,867	**85,206**	80,867
Held as deferred income (note 21)	**157,590**	160,704	**157,590**	160,704
	242,796	241,571	**242,796**	241,571

5 Other operating income

	Group		**Association**	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Rate collection allowance	**388**	350	**388**	350
Office rental	**167**	171	**167**	171
Sale of management services	**163**	141	**163**	141
Sundry income	**508**	459	**508**	459
Homebuy income	**-**	13	**-**	13
Total other operating income	**1,226**	1,134	**1,226**	1,134

6 Gain on disposal of tangible fixed assets

	Group		**Association**	
	2023	2022	**2023**	2022
	£000	£000		
Proceeds from sales of housing properties	**3,757**	3,323	**3,757**	3,323
Cost of sales of housing properties (including fees)	**(1,382)**	(1,554)	**(1,382)**	(1,554)
Net gain on disposal of housing properties	**2,375**	1,769	**2,375**	1,769
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	**2,375**	1,770	**2,375**	1,770

Notes *(continued)*

7 Expenses and auditor's remuneration

Included in the surplus are the following:

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Charge for the provision of bad debts	**390**	298	**390**	298
Depreciation of tangible fixed assets – housing properties	**11,143**	11,114	**11,143**	11,114
Depreciation of tangible fixed assets – other	**454**	645	**425**	639
Amortisation of intangible fixed assets - software	**237**	245	**222**	226

Auditor's remuneration:

	Group		Association	
	2023	2022	**2023**	2022
Audit of these financial statements	**107**	72	107	62
Amounts receivable by the Group's auditor in respect of:				
Audit of financial statements of subsidiaries of the group	**26**	17	-	-
Audit - related assurance services	**32**	21	24	11
Taxation compliance services	**15**	28	10	28
Other non-audit services	**-**	-	-	-
Internal auditors' remuneration from internal audit services	**50**	67	50	67

Notes *(continued)*

8 Staff numbers and cost

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

	Group		Association	
	2023 Number	2022 Number	**2023 Number**	2022 Number
Operational	**421**	394	**343**	321
Finance and administration	**111**	108	**88**	88
Care and repair	**12**	12	**12**	12
	544	514	**443**	421

The aggregate payroll costs of these persons were as follows:

	Group		Association	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Wages and salaries (including car allowance)	**17,262**	15,782	**15,640**	14,504
Compensation for loss of office	**86**	152	**79**	152
Social security costs	**1,664**	1,470	**1,537**	1,366
Current service cost of defined benefit plan (LGPS)	**733**	733	**733**	733
Current service cost of defined benefit plan (SHPS)	**1,742**	1,223	**1,742**	1,223
Contributions to defined contribution plan (Other)	**169**	154	**60**	58
Agency	**48**	66	**48**	66
	21,704	19,580	**19,839**	18,102

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	
	2023 £000	2022 £000	**2023 £000**	2022 £000
£60,000 - £70,000	**17**	12	**16**	11
£70,001 - £80,000	**6**	7	**5**	7
£80,001 - £90,000	**2**	3	**2**	3
£90,001 - £100,000	**1**	3	**1**	2
£100,001 - £110,000	**5**	-	**4**	-
£110,001 - £120,000	**-**	1	**-**	1
£120,001 - £130,000	**2**	1	**2**	1
£130,001 - £140,000	**-**	3	**-**	3
£150,001 - £160,000	**3**	-	**3**	-
£180,001 - £190,000	**-**	1	**-**	1
£200,000 - £210,000	**1**	-	**1**	-
	37	31	**34**	29

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	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Wages and salaries	**673**	1,487	**673**	1,392
Group contributions payable in respect of pensions (SHPS)	**78**	121	**78**	106
Group contributions payable in respect of pensions (LGPS)	**-**	59	**-**	59
Non-executive Board members' emolument	**84**	81	**84**	81
Total expenses reimbursed to key management personnel and members of the Board	**2**	2	**2**	2
	837	1,750	**837**	1,640

During 2023 a review of staff classified as key management personnel was undertaken and the number now meeting the criteria for disclosure in this category has reduced.

