



**Bernicia Group**

**Report of the Board of Management  
and Financial Statements**

**Registered society number 7711**

**31 March 2024**

## Contents

Report of the Board of Management.....	2
Statement of Board’s responsibilities in respect of the annual report and the financial statements.....	37
Independent auditor’s report to Bernicia Group.....	38
Consolidated Statement of Comprehensive Income.....	41
Association Statement of Comprehensive Income.....	42
Consolidated Statement of Financial Position.....	43
Association Statement of Financial Position.....	44
Consolidated Statement of Changes in Reserves.....	45
Association Statement of Changes in Reserves.....	46
Consolidated Statement of Cash Flows.....	47
Notes.....	48

## Report of the Board of Management

### Board

J Holmes (Chair)  
A Alden  
R Cave (appointed 7 September 2023)  
A Dunn  
A Gibson  
G Jagpal (appointed 7 September 2023)  
A Pegg (resigned 7 September 2023)  
C Rewcastle  
X Setna  
L Shearing (resigned 7 September 2023)  
A Tarn

### Executive Directors

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

### Registered Office

Oakwood Way  
Ashwood Business Park  
Ashington  
Northumberland  
NE63 0XF

### Independent Auditor

Beever and Struthers  
One Express  
1 George Leigh Street  
Manchester  
M4 5DL

### Principal Solicitors

Trowers & Hamlin LLP  
3 Bunhill row  
London  
EC1Y 8YZ

### Principal Bankers

Barclays Bank plc  
Barclays House  
5 St Ann's Street  
Quayside  
Newcastle upon Tyne  
NE1 3DX

## Report of the Board of Management (*continued*)

### About Bernicia

Bernicia Group Limited ('Bernicia') is a registered provider (RP) of social housing regulated by and registered with the Regulator of Social Housing (RSH).

The Bernicia Group is predominantly and at its heart, a social landlord, and is one of the largest in the North-East of England. We are proud of our North-East heritage, with our geographical location spanning the modern-day areas of Berwickshire, Northumberland, Tyne and Wear, Durham and Teesside, in essence stretching from the 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 600 people.

Our Corporate Strategy 2022 to 2026 launched a £210 million investment in new and existing stock, alongside a £2million increase in our social value funding commitments, including our employability programme. This, alongside our established economic inclusion and social inclusion activities has delivered positive outcomes for tenants and wider communities. This has been particularly well timed given the challenges faced in the current environment and also demonstrates Bernicia's long-standing commitment to support tenants, stakeholders and the wider communities across our region.

We strive to ensure that Bernicia is a business that people want to work with and be part of. Our 2023 external stakeholders survey was overwhelmingly positive with participants describing Bernicia as 'market leaders' and using descriptors such as 'forward thinking', 'honest', and 'reliable'.

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.

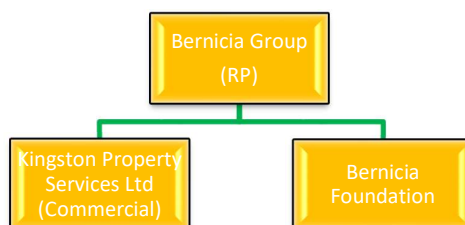
The Bernicia Foundation is the Group's wholly owned subsidiary with charitable objects and charitable status; registered with the Charity Commission under number 1190094. The Foundation enhances and consolidates Bernicia's approach to investment in its communities. The Board has agreed the priorities 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 2023/24 the Foundation allocated grants totalling £177,059 (2023: £226,979) 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.

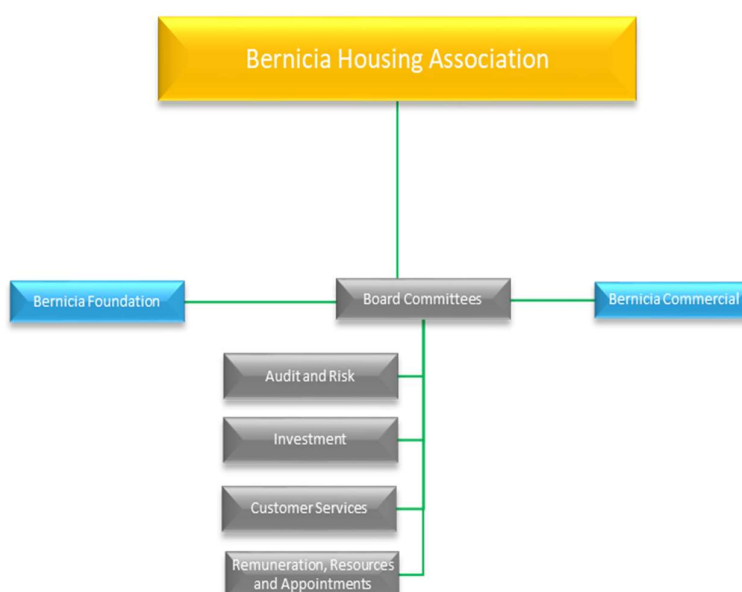


## Report of the Board of Management (*continued*)

### Bernicia's governance structure

Bernicia is governed by its Group Board. The Board aims to achieve the highest standards of governance and has adopted the National Housing Federation Code of Governance (2020 edition). An assessment of compliance with the Code was carried out during the 2023/24 financial year and assurance of full compliance was 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 15,500 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**

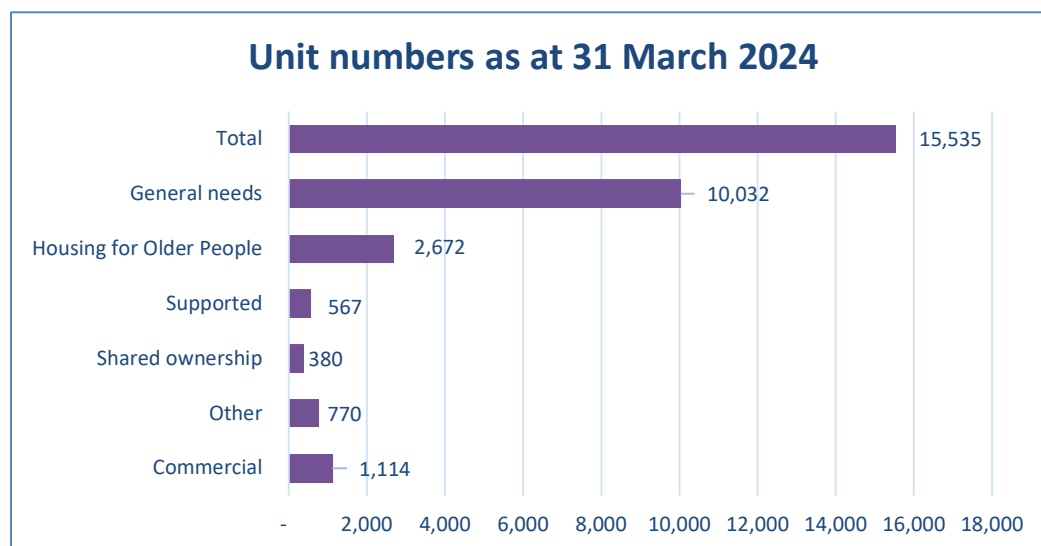
The Bernicia Foundation is a charity registered with the Charities Commission. It is managed by Trustees, appointed by the Group Board, for the purposes of meeting the aims and objectives of the charity. Bernicia Group funds the Foundation each year. The Foundation aims to improve the quality of life 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.

#### **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.

## Report of the Board of Management *(continued)*

### Association housing properties by category



## Operating environment and risks

### The external environment

The operating environment has continued to be challenging. The cost-of-living crisis, including the increase in energy costs and interest rates continues to impact our business and the lives of our tenants and colleagues alike. 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 categorised into several key issues broadly falling into one of two categories, namely Economic and Regulation (known and emerging).

The financial year 2023/24 has seen the most significant change in social housing regulation in a decade. The 2023 Social Housing (Regulation) Act introduced proactive consumer regulation, building on standards set out in the Better Social Housing Review and Together with Tenants. The requirement to 'know who's behind the door' and design services to meet individual needs requires disciplined practices and processes around data, alongside a cultural commitment to delivering excellent customer service. Bernicia is working with recognised sector specialists to ensure that our approach to knowledge information management is robust, and that any continuous improvements identified are planned and resourced.

Proactive consumer regulation sees the current in-depth assessment inspections expanded to include consumer standards. Bernicia welcomes the renewed focus on consumer regulation to drive up standards within the sector. Bernicia participated in the pilot inspection process with the Regulator, with positive outcomes achieved. New reporting requirements in 2024 include the reporting of Tenant Satisfaction Measures (TSMs) to the Regulator and reporting on the new Complaint Handling Code to the Ombudsman as part of increased powers. Bernicia is well placed to respond to changing regulation having an established tenant involvement framework which is embedded in the organisation's governance structure.

## Report of the Board of Management (*continued*)

### Operating environment and risks (*continued*)

#### The external environment (*continued*)

Government policy uncertainty remains a significant risk as we continue to await announcements on a range of key issues, including the longer-term rent settlement, Decent Homes 2 and the future of the Affordable Homes programme which impacts business planning for the sector. Emerging regulation continues to be a risk as the environment becomes more complex with a series of unknowns. The recent consultation on Awaab's Law has implications for responding to a wide range of issues, not limited to damp and mould, and legislation is pending. There is also currently a lack of clarity on access to information and net zero requirements. Bernicia continues to plan proactively for change and has built resources into the Corporate Strategy to ensure the 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.

The Conservative Party, dissolved Parliament and called a General Election to take place on 4<sup>th</sup> July 2024. Following national voting, the Labour Party won with a majority. We now look to see how the Party's manifesto key points are delivered upon. Regionally we have seen a number of local elections, with more to come and we look forward to seeing how the new North-East devolved authority evolves. We believe devolution brings with it significant opportunities for the region and Bernicia is part of a North-East Housing Partnership establishing new ways of working with the Mayoral Combined Authority through which housing can be a strategic catalyst for economic and social transformation.

The Building Safety Act 2022 came into force on 1<sup>st</sup> 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 understand and manage our assets through stock condition surveys, detailed investigations and in our proactive approach to building safety. We adopt a zero-risk tolerance to landlord compliance and are well advanced in the completion of our building safety programme. We have sustained good levels of investment in our stock to support our approach.

Bernicia continues to deliver the current Affordable Homes Programme for the period 2021 to 2026. A future programme is not yet in place but when announced, we will consider how we respond to best support the provision of new homes and wider regeneration plans.

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.

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 successfully manage and mitigate these risks and in doing so have continued to deliver a quality service to our tenants.

Inflation (CPI) has reduced during 2023/24, with 2024/25 rent increases based on a 6.7% CPI rate for September 2023, this follows the cap that had been applied in 2023/24. In June 2024 the rate had reduced further to 2%, which is in line with the Bank of England's target. The effects of high inflation and pressures from the increased cost of living continue to provide business challenges and increased pressure on our tenants and communities.



## Report of the Board of Management *(continued)*

### Operating environment and risks (continued)

#### The external environment (continued)

Managing increased cost with capped income continues to be an issue for the sector. At Bernicia we are well placed to manage the issues, we have extended the term of one of our revolving credit facilities during the year and negotiated improved covenants, improving our headroom position. 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 on our staff and have further increased resources to tenant support budgets and wellbeing initiatives generally.

The Group's asset base has not been historically significantly affected by the loss of properties through Right to Buy, and whilst the Group is not anticipating an increase in disposals throughout 2024/25, and our new homes programme generate for us a new positive stock position, we watch with interest and new national policy changes and their impact on the sector as a whole.

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 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. In particular, Bernicia, like most landlords, continues to be impacted by the increased costs of repairs and maintenance. 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.
- 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.
- Undertaking a strategic review of our property and maintenance division.

## Report of the Board of Management (*continued*)

### Operating environment and risks (*continued*)

#### Key risks (*continued*)

**Pensions** - As pension costs fluctuate, as a result of periodic valuations, 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 2020 SHPS triennial valuation, 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 2020 SHPS valuation results. The strategy creates increased options and flexibility for our employees, whilst still allowing Bernicia to manage and mitigate exposure. The Pension Strategy will be further updated once the results of the 2023 SHPS valuation are known.

We have also transferred members from the closed final salary SHPS structure to lower risk structures.

**Regulation** - There are regulatory risks arising from the Group not having capacity to meet emerging quality standards for asset management / stock investment via Hackitt review, and Social Housing Act, i.e., fire safety measures, energy considerations e.g., “Decent Homes 2” and linked to the Government’s de-carbonisation agenda. Risk mitigations in place include:

- Rolling stock condition surveys externally validated.
- Specialist staff monitoring emerging requirements (Hackitt, Awaab’s Law, Social Housing Act).
- Damp and Mould Policy.
- Introduction of enhanced surveys to collect SAP ratings.
- Future planning / long term financial forecast and stress testing.
- Significant fire safety investment.
- Refreshed Asset Management Strategy.

**Cyber Security** - The Group holds large amounts of data (including personal and financial) which is of value to third parties looking to exploit this via criminal activities including fraud, identity theft and data/systems manipulation. There is also the danger of ransomware and the potential for significant financial and reputational damage. Key mitigations in place include:

- Information Security Policy, staff awareness, phishing testing, and mandatory training.
- Vulnerability scanning and management.
- Malicious network and traffic detection and response.
- Specialist consultancy testing.
- Indestructible backups with multiple copies, including malicious data detection.

