



# BERNIA

Housing people,  
helping people

VALUE FOR MONEY  
STATEMENT

**2022-2023**

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# Introduction

Our Value for money (VfM) strategy covering 2021/22 was approved by Board in April 2018. It was planned to run for a five-year period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2023 in line with our 2018/23 Corporate Strategy. Having already successfully delivered the majority of the 2018/23 Corporate Strategy objectives the Board agreed to bring forward the new Corporate Strategy which runs from 2022/26. Our VfM strategy has therefore, also been refreshed. This new VfM strategy focuses on the four years from 1 April 2022 to 31 March 2026 and draws upon the VfM initiatives and objectives of the Group's new Corporate, operating, enabling and cross cutting strategies which run for the same time period.

Both VfM strategies reflect the requirements of the Regulators 2018 VfM Standard and code of Practice. Our Value for Money Strategy can be access via the following link: [Value-for-Money-Strategy-2022-2026.pdf \(bernicia.com\)](https://www.bernicia.com/Value-for-Money-Strategy-2022-2026.pdf)

# Bernicia's corporate strategy and VfM

VfM is embedded throughout Bernicia's business and is a constant theme that runs throughout our corporate and associated operational strategies. 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:

- 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.

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	-	-

**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

**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.

**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.

# Key financial ratios

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

Key financial ratios	2023	2022	2021	2020
<b>Growth</b>				
➤ 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%
<b>Profitability</b>				
➤ Effective interest rate	3.9%	4.1%	5.9%	4.7%
<b>Debt servicing ability</b>				
➤ 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 3<sup>rd</sup> 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.

# How we perform against RSH VfM metrics

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

Demonstrating Bernicia's continued emphasis on value for money and understanding its performance, the following sections would traditionally present how Bernicia has performed against the VfM metrics published by the RSH, along with Bernicia's own internal targets and performance measures. Whilst the 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 <sup>1</sup>	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

<sup>1</sup> Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

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 4<sup>th</sup> 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.

### Development (capacity and supply)

Global Accounts VFM Metrics <sup>2</sup>	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%

<sup>2</sup> Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics



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.

### Outcomes delivered

Global Accounts VFM Metrics <sup>3</sup>	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.

<sup>3</sup> Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

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.

## Effective Asset Management

Global Accounts VFM Metrics <sup>4</sup>	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	61.38%	57.51%	71.47%	58.02%	69.4%	65.3%	78.1%

<sup>4</sup> Calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

planned maintenance							
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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.

In informing our decisions we consider:

<b>Stock condition information</b>	Surveying of our existing stock enabling better planning of work and expenditure. This has helped us to identify savings within the investment programme.
<b>Asset management matrix</b>	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.
<b>Financial return on assets</b>	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.

## Operating efficiencies

Global Accounts VFM Metrics <sup>5</sup>	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.

<sup>5</sup> Cost per unit calculations as outlined by the Regulator of Social Housing in the Value for Money metrics

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.

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