Salary banding for Executive whose total remuneration, including pensions, exceeds £60,000 per annum is as follows:

		2023			**2022**
		No.			**No.**
£130,001 - £140,000		-	£130,001 - £140,000	Michael Farr Janette Longstaff Andrea Malcolm	3
£150,001 - £160,000	Michael Farr Janette Longstaff Andrea Malcolm	3	£150,001 - £160,000		-
£180,001 - £190,000		-	£180,001 - £190,000	John Johnston	1
£200,001 - £210,000	John Johnston	1	£200,001 - £210,000		-

The aggregate of his emoluments for the year, excluding Association pension contributions, as the highest paid director, was £193,611 *(2022: £178,611)*. 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	
	2023	2022	**2023**	2022
	Number	Number	**Number**	Number
Retirement benefits are accruing to the following number of Directors and key management personnel under:				
Defined benefit schemes	**4**	4	**4**	4

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	
	2023	2022	**2023**	2022
Group and Association	**£000**	£000	**£000**	£000
Mrs A Tarn	**7**	7	**7**	7
Mr X Setna	**6**	6	**6**	6
Mr D Jennings	**-**	4	**-**	4
Mr A Pegg	**8**	9	**8**	9
Mr J Holmes	**15**	15	**15**	15
Mrs A Gibson	**8**	7	**8**	7
Mrs C-J Rewcastle	**6**	6	**6**	6
Mrs L Shearing	**6**	6	**6**	6
Mr A Dunn	**7**	7	**7**	7
Mr R Cave	**2**	2	**2**	2
Mrs AJ Alden	**7**	4	**7**	4
Mrs V Smart	**2**	2	**2**	2
Mr M Massey	**2**	2	**2**	2
Mrs H Parker	**4**	4	**4**	4
Mrs S Safdar	**2**	-	**2**	-
Mrs S Anderson	**2**	-	**2**	-
Non-executive Board members' emoluments	**84**	81	**84**	81

10 Interest receivable and similar income

	Group		Association	
	2023	2022	**2023**	2022
Bank deposits	**523**	25	**520**	25
Net gain on financial assets measured at fair value through profit or loss	**-**	-	**-**	-
Total interest receivable and similar income	**523**	25	**520**	25

Notes *(continued)*

11 Interest payable and similar charges

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Interest on loans	**6,355**	6,042	**6,355**	6,042
Early loan redemption costs	**164**	-	**164**	-
Interest payable and similar charges	**6,519**	6,042	**6,519**	6,042
Less amounts capitalised	**(419)**	(266)	**(419)**	(266)
Total interest payable and similar charges	**6,100**	5,776	**6,100**	5,776

12 Other finance expense

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Net interest on net defined benefit plan asset / liability	**16**	(272)	**16**	(272)
Total other finance expense	**16**	(272)	**16**	(272)

13 Taxation

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

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Current tax				
Current tax on income for the period	**-**	-	**-**	-
Total tax	**-**	-	**-**	-

Notes *(continued)*

13 Taxation *(continued)*

The current tax charge for the period remains at the same rate as 2022 levels, 19%.

Reconciliation of effective tax rate

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Surplus for the year after taxation	**17,997**	15,552	**18,130**	15,477
Total tax expense	**-**	-	**-**	-
Surplus on ordinary activities before taxation	**17,997**	15,552	**18,130**	15,477
Tax using the UK corporation tax rate of 19% *(2022: 19%)*	**3,419**	2,955	**3,445**	2,941
Tax exempt revenues	**(3,419)**	(2,955)	**(3,445)**	(2,941)
Total tax expense included in profit or loss	**-**	-	**-**	-