## Report of the Board of Management (*continued*)

### Operating environment and risks (*continued*)

#### The Group's approach to risk management

We understand that there are a variety of complex, interplaying factors which affect our business. Risks to our business include economic factors, government policy and social change. How we handle these provides us with opportunities and threats which inform our business operating model. 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.

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 Group's 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 2022/23 and confirmed again during 2023/24, as part of the Regulators stability check work. 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

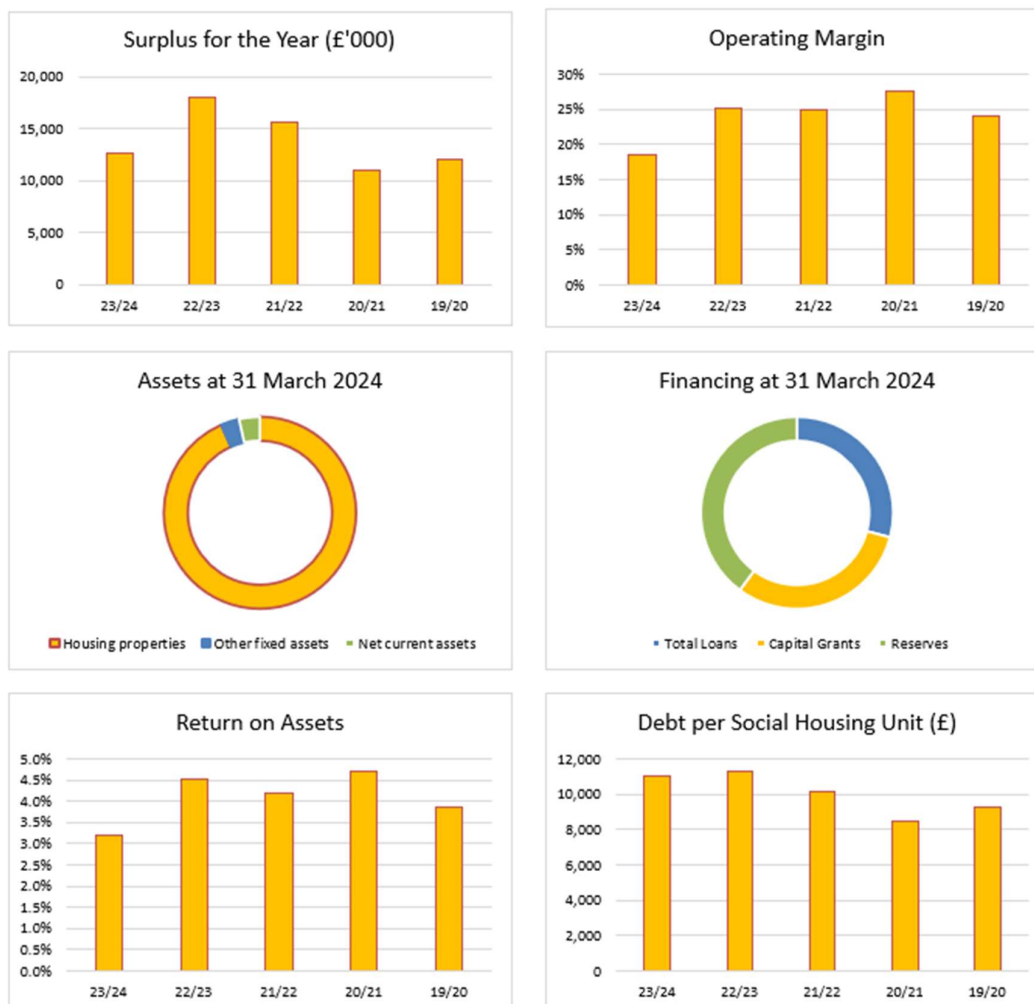
Against the backdrop of a volatile financial and uncertain political landscape, the Group remains positive in its future outlook and has once again delivered an outstanding set of financial results, outperforming a budget, and reforecast, designed to challenge the Group to deliver further efficiencies. 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	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Turnover	88,505	84,392	78,661	75,994	75,424
Operating costs and cost of sales	(72,121)	(63,249)	(58,982)	(54,984)	(57,298)
<b>Operating surplus</b>	<b>16,384</b>	<b>21,143</b>	<b>19,679</b>	<b>21,010</b>	<b>18,126</b>
Net interest charge	(4,653)	(5,577)	(5,751)	(11,315)	(6,679)
Gain/(loss) on disposal of assets	621	2,375	1,770	1,286	728
Other finance (costs)/income	(87)	16	(272)	(97)	(203)
Movement in fair value of investment properties	335	20	126	42	(8)
Taxation	-	-	-	-	-
<b>Surplus for the year (before pensions)</b>	<b>12,600</b>	<b>17,977</b>	<b>15,552</b>	<b>10,926</b>	<b>11,964</b>
Statement of Financial Position	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Housing properties	499,431	479,355	466,652	447,549	442,159
Other fixed assets	15,129	15,936	15,665	15,410	15,750
<b>Total fixed assets</b>	<b>514,560</b>	<b>495,291</b>	<b>482,317</b>	<b>462,959</b>	<b>457,909</b>
Net current assets	17,957	25,317	30,095	12,714	30,334
LGPS Pension asset	-	3,628	5,857	415	340
<b>Total assets less current liabilities</b>	<b>532,517</b>	<b>524,236</b>	<b>518,269</b>	<b>476,088</b>	<b>488,583</b>
Creditors: amounts falling due more than one year	(310,532)	(306,537)	(294,720)	(264,807)	(282,647)
Provisions for liabilities and charges	-	(2,336)	(21,856)	(30,468)	(35,174)
SHPS Pension liability	(7,518)	(6,735)	(6,560)	(13,248)	(5,618)
<b>Total net assets</b>	<b>214,467</b>	<b>208,628</b>	<b>195,133</b>	<b>167,565</b>	<b>165,144</b>
Revenue reserve	214,467	208,628	195,133	167,565	165,144
<b>Capital and reserves</b>	<b>214,467</b>	<b>208,628</b>	<b>195,133</b>	<b>167,565</b>	<b>165,144</b>
Asset data	2024	2023	2022	2021	2020
Social housing stock owned at year end (no.)	13,761	13,715	13,687	13,582	13,583
Non-social housing and other property types (no.)	1,884	1,941	2,206	2,253	2,321
Average existing use value (EUV-SH) per unit (£)	34,478	34,845	32,153	31,503	28,416

## 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 2024 is shown on page 41 of the financial statements, and its consolidated statement of financial position as at 31 March 2024 is shown on page 43.

The Group was able to deliver a strong result, generating a surplus after tax and before actuarial losses or gains on pension schemes of £12.60million (2023: £17.98million) 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 48 to 55. 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 2024, the Group owned 13,761 and managed a further 98 social housing properties (2023: owned 13,715 and managed 109).

The Group holds its housing properties at cost. As at 31 March 2024, the carrying value of housing properties is £499.43million (2023: £479.36million). Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated unaudited value of secured and unsecured properties is £560.1million (2023: £541.8million).

Following a review of the housing stock, no property impairment has been recognised in the year (2023: 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 (2023: nil).

#### *Cash flow statement*

Cash inflows and outflows during the financial year are shown in the consolidated statement of cash flows on page 47 of the financial statements.

The Group generated a cash inflow from operating activities of £20.8million (2023: inflow £25.1million). The overall cash inflow in the financial year was funded mainly by operating activities and new loan financing, social housing grant of £8.0million (2023: £1.3million) and property sales of £1.4million (2023: £3.8million). Cash outflows in respect of financing was £7.9million (2023: inflow £9.8million), capitalised expenditure £33million (2023: £29million), resulting in a net reduction in cash of £10.4million (2023: increase of £10.1million).

Cash at bank and in hand was £29.1million (2023: £39.4million).

## 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 £5.8million (2023: £13.5million), the Group's reserves amounted to £214.5 million (2023: £208.6 million) at 31 March 2024.

#### *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 and Funding*

Liquidity is secured from free cash flow from operations, government grant and external lending facilities. At 31 March 2024, the Group had drawn loans totalling £153.6million (2023: £155.6million) and available undrawn credit facilities of £60million (2023: £60million). Cash equivalents held at the year-end totalled £29.1million (2023: £39.4million). Existing borrowing arrangements include two undrawn revolving credit facilities (RCF's) totalling £60million. 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 £6million (2023: £7.9 million) due over the next five years and has facilities in place to undertake this. A further £147.6million matures after year 5, representing 96.1% of total debt (2023: £147.7million, 95%).

#### *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 2024, all cash investments are held with counterparties who meet the criteria as set out in our Treasury Management Policy.

#### *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 2024, and in accordance with the Board approved strategy, 99% (2023: 99%) 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.

## Report of the Board of Management (*continued*)

### 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. 2023/24 was the second year of our 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/>



## Report of the Board of Management (*continued*)

### Value for Money (continued)

#### Priority one – Listening and delivering exceptional services

Key action and targets	Bernicia Target 2025	Bernicia Target 2024	Bernicia 2024	Bernicia 2023	Bernicia 2022
Customer satisfaction with overall service	82%	82%	81%	81%	90%
Segmental Analysis of satisfaction and complaints	N/A	N/A	Underway	Underway	N/A
Tenants confirm compliance with the Bernicia Promises	Published	Published	Underway	Published	Published
Triennial external review of tenant engagement	Completed	Completed	TPAS assessment in progress, in line with timescales	N/A	N/A

**Customer satisfaction** – Satisfaction measures are a combination of the Regulator’s new Tenant Satisfaction Measure (TSM) survey responses, completed with Bernicia customers in 2023/24, and internal transactional surveys. Overall satisfaction was measured via the TSM perception survey and has remained at 81% against a business plan target of 82%.

**Segmental analysis** – Collection of customer data to support segmental analysis is ongoing through the Getting to Know You campaign, managed through the introduction of the new customer relationship management (CRM) system, Salesforce. Progress against the wider Equality, Diversity & Inclusion (ED&I) action plan was reported to Board during the year.

**Tenants annual report to Board on compliance with the Consumer Standards** – Due to the introduction of the Regulators new Consumer Standards, tenants will not report on compliance this year. The Senior Leadership and Governance team are completing a self-assessment which will be reported to Board during 2024/25.

**External validation of tenant involvement/engagement** – TPAS are currently assessing our Tenant involvement/engagement framework, in line with the agreed programme.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Priority two – Investing in homes and neighbourhoods

Key actions and targets	Bernicia Target 2025	Bernicia Target 2024	Bernicia 2024	Bernicia 2023	Bernicia 2022
Good stock condition data - % refreshed annually	20%	20%	19%	12%	100%
Valid gas certificate	100%	100%	99.82%	99.80%	99.69%
Valid solid fuel/oil certificates	100%	100%	98.14%	98.73%	97.96%
Electrical testing	100%	100%	99.89%	99.85%	99.48%
Water hygiene	100%	100%	100%	96.95%	98.79%
Asbestos	100%	100%	100%	99.17%	100%
Fire risk assessments	100%	100%	100%	100%	100%
Passenger lifts	100%	100%	100%	100%	100%
90% of homes at least SAP C - average score 73, by the end of the strategy period	73	72.34	72.37	72.06	71.82
New homes on site (cumulative) 2018/22 strategy		-	-	-	486
2022/26 Strategy	786	261	369	124	-

**Bernicia has good stock condition data and uses it to drive satisfaction** - We continue to have 100% decent homes compliance and our five yearly external stock review was last completed in 2021. Intelligence and clarity are two of the four key drivers of our Asset Management Strategy, and we continue to improve our knowledge of the stock through a five-year rolling programme of detailed stock condition surveys that is complemented by a range of other business intelligence, including insight from repairs trends and satisfaction results.

**Full suite of Health & Safety Indicators** - Bernicia has a zero-risk appetite for health and safety non-compliance hence all compliance targets are 100%. For example, on gas, where we have achieved the 100% target, the classification would only be amber if we can demonstrate that the reason properties do not have a valid certificate is due to no access and that the “no access procedure” is being followed. 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 programme to deliver the target for at least 90% of our homes to achieve a rating of SAP C or above by the end of the strategy period, improving our overall average SAP C rating to 73. The first year of our Social Housing Decarbonisation Fund (Wave 2.1) programme whilst challenging was successfully delivered ahead of the agreed targets, the 2024/25 works are on site and going well.

**New homes** – The original target was 600. We are now forecasting 619 starts associated to the 2022-26 programme. We acknowledge that cumulatively are aiming to start on site with as many as 786 over the life of this strategy, as homes from other investment programmes come on line. The 2022-26 programme target remains at 600, however we have included the 786 as an overall cumulative measure that covers all aspects of our development activity.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Priority three – Demonstrating organisational effectiveness and inclusivity

Key action and targets	Bernicia Target 2025	Bernicia Target 2024	Bernicia 2024	Bernicia 2023	Bernicia 2022
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	Complete	N/A
Meeting financial targets: <ul style="list-style-type: none"> <li>Golden rule compliance</li> <li>Strategies fully funded</li> <li>Improved covenants</li> </ul>	Compliant Funded Complete	Compliant Funded N/A	Compliant Funded On-going	Compliant Funded On-going	Compliant Funded N/A

**Retain regulatory compliance** – G1/V1 regulatory standard was retained following the Regulator’s stability check in November 2023. A range of supporting codes and accreditations are also in place to ensure ongoing compliance.

**Retain IIP gold accreditation** – Gold accreditation was achieved in the assessment completed in 2024. This demonstrates our commitment to communicating with and supporting our colleagues at a challenging time.

