Registered society number 7711

BERNICIA

Housing people,
helping people

Report of the Board of Management and Financial Statements
31 March 2025

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Report of the Board of Management

Board

J Holmes (Chair)
A Alden
R Cave
S Crosland (appointed 17 September 2024)
A Dunn
A Gibson
G Jagpal
L Moody (appointed 17 September 2024)
C Rewcastle (resigned 17 September 2024)
X Setna (resigned 17 September 2024)
G Smith (appointed 17 September 2024)
A Tarn (resigned 17 September 2024)
T Weightman (appointed 17 September 2024)

Executive Directors

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

Registered Office
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Principal Solicitors
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3 Bunhill Row
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Principal Bankers
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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 2024 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.

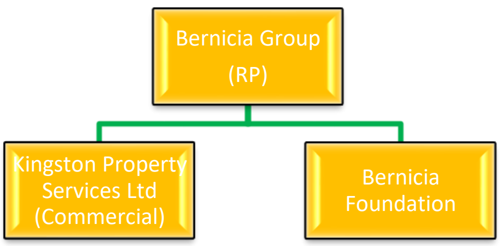
The Bernicia Foundation is the Group's wholly owned subsidiary with charitable objects and charitable status; registered with the Charity Commission under number 1190094. The Foundation enhances and consolidates Bernicia's approach to investment in its communities. The Board has agreed the priorities 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 2025/26 the Foundation allocated grants totalling £169,500 (2024: £177,059) 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.

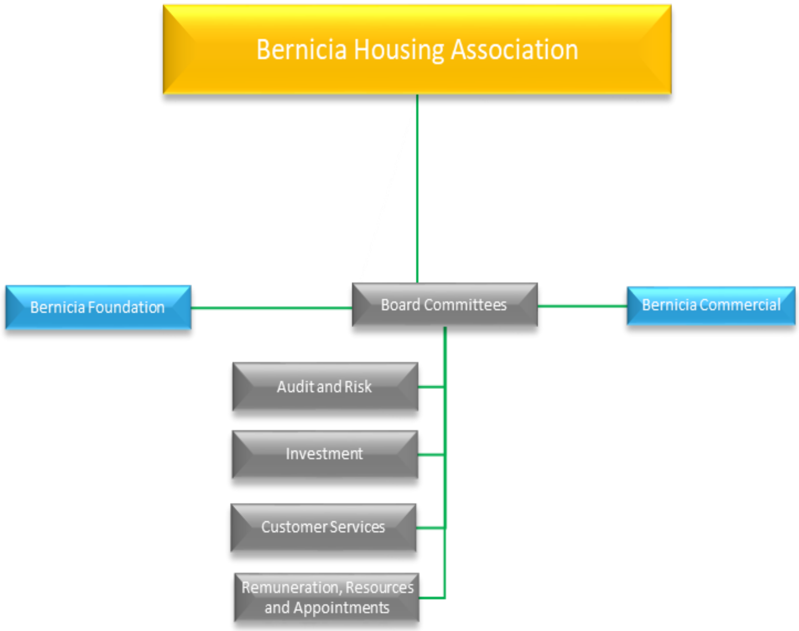


Report of the Board of Management *(continued)*

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 2024/25 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 15,600 properties across the North-East of England which includes units transferred as part of the large-scale voluntary transfer of housing stock from Wansbeck Council in February 2008 and Berwick-upon-Tweed Council in November 2008.

Bernicia Commercial

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

A commercial board oversees the operations of the commercial company.

Bernicia Foundation

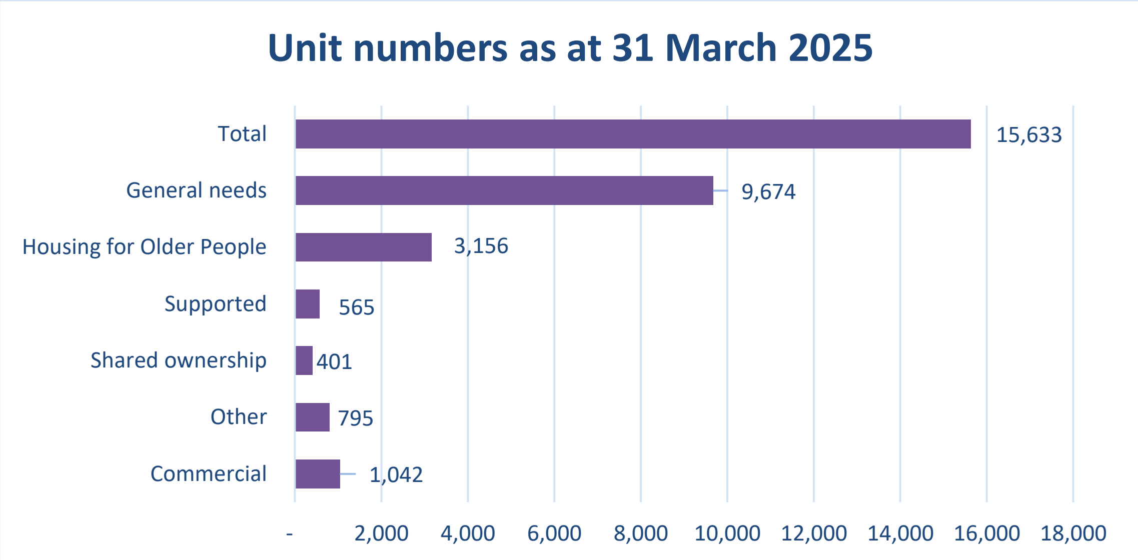
The Bernicia Foundation is a charity registered with the Charities Commission. It is managed by Trustees, appointed by the Group Board, for the purposes of meeting the aims and objectives of the charity. Bernicia Group funds the Foundation each year. The Foundation aims to improve the quality of life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

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 inflationary pressures continue 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 2024 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 appropriately meet individual needs requires disciplined practices and processes around data, alongside a cultural commitment to delivering excellent customer service. Bernicia has worked 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 saw the current in-depth assessment inspections expanded to include consumer standards. Bernicia welcomes the renewed focus on consumer regulation to help drive up standards within the sector. Bernicia participated in the pilot inspection process with the Regulator, with positive outcomes achieved. New reporting requirements in 2025 included 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 continues to be well placed to respond to changing regulation having an established tenant involvement framework which is embedded in the organisation's governance structure.

The specific details of Awaab's Law have implications for responding to a wide range of issues, not limited to damp and mould. Legislation is pending, however in February the Government announced that a phased approach would be taken in respect of implementation. From October 2025, social landlords will be required to address damp and mould hazards that present a significant risk of harm to tenants, within fixed timescales. From the same point in time, there will be a requirement to address all emergency repairs, whether they relate to damp and mould or any other hazard, as soon as possible and within no longer than 24 hours.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment (continued)

In 2026, requirements will expand to apply to a wider range of hazards beyond damp and mould and in 2027, the requirements of Awaab's law will apply to all remaining hazards as described by the Housing Health and Safety Rating System, excluding overcrowding.