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 2023 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 2022	2,319	1,983	4,302
Additions	-	61	61
At 31 March 2023	2,319	2,044	4,363
Amortisation			
At 31 March 2022	1,001	910	1,911
Charged in the year	203	237	440
At 31 March 2023	1,204	1,147	2,351
Net book value			
At 31 March 2023	**1,115**	**897**	**2,012**
At 31 March 2022	1,318	1,073	2,391

Notes *(continued)*

14 Intangible fixed assets *(continued)*

Association

	Software £000
Cost	
At 31 March 2022	1,675
Additions	54
At 31 March 2023	1,729
Amortisation	
At 31 March 2022	767
Charged in the year	222
At 31 March 2023	989
Net book value	
At 31 March 2023	**740**
At 31 March 2022	**908**

14a Tangible assets

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

		Group		**Association**	
	Note	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Tangible fixed assets – housing properties	*14b*	**479,355**	466,652	**479,355**	466,652
Tangible fixed assets – other	*14c*	**10,863**	10,233	**10,338**	10,015
		490,218	476,885	**489,693**	476,667

Notes *(continued)*

14b Tangible fixed asset – housing properties

Group and association

	Housing Properties held for letting		**Shared ownership**		**Total**		
	Completed £000	**Under construction £000**	**Completed £000**	**Under construction £000**	**Completed £000**	**Under construction £000**	**Total £000**
Cost							
At 31 March 2022	578,613	13,394	15,727	787	594,340	14,181	608,521
Properties acquired	-	1,572	-	72	-	1,644	1,644
Development of new properties	-	7,313	-	2,585	-	9,898	9,898
Works to existing properties	14,582	-	-	-	14,582	-	14,582
Disposals	(4,499)	-	(787)	-	(5,286)	-	(5,286)
Completed schemes	16,137	(16,137)	1,369	(1,369)	17,506	(17,506)	-
Transfers	1,458	(3,644)	4,261	(2,075)	5,719	(5,719)	-
At 31 March 2023	**606,291**	**2,498**	**20,570**	**-**	**626,861**	**2,498**	**629,359**
Depreciation and impairment							
At 31 March 2022	139,726	-	2,143	-	141,869	-	141,869
Charged in the year	10,976	-	167	-	11,143	-	11,143
Disposals	(2,888)	-	(120)	-	(3,008)	-	(3,008)
Transfers	(7)	-	7	-	-	-	-
At 31 March 2023	147,807	-	2,197	-	150,004	-	150,004
Net book value							
At 31 March 2023	**458,484**	**2,498**	**18,373**	-	**476,857**	**2,498**	**479,355**
At 31 March 2022	438,887	13,394	13,584	787	452,471	14,181	466,652

Notes *(continued)*

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

Security

Tangible fixed assets with a net book value of £247,046,721 *(2022: £246,211,214)* are secured.

Borrowing costs

The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £418,535 *(2022: £265,819)* with a capitalisation rate of 4.15% *(2022: 4.15%)*.

Included in the cost of tangible fixed assets – housing properties is £3,178,545 *(2022: £2,573,637)* in respect of capitalised finance costs.

Development costs

The amount of development costs capitalised to tangible fixed assets – housing properties during the period was £417,769 (*2022: £324,315)*.

Land and Buildings

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

	Group and Association	
	2023	2022
	£000	£000
Freehold	**463,482**	446,783
Long leasehold	**15,484**	19,642
Short leasehold	**389**	227
	479,355	466,652

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 2022	11,923	168	1,755	470	1,593	15.909
Additions	801	27	92	165	-	1,085
Disposals	-	-	(655)	-	(12)	(667)
At 31 March 2023	12,724	195	1,192	635	1,581	16,327
Depreciation						
At 31 March 2022	2,272	25	1,444	344	1,591	5,676
Charged in the year	282	-	135	35	2	454
Disposals	-	-	(654)	-	(12)	(666)
At 31 March 2023	2,554	25	925	379	1,581	5,464
Net book value						
At 31 March 2023	**10,170**	**170**	**267**	**256**	**-**	**10,863**
At 31 March 2022	9,651	143	311	126	2	10,233