**ED&I Action Plan** - Collection of customer data to support segmental analysis is ongoing and helped by the introduction of the new CRM system, Salesforce. The wider action plan was reported to Board during 2023/24, with all required actions having been achieved to date.

**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 and increasing headroom.

## Report of the Board of Management (*continued*)

### Value for Money (continued)

#### 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** – An external stakeholder perception study was undertaken and reported to Board in 2023/24. This found stakeholder's sentiments to be overwhelmingly positive.

**Delivering social value (£15million over the strategy period)** - In 2022/23 we contributed approximately £7million to social value outcomes (with figures independently verified by the Housing Associations Charitable Trust (HACT)). 2023/24 end of year data is still being collated but we anticipate achieving a similar level of social value.

**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 rent policy and rent plan being approved by Board each February.

**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 2023/24, our focus has been on our Community Investment Strategy (CIS) aims of aspiration, skills and jobs.

Our Employability Team is active in schools and in 2023/24 the team delivered support to over 1,500 young people, undertaking a range of activities such as mentoring, mock interviews, jobs fairs and world of work events.

We also offer community-based aspiration activities and skills training. Our Learning Hives provided employability sessions to 416 people in 2023/24, resulting in 35 obtaining employment, 9 securing better work, 21 starting voluntary work and 75 achieving qualifications.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Priority four – Working collaboratively to support the North-East region (continued)

In addition, we support community organisations and expert companies to deliver aspiration and skills training for people with specific barriers to work, such as those with disabilities, care leavers, armed forces veterans or people with low skills attainment. In 2023/24 we provided support to over 400 people through these programmes and 125 obtained employment, 6 secured apprenticeships, 117 started volunteering and 107 gained qualifications.

Our Intensive Housing Management Team achieved a 60.5% success rate in successful tenancy outcomes. 282 tenants were helped to sustain their tenancy, and £472,420 was secured in personal gains for tenants.

We continued to support customers at risk of loneliness and isolation. Our check in and chat service, with activity focused on vulnerable tenants, typically handles 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.

Over £97,000 has been provided in emergency grants to customers from the Bernicia Hardship Fund to support with the costs of food, energy, and essential equipment, like white goods.

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

During 2023/24, the Bernicia Foundation has funded 17 Inclusion projects and 16 Inspirational young people, awarding over £178,000 of grants. This took the Foundations total amount of grant support for local people and communities, since it was launched in 2020, beyond £1million.

### 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	2024	2023	2022
<b>Growth</b>			
➤ Growth in turnover	4.9%	7.3%	3.5%
➤ Growth in total assets	1.5%	2.2%	7.0%
➤ Growth in total debt	(2.1%)	12.2%	20.4%
<b>Profitability</b>			
➤ Effective interest rate	4.0%	3.9%	4.1%
<b>Debt servicing ability</b>			
➤ Adjusted net leverage	33.2%	31.7%	24.4%
➤ Debt to turnover	1.81	1.84	1.76

## Report of the Board of Management (*continued*)

### Value for Money (continued)

#### Key financial ratios (continued)

##### Growth

Growth in turnover of 4.9% was driven by three separate revenue streams in the year. Income from social housing activities was 3.6% higher than that of the previous year. Rental and service charge income increased by £5.6million to £70.9million (2023: £65.3million), c8.6%, from rent increases in line with those allowed by the rent standard and income from new properties. Offsetting these increases, first tranche low-cost home ownership sales were £2.8million lower at £0.1million (2023: £2.9million), c96%, with reciprocal reductions in cost of sales. Finally, the Group's other activities continued to generate strong revenues. Turnover for 2024 increased by £1.4million to £10.2million (2023: £8.7million), c16%, favourably contributing to the Group's overall growth in turnover.

Growth in total assets reports a year-on-year increase of 1.5% (2023: increase of 2.2%). Property, plant, and equipment assets have increased by £19million during the year as new supply units were added to the statement of financial position. Goodwill of £1.1m has been written off in the year. Current assets have decreased by £10.9million largely due to reducing cash balances.

The Group's reduction in total debt of 2.1% reflects the impact of capital repayments that have fallen due during the period.

##### Profitability ratios

The Group's effective interest rate increased by 0.1% to 4% as a result of capital repayments.

##### Debt servicing ability

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

#### How we perform against the RSH VFM metrics

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

Demonstrating Bernicia's continued emphasis on value for money and understanding its performance, the following sections present how Bernicia has performed against the VFM metrics published by the RSH, along with Bernicia's own internal targets and performance measures. The 2024 results have been compared to the 2023 Global Accounts median VFM metric results with commentary provided where appropriate.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Business health

Global Accounts VFM Metrics <sup>1</sup>	Bernicia 2025 Target	Bernicia 2024 Target	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Global Accounts 2023 Median	Global Accounts 2023 local peer group Median
Operating margin – overall	17.5%	16.9%	18.5%	25.1%	25.0%	18.2%	19.4%
Operating margin – social housing lettings	20.1%	19.4%	21.0%	28.3%	26.2%	19.8%	20.1%
EBITDA MRI interest cover	205.9%	192.0%	208.7%	227.1%	272.1%	124.4%	174.9%

**Operating margin – overall** - the 2023 global accounts median across the peer group was 19.4%. Bernicia had an operating margin of 25.1% for 2023 which would have positioned the Group 2<sup>nd</sup> highest within its peer group in 2023. Whilst performance in 2024 has declined this is a result of rent restraint measures impacting the whole of the social housing sector, along with inflationary cost pressures and strategic decisions to invest further in core service areas such as repairs and maintenance. When compared to the 2024 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, additional income through rental, sundry and other income positively impacting surplus. These positive movements have been offset to some degree by additional costs associated with routine maintenance, the write off of a historic goodwill balance, and a slightly lower surplus from Bernicia's commercial company Kingston Property Services, albeit we feel Kingston delivered impressive results in the current economic climate. Overall, 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 2023 median for the peer group was 20.1%. In 2023 Bernicia ranked 2<sup>nd</sup> highest with a margin of 28.3%. Margins in the peer group ranged from 14.3% to 29%. Bernicia's 2024 result of 21% when compared to the in-year target of 19.4% 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 2024 performance exceeding both the 2023 Global Accounts median and that of the peer group. While underlying performance remains consistently strong as highlighted in the operating margin above, EBITDA MRI for 2024 has reduced when compared to the prior year, this is mainly due to an increase in expenditure on property assets, and an acceleration of SAP C works due to the availability of capital grant.

<sup>1</sup> 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 <sup>2</sup>	Bernicia 2025 Target	Bernicia 2024 Target	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Global Accounts 2023 Median	Global Accounts 2023 local peer group Median
New supply delivered – social housing units	196	82	85	116	167	N/A	N/A
New supply delivered – social housing %	1.3%	0.6%	0.6%	0.8%	1.2%	1.3%	1.1%
New supply delivered – non-social %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	28.2%	26.0%	24.7%	23.9%	23.4%	45.3%	42.2%

Bernicia continues to deliver appropriate housing accommodation, to meet local demand and strengthen communities. In 2024, Bernicia delivered a **new supply of Social Housing accommodation** totalling 85 units comprised of 83 affordable rent units and 2 low-cost home ownership units. Delays in respect of planning and other conditions continue to be experienced, that said, Bernicia is ahead of the cumulative start on site target for the term of the Corporate strategy. During 2024/25 we anticipate starting on site with 227 new homes. During the final two years of our current corporate strategy completions are forecast to increase to 196 and 206 new homes respectively. At a time when many in the sector are slowing down development, we are confident we will be at least at median performance (if not higher) in the 2024/25 and 2025/26 metrics.

Bernicia's **gearing** is low when compared to other providers. As such, gearing relating to 2023 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. 2024 gearing levels are consistent with the previous year and reflect decisions made historically in relation to the repayment of expensive legacy debt.

#### Outcomes delivered

Global Accounts VFM Metrics <sup>3</sup>	Bernicia 2025 Target	Bernicia 2024 Target	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Global Accounts 2023 Median	Global Accounts 2023 local peer group Median
Reinvestment %	10.2%	7.5%	6.7%	5.4%	6.8%	6.7%	8.0%

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

<sup>3</sup> 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 (continued)

In 2023/24, Bernicia made a combined investment in existing stock and new stock of £26.3million (2023: £26.1million), with £12.1million (2023: £11.5million) invested in the new supply of properties and £14.2million (2023: £14.6million) invested in existing properties. This represents a reinvestment of 6.7% when compared to the overall value of housing properties.

Investment in **existing** properties considers only the capital expenditure spent on improvement and modernisation of existing housing stock. The investment programme has been reshaped over the last few years as a direct consequence of the pandemic.

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 £11.5million on the development of new properties in 2022/23, the 2023 Global Accounts position Bernicia slightly above the lower quartile of 0.6% for new supply.

Whilst new supply delivered during 2023/24 results report a lower percentage of new supply, total spend on new housing accommodation was £19million. This increased spend accounts for properties due to complete in the 2024/25 financial year and explains the increase in target levels. This reflects an increase in activity following a period of delays, as discussed in more detail in the previous section, in progressing sites through planning and other conditions experienced.

#### Effective Asset Management

Global Accounts VFM Metrics <sup>4</sup>	Bernicia 2025 Target	Bernicia 2024 Target	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Global Accounts 2023 Median	Global Accounts 2023 local peer group Median
Return on capital employed (ROCE)	3.3%	2.8%	3.2%	4.5%	4.2%	2.8%	3.2%
Ratio of responsive repairs to planned maintenance	59.3%	61.4%	64.3%	71.5%	58.0%	N/A	N/A

<sup>4</sup> 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)

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 22.

The Return on Capital Employed at 4.5% for the year 2022/23 was within the top quartile when compared to the 2023 Global Accounts national group and upper quartile in the regional peer group data set. Bernicia was the 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 2023/24 report a Return on Capital Employed of 3.2%, which although lower than the 2022/23 still represents strong performance. It is expected that this will continue to be at or above median levels of performance.

**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 2022/23, Bernicia's ratio of responsive repairs to planned maintenance was 71.5%, meaning for every pound spent on planned maintenance, Bernicia spent a further seventy-one pence on responsive repairs. The results for 2024 report that Bernicia spent 64.3% on responsive maintenance when compared to planned maintenance which is a reduction on the prior year, however, it should be noted that responsive repair expenditure continues to be 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.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Effective asset management (continued)

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.

## Report of the Board of Management *(continued)*

### Value for Money (continued)

#### Operating efficiencies

Global Accounts VFM Metrics <sup>5</sup>	Bernicia 2025 Target	Bernicia 2024 Target	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Bernicia 2022 (Group)	Global Accounts 2023 Median	Global Accounts 2023 local peer group Median
Headline social housing cost per unit (CPU)	£4,981	£4,454	£4,712	£4,086	£3,696	£4,568	£4,068
Management CPU	£976	£871	£869	£743	£721	£1,203	£782
Service charge CPU	£565	£542	£552	£431	£366	£536	£344
Maintenance CPU	£1,542	£1,398	£1,565	£1,345	£1,219	£1,376	£1,330
Major repairs CPU	£1,397	£1,159	£1,314	£1,186	£1,098	£1,084	£1,224
Other social housing CPU	£501	£484	£412	£381	£292	£232	£111

As reported in the 2023 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 2023/24 was £4,712 which shows an increase of £626 (15.3%) from the 2023 reported figures. Management CPU for 2023/24 was impacted by higher utility and insurance costs in year, service charge CPU was also impacted by higher utility costs. The largest increase is in respect of maintenance and is due to a continued increase in demand in this service area, along with proactive Board decisions to invest more in this area. 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, and the acceleration of SAP C energy efficiency works due to the availability of capital grants to partially fund this investment. Again, the acceleration of the energy efficiency works was an in-year Board decision.

When compared to the 2023 Global Accounts, Bernicia's cost per unit for 2022/23 was £18 per unit higher than the regional peer group median. For 2023/24, headline cost per unit was £644 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 2023/24 headline cost per unit will be broadly comparable to the 2024 peer group median once the figures are available.

Included in the other cost per unit metric are the costs associated with the collection of water rates on behalf of Northumbrian Water. In 2023/24 water rates costs were £242 per unit. Excluding these from the calculation, Bernicia's other cost per unit would have been £170. It should be noted that the water rates are not applicable to all nationally or in the peer group.

#### Future plans

2023/24 represented the second year of the 2022 to 2026 Corporate Strategy that was approved by Board on 18<sup>th</sup> 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.

<sup>5</sup> 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 continue to listen to, and work with our tenants and customers, and will invest to deliver exceptional services that leave no one behind.

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.

We continue to deliver on the commitment of at least 600 new housing units that were planned as part of the 2022 to 2026 Strategy. This investment will address some of 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 in relation to energy efficiency and decarbonisation works. Through planned strategic reviews, 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 to 2026, 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.

### 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.

## Report of the Board of Management (*continued*)

### Tenant Involvement (*continued*)

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.

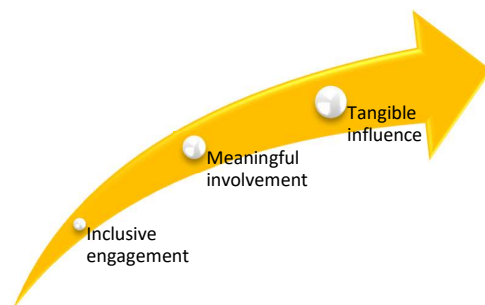
Embedded within Bernicia's values and culture exists a longstanding tradition of listening to and acting on the tenant voice. A deep dive assessment of Bernicia's engagement and involvement arrangements by national experts TPAS confirmed that Bernicia is a listening organisation that puts tenants at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



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*

## Report of the Board of Management (*continued*)

### Tenant Involvement (*continued*)

The following is a statement written by the Tenant Voice Panel and is taken from the Tenants' Annual Review 2023/24.