In February, the Government reconfirmed its commitment to the introduction of the Social Tenant Access to Information Requirements (STAIRS) as part of its response to the final Grenfell Tower Inquiry report. In addition, the government has stated its intention to extend the application of the Freedom of Information Act to cover tenant management organisations. The proposed requirements are designed to allow social housing tenants and their representative the ability to access information relating to the management of their housing. The timescales for the introduction of STAIRS and any transition period are yet to be confirmed.

Homes England launched a new strategic plan in May 2024. This plan recognised and supported 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 welcomed 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 further during 2024/25, with 2025/26 rent increases based on a 1.7% CPI rate for September 2024, however since then it has increased, with CPI in June 2025 standing at 4.0%. CPI is not expected to revert to the Bank of England target until 2028/29. 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.

Managing increased cost with previously capped income continues to be an issue for the sector. At Bernicia we are well placed to manage the issues, and during the year we extended the terms of our revolving credit facilities. 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 the Group is not anticipating an increase in disposals throughout 2025/26, and our new homes programme generate for us a new positive stock position. We watch with interest new national policy changes and their impact on the sector as a whole.

Recent government announcements have been a welcome sign of support for the provision of more affordable social homes and of a commitment to rebuild capacity in the social housing sector. Within the 2025 Spring Statement a £2bn top up to the Affordable Homes Programme was announced. This was called a "down payment" by the government ahead of the longer-term programme announcements. As part of the comprehensive spending review the Chancellor announced a 10-year Affordable Homes programme of £39billion.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment (continued)

Details of the programme will be announced in October 2025; however, it has been indicated that there will be a focus on social rent tenure units. A longer-term rent settlement for 10-years, and that government will implement a rent convergence mechanism was also confirmed.

Bernicia continues to deliver the current Affordable Homes Programme for the period 2021 to 2026. As the details of the future programme are known, we will consider how we respond to best support the provision of new homes and wider regeneration plans.

Whilst there remains a lack of clarity on net zero requirements, it was extremely positive to receive the announcement by government that it remains committed to its £13.2 billion warm homes manifesto plan. 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 SAP-C level or above by 2026, along with a number of other energy efficiency and decarbonisation measures.

Whilst government policy uncertainty remains a risk as we continue to await announcements on some key issues, including Decent Homes 2, positively the Minister of State for Housing and Planning in his letter of 11th June 2025 to the sector recognised the need for regulatory certainty. As part of the commitment to help enable long term investment in the sector the Minister committed to providing regulatory clarity on a range of issues.

We strongly welcome the announcement of increased funding for social housing, the revenue certainty of the rent settlement and the commitment to provide regulatory clarity and stability.

On the 2nd May 2024, numerous elections took place across the North East, including voting for the first North East Mayor following the agreement of a devolution deal for the region. Kim McGuinness was appointed into the position. The new Mayoral Authority, working alongside our Local Authority partners has powers and funding from Westminster to make decisions locally, with a focus on economic growth, skills and training, and infrastructure and transport. We believe devolution brings with it significant opportunities for the region. 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. In December 2024, the English Devolution white paper – Power and Partnership; Foundations for Growth was published, which contained proposals for deeper devolution across several policy areas, including planning, skills and transport, to Strategic Mayoral Authorities.

The North-East Combined Authorities interim growth plan includes as one of its five missions “A North-East we are proud to call home”. Contained within this mission is a commitment to support the provision of more affordable social homes, built alongside a green, integrated, transport network which connects everyone.

We view the recent announcements and emerging funding frameworks at a national and regional level as extremely positive and as presenting opportunity to Bernicia and the wider social housing sector. As part of our work to develop Bernicia’s next Corporate Strategy we have considered the economic, social and indeed moral case for social housing. We are exploring our potential to increase the number of new homes that we deliver and our capacity to invest further in a range of initiatives that will provide and support opportunity for tenants, wider communities and the North-East region.

Whilst risks and challenges relating to building more homes and adapting to changing customer and marketplace requirements all remain, we are confident in our ability to identify, manage and mitigate these. The risks, challenges and opportunities resulting from the financial and political environment will continue to be factored into our future plans.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

The external environment (continued)

Bernicia is a key stakeholder within its operating geography. 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 US politics and policies, the war in Ukraine, UK economic challenges 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.

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 2023 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.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

Key risks (continued)

- Implementing our Pension Strategy, which was approved by Board during 2019/20, and further updated during 2024/25 following the release of the 2023 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 reviewed once the results of the 2025 LGPS 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.
- 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.

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.

Report of the Board of Management *(continued)*

Operating environment and risks (continued)

Key risks (continued)

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 2022/23 and confirmed again during 2024/25, as part of the Regulator's 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	2025 £'000	2024* £'000	2023 £'000	2022 £'000	2021 £'000
Turnover	93,665	85,340	84,392	78,661	75,994
Operating costs and cost of sales	(75,209)	(68,956)	(63,249)	(58,982)	(54,984)
Operating surplus	**18,456**	**16,384**	**21,143**	**19,679**	**21,010**
Net interest charge	(4,938)	(4,653)	(5,577)	(5,751)	(11,315)
Gain/(loss) on disposal of assets	1,420	621	2,375	1,770	1,286
Other finance (costs)/income	(270)	(87)	16	(272)	(97)
Movement in fair value of investment properties	252	335	20	126	42
Taxation	(25)	-	-	-	-
Surplus for the year (before pensions)	**14,895**	**12,600**	**17,977**	**15,552**	**10,926**

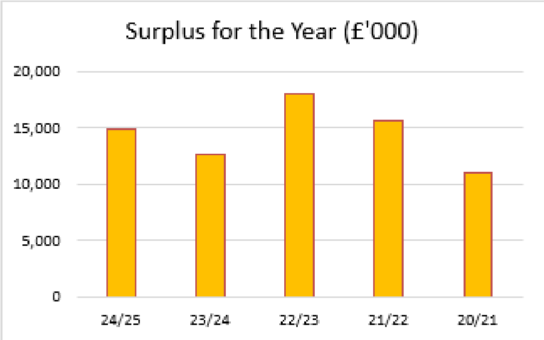
Statement of Financial Position	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Housing properties	531,463	499,431	479,355	466,652	447,549
Other fixed assets	18,727	15,129	15,936	15,665	15,410
Total fixed assets	**550,190**	**514,560**	**495,291**	**482,317**	**462,959**
Net current (liabilities)/ assets	(2,899)	17,957	25,317	30,095	12,714
LGPS Pension asset	-	-	3,628	5,857	415
Total assets less current liabilities	**547,291**	**532,517**	**524,236**	**518,269**	**476,088**
Creditors: amounts falling due more than one year	(312,723)	(310,532)	(306,537)	(294,720)	(264,807)
Provisions for liabilities and charges	-	-	(2,336)	(21,856)	(30,468)
SHPS Pension liability	(4,865)	(7,518)	(6,735)	(6,560)	(13,248)
Total net assets	**229,703**	**214,467**	**208,628**	**195,133**	**167,565**
Revenue reserve	229,703	214,467	208,628	195,133	167,565
Capital and reserves	**229,703**	**214,467**	**208,628**	**195,133**	**167,565**