	2023 £000	2022 £000
Freehold	**10,170**	10,233
Short leasehold	**-**	-
	10,170	10,233

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 2022	11,846	25	1,731	456	1,535	15,593
Additions	667	-	72	10	-	749
Disposals	-	-	(655)	-	(12)	(667)
At 31 March 2023	12,513	25	1,148	466	1,523	15,675
Depreciation						
At 1 April 2022	2,242	25	1,439	338	1,534	5,578
Charged in the year	276	-	125	23	1	425
Disposals	-	-	(654)	-	(12)	(666)
At 31 March 2023	2,518	25	910	361	1,523	5,337
Net book value						
At 31 March 2023	**9,995**	**-**	**238**	**105**	**-**	**10,338**
At 1 April 2022	9,604	-	292	118	1	10,015

	2023 £000	2022 £000
Freehold	**9,995**	9,604
Short leasehold	**-**	-
	9,995	9,604

Notes *(continued)*

15 Long term investments

	Group & Association	
	2023	2022
	£000	£000
Valuation		
At 1 April	**632**	652
Revaluation	**-**	(20)
At 31 March	**632**	632

Long term investments are represented as follows:

	Group & Association	
	2023	2022
	£000	£000
Long term investment in:		
Haven Funding plc	**486**	486
UK Rents (No 1) plc	**146**	146
	632	632

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	
	2023	2022
	£000	£000
Listed investments	**34**	46
Unlisted investments	**598**	586
	632	632

Notes *(continued)*

16 Investments

Subsidiaries

	Association	
	2023	2022
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 & Association	
	2023	2022
	£000	£000
Valuation		
At 1 April	**2,283**	2,157
Revaluation	**20**	126
Transfer / change in classification (note 14c)	**-**	-
Additions	**-**	-
At 31 March	**2,303**	2,283

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

17 Stock

	Group & Association	
	2023	2022
	£000	£000
Shared ownership properties held for resale	**56**	1,765
Consumables	**264**	396
	320	2,161

Notes *(continued)*

18 Debtors

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Rents and service charges arrears	**5,429**	6,924	**5,429**	6,924
Less: Provision for bad and doubtful debts	**(4,177)**	(4,941)	**(4,177)**	(4,941)
	1,252	1,983	**1,252**	1,983
Amounts owed by undertakings in which the association has a participating interest	**9**	-	**1,628**	1,691
Other debtors	**3,866**	24,876	**3,845**	24,223
Prepayments and accrued income	**4,928**	2,596	**3,475**	2,168
	10,055	29,455	**10,200**	30,065
Due within one year	**8,993**	6,343	**9,138**	6,953
Due after more than one year	**1,062**	23,112	**1,062**	23,112
	10,055	29,455	**10,200**	30,065

For the Group, debtors includes other debtors of £1,062,210 *(2022: £23,112,000)* due after more than one year. £757,433 *(2022: £754,804)* of these other debtors due after more than one year relate to coupons received in advance on loans taken out by Three Rivers and HAPM and FARR insurance.

	Group		Association	
	2023	2022	**2023**	2022
	£	£	**£**	£
Unpaid share capital	**9**	9	**9**	9

19 Cash at bank and in hand

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Cash at bank and in hand	**39,435**	29,323	**38,497**	27,984

Notes *(continued)*

20 Creditors: amounts falling due within one year

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Bank loans (see note 21)	**2,206**	1,597	**2,206**	1,597
Rents and service charges received in Advance	**919**	1,840	**919**	1,840
Trade creditors	**1,670**	1,085	**1,670**	1,085
Owed to undertakings in which company has interest	**18**	-	**18**	-
Taxation and social security	**370**	429	**370**	422
Other creditors	**494**	4,461	**414**	3,682
Accruals and deferred income	**9,832**	12,517	**8,813**	12,517
Amounts due under finance leases and hire purchase agreements	**-**	-	**-**	-
Deferred capital grants (note 21)	**4,340**	4,451	**4,340**	4,451
Grant in advance	**-**	-	**-**	-
Recycled capital grant fund (note 21)	**869**	373	**869**	373
Interest payable	**1,080**	1,050	**1,080**	1,050
Service charge sinking funds	**2,060**	1,992	**2,060**	1,992
Contractual agreements to fund past service pension deficits (SHPS) (note 23)	**-**	-	**-**	-
Contingent consideration	**635**	1,049	**635**	1,049
	24,493	30,844	**23,394**	30,058