#### Tenant statement

This past year we have been focussed on influencing and supporting Bernicia's transition to compliance with requirements of the Social Housing Act 2023.

Prior to that we were engaged in the consultation phases of both the Regulator of Social Housing's new Consumer Regulation Standards, and the Housing Ombudsman's revised Complaint Handling Code. We have always proactively scrutinised Bernicia's compliance with the consumer standards, and supported progression of activities and actions that go beyond just compliance with these, to identify and adopt good practice and innovation in service standards and delivery.

This put us on the front foot when it came to considering Bernicia's compliance with the draft standards, from which an action plan to strengthen some elements was identified. We now have plans in place to assess Bernicia's compliance of the final standards, confirmed recently, to ensure that we continue to scrutinise Bernicia's performance and compliance with the Consumer Standards.

Given the changed requirements introduced this year, we have focussed our attention on the collection and outcomes of the Tenant Satisfaction Measures, which incorporate both tenant's perceptions of services, alongside management information, which identifies performance against specific indicators. An overview of the results can be found here: [Bernicia-Tenant-Satisfaction-Measures-Results-2023-2024.pdf](#). These will help inform our work in the coming year and inform plans for the future.

We are pleased to see the outcome of the tenant perception measures and recognise that Bernicia is operating at a high level in respect of the services it provides and the standards it is meeting. Within our role as Involved Tenants, we will be working with officers to determine the consistency with which services are delivered, to determine if there are any groups of people, locations, or types of property that are generating different results to others. This way we can monitor progress and ensure services are designed with everyone in mind.

We have also focussed on revisions to the Housing Ombudsman's Complaint Handling Code, to ensure Bernicia remains compliant with this, and proactive in its response and resolution of complaints, but also the learnings they can take from this, to continue to improve services for tenants.

Reviewing and revising the complaints approach has been a specific focus for us this year, with the service now streamlined to a 2-stage approach, with more robust analysis and strategic overview of trends arising. This helps us to better learn from the feedback, and focus attention on improving services to reduce complaints, and get problems resolved quickly.

In respect of this, and after consultation with Involved Tenants, Bernicia has produced a Complaints Performance and Service Improvement report, which highlight a range of information from which we can monitor progress and service improvements identified. The report can be found here <https://www.bernicia.com/corporate/transparency-reports/>.

This past year Bernicia has been working on the Getting To Know You campaign, to gather profile information about their tenants and households, to understand if the services they deliver need are accessible to everyone, and being delivered in accordance with their service standards.

## Report of the Board of Management *(continued)*

### Tenant Statement (continued)

We have also participated in other service reviews, in particular allocations, and void properties, to ensure properties are prioritised for the most appropriate households, and that they meet the lettable standard when tenants move in.

We are currently working with TPAS who are undertaking their triennial review of the way in which Bernicia engages, listens to, and is influenced by tenants in their decision-making processes. We look forward to receiving the report and continuing to work with Bernicia to ensure they generate the most valuable feedback from residents, and that this is an effective contributor to the design and delivery of services.

### In summary

Looking back over 2023/24 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 2023/24.

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.

### 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. With plans in place for the Tenant Voice Panel to fully assess Bernicia compliance of the final standards, confirmed and published recently, to ensure that we continue to comply with Regulatory requirements.



## Report of the Board of Management (*continued*)

### 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 the NHF Code of Conduct 2022 and approved Bernicia's Standards of Behaviour policy which is developed to align to the Code of Conduct.

Having reviewed the Group's self-assessment against the NHF Code of Governance 2020 and approved the ongoing monitoring of compliance with the requirements of the Code of Conduct 2022 set out in the Standards of Behaviour Policy, 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.

A statement of the responsibilities of the Board of Management in respect of the financial statements is given on page 37. A brief description of the role of the Board is provided below, followed by a statement regarding the Association's internal controls on pages 33 to 35.

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.

## Report of the Board of Management (*continued*)

### Corporate governance (continued)

#### 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 Group 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, along with the Statement of Preferred Board Composition, 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.

#### Statement on internal control

The Board has responsibility for ensuring an effective system of internal control is maintained and regularly reviewed. It recognises this does not provide absolute assurance or eliminate all risks but is designed to manage those risks 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 helps us to anticipate and prevent any potential gaps in assurance coverage by shaping future activities and requirements.

## Report of the Board of Management *(continued)*

### Statement on internal control (continued)

**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 Bribery 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 reviewed by colleagues across the Group to help monitor, manage, and mitigate risks at all levels.

**Internal Audit & Non-Negotiable Controls** – RSM were the internal auditors during 2023/24 and had direct access to colleagues and 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: Compliance Plus: Automation, Fall Protection and Lightning Conductors, NNC Testing: Financial Controls and Payroll, Regulatory Compliance – Asbestos Management, Regulatory Compliance – Gas Safety and Multi-Fuel, Mandatory Training. Meanwhile reasonable assurance ratings were provided for Procurement, Voids, Cyber Security, Care Alarms, PMD Review, Counterparty Risk, Safeguarding, Rent Arrears. Advisory audits were conducted for Non-Negotiable Controls Validation and Follow-Up. There were no significant issues 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.”

**Non-Negotiable Control Testing** – A suite of non-negotiable control tests was in place during the year. Results were reported to Audit and Risk Committee on a quarterly basis. In 98.2% 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.

**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 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

## Report of the Board of Management (*continued*)

### Statement on internal control (*continued*)

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 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.

### Compliance with the Regulatory Framework

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

### Global Events

During the year, the Group was again required to manage and mitigate multi-layered risks relating to global events, including the War in Ukraine and inflationary 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, was considered alongside internal audit assurance levels by the Audit and Risk Committee. They offered a reasonable to significant level of assurance. The compiling of this Statement did not identify any significant material breaches; either in respect of the controls themselves, or around the sources of assurance. After appropriate 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 2024.*

## Report of the Board of Management (*continued*)

### 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.

### Disclosure of information to the auditor

The Board Members, who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Auditor

In accordance with Section 83 of the Co-operative and Community Benefit Societies Act 2014, a resolution for the re-appointment of Beever and Struthers as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

The Report of the Board of Management was approved on 6 August 2024 and signed on its behalf by:



**J Holmes**  
Chair

Oakwood Way  
Ashwood Business Park  
Ashington  
Northumberland  
NE63 0XF

6<sup>th</sup> August 2024

## **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 groups 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.

## **Independent auditor's report to the members of Bernicia Group**

### **Opinion**

We have audited the financial statements of Bernicia Group (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2024 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated and Association Statement of Changes in Reserves, Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2024 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Report of the Board of Management, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## **Independent auditor's report to the members of Bernicia Group (continued)**

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the Association has not maintained a satisfactory system of control over transactions; or
- the Association has not kept proper accounting records; or
- the Association's financial statements are not in agreement with books of account; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 37, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's 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 the Board 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 for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.



## Independent auditor's report to the members of Bernicia Group (continued)

- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

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

### Use of our report

This report is made solely to the members of the Association, as a body, 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's members those matters we are required to state to them 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 and the members as a body, for our audit work, for this report, or for the opinions we have formed.



Beever and Struthers  
Statutory Auditor  
One Express  
1 George Leigh Street  
Manchester  
M4 5DL

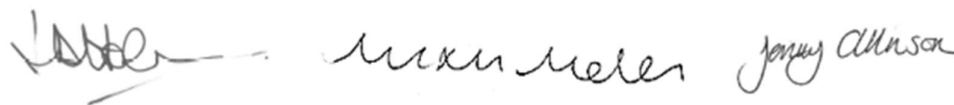
Date: 17 September 2024

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £000	2023 £000
Turnover	2	88,505	84,392
Cost of sales	2	(93)	(2,585)
Operating expenditure	2	(72,028)	(60,664)
<b>Operating surplus</b>		<b>16,384</b>	<b>21,143</b>
Gain on disposal of tangible fixed assets	5	621	2,375
Interest receivable and similar income	9	1,523	523
Interest payable and similar charges	10	(6,176)	(6,100)
Other finance income / (expense)	11	(87)	16
Movement in fair value of investment properties	17	335	20
<b>Surplus on ordinary activities before taxation</b>		<b>12,600</b>	<b>17,977</b>
Taxation	12	-	-
<b>Surplus on ordinary activities after taxation</b>		<b>12,600</b>	<b>17,977</b>
Actuarial (loss) in respect of pension schemes	23	(6,761)	(4,482)
<b>Total comprehensive income for the year</b>		<b>5,839</b>	<b>13,495</b>

The notes on pages 48 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board on 6 August 2024 and were signed on its behalf by:



**J Holmes**  
Chair

**A Alden**  
Member

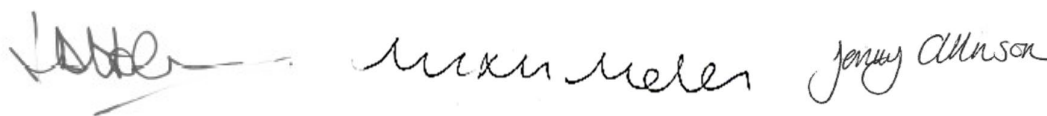
**J Allinson**  
Secretary

## Association Statement of Comprehensive Income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	2	81,330	78,076
Cost of sales	2	(93)	(2,585)
Operating expenditure	2	(64,848)	(55,637)
<b>Operating surplus</b>		<b>16,389</b>	<b>19,854</b>
Gain on disposal of tangible fixed assets	5	621	2,375
Interest receivable and similar income	9	1,511	520
Interest payable and similar charges	10	(6,176)	(6,100)
Other finance income / (expense)	11	(87)	16
Movement in fair value of investment properties	17	335	20
Gift aid receivable		987	1,445
<b>Surplus on ordinary activities before taxation</b>		<b>13,580</b>	<b>18,130</b>
Taxation	12	-	-
<b>Surplus on ordinary activities after taxation</b>		<b>13,580</b>	<b>18,130</b>
Actuarial (loss) in respect of pension schemes	23	(6,761)	(4,482)
<b>Total comprehensive income for the year</b>		<b>6,819</b>	<b>13,648</b>

The notes on pages 48 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board on 6 August 2024 and were signed on its behalf by:



**J Holmes**  
Chair

**A Alden**  
Member

**J Allinson**  
Secretary

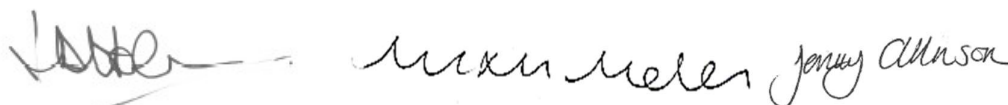
## Consolidated Statement of Financial Position

At 31 March 2024

	Note	2024 £'000	2023 £'000
<b>Fixed assets</b>			
Intangible assets and goodwill	13	653	2,012
Tangible fixed assets	14	510,523	490,218
Long term investments	15	624	632
HomeBuy loans receivable		122	126
Investment properties	17	2,638	2,303
		<u>514,560</u>	<u>495,291</u>
<b>Current assets</b>			
Stock	18	1,128	320
Trade and other debtors (inc £1,159k (2023: £1,062k) due after more than one year)	19	8,645	10,055
Cash and cash equivalents		29,054	39,435
		<u>38,827</u>	<u>49,810</u>
<b>Creditors:</b> amounts falling due within one year	20	(20,870)	(24,493)
<b>Net current assets</b>		<u>17,957</u>	<u>25,317</u>
LGPS Pension asset	23	-	3,628
<b>Total assets less current liabilities</b>		<u>532,517</u>	<u>524,236</u>
<b>Creditors:</b> amounts falling due after more than one year	21	(310,532)	(306,537)
<b>Provisions for liabilities</b>			
Provision for refurbishment	22	-	(2,336)
SHPS Pension liability	23	(7,518)	(6,735)
<b>Total net assets</b>		<u>214,467</u>	<u>208,628</u>
<b>Reserves</b>			
Share capital	24	-	-
Income and expenditure reserve		214,467	208,628
<b>Total reserves</b>		<u>214,467</u>	<u>208,628</u>

The notes on pages 48 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board on 6 August 2024 and were signed on its behalf by



**J Holmes**  
Chair

**A Alden**  
Member

**J Allinson**  
Secretary

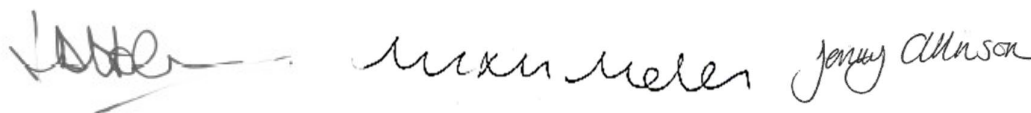
Registered society number: 7711

## Association Statement of Financial Position at 31 March 2024

	Note	2024 £'000	2023 £'000
<b>Fixed assets</b>			
Intangible assets	13	643	740
Tangible fixed assets	14	510,189	489,693
Long term investments	15	624	632
HomeBuy loans receivable		122	126
Investments in subsidiaries	16	2,367	2,367
Investment properties	17	2,638	2,303
		<b>516,583</b>	<b>495,861</b>
<b>Current assets</b>			
Stock	18	1,128	320
Trade and other debtors (inc £1,159k (2023: £1,062k) due after more than one year)	19	8,710	10,200
Cash and cash equivalents		28,215	38,497
		<b>38,053</b>	<b>49,017</b>
<b>Creditors:</b> amounts falling due within one year	20	<b>(20,263)</b>	<b>(23,394)</b>
<b>Net current assets</b>		<b>17,790</b>	<b>25,623</b>
LGPS Pension asset	23	-	3,628
		<b>534,373</b>	<b>525,112</b>
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after more than one year	21	<b>(310,532)</b>	<b>(306,537)</b>
Provision for refurbishment	22	-	(2,336)
SHPS Pension liability	23	(7,518)	(6,735)
<b>Total net assets</b>		<b>216,323</b>	<b>209,504</b>
<b>Reserves</b>			
Share capital	24	-	-
Income and expenditure reserve		216,323	209,504
<b>Total reserves</b>		<b>216,323</b>	<b>209,504</b>

The notes on pages 48 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board on 6 August 2024 and were signed on its behalf by:



**J Holmes**  
Chair

**A Alden**  
Member

**J Allinson**  
Secretary

Registered society number: 7711

## Consolidated Statement of Changes in Reserves

	Called up share capital	Income and expenditure reserve	Total reserves
	£'000	£'000	£'000
Balance at 31 March 2022	-	195,133	195,133
<b>Total comprehensive income for the year</b>			
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)
<b>Balance at 31 March 2023</b>	<b>-</b>	<b>208,628</b>	<b>208,628</b>
<b>Total comprehensive income for the year</b>			
Surplus	-	12,600	12,600
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(3,550)	(3,550)
Actuarial movement in respect of SHPS pension scheme	-	(3,211)	(3,211)
<b>Balance at 31 March 2024</b>	<b>-</b>	<b>214,467</b>	<b>214,467</b>

The notes on pages 48 to 85 form an integral part of these financial statements.