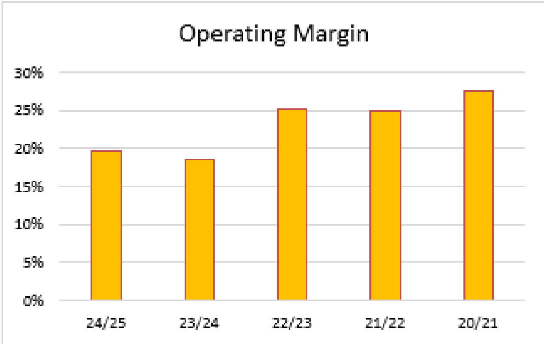
Asset data	2025	2024	2023	2022	2021
Social housing stock owned at year end (no.)	13,910	13,761	13,715	13,687	13,582
Non-social housing and other property types (no.)	1,837	1,884	1,941	2,206	2,253
Average existing use value (EUV-SH) per unit (£)	38,477	34,478	34,845	32,153	31,503

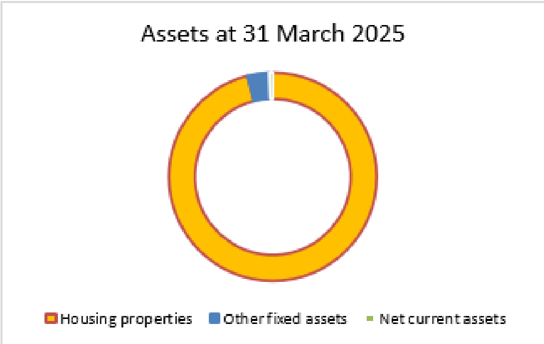
* 2023/24 Financial results have been restated.

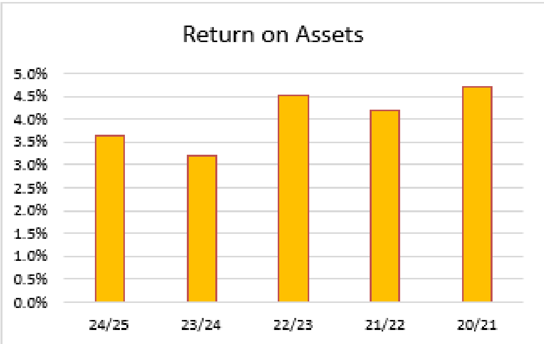
Report of the Board of Management *(continued)*

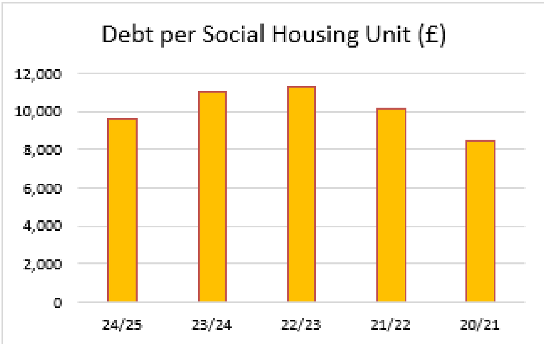
The year under review (continued)











Financial position

The Group's consolidated statement of comprehensive income for the year ended 31 March 2025 is shown on page 43 of the financial statements, and its consolidated statement of financial position as at 31 March 2025 is shown on page 45.

The Group was able to deliver a strong result, generating a surplus after tax and before actuarial losses or gains on pension schemes of £14.90million (2024: £12.60million) whilst operating in an increasingly challenging environment from both an economic and regulatory perspective.

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

Report of the Board of Management *(continued)*

The year under review (continued)

Accounting policies

The Group's principal accounting policies are set out in the notes to the financial statements on pages 50 to 57. 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 2025, the Group owned 13,796 and managed a further 98 social housing properties (2024: owned 13,761 and managed 98).

The Group holds its housing properties at cost. As at 31 March 2025, the carrying value of housing properties is £531.46million (2024: £499.43million). Housing properties are valued for loan security purposes (excluding properties under construction), and the estimated unaudited value of secured and unsecured properties is £602.1million (2024: £560.1million).

Following a review of the housing stock, no property impairment has been recognised in the year (2024: 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 (2024: nil).

Cash flow statement

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

The Group generated a cash inflow from operating activities of £26.6million (2024: inflow £20.8million). The overall cash inflow in the financial year was funded mainly by operating activities and new loan financing, social housing grant of £7.1million (2024: £8.0million) and property sales of £2.0million (2024: £1.4million). Cash outflows in respect of financing was £7.5million (2024: outflow £7.9million), capitalised expenditure £42million (2024: £33million), resulting in a net reduction in cash of £17.5million (2024: reduction of £10.4million).

Cash at bank and in hand was £11.6million (2024: £29.1million).

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 £15.2million (2024: £5.8million), the Group's reserves amounted to £229.7million (2024: £214.5 million) at 31 March 2025.

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 2025, the Group had drawn loans totalling £152.1million (2024: £153.6million) and available undrawn credit facilities of £60million (2024: £60million). Cash equivalents held at the year-end totalled £11.6million (2024: £29.1million). 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 £5.4million (2024: £6.0 million) due over the next five years and has facilities in place to undertake this. A further £146.8million matures after year 5, representing 96.5% of total debt (2024: £147.6million, 96.1%).

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 2025, 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 2025, and in accordance with the Board approved strategy, 99% (2024: 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. 2024/25 was the third year of our corporate strategy, Housing People, Helping People that continues to place our work as a social landlord at the heart of what we do. 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 2026	Bernicia Target 2025	Bernicia 2025	Bernicia 2024	Bernicia 2023
Customer satisfaction with overall service	N/A	82%	81%	81%	81%
Segmental Analysis of satisfaction and complaints	N/A	N/A	Underway	Underway	N/A
Tenants confirm compliance with the Bernicia Promises	Published	Published	Published	Published	Published
Triennial external review of tenant engagement	Completed	Completed	Completed	TPAS assessment in progress, in line with timescales	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 2024/25, and internal transactional surveys. Overall satisfaction, as measured via the TSM perception survey, was positive. The Regulators headline report for 2023/24 highlighted overall satisfaction above 78% was top quartile. We do not currently have an overall service satisfaction target and are working with our Customer Service Committee to consider this whilst focusing on the insight behind the results.