Notes *(continued)*

21 Creditors: amounts falling due after more than one year

	Group and Association	
	2023	2022
	£000	£000
Bank loans	**152,011**	137,077
Deferred capital grants	**153,251**	156,253
Recycled capital grant fund	**747**	879
Deferred recycled capital grant fund	**528**	511
	306,537	294,720

Recycled capital grant fund (RCGF)

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

Group and association

	2023	2022
	£000	£000
At 1 April	**1,252**	944
Grants recycled	**400**	306
Interest accrued	**39**	2
New build	**(75)**	-
At 31 March	**1,616**	1,252
Due within one year	**869**	373
Due after more than one year	**747**	879
	1,616	1,252
Amounts 3 years old or older where repayment may be required (£000)	**298**	-

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 £247,046,721 (*2022: £256,424,935*).

Included within bank loans are borrowings of £154,507,393 (*2022: £135,812,000*) with fixed interest rates ranging from 1% to 11.6% (*2022: 1% to 11.6%*) and borrowings of £1,050,000 (*2022: £3,975,000*) with variable interest rates ranging from SONIA plus 0.5% (*2022: SONIA plus 0.5%*).

Borrowings are repayable as follows:

	Group and Association	
	2023	2022
	£000	£000
Within one year	**2,206**	1,597
Between one and two years	**1,757**	2,291
Between two and five years	**3,897**	7,035
In five years or more	**147,697**	128,864
	155,557	139,787
Less: Issue costs	**(1,340)**	(1,113)
	154,217	138,674
Less: Amounts included within Creditors: amounts falling due within one year (see note 20)	**(2,206)**	(1,597)
	152,011	137,077

Notes *(continued)*

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

Deferred capital grants

	Group and Association	
	2023	2022
	£000	£000
At beginning of year	**156,253**	154,940
Additions	**1,799**	5,661
Disposals	**(3,357)**	(781)
Amortisation	**(1,555)**	(3,585)
Transfer to creditors within one year	**111**	18
At end of year	**153,251**	156,253
Deferred capital grant movements within one year		
At beginning of year	**4,451**	4,469
Transfer from grant after more than one year	**(111)**	(18)
At end of year	**4,340**	4,451
Total deferred capital grants	**157,590**	160,704

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	
	2023	2022
	£000	£000
At 31 March	**21,856**	30,468
Capitalised expenditure during the year	**(4,494)**	(8,431)
Revenue expenditure during the year	**(343)**	(181)
Release of provision	**(14,683)**	-
At 31 March	**2,336**	21,856

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.

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 2023, £2,336,000 *(2022: £21,856,000)* is included within debtors and £2,336,000 *(2022: £21,856,000)* 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

	2023	2022
	£000	£000
Defined benefit obligation	**(32,334)**	(45,831)
Plan assets	**52,353**	51,688
Net pension asset	**20,019**	5,857

Notes *(continued)*

23 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2023 £000	2022 £000
At 1 April	**(45,831)**	(48,194)
Current service cost	**(865)**	(985)
Past service cost	**-**	-
Interest expense	**(1,225)**	(1,007)
Remeasurement: actuarial gains/(losses)	**14,647**	3,468
Contributions by members	**(149)**	(149)
Benefits paid	**1,089**	1,036
At 31 March	**(32,334)**	(45,831)

Movements in fair value of plan assets

	2023 £000	2022 £000
At 1 April	**51,688**	48,609
Interest income	**1,393**	1,021
Remeasurement: return on plan assets less interest income	**(517)**	2,217
Contributions by employer	**729**	728
Contributions by members	**149**	149
Benefits paid	**(1,089)**	(1,036)
At 31 March	**52,353**	51,688