## Association Statement of Changes in Reserves

	Called up share capital	Income and expenditure reserve	Total reserves
	£'000	£'000	£'000
Balance at 31 March 2022	-	195,856	195,856
<b>Total comprehensive income for the year</b>			
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)
<b>Balance at 31 March 2023</b>	<b>-</b>	<b>209,504</b>	<b>209,504</b>
<b>Total comprehensive income for the year</b>			
Surplus	-	13,580	13,580
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(3,550)	(3,550)
Actuarial movement in respect of SHPS pension scheme	-	(3,211)	(3,211)
<b>Balance at 31 March 2024</b>	<b>-</b>	<b>216,323</b>	<b>216,323</b>

The notes on pages 48 to 85 form an integral part of these financial statements.

## Consolidated Statement of Cash Flows for year ended 31 March 2024

	2024	2023
	£'000	£'000
<b>Cash flows from operating activities</b>		
Surplus for the year	12,600	17,977
Adjustments for non-cash items:		
Depreciation of tangible fixed assets and software	13,494	11,834
Amortisation of goodwill	1,115	203
(Increase)/ Decrease in stock	(808)	1,841
Decrease in trade and other debtors	1,468	19,124
Decrease in trade and other creditors	(2,539)	(7,516)
Decrease in provisions	(2,336)	(19,520)
Pension costs less contributions payable	(2,437)	(447)
Gain on disposal of tangible fixed assets	(616)	(2,375)
Movement in fair value of investment properties	(335)	(20)
Government grants utilised in the year	(3,629)	(1,555)
Interest payable	6,176	6,100
Release of grant issue costs	90	-
Other finance expense	87	(16)
Interest receivable	(1,523)	(523)
Movement in fair value of financial instruments	8	-
<b>Net cash generated from operating activities</b>	<u>20,815</u>	<u>25,107</u>
<b>Cash flows from investing activities</b>		
Capitalised housing properties expenditure	(33,175)	(29,313)
Purchases of other fixed assets and software	(1,078)	(1,012)
Proceeds from sale of tangible fixed assets	1,404	3,757
Grants received	8,022	1,334
Interest receivable	1,523	483
Receipt of repayment of Homebuy loan	4	-
<b>Net cash flows from investing activities</b>	<u>(23,300)</u>	<u>(24,751)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(5,721)	(6,232)
Issue costs	(58)	360
New secured loans	-	25,000
Repayment of borrowings	(2,117)	(9,372)
<b>Net cash flows from financing activities</b>	<u>(7,896)</u>	<u>9,756</u>
<b>Net (decrease)/ increase in cash</b>	<u>(10,381)</u>	<u>10,112</u>
Cash and cash equivalents at 1 April	39,435	29,323
<b>Cash and cash equivalents at 31 March</b>	<u><u>29,054</u></u>	<u><u>39,435</u></u>

The notes on pages 48 to 85 form an integral part of these financial statements.



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Bernicia Group (the “Group”) is incorporated in England and Wales under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider. The registered office is Oakwood Way, Ashwood Business Park, Ashington NE63 0XF.

#### **Basis of Accounting**

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Housing SORP 2018: Statement of Recommended Practice for registered social housing providers.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting, as modified by the revaluation of investments and investment properties which are held at fair value through the profit or loss, and are presented in sterling £'000 for the year ended 31 March 2024.

The Group’s financial statements have been prepared in compliance with FRS102. The Group meets the definition of a public benefit entity (PBE).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Parent company disclosure exemptions**

In preparing the separate financial statements of the parent entity, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the Parent Entity;
- Disclosures in respect of the Parent Entity’s financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Entity as their remuneration is included in the totals for the Group as a whole.

#### ***Basis of Consolidation***

The consolidated financial statements incorporate the results of Bernicia Group Limited and its subsidiary undertakings, Kingston Property Services Limited and the Bernicia Foundation, as at 31 March 2024.

#### ***Going concern***

The Group’s 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 2024 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 2024/25 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,

## Notes (continued)

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 reduced levels of grant and conversion of low cost home ownership properties to general needs dwellings;
- High inflation – budget and business plan scenarios have been modelled to take account of cost increases including 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 £89m 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.

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.

### *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

### *Significant judgements*

#### *a. Development Expenditure*

The Group capitalises development expenditure in accordance with the accounting policy described on pages 51-52. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

#### *b. Categorisation of housing and other properties*

The Group has undertaken a detailed review of the intended use of all housing properties. In determining, the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rental and commercial properties are investment properties; surpluses are reinvested to further the charitable aims of Bernicia Group.

#### *c. Impairment of tangible assets*

The Group considers whether indicators of impairment exist in relation to tangible assets. Indicators include external sources of information such as market value, obsolescence or damage to the asset, or operational changes or internal reporting which indicate that the asset is performing worse than expected. The Group also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive income.

## **Notes** (continued)

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. Properties are categorised into “sustainability estates” which are considered to be Cash Generating Units.

### **Key sources of estimation uncertainty**

#### *a. Tangible fixed assets*

Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. Management reviews its estimate of useful economic lives of depreciable assets at each reporting date. Uncertainties in these estimates may relate to technical innovation, product lifecycles and maintenance programmes. The carrying value of tangible fixed assets at 31 March 2024 was £510,523.

#### *b. Revaluation of investment properties*

The Group carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. Details of the valuation techniques used are set out in note 17. The carrying value of investment properties at 31 March 2024 was £2,638k.

#### *c. Goodwill*

The Group establishes a reliable estimate of the useful life of goodwill arising on business combinations based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Where, in exceptional circumstances, the useful life of goodwill cannot be determined, the life will not exceed ten years. The carrying value of goodwill and other intangible assets at 31 March 2024 was NIL.

#### *d. Intangible fixed assets*

Intangible fixed assets are amortised over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

#### *d. 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.

#### *e. 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. These contracts have now ended and no further provision is required.

#### *f. 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.

## **Notes** *(continued)*

### ***Turnover***

Turnover represents rental income receivable, fees receivable, amortised capital grant, revenue grants receivable from local authorities and Homes England, proceeds from first tranche sales of shared ownership properties, and other income.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

First tranche shared ownership sales are included in Turnover and Cost of Sales and are recognised on legal completion.

### ***Service charges***

Service charge income and costs are recognised on an accruals basis.

The Group operates fixed service charges for tenants and variable service charges for leaseholders, in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to leaseholders by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a service charge sinking fund provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

### ***Intangible fixed assets***

#### ***Goodwill***

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Subsequently goodwill is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life.

#### ***Software***

Software is stated at cost, less accumulated amortisation. Amortisation is charged on a straight line basis over the expected economic life of the asset. All software is deemed to have a useful economic life of 3-5 years.

### ***Tangible fixed assets – housing properties***

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

#### ***Depreciation***

Freehold land is not depreciated. The residual value of land is based on the estimated open market value of the land at the date of purchase.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

## Notes (continued)

UELs for identified components are as follows:

Structure	- over 70 - 120 years
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

Depreciation is charged on other tangible fixed assets on a straight-line basis, 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

### *Capitalisation of interest and administration costs*

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.

Administration costs relating to development activities or capital projects are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the asset into its intended use.

### *Shared ownership properties*

The costs of low-cost home ownership properties are split between current and tangible fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a tangible fixed asset and subsequent sales treated as sales of fixed assets/property sales in operating surplus.

### *Valuation of long term investments*

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares, which represents amounts which are withheld by lenders as a cash reserve under the terms of a loan agreement, have been classified as long term investments. They are re-measured to market value at each reporting date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income for the period.

### *Investment properties*

Investment property includes commercial and other properties held in order to generate a surplus which supports the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value on the reporting date. Fair value is determined annually and derived from the current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

## Notes (continued)

### **Stock**

Shared ownership first tranche sales are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises materials, direct labour and direct development overheads.

Stock and work in progress are stated at the lower of cost and net realisable value.

### **Social Housing and other government grants**

Where developments have been financed wholly or partially by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the housing property structure and its individual components (excluding land), under the accruals model. Grants received relating to revenue expenses 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 must 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. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, Social Housing Grant may be repayable, and, in that event, is a subordinated unsecured repayable debt.

### **Social Housing Decarbonisation Fund**

The Group receives restricted funding from the Social Housing Decarbonisation Fund (Wave 2) administered by the Tees Valley Combined Authority. These funds can only be utilised in accordance with the terms of the scheme. Movements in the balance are shown in note 21.

### **Recycling of Capital Grant**

Where Social Housing Grant is recycled, as described above, the Social Housing Grant is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor due within one year.

### **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**

The tax expense for the period comprises current and deferred tax. Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantive enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred asset is regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

### **Value Added Tax**

The Group charges VAT on some of its income and is able to recover part of the VAT it recovers on expenditure. All amounts disclosed in the financial statements are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

## **Notes** (continued)

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. Both arrangements have now ended, with the Berwick VAT shelter scheme ending in 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.

### ***Property managed by third parties***

Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

### ***Employee benefits***

#### ***Retirement benefits***

The Group participates in two defined benefit pension schemes; the assets of both are held separately from those of the Group.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

#### ***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 actuarial valuations are obtained triennially and are updated at each reporting date.

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.

#### ***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.

#### ***Defined Contribution plan***

The group operates in two defined contribution schemes. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

### ***Loans***

All loans held by the Group are classified as basic financial instruments in accordance with FRS102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

## **Notes** (continued)

### ***Loan interest costs***

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

### ***Loan finance issue costs***

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed in the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

### ***HomeBuy***

The Group operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant. On redemption:

- The SHG is recycled
- The SHG is written off, if a loss occurs
- The Group retains any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated HomeBuy grant is recognised as deferred income until the loan is redeemed.

This scheme is now closed to new buyers.

### ***Leasing and hire purchase***

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital payments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

### ***Financial instruments***

Financial assets and financial liabilities are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

- Debt instruments that meet the conditions in paragraph 11.8(b) or 11.8(bA) of FRS102 are measured at amortised cost using the effective interest rate method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to make or receive a loan to another entity which meet the conditions in para 11.8(c) of FRS102 are measured at cost less impairment.

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.