Segmental analysis – Collection of customer data to support segmental analysis is ongoing and is supported by the ongoing implementation of our new customer relationship management (CRM) system, Salesforce and through our Knowledge and Information Management (KIM) project. 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 - An assessment of our compliance to the consumer standards has been shared with Involved Tenants for scrutiny and to inform their workplan for the coming year. A report including a statement from Involved Tenants confirming compliance was provided to the Board.

External validation of tenant involvement/engagement – TPAS completed an assessment in 2024 which included an assessment against the National Engagement Standards. The assessment gave us insight into the effectiveness of our existing engagement arrangements and helps us to build on their effect and impact within the 2026-2031 corporate strategy.

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes and neighbourhoods

Key actions and targets	Bernicia Target 2026	Bernicia Target 2025	Bernicia 2025	Bernicia 2024	Bernicia 2023
Good stock condition data - % refreshed annually	20%	20%	20%	19%	12%
Valid gas certificate	100%	100%	99.80%	99.82%	99.80%
Valid solid fuel/oil certificates	100%	100%	100%	98.14%	98.73%
Electrical testing	100%	100%	100%	99.89%	99.85%
Water hygiene	100%	100%	100%	100%	96.95%
Asbestos	100%	100%	100%	100%	99.17%
Fire risk assessments	100%	100%	100%	100%	100%
Passenger lifts	100%	100%	100%	100%	100%
90% of homes at least SAP C -av score 73, by the end of the strategy period	73	73	74.24	72.37	72.06
New homes on site (cumulative)	680	786	466	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 condition validation review was completed in 2025 by Savills who confirmed appropriate financial provision in our long-term business plan. Intelligence and clarity are two of the four key drivers of our Asset Management Strategy, we hold representative data for 100% of our stock and have surveyed over 91% of our properties in the last five years. 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%. Where we have not hit a 100% target, the classification would only be amber rather than red, if we can demonstrate that the reason a property does not have a valid certificate is due to no access and that the "no access procedure" has been followed. Audits are regularly carried out in this area to ensure all actions are being taken appropriately. All health and safety compliance areas are currently rated at substantial assurance level following an internal audit review, we have a three-year rolling programme of these reviews.

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, with 89.76% of properties currently achieving a C rating or above as at the end of March 2025. Further funding through the Social Housing Decarbonisation Fund has been obtained through the Wave 3 programme to continue this work.

New homes – During 2024/25 we achieved a total of 208 completions with a further 200 homes forecast for completion during 2025/26. Within the current strategy period we aim to achieve a cumulative total of 680 starts on site from the original target of 600 which was set at the beginning of the strategy period. The programme target remains at 600, we have included the 680 as an overall cumulative measure that covers all aspects of our development activity. During 2024/25 the measure had been moved up to 786, however due to delays in receiving planning permissions and

Report of the Board of Management *(continued)*

Value for Money (continued)

Priority two – Investing in homes and neighbourhoods (continued)

the uncertainty of Homes England grant funding until the start of the new affordable homes programme, this measure has been revised. Notwithstanding the movement, these units will commence on site during 2026/27.

Priority three – Demonstrating organisational effectiveness and inclusivity

Key action and targets	Bernicia Target 2026	Bernicia Target 2025	Bernicia 2025	Bernicia 2024	Bernicia 2023
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	Complete
Meeting financial targets: • Golden rule compliance • Strategies fully funded • Improved covenants	Compliant Funded Complete	Compliant Funded Complete	Compliant Funded On-going	Compliant Funded On-going	Compliant Funded On-going

Retain regulatory compliance – G1/V1 regulatory standard was retained following the Regulator's stability check in November 2024. 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.

ED&I Action Plan - Collection of customer data to support segmental analysis is ongoing and is supported by the ongoing implementation of our new CRM system, Salesforce and through our KIM project. The wider action plan was reported to Board during 2024/25, 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 2023/24 we contributed £11.37million. 2024/25 end of year data is still being collated but we estimate that Bernicia's 2024/25 involvement contributes to social value gains this year of approximately £15.9million against a £15million target for the whole strategy period. This is measured using HACT's recognised methodology for calculating proxy monetary values.

Affordability of rents – As a socially responsible landlord, we undertake affordability assessments of our rents. These assessments are used to inform the annual rent setting process. Affordability is assessed using two markers, 33% of net income (lower marker, Affordable Housing Commission) and 35% net household income (higher marker, Good Economy White Paper). All general needs and housing for older people 2025/26 rents have been checked to confirm affordability using this methodology and Bernicia's rent affordability policy.

Board receives the assessment annually, 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.

Our Community Investment strategy focuses on both economic and social inclusion. In 2024/25 we continued to address poverty through employment, driven by aspiration, skills and jobs.

Our Employability Team is active in schools and in 2024/25 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 243 people in 2024/25, resulting in 32 obtaining employment, 6 securing better work, 18 starting voluntary work and 57 achieving qualifications.

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 2024/25 we provided support to over 500 people through these programmes and 152 obtained employment, 11 secured apprenticeships, 62 started volunteering and 364 gained qualifications.

Our Intensive Housing Management Team achieved an 81% success rate in successful tenancy outcomes. 477 tenants were helped to sustain their tenancy, and over £704,000 was secured in personal gains for tenants.

Report of the Board of Management *(continued)*

Value for Money (continued)

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

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 £89,000 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.

Over 600 aids and adaptations have been fitted in 2024/25, to help people remain in their homes.

During 2024/25 we have funded 17 Inclusion projects and 13 Inspirational young people awarding over £167,000 of grants. This took the Bernicia Foundations total amount of grant support for local people and communities, since it was launched in 2020, beyond £1.2million.

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	2025	2024	2023
Growth			
➢ Growth in turnover	5.8%	4.9%	7.3%
➢ Growth in total assets	1.5%	1.5%	2.2%
➢ Growth in total debt	(0.9%)	(1.2%)	12.2%
Profitability			
➢ Effective interest rate	3.9%	4.0%	3.9%
Debt servicing ability			
➢ Adjusted net leverage	36.3%	33.2%	31.7%
➢ Debt to turnover	1.61	1.72	1.84

Report of the Board of Management *(continued)*

Value for Money (continued)

Key financial ratios (continued)

Growth

Growth in turnover of 5.8% was driven by three separate revenue streams in the year. Income from social housing activities was 6.9% higher than that of the previous year. Rental and service charge income increased by £5.2million to £76.2million (2024: £70.9million), c9.8%, from rent increases in line with those allowed by the rent standard and income from new properties. First tranche low-cost home ownership sales were £2.4million higher at £2.5million (2024: £0.1million), with reciprocal increases in cost of sales. Finally, the Group's other activities continued to generate strong revenues. Turnover for 2025 increased by £0.7million to £10.9million (2024: £10.2million), c6.8%, favourably contributing to the Group's overall growth in turnover.