Expense recognised in the statement of comprehensive income

	2023 £000	2022 £000
Current service cost	**865**	985
Net interest on net defined benefit liability	**(168)**	(14)
Total expense recognised in the statement of comprehensive income	**697**	971
Remeasurement: actuarial (loss) / gain on defined benefit obligation	**(517)**	2,217
Remeasurement: gain/(loss) on plan assets less interest income	**14,647**	3,468
Total income to potentially recognise in other comprehensive income	**14,130**	5,685

Notes *(continued)*

23 Employee benefits *(continued)*

Impact of surplus restriction under paragraph 28.22 of FRS102

FRS102 restricts the recognisable surplus to the amount which has economic value to the Employer either:

- In the form of a refund of surplus, or
- A theoretical reduction in future employer contributions to the plan

The Actuary has carried out indicative calculations based on the information provided at the most recent triennial actuarial valuations and the information provided for this accounting exercise.

The reduction in surplus has been calculated looking at the economic benefit that could be available, at the balance sheet date, from a reduction in future contributions.

The assumptions that AON have made in the calculations are:

- The results are calculated using FRS102 assumptions at the accounting date.
- The Association is not admitting new employees to the fund (closed fund).
- The Association will continue to participate in the Fund until the last contributing member leaves.

The results of the calculations show the net pension asset could be partially recognised under paragraph 28.22.

	2023 £000
Defined benefit obligation	**(32,334)**
Plan assets	**52,353**
Net pension asset before paragraph 28.22	**20,019**
Unrecognised asset due to limit in paragraph 28.22	**(16,391)**
Pension asset recognised on Balance Sheet	**3,628**

Notes *(continued)*

23 Employee benefits *(continued)*

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

	2023 Fair value %	2022 Fair value %
Equities	**51.2**	57.0
Government debt	**1.3**	2.0
Corporate bonds	**19.5**	18.8
Property	**10.5**	8.4
Cash	**1.8**	1.8
Other	**15.7**	12.0
	100.0	100.0
	£000	£000
Actual return (loss) / gain on plan assets	**(517)**	2,217

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

	2023 %	2022 %
Discount rate	**4.7**	2.7
Future salary increases	**4.2**	4.5
Rate of increase to pensions in payment	**2.7**	3.0
Rate of increase to deferred pension	**N/A**	N/A
RPI inflation	**N/A**	N/A
CPI inflation	**2.7**	3.0

The last full actuarial valuation was performed on 31 March 2022. To measure the defined benefit obligation as at 31 March 2023, the Association used a qualified, independent actuary. At 31 March 2023 the fund was in a surplus position and as such no deficit contributions are due.

In valuing the liabilities of the pension fund at 31 March 2023, 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: 21.6 years (male), 24.6 years (female).
- Future retiree upon reaching 65: 22.9 years (male), 26.1 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 2023;
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 2023.

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. At 31 March 2023, £9,185k was due to repaid over the period with £1,701k due in 2023/24 and subsequent payments increasing by 5.5% each year.

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 20228. The liability figures from this valuation were rolled forward for 31 March 2023

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

	2023 £000	2022 £000
Defined benefit obligation	**(37,696)**	(57,391)
Plan assets	**30,961**	50,831
Net pension liability	**(6,735)**	(6,560)