## Notes (continued)

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

#### Group

	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2024 Operating surplus £'000	2023 Operating surplus £'000
Social housing lettings (note 2a)	78,088	-	(61,726)	16,362	20,558
<b>Other social housing activities</b>					
First tranche low cost home ownership sales	113	(93)	-	20	337
Support services	150	-	-	150	150
Community services	-	-	(388)	(388)	(403)
Development services	-	-	(1,511)	(1,511)	(1,310)
Other	-	-	(180)	(180)	(210)
	<u>263</u>	<u>(93)</u>	<u>(2,079)</u>	<u>(1,909)</u>	<u>(1,436)</u>
<b>Activities other than social housing activities</b>					
Leasehold management	7,251	-	(6,062)	1,189	1,464
Charitable activities	-	-	(203)	(203)	(259)
Other operating income (note 4)	1,744	-	-	1,744	1,226
Market Rentals	95	-	(1)	94	76
Commercial and other	385	-	-	385	369
Care & Repair	679	-	(842)	(163)	(652)
Amortisation of goodwill	-	-	(1,115)	(1,115)	(203)
	<u>10,154</u>	<u>-</u>	<u>(8,223)</u>	<u>1,931</u>	<u>2,021</u>
<b>Total</b>	<u><u>88,505</u></u>	<u><u>(93)</u></u>	<u><u>(72,028)</u></u>	<u><u>16,384</u></u>	<u><u>21,143</u></u>

#### Shared ownership transactions (Group and Association)

	First tranche £000	Staircasing £000	2024 Total £0	2023 Total £0
Proceeds	113	161	274	4,033
Cost of sales	(93)	(75)	(168)	(3,318)
Operating expenditure	-	(2)	(2)	(6)
	<u>20</u>	<u>84</u>	<u>104</u>	<u>709</u>

## Notes (continued)

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

#### Association

	Turnover	Cost of sales	Operating expenditure	2024 Operating Surplus	2023 Operating Surplus
	£'000	£'000	£'000	£'000	£'000
<b>Social Housing Lettings (note 2a)</b>	<b>78,088</b>	<b>-</b>	<b>(61,726)</b>	<b>16,362</b>	<b>20,558</b>
<b>Other social housing activities</b>					
First tranche low cost home ownership sales	113	(93)	-	20	337
Support services	150	-	-	150	150
Community services	-	-	(388)	(388)	(403)
Development service	-	-	(1,511)	(1,511)	(1,310)
Other	-	-	(180)	(180)	(410)
	<u>263</u>	<u>(93)</u>	<u>(2,079)</u>	<u>(1,909)</u>	<u>(1,636)</u>
<b>Activities other than social housing activities</b>					
Other operating income (note 4)	1,820	-	-	1,820	1,226
Commercial and other	385	-	-	385	369
Market rental	95	-	(1)	94	76
Care & Repair	679	-	(842)	(163)	(739)
Other	-	-	(200)	(200)	-
	<u>2,979</u>	<u>-</u>	<u>(1,043)</u>	<u>1,936</u>	<u>932</u>
<b>Total</b>	<u><b>81,330</b></u>	<u><b>(93)</b></u>	<u><b>(64,848)</b></u>	<u><b>16,389</b></u>	<u><b>19,854</b></u>

## Notes (continued)

### 2a 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	2024 Total £'000	2023 Total £'000
<i>Income</i>						
Rent receivable net of identified service charges	46,407	11,733	4,112	1,178	63,430	58,674
Service charge income	1,626	3,238	2,468	168	7,500	6,613
Water rates receivable	2,465	684	16	-	3,165	2,973
Amortised government grants	3,963	16	2	12	3,993	4,330
<b>Turnover from social housing lettings</b>	<b>54,461</b>	<b>15,671</b>	<b>6,598</b>	<b>1,358</b>	<b>78,088</b>	<b>72,590</b>
<i>Operating expenditure</i>						
Management	(7,955)	(3,050)	(720)	(316)	(12,041)	(10,281)
Service charge costs	(5,086)	(1,599)	(769)	(196)	(7,650)	(5,977)
Routine maintenance	(11,692)	(3,210)	(693)	(26)	(15,621)	(12,902)
Planned maintenance	(4,278)	(1,399)	(318)	(65)	(6,060)	(5,697)
Major repairs expenditure	(2,779)	(948)	(218)	(52)	(3,997)	(1,756)
Bad debts	(133)	24	86	3	(20)	(365)
Water rates payable	(2,521)	(715)	(17)	-	(3,253)	(3,038)
Depreciation of housing properties	(12,442)	(220)	(13)	(26)	(12,701)	(11,686)
Lease costs	-	-	(403)	-	(403)	(330)
Other costs	20	-	-	-	20	-
<b>Operating expenditure on social housing lettings</b>	<b>(46,866)</b>	<b>(11,117)</b>	<b>(3,065)</b>	<b>(678)</b>	<b>(61,726)</b>	<b>(52,032)</b>
<b>Operating surplus on social housing lettings</b>	<b>7,595</b>	<b>4,554</b>	<b>3,533</b>	<b>680</b>	<b>16,362</b>	<b>20,558</b>
<b>Void losses</b>	<b>(1,092)</b>	<b>(685)</b>	<b>(98)</b>	<b>-</b>	<b>(1,875)</b>	<b>(1,774)</b>

## Notes (continued)

### 3 Accommodation owned and managed

#### Group

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

	2023 No	Additions No	Disposals No	Other No	2024 No
<b>Social Housing</b>					
<b>Owned and Managed:</b>					
<b>General needs:</b>					
Social rent	8,957	16	(23)	(417)	8,533
Affordable rent	988	49	(1)	(87)	949
<b>Housing for older people:</b>					
Social rent	2,561	-	(1)	392	2,952
Affordable rent	112	-	-	78	190
<b>Supported:</b>					
Social rent	476	-	-	20	496
Affordable rent	15	3	-	(1)	17
<b>Rent to HomeBuy</b>	80	-	-	-	80
<b>Care Homes</b>	54	-	-	-	54
<b>Shared ownership</b>	365	17	(2)	-	380
<b>Leasehold schemes - Freehold retained</b>	759	-	-	(1)	758
<b>Total owned and managed</b>	<b>14,367</b>	<b>85</b>	<b>(27)</b>	<b>(16)</b>	<b>14,409</b>
<b>Managed by others</b>					
Supported housing accommodation	107	-	-	3	110
<b>Managed for others</b>					
<b>General needs housing:</b>					
Social rent	86	-	-	(10)	76
Affordable rent	1	-	-	-	1
<b>Housing for older people</b>	14	-	-	-	14
<b>Supported housing accommodation</b>	7	-	-	-	7
<b>Total managed for others</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>98</b>
<b>Commercial and other</b>					
Private rented	12	-	-	-	12
Garages	1,114	-	(51)	-	1,063
Shops	50	-	(5)	-	45
Other commercial	6	-	-	-	6
<b>Leasehold schemes - Freehold retained</b>	397	-	-	-	397
<b>Leasehold schemes - managed for others</b>	12,572	176	(401)	-	12,347

## Notes (continued)

### Association

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

	2023 No	Additions No	Disposals No	Other No	2024 No
<b>Social Housing</b>					
<b>Owned and Managed:</b>					
<b>General needs:</b>					
Social rent	8,957	16	(23)	(417)	8,533
Affordable rent	988	49	(1)	(87)	949
<b>Housing for older people:</b>					
Social rent	2,561	-	(1)	392	2,952
Affordable rent	112	-	-	78	190
<b>Supported:</b>					
Social rent	476	-	-	20	496
Affordable rent	15	3	-	(1)	17
<b>Rent to HomeBuy</b>	80	-	-	-	80
<b>Care Homes</b>	54	-	-	-	54
<b>Shared ownership</b>	365	17	(2)	-	380
<b>Leasehold schemes - Freehold retained</b>	759	-	-	(1)	758
<b>Total owned and managed</b>	<u>14,367</u>	<u>85</u>	<u>(27)</u>	<u>(16)</u>	<u>14,409</u>
<b>Managed by others</b>					
Supported housing accommodation	107	-	-	3	110
<b>Managed for others</b>					
<b>General needs housing:</b>					
Social rent	86	-	-	(10)	76
Affordable rent	1	-	-	-	1
<b>Housing for older people</b>	14	-	-	-	14
<b>Supported housing accommodation</b>	7	-	-	-	7
<b>Total managed for others</b>	<u>108</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>98</u>
<b>Commercial and other</b>					
Private rented	11	-	-	-	11
Garages	1,114	-	(51)	-	1,063
Shops	50	-	(5)	-	45
Other commercial	6	-	-	-	6

## Notes (continued)

### 4 Other operating income

	Group		Association	
	2024	2023	2024	2023
	£000	£000	£000	£000
Rate collection allowance	416	388	416	388
Office rental	92	167	168	167
Sale of management services	177	163	177	163
Sundry income	1,059	508	1,059	508
Total other operating income	<u>1,744</u>	<u>1,226</u>	<u>1,820</u>	<u>1,226</u>

### 5 Gain on disposal of tangible fixed assets

	Group		Association	
	2024	2023	2024	2023
	£000	£000	£000	£000
Proceeds from sales of housing properties	1,399	3,757	1,399	3,757
Cost of sales of housing properties (including fees)	(783)	(1,382)	(783)	(1,382)
Net gain on disposal of housing properties	<u>616</u>	<u>2,375</u>	<u>616</u>	<u>2,375</u>
Proceeds from sales of other tangible fixed assets	5	-	5	-
Cost of sales of other tangible fixed assets	-	-	-	-
Net gain on disposal of other tangible fixed assets	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Gain on disposal of tangible fixed assets	<u>621</u>	<u>2,375</u>	<u>621</u>	<u>2,375</u>

### 6 Surplus/(deficit) on ordinary activities

The operating surplus/(deficit) is stated after charging/(crediting):

	Group		Association	
	2024	2023	2024	2023
	£000	£000	£000	£000
<b>Auditors remuneration including expenses (excluding VAT):</b>				
Audit of the Group financial statements	50	107	50	107
Audit of subsidiaries	12	26	-	-
Taxation compliance services	-	15	-	10
Audit-related assurance services	6	32	6	24
Operating lease rentals:				
Land and buildings	511	481	481	451
Office equipment	22	18	22	18
Vehicles	222	241	195	215
Depreciation of housing properties	12,702	11,143	12,702	11,143
Depreciation of other owned fixed assets	497	454	464	425
Amortisation of intangible fixed assets - software	295	237	279	222

## Notes (continued)

### 7 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	
	2024 Number	2023 Number	2024 Number	2023 Number
Operational	444	433	363	355
Finance and administration	110	111	86	88
	<u>554</u>	<u>544</u>	<u>449</u>	<u>443</u>

The aggregate payroll costs of these persons were as follows:

	Group		Association	
	2024 £000	2023 £000	2024 £000	2023 £000
Wages and salaries (including car allowance)	18,952	17,262	17,068	15,640
Compensation for loss of office	156	86	156	79
Social security costs	1,750	1,664	1,600	1,537
Pension costs	3,225	2,644	3,086	2,535
	<u>24,083</u>	<u>21,656</u>	<u>21,910</u>	<u>19,791</u>

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	
	2024 £000	2023 £000	2024 £000	2023 £000
£60,000 - £70,000	11	17	10	16
£70,001 - £80,000	11	6	10	5
£80,001 - £90,000	4	2	4	2
£90,001 - £100,000	2	1	2	1
£100,001 - £110,000	1	5	-	4
£110,001 - £120,000	5	-	5	-
£120,001 - £130,000	-	2	-	2
£150,001 - £160,000	-	3	-	3
£160,001 - £170,000	3	-	3	-
£200,000 - £210,000	-	1	-	1
£210,000 - £220,000	1	-	1	-
	<u>38</u>	<u>37</u>	<u>35</u>	<u>34</u>

## Notes (continued)

### 8 Key management personnel remuneration

Key management personnel comprise the executive and non-executive directors. Total remuneration amounted to £875,000 (2023: £835,000).

Remuneration paid to executive directors in relation to the period of account was as follows:

	Group and Association	
	2024	2023
	£000	£000
Wages and salaries	629	592
Social security costs	81	81
Pension contributions	78	78
	<u>788</u>	<u>751</u>

Retirement benefits are accruing to four (2023: four) executive directors under a defined benefit scheme.

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

	2024	2023
	No.	No.
£150,001 - £160,000	-	3: - Michael Farr - Janette Longstaff - Andrea Malcom
£160,001 - £170,000	3: - Michael Farr - Janette Longstaff - Andrea Malcom	-
£200,001 - £210,000	-	1 - John Johnston
£210,001 - £220,000	1- John Johnston	-

The aggregate of emoluments for the year, excluding employer pension contributions, to the highest paid director, was £205,054 (2023: £193,611). 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.



## Notes (continued)

### 8 Key management personnel remuneration (continued)

The gross remuneration of the non-executive Board members for their service to the Group in the year was as follows:

Group and Association	2024 £000	2023 £000
Mrs AJ Alden	7	7
Mrs S Anderson	2	2
Mr R Cave	5	2
Mr A Dunn	7	7
Mrs A Gibson	9	8
Mr J Holmes	17	15
Mr G Jagpal	3	-
Mr M Massey	2	2
Mrs H Parker	4	4
Mr A Pegg	5	8
Mrs C-J Rewcastle	6	6
Mrs S Safdar	2	2
Mr X Setna	6	6
Mrs L Shearing	3	6
Mrs V Smart	2	2
Mrs A Tarn	7	7
Total non-executive Board members' emoluments	<u>87</u>	<u>84</u>

### 9 Interest receivable and similar income

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Interest receivable	1,523	523	1,511	520
Total interest receivable and similar income	<u>1,523</u>	<u>523</u>	<u>1,511</u>	<u>520</u>

### 10 Interest payable and similar charges

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Interest on loans	6,230	6,355	6,230	6,355
Early loan redemption costs	-	164	-	164
Interest payable and similar charges	6,230	6,519	6,230	6,519
Less: Interest capitalised on housing properties under construction	(54)	(419)	(54)	(419)
Total interest payable and similar charges	<u>6,176</u>	<u>6,100</u>	<u>6,176</u>	<u>6,100</u>
Capitalisation rate used to determine the finance costs capitalised during the period	3.35%	3.88%	3.35%	3.88%

## Notes (continued)

### 11 Other finance expense

	Group and Association	
	2024	2023
	£000	£000
Net interest on net defined benefit plan asset / liability	(87)	16
Total other finance expense	<u>(87)</u>	<u>16</u>

### 12 Taxation

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

	Group and Association	
	2024	2023
	£000	£000
<i>Current tax</i>		
UK corporation tax on surplus for the year	-	-
Total current tax charge	-	-

In the March 2021 Budget and confirmed in the March 2023 Budget, the UK tax rate increased to 25% from 1 April 2023.