Growth in total assets reports a year-on-year increase of 1.5% (2024: increase of 1.5%). Property, plant, and equipment assets have increased by £36million during the year as new supply units were added to the statement of financial position. Net current assets have decreased by £21million largely due to reducing cash balances.

The Group's reduction in total debt of 0.9% reflects the impact of capital repayments that have fallen due during the period.

Profitability ratios

The Group's effective interest rate decreased by 0.2% to 3.9% 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 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 2025 results have been compared to the 2024 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 [1]	Bernicia 2026 Target	Bernicia 2025 Target	Bernicia 2025 (Group)	Bernicia 2024 (Group – As restated)	Bernicia 2023 (Group)	Global Accounts 2024 Median	Global Accounts 2024 local peer group Median
Operating margin – overall	17.5%	18.3%	19.7%	19.2%	25.1%	18.5%	21.5%
Operating margin – social housing lettings	19.9%	21.3%	21.6%	22.2%	28.3%	20.4%	21.5%
EBITDA MRI interest cover	182%	264%	240%	221%	227%	122%	170.%

Operating margin – overall - the 2024 global accounts median across the peer group was 21.5% and that of the national dataset at 18.5%. Bernicia had an operating margin of 19.2% for 2024 which would have positioned the Group below the median for the peer group in 2024, and above the national median. Performance in 2025 is comparable with that in 2024, with an operating margin overall of 19.7% being reported. The Group consist of Bernicia (the Association), Kingston Property Services (Commercial company) and the Bernicia Foundation. Due to the nature of the activities in these other group companies, surpluses are traditionally at a lower levels and lower operating margin percentages, and in the case of the Foundation negligible to nil as it is a grant giving organisation. These therefore impact the operating margin overall adversely.

Operating margin – social housing lettings - the 2024 median for the national dataset and peer group was 20.4% and 21.5% respectively. In 2024 Bernicia was just above the median for the peer group at 22.2%. Margins in the peer group ranged from 14.5% to 28%. Despite a challenging year, Bernicia's 2025 result of 21.6% compared favourably with the in-year target of 21.3% and the 2024 Global Accounts peer group median.

EBITDA MRI interest cover is a key measure of liquidity and investment capacity. The Group's Interest cover continues to remain strong, with 2025 performance at 240% exceeded the 2024 Global Accounts median for the national dataset and the peer group. While underlying performance remains consistently strong as highlighted in the operating margin above, EBITDA MRI for 2025 has reduced slightly when compared to the prior year, this is mainly due to an increase in expenditure on property assets. EBITDA MRI for 2026 is targeted at 182%. It should be noted that the calculation for 2026 includes loan break costs budgeted to be made in order to modernise the loan portfolio on to an EBITDA only basis. Excluding these break costs, EBITDA MRI would have been 211%.

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

Report of the Board of Management *(continued)*

Value for Money (continued)

Development (capacity and supply)

Global Accounts VFM Metrics[2]	Bernicia 2026 Target	Bernicia 2025 Target	Bernicia 2025 (Group)	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Global Accounts 2024 Median	Global Accounts 2024 local peer group Median
New supply delivered – social housing units	200	196	192	85	116	n/a	n/a
New supply delivered – social housing %	1.3%	1.4%	1.3%	0.6%	0.8%	1.4%	1.3%
New supply delivered –non-social %	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Gearing	30.0%	28.2%	26.2%	24.7%	23.9%	45.5%	40.4%

Bernicia continues to deliver appropriate housing accommodation, to meet local demand and strengthen communities. In 2025, Bernicia delivered a new supply of Social Housing accommodation totalling 192, which translated to a new supply percentage of 1.3%, comparable with the 2024 national dataset and peer group median. During 2025/26 we anticipate starting on site with a further 214 new homes. During the final year of our current corporate strategy completions are forecasted to be 200. At a time when many in the sector are slowing down development, we are confident we will continue to be at median performance (if not higher) in the 2025 and 2026 metrics.

Bernicia's gearing is low when compared to other providers. As such, gearing relating to 2024 is recognised in the lower quartile of both the Global Accounts national data set and the regional peer group, where Bernicia is ranked third lowest. 2025 gearing levels whilst slightly higher than target remain low and reflect decisions made historically in relation to the repayment of expensive legacy debt.

Outcomes delivered

Global Accounts VFM Metrics[3]	Bernicia 2026 Target	Bernicia 2025 Target	Bernicia 2025 (Group)	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Global Accounts 2024 Median	Global Accounts 2024 local peer group Median
Reinvestment %	7.8%	7.3%	8.7%	6.7%	5.4%	7.7%	10.3%

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

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

Report of the Board of Management *(continued)*

Value for Money (continued)

Outcomes delivered (continued)

In 2024/25, Bernicia made a combined investment in existing stock and new stock of £46.1million (2024: £26.3million), with £30.0million (2024: £12.1million) invested in the new supply of properties and £16.1million (2024: £14.2million) invested in existing properties. This represents a reinvestment of 8.7% when compared to the overall value of housing properties, which is between lower and median quartile for the 2024 Global Accounts peer group, and above median when compared to the national dataset.

Investment in existing properties considers only the capital expenditure spent on improvement and modernisation of existing housing stock.

Works continue to be informed by our information in relation to the condition of the stock, which supports the investment in existing properties. This approach to stock investment, the associated data and the linkage between this data and our business plan was externally validated in May 2025 by Savills. We are therefore confident that the correct levels of investment are being made in our existing assets. The Board aims to ensure the quality and safety of its tenant's homes remains at the 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 £30.0million on the development of new properties in 2024/25 this compares favourably with the 2024 Global Accounts peer group median for new supply numbers.

The new supply target for 2025/26 continues to reflect an increase in activity following previous periods of delays due to factors outside our control.

Effective Asset Management

Global Accounts VFM Metrics[4]	Bernicia 2026 Target	Bernicia 2025 Target	Bernicia 2025 (Group)	Bernicia 2024 (Group)	Bernicia 2023 (Group)	Global Accounts 2024 Median	Global Accounts 2024 local peer group Median
Return on capital employed (ROCE)	3.0%	3.1%	3.6%	3.2%	4.5%	2.8%	3.1%
Ratio of responsive repairs to planned maintenance	67.7%	59.3%	68.4%	64.3%	71.5%	n/a	n/a

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

Report of the Board of Management *(continued)*

Value for Money (continued)

Effective Asset Management (continued)

The Group is proud of its robust 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 23.