	2023 £000	2022 £000
Movements in present value of defined benefit obligation		
At 1 April	**(57,390)**	(58,932)
Current service cost	**(852)**	(1,285)
Expenses	**(39)**	(34)
Past service cost		
Actuarial gains due to scheme experience and changes to demographic and financial assumptions	**21,086**	3,348
Interest expense	**(1,597)**	(1,307)
Contributions by members	**(240)**	(129)
Benefits paid	**1,336**	948
At 31 March	**(37,696)**	(57,391)
Movements in fair value of plan assets		
At 1 April	**50,831**	45,684
Interest income	**1,445**	1,021
Experience on plan assets	**(23,307)**	2,982
Contributions by employer	**3,088**	1,963
Contributions by members	**240**	129
Benefits paid	**(1,336)**	(948)
At 31 March	**30,961**	50,831
Amounts recognised in statement of comprehensive income		
Current service cost	**852**	1,285
Expenses	**39**	34
Net interest on net defined benefit liability	**152**	286
Total expense recognised in the statement of comprehensive income	**1,043**	1,605
Total expense recognised in other comprehensive income		
Actuarial gains/(losses) on assets	**(23,307)**	2,982
Actuarial gains/(losses) on liabilities	**21,086**	3,349
Total income/(expense) recognised in other comprehensive income	**(2,221)**	6,331

Notes *(continued)*

23 Employee benefits *(continued)*

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

	2023	2022
	%	%
Discount rate	**4.84**	2.79
Future salary increases	**3.79**	4.15
RPI inflation	**3.17**	3.49
CPI inflation	**2.79**	3.15

In valuing the liabilities of the pension fund at 31 March 2023, 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: 21.0 years (male), 23.4 years (female).

Future retiree upon reaching 65: 22.2 years (male), 24.9 years (female).

24 Capital and reserves

Share capital

Group and Association

	2023	2022
	£	£
Ordinary shares of £1 each at 1 April	**9**	9
Issued during the year	**-**	1
Surrendered during year	**-**	(1)
At 31 March	**9**	9

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

Notes *(continued)*

25 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Assets held at fair value through profit and loss				
Listed investments	**34**	46	**34**	46
Unlisted investments	**598**	586	**598**	586
Assets measured at amortised cost				
Rent and service charge arrears	**5,429**	6,924	**5,429**	6,924
Other debtors	**14,186**	32,831	**14,165**	32,831
Liabilities measured at amortised cost				
Rents and service charges received in advance	**919**	1,840	**919**	1,840
Trade creditors	**1,670**	1,085	**1,670**	1,085
Bank loans	**152,011**	137,077	**152,011**	137,077
Deferred capital grants	**153,251**	156,253	**153,251**	156,253
Contractual agreements to fund past service pension deficits	**9,185**	10,745	**9,185**	10,745

Included in these statements are payments to in relation to the SHPS past service deficit of £1,614,489 during 2022/23, which represents the second year of the recovery plan which is due to end March 28.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Association	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Less than one year	**197**	63	**172**	63
Between one and five years	**83**	383	**83**	332
More than five years	**-**	-	**-**	-
	280	446	**255**	395

During the year, £259,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2022: £258,000)*.

27 Capital commitments

The aggregated number of contracts for capital expenditure not provided for at year-end was £62,585,381 (*2022: £42,078,151)*.

The aggregated amount of capital expenditure approved which has not been contracted for at year-end was £39,590,299 *(2022: £23,003,964)*.

The proposed financing of such expenditure is as follows:

	Group and Association 2023
Grant	**12,027,480**
Agreed loans	**50,557,901**
	62,585,381

Notes *(continued)*

28 Contingent liabilities

The Group has a contingent liability of £8,040,000 *(2022: £4,639,000)* 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 £674,829 (*2022: £1,489,702)*. During 2023 a review of staff classified as key management personnel was undertaken and the number now meeting the criteria for disclosure in this category has reduced.

Other related party transactions

Group and association	**Administrative expenses charged to 2023 £000**	Administrative expenses charged to 2022 £000	**Administrative expenses incurred from 2023 £000**	Administrative expenses incurred from 2022 £000
Spirit Regeneration & Development LLP	**69**	68	**2,385**	9,736
	Receivables outstanding	Receivables outstanding	**Creditors outstanding**	Creditors outstanding
	£000	£000	**£000**	£000
Spirit Regeneration & Development LLP	**69**	68	**117**	507

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 22. 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, with the Wansbeck works now complete.

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 23 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.