The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 25% (2023: 19%). The differences are explained as follows:

#### Reconciliation of effective tax rate

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	12,600	17,997	13,580	18,130
Total tax expense	-	-	-	-
Surplus on ordinary activities before taxation	12,600	17,997	13,580	18,130
Tax using the UK corporation tax rate of 25% (2023: 19%)	3,150	3,419	3,395	3,445
Tax exempt revenues	(3,150)	(3,419)	(3,395)	(3,445)
Total tax expense included in profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 13 Intangible fixed assets

#### Group

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 31 March 2023	2,319	2,044	4,363
Additions	-	182	182
Disposals	-	(131)	(131)
At 31 March 2024	<u>2,319</u>	<u>2,095</u>	<u>4,414</u>
<b>Amortisation</b>			
At 31 March 2023	1,204	1,147	2,351
Charged in the year	1,115	295	1,410
At 31 March 2024	<u>2,319</u>	<u>1,442</u>	<u>3,761</u>
<b>Net book value</b>			
At 31 March 2024	<u>-</u>	<u>653</u>	<u>653</u>
At 31 March 2023	1,115	897	2,012

A review of goodwill was undertaken during 2023/24 and a decision made to reduce the carrying balance to nil.

#### Association

	Software £000
<b>Cost</b>	
At 31 March 2023	1,729
Additions	182
At 31 March 2024	<u>1,911</u>
<b>Amortisation</b>	
At 31 March 2023	989
Charged in the year	279
At 31 March 2024	<u>1,268</u>
<b>Net book value</b>	
At 31 March 2024	<u>643</u>
At 31 March 2023	740

### 14 Tangible assets

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

		Group		Association	
	Note	2024 £000	2023 £000	2024 £000	2023 £000
Tangible fixed assets – housing properties	14a	499,431	479,355	499,431	479,355
Tangible fixed assets – other	14b	11,092	10,863	10,758	10,338
		<u>510,523</u>	<u>490,218</u>	<u>510,189</u>	<u>489,693</u>

## Notes (continued)

### 14a Tangible fixed asset – housing properties

Group and association

	Housing Properties held for letting		Shared ownership		Total		
	Completed	Under construction	Completed	Under construction	Completed	Under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£,000
<b>Cost</b>							
At 31 March 2023	606,291	2,498	20,570	-	626,861	2,498	629,359
Properties acquired	-	6,206	-	719	-	6,925	6,925
Development of new properties	-	9,629	-	2,486	-	12,115	12,115
Works to existing properties	14,225	-	-	-	14,225	-	14,225
Disposals	(4,902)	-	(83)	-	(4,985)	-	(4,985)
Completed schemes	9,964	(9,964)	1,869	(1,869)	11,833	(11,833)	-
Transfers	8	-	(8)	-	-	-	-
At 31 March 2024	<u>625,586</u>	<u>8,369</u>	<u>22,348</u>	<u>1,336</u>	<u>647,934</u>	<u>9,705</u>	<u>657,639</u>
<b>Depreciation and impairment</b>							
At 31 March 2023	147,807	-	2,197	-	150,004	-	150,004
Charged in the year	12,536	-	166	-	12,702	-	12,702
Disposals	(4,487)	-	(11)	-	(4,498)	-	(4,498)
Transfers	-	-	-	-	-	-	-
At 31 March 2024	<u>155,856</u>	<u>-</u>	<u>2,352</u>	<u>-</u>	<u>158,208</u>	<u>-</u>	<u>158,208</u>
<b>Net book value</b>							
At 31 March 2024	<u>469,730</u>	<u>8,369</u>	<u>19,996</u>	<u>1,336</u>	<u>489,726</u>	<u>9,705</u>	<u>499,431</u>
At 31 March 2023	<u>458,484</u>	<u>2,498</u>	<u>18,373</u>	<u>-</u>	<u>476,857</u>	<u>2,498</u>	<u>479,355</u>

## Notes (continued)

### 14a Tangible fixed assets – housing properties (continued)

#### Security

Tangible fixed assets with a net book value of £242,696,910 (2023: £247,046,721) are secured.

#### Land and Buildings

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

	Group and Association	
	2024	2023
	£000	£000
Freehold	463,086	463,482
Long leasehold	16,243	15,484
Short leasehold	26	389
	<hr/>	<hr/>
	479,355	479,355
	<hr/>	<hr/>

The total accumulated amount of financial assistance and other Government grant received or receivable at 31 March was:

#### Social Housing Assistance

	Group and Association	
	2024	2023
	£000	£000
Recognised in the Statement of Comprehensive Income	89,199	85,206
Held as deferred income (note 21)	162,435	157,590
	<hr/>	<hr/>
Total	251,634	242,796
	<hr/>	<hr/>

	Group and Association	
	2024	2023
	£000	£000
<i>Finance and borrowing costs</i>		
Aggregate amount of finance costs included in the cost of housing properties	3,233	3,179
Borrowing costs capitalised to tangible fixed assets - housing properties during the period	54	419
Development costs capitalised to tangible fixed assets - housing properties during the period	345	418
Capitalisation rate	3.35%	4.15%
<i>Expenditure to works on existing properties:</i>		
Amounts capitalised – enhancements	14,225	14,582
Amounts charged to statement of comprehensive income (note 2a)	25,678	20,355
	<hr/>	<hr/>
Total	39,903	34,937
	<hr/>	<hr/>

**Notes** (continued)

**14b Tangible fixed assets - other**

Group

	Land and buildings	Managed Areas	Office equipment	Scheme fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 31 March 2023	12,724	195	1,192	635	1,581	16,327
Additions	628	-	202	66	-	896
Disposals	-	(195)	(43)	-	(96)	(334)
At 31 March 2024	<u>13,352</u>	<u>-</u>	<u>1,351</u>	<u>701</u>	<u>1,485</u>	<u>16,889</u>
<b>Depreciation</b>						
At 31 March 2023	2,554	25	925	379	1,581	5,464
Charged in the year	290	-	163	44	-	497
Disposals	-	(25)	(43)	-	(96)	(164)
At 31 March 2024	<u>2,844</u>	<u>-</u>	<u>1,045</u>	<u>423</u>	<u>1,485</u>	<u>5,797</u>
<b>Net book value</b>						
At 31 March 2024	<u>10,508</u>	<u>-</u>	<u>306</u>	<u>278</u>	<u>-</u>	<u>11,092</u>
At 31 March 2023	<u>10,170</u>	<u>170</u>	<u>267</u>	<u>256</u>	<u>-</u>	<u>10,863</u>

	2024 £'000	2023 (Restated) £'000
Freehold	3,330	3,148
Long leasehold	7,178	7,022
Short leasehold	-	-
	<u>10,508</u>	<u>10,170</u>

The split between freehold and leasehold properties was reviewed during 2024. Consequently the 2023 comparative figures have been restated.

## Notes (continued)

### 14b Tangible fixed assets - other (continued)

#### Association

	Land and buildings	Managed Areas	Office equipment	Scheme fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 31 March 2023	12,513	25	1,148	466	1,523	15,675
Additions	616	-	202	66	-	884
Disposals	-	(25)	(43)	-	(41)	(109)
At 31 March 2024	<u>13,129</u>	<u>-</u>	<u>1,307</u>	<u>532</u>	<u>1,482</u>	<u>16,450</u>
<b>Depreciation</b>						
At 31 March 2023	2,518	25	910	361	1,523	5,337
Charged in the year	285	-	152	27	-	464
Disposals	-	(25)	(43)	-	(41)	(109)
At 31 March 2024	<u>2,803</u>	<u>-</u>	<u>1,019</u>	<u>388</u>	<u>1,482</u>	<u>5,692</u>
<b>Net book value</b>						
<b>At 31 March 2024</b>	<u>10,326</u>	<u>-</u>	<u>288</u>	<u>144</u>	<u>-</u>	<u>10,758</u>
At 31 March 2023	<u>9,995</u>	<u>-</u>	<u>238</u>	<u>105</u>	<u>-</u>	<u>10,338</u>

	2024 £'000	2023 (Restated) £'000
Freehold	3,148	3,148
Long leasehold	7,178	6,847
Short leasehold	-	-
	<u>10,326</u>	<u>9,995</u>

The split between freehold and leasehold properties was reviewed during 2024. Consequently the 2023 comparative figures have been restated.

## Notes (continued)

### 15 Long term investments

	Group and Association	
	2024 £000	2023 £000
<b>Investments at valuation</b>		
Opening fair value at 1 April	632	632
Gains/losses on re-measurement to fair value	(8)	-
	<hr/>	<hr/>
At 31 March	624	632
	<hr/>	<hr/>

Long term investments are represented as follows:

	Group and Association	
	2024 £000	2023 £000
Long term investment in:		
Haven Funding plc	478	486
UK Rents (No 1) plc	146	146
	<hr/>	<hr/>
	624	632
	<hr/>	<hr/>

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 and Association	
	2024 £000	2023 £000
Listed investments	28	34
Unlisted investments	596	598
	<hr/>	<hr/>
	624	632
	<hr/>	<hr/>



## Notes (continued)

### 16 Fixed Asset Investments

Bernicia Group is the parent entity in the group and ultimate controlling party. The Group has taken advantage of the exemption available under Section 33 of FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

The Group comprises the following entities. All are registered in England and Wales and none are registered providers of social housing.

Name	Incorporation and ownership	Nature of business
Kingston Property Services Limited	Company – 100%	Leasehold management
Bernicia Foundation	Company limited by guarantee – 100%	Charitable grantmaking
Cheviot Housing Limited	Company – 100%	Dormant
Cheviot Homes Limited	Company – 100%	Dormant
Bernicia Housing Limited	Company – 100%	Dormant
Bernicia Homes Limited	Company – 100%	Dormant

Investments in subsidiaries comprise 100% of the share capital of Kingston Property Services Limited.

	Association	
	2024	2023
	£000	£000
<b>Cost</b>		
At 1 April and 31 March	2,367	2,367

### 17 Investment properties held for letting

	Group and Association	
	2024	2023
	£000	£000
<b>Valuation</b>		
At 1 April	2,303	2,283
Gain/loss from adjustment of fair value	335	20
Additions	-	-
At 31 March	2,638	2,303

Investment properties were valued at 31 March 2024 and comprise residential properties let on the open market and commercial properties. Rental properties were valued by RMS Estate Agents Ltd to market value in accordance with the Royal Institute of Surveyors Valuation Standards. Commercial properties were valued by Sanderson Weatherall using the Investment Method of valuation, in accordance with PS2 and VPS3 of the RICS Valuation – Global Standards (January 2022) published by The Royal Institution of Chartered Surveyors (RICS) (“The Red Book”).

## Notes (continued)

### 18 Stock

	Group and Association	
	2024 £000	2023 £000
First tranche shared ownership properties	890	56
Materials stock	238	264
	<u>1,128</u>	<u>320</u>

### 19 Debtors

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Rents and service charge arrears	5,881	5,429	5,881	5,429
Less: Provision for bad and doubtful debts	(4,414)	(4,177)	(4,414)	(4,177)
Net rent arrears	<u>1,467</u>	<u>1,252</u>	<u>1,467</u>	<u>1,252</u>
Amounts owed by group undertakings	-	9	1,219	1,628
Other debtors due within one year	1,952	3,109	1,201	3,088
Prepayments and accrued income due within one year	4,067	4,623	3,664	3,170
	<u>7,486</u>	<u>8,993</u>	<u>7,551</u>	<u>9,138</u>
Other debtors due within one year	811	757	811	757
Prepayments and accrued income due after more than one year	348	305	348	305
Total due after more than one year	<u>1,159</u>	<u>1,062</u>	<u>1,159</u>	<u>1,062</u>
	<u>8,645</u>	<u>10,055</u>	<u>8,710</u>	<u>10,200</u>

For the Group, debtors includes other debtors of £1,159,000 (2023: £1,062,210) due after more than one year. £811,197 (2023: £757,433) of these other debtors due after more than one year relate to coupons received in advance on loans taken out by Three Rivers Housing Association, one of the predecessor organisations to Bernicia Group, and HAPM and FARR insurance.

	Group		Association	
	2024 £	2023 £	2024 £	2023 £
Unpaid share capital	9	9	9	9

## Notes (continued)

### 20 Creditors: amounts falling due within one year

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Bank loans (see note 21)	1,846	2,206	1,846	2,206
Rents and service charges received in advance	926	919	926	919
Trade creditors	873	1,670	882	1,670
Owed to undertakings in which company has interest	1	18	1	18
Taxation and social security	438	370	416	370
Other creditors	569	494	706	414
Accruals and deferred income	8,609	9,832	7,878	8,813
Deferred capital grants (note 21)	3,814	4,340	3,814	4,340
Recycled capital grant fund (note 21)	284	869	284	869
Interest payable	1,247	1,080	1,247	1,080
Service charge sinking funds	2,263	2,060	2,263	2,060
Contingent consideration	-	635	-	635
	<u>20,870</u>	<u>24,493</u>	<u>20,263</u>	<u>23,394</u>

### 21 Creditors: amounts falling due after more than one year

	Group and Association	
	2024	2023
	£000	£000
Bank loans	150,502	152,011
Deferred capital grants	158,621	153,251
Recycled capital grant fund	1,114	747
Deferred recycled capital grant fund	295	528
	<u>310,532</u>	<u>306,537</u>

#### Recycled capital grant fund (RCGF)

These balances relate to funding received from Homes England. Movements in the RCGF are as follows:

	Group and Association	
	2024	2023
	£000	£000
Opening balance	1,616	1,252
Inputs to fund:		
Grants recycled	618	400
Interest accrued	89	39
Recycling of grant:		
New build	(925)	(75)
Closing balance	<u>1,398</u>	<u>1,616</u>

## Notes (continued)

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

	Group and Association	
	2024	2023
	£'000	£'000
Recycled capital grant fund (RCGF)		
Due within one year	284	869
Due after more than one year	1,114	747
	<u>1,398</u>	<u>1,616</u>

Amounts 3 years old or older where repayment may be required	-	298
--	---	-----

#### 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 £242,696,910 (2023: £247,046,721).

Included within bank loans are borrowings of £152,697,670 (2023: £154,507,393) with fixed interest rates ranging from 1% to 11.6% (2023: 1% to 11.6%) and borrowings of £900,000 (2023: £1,050,000) with variable interest rates ranging from SONIA plus 0.5% (2023: SONIA plus 0.5%).