The Return on Capital Employed at 3.2% for the year 2023/24 was within the median quartile when compared to the 2024 Global Accounts peer group. The Group can therefore demonstrate it is using its debt and capital to effectively manage its assets. The results for the year 2024/25 report a Return on Capital Employed of 3.6%, which would align with the peer group upper quartile for 2024 and exceeds the median for the national dataset, therefore continuing to represent strong 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 2023/24, Bernicia's ratio of responsive repairs to planned maintenance was 64.3%, meaning for every pound spent on planned maintenance, Bernicia spent a further sixty-four pence on responsive repairs. The results for 2025 report that Bernicia spent 68.4% on responsive maintenance when compared to planned maintenance which is an increase 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:

Stock condition information	Surveying of our existing stock enabling better planning of work and expenditure. This has helped us to identify savings within the investment programme.
Asset management matrix	We have developed the matrix to enable the analysis of a range of indicators to assess the future sustainability of our homes including; property condition, demand and socio-economic factors. From this we categorise our estates as high, medium high, medium and low risk.
Financial return on assets	To help us determine the financial return on our assets and inform investment decisions we have implemented a model to assess the net present value (NPV) of each estate and individual property, taking into account income and expenditure.

This information tells us a considerable amount about our properties and estates. We have a full financial appraisal of our current stock, and this helps us form an overall assessment when making decisions to invest in our existing homes.

In taking those decisions, the Board balances financial investment decisions against the overall objectives of the organisation, which take into consideration 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 is to be re-run in 2025/26 with the results informing the Group's future spending priorities.

Report of the Board of Management *(continued)*

Value for Money (continued)

Operating efficiencies

Global Accounts VFM Metrics[5]	Bernicia 2026 Target	Bernicia 2025 Target	Bernicia 2025 (Group)	Bernicia 2024 (Group - Restated)	Bernicia 2023 (Group)	Global Accounts 2024 Median	Global Accounts 2024 local peer group Median
Headline social housing cost per unit (CPU)	£4,894	£4,761	£4,826	£4,484	£4,086	£5,136	£4,320
Management CPU	£1,018	£984	£937	£869	£743	£1,274	£825
Service charge CPU	£556	£570	£529	£552	£431	£597	£385
Maintenance CPU	£1,733	£1,554	£1,719	£1,564	£1,345	£1,557	£1,567
Major repairs CPU	£1,358	£1,433	£1,448	£1,315	£1,186	£1,315	£1,465
Other social housing CPU	£229	£220	£193	£184	£381	£216	£121
Other Support Services CPU	£0	£0	£0	£0	-	£4	£0

Bernicia's headline social housing cost per unit for 2024/25 was £4,826 which shows an increase of £342 (7.6%) from the 2024 restated figures and was lower than the targeted headline social housing cost per unit for Bernicia for 2025. All CPUs were on or below target with the exception of Maintenance CPU, which exceeded target by £165 (10%). Headline social housing CPU was lower than the national dataset median for 2024 of £5,136, but higher than the peer group median for 2024 of £4,320. It should be noted that the North-East region typically has the lowest CPU levels.

Management CPU for 2024/25 continued to be impacted by higher utility and insurance costs in year. The review of service charges continues to be progressed with the service charge CPU reflecting the costs of the services being provided, however, 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 for the service, 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 2024 Global Accounts, Bernicia's cost per unit for 2023/24 was £164 per unit higher than the regional peer group median. For 2024/25, headline cost per unit was £506 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 2024/25 headline cost per unit will be broadly comparable to the 2025 peer group median once the figures are available.

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

Report of the Board of Management *(continued)*

Future plans

2025/26 will be the fourth year of the 2022 to 2026 Corporate Strategy that was approved by Board on 18th January 2022 and built on the key themes and objectives of its predecessor.

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

We will continue to listen to, and work with our tenants and customers, and will invest to deliver exceptional services that 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.

During 2025/26, Bernicia will commence the development of its new Corporate Strategy, running for a five-year term from 2026 to 2031.

Report of the Board of Management *(continued)*

Future plans (continued)

Our new strategy will remain focussed on the North-East region, this is where are homes are located, where our tenants and the communities we serve live, and where we have established positive stakeholder relationships and an excellent understanding of housing markets and the wider strategic landscape.

We are acutely aware of the need for more housing, including social housing and the significant contribution that safe, quality, secure and affordable social housing can have on the health, quality of life and life chance of our local communities.

We welcome the positive messages from government in relation to additional capital funding for more social housing, rebuilding capacity within the sector through the rent settlement and rent convergence, and through a commitment to provide regulatory certainty and stability.

We remain committed to ensuring our existing tenant homes are safe and to a quality standard, whilst also looking to release more financial capacity into the delivery of additional new homes to help address increased demand in the region.

We will continue to provide quality services, that appropriately respond to the needs of our tenants and continue with our added value work.

Our North-East Combined Authority has a skills and economic regeneration focus and we will seek to complement this through our aspiration, confidence, skills and employability programmes. We feel we are well placed to support those who are arguably furthest away from the workplace with their journey towards employment.

Tenant involvement

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

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

The vast amount of intelligence provided by tenants and customers along with performance information is then scrutinised and interpreted by a highly empowered and informed Tenant Voice Panel.

The Tenant Voice Panel is an integral element of co-regulatory approach agreed and designed with tenants in 2019. This approach is built on what is right for tenants and is reflective of Bernicia's commitment to do the right thing, taking into consideration 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.

Report of the Board of Management *(continued)*

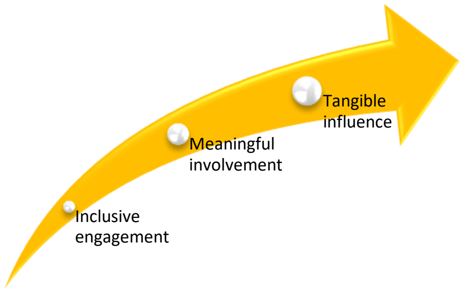
Tenant involvement (continued)

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 clear expectations of a tenant first culture that influences service delivery through strong and effective leadership. Staff have a positive commitment and this was shown through their behaviours and attitudes both to colleagues and tenants.
>
> *tpas Review of Customer Involvement – 2024*

The year in review

The following is a statement written by the Tenant Voice Panel and is taken from the Tenants' Annual Review 2024/25.

Tenant statement

In summary

"During the last year we have been busy focussing on Asbestos and Damp and Mould in preparation for Awaab's Law, monitored consumer standards and together with tenant's standard making sure Bernicia always remains compliant. We have worked closely with members of staff to monitor performance across all aspects of the business through regular sharing of performance information.

Tenant involvement

Bernicia is in the second year of carrying out Tenant Satisfaction Measures, known as TSM's. This data is extremely important as it helps ensure fair and satisfactory services to all tenants. We are pleased to see the results of the tenant perception measures and recognise that Bernicia is operating at a high level in respect of the services it provides.