Borrowings are repayable as follows:

	Group and Association	
	2024	2023
	£000	£000
Within one year	1,846	2,206
Between one and two years	992	1,757
Between two and five years	3,157	3,897
In five years or more	147,603	147,697
	<u>153,598</u>	<u>155,557</u>
Less: Issue costs	(1,250)	(1,340)
	<u>152,348</u>	<u>154,217</u>
Less: Amounts included within Creditors: amounts falling due within one year (see note 20)	(1,846)	(2,206)
	<u>150,502</u>	<u>152,011</u>

## Notes (continued)

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

#### Deferred capital grants

	Group and Association	
	2024	2023
	£000	£000
At 1 April	153,251	156,253
Grants received during the year: Housing properties	8,947	1,799
Transferred on disposal	(1,898)	(3,357)
Amortisation	(2,205)	(1,555)
Transfer to creditors within one year	526	111
<b>At end of year</b>	<b>158,621</b>	<b>153,251</b>
<i>Deferred capital grant movements within one year</i>		
At beginning of year	4,340	4,451
Transfer from grant after more than one year	(526)	(111)
<b>At end of year</b>	<b>3,814</b>	<b>4,340</b>
<b>Total deferred capital grants</b>	<b>162,435</b>	<b>157,590</b>

#### Social Housing Decarbonisation Fund

	Group and Association	
	2024	2023
	£000	£000
At 1 April	-	-
Grants received during the year	1,470	-
Utilised for qualifying works and associated costs	(1,470)	-
<b>At end of year</b>	<b>-</b>	<b>-</b>

The Social Housing Decarbonisation Fund from the Business, Energy and Industrial Strategy is to help improve the energy performance of social rented homes. The grant funding awarded is a maximum of £3,389,677.66, subject to sufficient qualifying works being completed and the terms of the grant being met.

### 22 Provisions for liabilities and charges

The provision related solely to the refurbishment of housing stock transferred from the Council as described below.

	Group and Association	
	2024	2023
	£000	£000
At 1 April	2,336	21,856
Capitalised expenditure during the year	(2,336)	(4,494)
Revenue expenditure during the year	-	(343)
Release of provision	-	(14,683)
<b>At 31 March</b>	<b>-</b>	<b>2,336</b>

The provision represented 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. This work is now complete and these agreements ended on 24 February 2023 and 2 November 2023 respectively.

## Notes (continued)

### 22 Provisions for liabilities and charges (continued)

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.

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 was contracted back to the Group which was also equally obligated. The underlying substance of the transaction was therefore that the Group acquired the housing properties in their existing condition at their agreed value and was obliged to complete certain repairs and improvements in line with guarantees to tenants.

The effect of these transactions was that the Group had 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 was recognised in the financial statements for the duration of the obligation.

At 31 March 2024, both contracts had ended; £nil (2023: £2,336,000) is included within debtors and £nil (2023: £2,336,000) is included within provisions for liabilities and charges.

### 23 Employee benefits

#### Defined benefit plans

##### *LGPS - Group and Association*

Bernicia Group participates in 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. The information disclosed below is in respect of the Group's share of the Fund which provides defined benefits based on members' final pensionable salary.

##### *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.
- 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.

## Notes (continued)

### 23 Employee Benefits (continued)

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 2024.

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.

#### SHPS – Group and Association

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer 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 completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company 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. During the year pension scheme deficit payments of £1,703,916 were made.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2024 to 28 February 2025 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus

#### Net pension asset/(liability) – LGPS and SHPS

	LGPS		SHPS	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Defined benefit obligation	(31,102)	(32,334)	(38,703)	(37,696)
Plan assets	54,826	52,353	31,185	30,961
Net pension asset/(liability)	<u>23,724</u>	<u>20,019</u>	<u>(7,518)</u>	<u>(6,735)</u>

## Notes (continued)

### 23 Employee Benefits (continued)

#### Movements in present value of defined benefit obligation

	LGPS		SHPS	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
At 1 April	(32,334)	(45,831)	(37,696)	(57,390)
Current service cost	(443)	(865)	(477)	(852)
Past service cost	(10)	-	-	21,086
Interest expense	(1,495)	(1,225)	(1,822)	(1,597)
Remeasurement: actuarial gains/(losses)	2,050	14,647	560	-
Contributions by members	(139)	(149)	(217)	(240)
Benefits paid	1,269	1,089	985	1,336
Expenses	-	-	(36)	(39)
At 31 March	<u>(31,102)</u>	<u>(32,334)</u>	<u>(38,703)</u>	<u>(37,696)</u>

#### Movements in fair value of plan assets

	LGPS		SHPS	
	2024 £000	2023 £000	2024 £000	2023 £000
At 1 April	52,353	51,688	30,961	50,831
Interest income	2,450	1,393	1,554	1,445
Remeasurement: return on plan assets	-	-	-	-
less interest income	-	(517)	(3,503)	(23,307)
Experience on plan assets:	691	-	-	-
Contributions by employer	462	729	2,941	3,088
Contributions by members	139	149	217	240
Benefits paid	(1,269)	(1,089)	(985)	(1,336)
At 31 March	<u>54,826</u>	<u>52,353</u>	<u>31,185</u>	<u>30,961</u>

#### Expense recognised in the statement of comprehensive income

	LGPS		SHPS	
	2024 £000	2023 £000	2024 £000	2023 £000
Current service cost	443	865	477	852
Expenses	-	-	36	39
Past service costs	10	-	-	-
Net interest on net defined benefit liability/(asset)	(955)	(168)	268	152
Less: Interest on unrecognised asset	-	-	-	-
Total expense recognised in the statement of comprehensive income	<u>(502)</u>	<u>697</u>	<u>781</u>	<u>1,043</u>
Remeasurement: actuarial (loss) / gain on defined benefit obligation	2,050	(517)	(2,943)	(23,307)
Remeasurement: gain/(loss) on plan assets less interest income	1,465	14,647	(268)	21,086
Total income/(expense) to potentially recognise in other comprehensive income	<u>3,515</u>	<u>14,130</u>	<u>(3,211)</u>	<u>(2,221)</u>



## 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

A restriction has been applied to the LGPS. As SHPS is in a deficit position, no adjustment is required.

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 that the net LGPS pension asset could be partially recognised in 2023 under paragraph 28.22, and that no asset could be recognised in 2024.

	2024 £000	2023 £000
Defined benefit obligation	(31,102)	(32,334)
Plan assets	54,826	52,353
Net pension asset before paragraph 28.22	<u>23,724</u>	<u>20,019</u>
Unrecognised asset due to limit in paragraph 28.22	<u>(23,724)</u>	<u>(16,391)</u>
Pension asset recognised on Balance Sheet	<u>-</u>	<u>3,628</u>

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

	2024 Fair value %	LGPS 2023 Fair value %
Equities	50.6	51.2
Government debt	1.3	1.3
Corporate bonds	19.5	19.5
Property	10.4	10.5
Cash	0.7	1.8
Other	17.5	15.7
	100.0	100.0

## Notes (continued)

### 23 Employee Benefits (continued)

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

	LGPS		SHPS	
	2024 %	2023 %	2024 %	2023 %
Discount rate	4.8	4.7	4.92	4.84
Future salary increases		4.2	3.79	3.79
2024/25	5.5			
2025/26 and 2026/27	2.5			
2027 onwards	2.0			
Rate of increase to pensions in payment	2.6	2.7	n/a	n/a
Rate of increase to deferred pension	2.6	n/a	n/a	n/a
RPI inflation	-	n/a	3.11	3.17
CPI inflation	2.6	2.7	2.79	2.79

#### LGPS

The last full actuarial valuation was performed on 31 March 2022. To measure the defined benefit obligation as at 31 March 2024, the Association used a qualified, independent actuary. At 31 March 2024 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 2024, 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 actual mortality experience of members within the Fund based on analysis carried out as part of the 2022 Actuarial valuation, and allow for expected future mortality improvements. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.0 years (male), 24.2 years (female).
- Future retiree upon reaching 65: 22.3 years (male), 25.6 years (female).

#### SHPS

In valuing the liabilities of the pension fund at 31 March 2024, 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: 20.5 years (male), 23.0 years (female).

Future retiree upon reaching 65: 21.8 years (male), 24.4 years (female).

### 24 Share Capital

#### Group and Association

	2024	2023
	£	£
Ordinary shares of £1 each at 1 April	9	9
Issued during the year	2	-
Surrendered during year	(2)	-
At 31 March	<u>9</u>	<u>9</u>

## Notes (continued)

### 24 Share Capital (continued)

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.

### 25 Financial instruments

The book value of all financial assets and financial liabilities at 31 March 2024 is deemed to equal fair value.

The Group's and Association's financial instruments may be analysed as follows:

	Group		Association	
	2024	2023	2024	2023
	£000	£000	£000	£000
<b>Assets held at fair value through profit and loss</b>				
Listed investments	28	34	28	34
Unlisted investments	596	598	596	598
<b>Assets measured at amortised cost</b>				
Rent and service charge arrears	5,881	5,429	5,881	5,429
Other debtors	7,178	14,186	7,243	14,165
Cash	29,054	39,435	28,215	38,497
<b>Liabilities measured at amortised cost</b>				
Rents and service charges received in advance	926	919	926	919
Trade creditors	873	1,670	882	1,670
Bank loans	152,348	152,011	152,348	152,011
Deferred capital grants	162,435	153,251	162,435	153,251

Included in these statements are payments to in relation to the SHPS past service deficit of £1,702,609 during 2023/24 (2023: £1,614,489), which represents the third year of the recovery plan which is due to end in March 2028.

### 26 Operating leases

Supported housing units, vehicles and office equipment are held under non-cancellable operating leases. At the end of the year the Housing Association had commitments of future minimum lease payments as follows:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Less than one year	569	197	524	172
Between one and five years	900	83	765	83
More than five years	108	-	73	-
	<u>1,578</u>	<u>280</u>	<u>1,362</u>	<u>255</u>

During the year, £755,000 (2023: 259,000) was recognised as an expense in the Group statement of comprehensive income in respect of operating leases. £698,000 (2023: £684,000) was recognised as an expense in the Association statement of comprehensive income in respect of operating leases.

## Notes (continued)

### 27 Capital commitments

	Group and Association	
	2024	2023
	£000	£000
Capital expenditure contracted for but not provided for in the financial statements	52,989	62,585
Capital expenditure authorised by the board but not yet contracted for	26,465	39,590
	<u>79,455</u>	<u>102,175</u>
The Group expects these commitments to be financed through:		
Social Housing Grant	17,730	12,027
Committed loan facilities	35,259	50,558
	<u>52,989</u>	<u>62,585</u>

### 28 Contingent liabilities

The Group has a contingent liability of £8,526,000 (2023: £8,040,000) 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

In accordance with the Accounting Direction for Private Registered Providers of Social Housing 2022, transactions between the Association, which is a private registered provider, and other non-registered entities in the group are disclosed as follows.

#### Transactions with non-registered entity The Bernicia Foundation

The Association donated £200,000 (2023: £200,000) to The Bernicia Foundation to support the work of the Foundation in line with its corporate strategy.

#### Transactions with non-registered entity Kingston Property Services

Kingston Property Services is a wholly owned subsidiary of the Association.

During the year the Association recharged Kingston Property Services for business services, primarily the recharge of staff and office facilities. Kingston Property Services charged the Association for the provision of property management services and made a gift aid donation.

Transactions between the two entities are summarised as follows.

	Amounts payable to Bernicia		Amounts payable to Kingston Property Services	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Group and association				
Business management services	416	441	-	-
Property management services	-	-	28	33
Gift aid	1,124	1,467	-	-
	<u>1,540</u>	<u>1,908</u>	<u>28</u>	<u>33</u>

Amounts owed from and to group undertakings are specified in note 19 and note 20.

## Notes (continued)

### 29 Related Parties (continued)

#### Spirit Regeneration and Development Co LLP

Group and association	Administrative expenses charged to		Administrative expenses incurred from	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Spirit Regeneration & Development LLP	71	69	2,748	2,385
	Receivables outstanding		Creditors outstanding	
	£'000	£'000	£'000	£'000
Spirit Regeneration & Development LLP	71	69	14	117

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

### 30 Group Undertakings

Bernicia Group is the parent entity in the group and ultimate controlling party. The Group has taken advantage of the exemption available under Section 33 of FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

Subsidiaries incorporated in England, of which Bernicia owns 100% of share capital:

- Kingston Property Services Limited, registered number 04032016
- Cheviot Housing Limited (dormant), registered number 01988446
- Cheviot Homes Limited (dormant)m, registered number 06674108
- Bernicia Housing Limited (dormant), registered number 03415690
- Bernicia Homes Limited (dormant), registered number 09502277

### 31 Accounting estimates and judgements

#### Investment properties

The Group holds a number of properties for commercial rental, which 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.

## Notes (continued)

### 31 Accounting estimates and judgements (continued)

#### *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 all works now complete.

#### *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.