Report of the Board of Management *(continued)*

Tenant statement (continued)

We have also worked very closely with heads of service, particularly within anti-social behaviour, to ensure the process is meaningful to tenants and robust. Anti-social behaviour officers attend regular meetings with tenants and the police at our local Hives at Newbiggin, Bedlington and Ashington as well as meeting places throughout Bernicia's Housing stock.

Three members of the tenant voice panel completed "a day in the call centre". This is an important service as it is usually a tenants first port of call. They found it remarkably interesting and reported back that the call handlers were helpful, have regular training and signpost customers when needed. All in all, an efficient and professional department.

Several tenants were involved in the development and testing of the new Bernicia Portal, their knowledge was very insightful and helped shape how the portal will work. This service is scheduled to be available from September 2025."

Compliance with the Consumer Standards

The Social Housing Regulation Act came into effect on 1 April 2024, removing the serious detriment test and providing the Social Housing Regulator with powers to proactively regulate consumer regulation. The revised consumer standards have an increased emphasis on tenant safety and understanding and responding to tenant's diverse and individual needs. This requires Bernicia to know more about our tenants and the homes they live in. As in previous years, it is Board's responsibility to assure compliance with the regulatory requirements and state this in the Statutory Accounts.

To support Board to do this, a detailed self-assessment against the revised consumer standards was carried out by the Governance team which included reviewing Bernicia policies, performance data, key customer communications and governance arrangements including board and Customer Service Committee reports. This assessment was presented to Board in August 2024 and provided Board with assurance that overall, Bernicia is delivering the outcomes of the consumer standards. This assessment has been carried out again in 2025 with results being presented to Board in August. The assessment by the Governance team is used to inform improvement work and is in addition to the programme of scrutiny work carried out by involved tenants throughout the year.

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. The Governance Improvement Plan was refreshed in 2025 following an external review of governance, there are currently three outstanding actions, all are minor actions.

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 39. A brief description of the role of the Board is provided below, followed by a statement regarding the Association's internal controls on pages 35 to 37.

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)*

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 currently has one Co-optee Board Member who was recruited to meet a specific identified need and to support 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 a minimum of 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, Deputy Chief Executive and Executive Director, People, Homes and Communities, Executive Director, Finance, and Executive Director, Assets and Growth. The Executive Management Team meets regularly, and members attend meetings of the Board and Committees.

Report of the Board of Management *(continued)*

Statement on internal control

The Board has responsibility for ensuring an effective system of internal control is maintained and regularly reviewed. It recognises this does not provide absolute assurance or eliminate all risks. It 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. However, it has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of it. Staff are responsible for implementing policies and in ensuring 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 required to ensure 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.

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, Data Protection Policy, Whistle Blowing Policy, Anti-Fraud Bribery and Corruption Policy, Knowledge and Information Management Policy, Standards of Behaviour/Code of Conduct, Health and Safety Policy, Business Continuity Strategy and Policy. Readership of policies is recorded, and reports are provided to policy owners

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 2024/25 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: Damp and Mould, Rent Setting, Complaints, Tenant Satisfaction Measures, Assets & Liabilities Register, NNC Finance and Payroll Testing, Fire Safety, Allocations and Legionella. Advisory audits were conducted for GDPR, Non-Negotiable Controls Validation and Follow-Up. There were no significant issues or high-level actions identified.

The annual audit opinion was the highest possible rating and stated: "The Organisation has an adequate and effective framework for risk management, governance and internal control."

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 98.1% of the tests conducted, controls were either fully or mostly effective.

Report of the Board of Management *(continued)*

Statement on internal control (continued)

Key Elements of Internal Control (continued)

Business Continuity – A Business Continuity Cycle is in place, with a Strategy, Policy and Plans which are reviewed annually.

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 policies and procedures are 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 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, Performance and Professionalism 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.

Report of the Board of Management *(continued)*

Statement on internal control (continued)

Challenging Global Events

During the year, the Group was again required to manage and mitigate multi-layered risks relating to global events, including the ongoing War in Ukraine, inflationary pressures and additional uncertainty in global markets. These mitigating actions continue to be utilised and regularly reviewed. Post year end, the US announced a wave of substantial additional tariffs, far broader and more severe than expected, which threaten to impact global trade, with implications for economies, financial markets, supply chains and geopolitics more broadly. The situation and impacts will continue to be monitored.

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 2025.

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.

Report of the Board of Management *(continued)*

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 5 August 2025 and signed on its behalf by:

J Holmes
Chair

Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

5 August 2025

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 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. 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 2025 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 2025 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 39, 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. 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 and the Accounting Direction for Private Registered Providers of Social Housing 2022.
- 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

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

Date: 27 August 2025

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2025

	Note	**2025**	2024 (As restated)
		£'000	£'000
Turnover	2	**93,665**	**85,340**
Cost of sales	2	**(1,903)**	**(93)**
Operating expenditure	2	**(73,306)**	**(68,863)**
Operating surplus		**18,456**	**16,384**
Gain on disposal of tangible fixed assets	5	**1,420**	621
Interest receivable and similar income	9	**930**	1,523
Interest payable and similar charges	10	**(5,868)**	(6,176)
Other finance income / (expense)	11	**(270)**	(87)
Movement in fair value of investment properties	17	**252**	335
Surplus on ordinary activities before taxation		**14,920**	12,600
Taxation	12	**(25)**	-
Surplus on ordinary activities after taxation		**14,895**	12,600
Actuarial gain/(loss) in respect of pension schemes	23	**341**	(6,761)
Total comprehensive income for the year		**15,236**	5,839

The notes on pages 50 to 88 form an integral part of these financial statements.

Further details on the restatement are given on page 57 in note 1.

These financial statements were approved by the Board on 5 August 2025 and were signed on its behalf by:

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

Association Statement of Comprehensive Income
for the year ended 31 March 2025

	Note	2025	2024 (As restated)
		£'000	£'000
Turnover	2	**85,966**	78,165
Cost of sales	2	**(1,903)**	(93)
Operating expenditure	2	**(67,167)**	(61,683)
Operating surplus		**16,896**	16,389
Gain on disposal of tangible fixed assets	5	**1,420**	621
Interest receivable and similar income	9	**918**	1,511
Interest payable and similar charges	10	**(5,868)**	(6,176)
Other finance income / (expense)	11	**(270)**	(87)
Movement in fair value of investment properties	17	**252**	335
Gift aid receivable		**1,610**	987
Surplus on ordinary activities before taxation		**14,958**	13,580
Taxation	12	**(25)**	-
Surplus on ordinary activities after taxation		**14,933**	13,580
Actuarial gain/(loss) in respect of pension schemes	23	**341**	(6,761)
Total comprehensive income for the year		**15,274**	6,819

The notes on pages 50 to 88 form an integral part of these financial statements.

Further details on the restatement are given on page 57 in note 1.

These financial statements were approved by the Board on 5 August 2025 and were signed on its behalf by:

J Holmes
Chair

A Alden
Member

J Allinson
Secretary

Consolidated Statement of Financial Position

At 31 March 2025

	Note	2025 £'000	2024 £'000
Fixed assets			
Intangible assets and goodwill	13	**939**	653
Tangible fixed assets	14	**542,593**	510,523
Long term investments	15	**622**	624
HomeBuy loans receivable		**122**	122
Investment properties	17	**5,914**	2,638
		550,190	514,560
Current assets			
Stock	18	**1,010**	1,128
Trade and other debtors (inc £1,104k (2024: £1,159k) due after more than one year)	19	**13,235**	8,645
Cash and cash equivalents		**11,553**	29,054
		25,798	38,827
Creditors: amounts falling due within one year	20	**(28,697)**	(20,870)
Net current (liabilities)/ assets		**(2,899)**	17,957
LGPS Pension asset	23	-	-
Total assets less current liabilities		**547,291**	532,517
Creditors: amounts falling due after more than one year	21	**(312,723)**	(310,532)
Provisions for liabilities			
SHPS Pension liability	23	**(4,865)**	(7,518)
Total net assets		**229,703**	214,467
Reserves			
Share capital	24	**-**	-
Income and expenditure reserve		**229,703**	214,467
Total reserves		**229,703**	214,467

The notes on pages 50 to 88 form an integral part of these financial statements.

These financial statements were approved by the Board on 5 August 2025 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 2025

	Note	2025	2024
		£'000	£'000
Fixed assets			
Intangible assets	13	**935**	**643**
Tangible fixed assets	14	**542,280**	**510,189**
Long term investments	15	**622**	**624**
HomeBuy loans receivable		**122**	**122**
Investments in subsidiaries	16	**2,367**	**2,367**
Investment properties	17	**5,914**	**2,638**
		552,240	**516,583**
Current assets			
Stock	18	**1,010**	**1,128**
Trade and other debtors (inc £1,104k (2024: £1,159k) due after more than one year)	19	**14,292**	**8,710**
Cash and cash equivalents		**9,629**	**28,215**
		24,931	**38,053**
Creditors: amounts falling due within one year	20	**(27,986)**	**(20,263)**
Net current (liabilities)/assets		**(3,055)**	**17,790**
LGPS Pension asset	23	-	-
Total assets less current liabilities		**549,185**	**534,373**
Creditors: amounts falling due after more than one year	21	**(312,723)**	**(310,532)**
SHPS Pension liability	23	**(4,865)**	**(7,518)**
Total net assets		**231,597**	**216,323**
Reserves			
Share capital	24	-	-
Income and expenditure reserve		**231,597**	**216,323**
Total reserves		**231,597**	**216,323**

The notes on pages 50 to 88 form an integral part of these financial statements.

These financial statements were approved by the Board on 5 August 2025 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 2023	-	208,628	208,628
Total comprehensive income for the year			
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)
Balance at 31 March 2024	**-**	**214,467**	**214,467**
Total comprehensive income for the year			
Surplus	-	14,895	14,895
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(68)	(68)
Actuarial movement in respect of SHPS pension scheme	-	409	409
Balance at 31 March 2025	**-**	**229,703**	**229,703**

The notes on pages 50 to 88 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 2023	-	209,504	209,504
Total comprehensive income for the year			
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)
Balance at 31 March 2024	**-**	**216,323**	**216,323**
Total comprehensive income for the year			
Surplus	-	14,933	14,933
Other comprehensive income:			
Actuarial movement in respect of LGPS pension scheme	-	(68)	(68)
Actuarial movement in respect of SHPS pension scheme	-	409	409
Balance at 31 March 2025	**-**	**231,597**	**231,597**

The notes on pages 50 to 88 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
for year ended 31 March 2025

	2025	2024
	£'000	£'000
Cash flows from operating activities		
Surplus for the year	**14,895**	12,600
Adjustments for non-cash items:		
Depreciation of tangible fixed assets and software	**14,064**	13,494
Amortisation of goodwill	**-**	1,115
(Increase)/ Decrease in stock	**118**	(808)
Decrease in trade and other debtors	**(4,570)**	1,468
Decrease in trade and other creditors	**4,882**	(2,539)
Decrease in provisions	**-**	(2,336)
Pension costs less contributions payable	**(2,582)**	(2,437)
(Gain)/loss on disposal of tangible fixed assets	**(1,420)**	(616)
Loss on disposal of intangible fixed assets	**32**	-
Movement in fair value of investment properties	**(252)**	(335)
Government grants utilised in the year	**(3,867)**	(3,629)
Release of grant issue costs	**107**	90
Other finance expense	**270**	87
Movement in fair value of financial instruments	**2**	8
Other adjustments for interest		
Interest payable	**5,868**	6,176
Interest receivable	**(930)**	(1,523)
Net cash generated from operating activities	**26,617**	20,815
Cash flows from investing activities		
Capitalised housing properties expenditure	**(42,528)**	(33,175)
Purchases of other fixed assets and software	**(1,086)**	(1,078)
Purchases of investment properties	**(3,024)**	
Proceeds from sale of tangible fixed assets	**2,010**	1,404
Grants received	**7,101**	8,022
Interest received	**910**	1,523
Receipt of repayment of Homebuy loan	**-**	4
Net cash flows from investing activities	**(36,617)**	(23,300)
Cash flows from financing activities		
Interest paid	**(5,872)**	(5,721)
Issue costs	**(40)**	(58)
New secured loans	**-**	-
Repayment of borrowings	**(1,589)**	(2,117)
Net cash flows from financing activities	**(7,501)**	(7,896)
Net (decrease)/ increase in cash	**(17,501)**	(10,381)
Cash and cash equivalents at 1 April	**29,054**	39,435
Cash and cash equivalents at 31 March	**11,553**	29,054

The notes on pages 50 to 88 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 2025.

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 2025.

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 2025 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 2025/26 and the Group's medium term financial position as detailed in the cash flow forecasts and 30-year business plan, is of the opinion that,

taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

- The property market – budget and business plan scenarios have taken account of reduced levels of grant and conversion of low cost home ownership properties to general needs dwellings;

Notes (*continued*)

- 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 £60m 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 53 to 54. 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.

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*

Notes (*continued*)

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 2025 was £542,593.

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 2025 was £5,914,000.

c. 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. 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.

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

Notes (*continued*)

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. Software is deemed to have a useful economic life of 3-10 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.

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

Notes (*continued*)

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.

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.

Notes (*continued*)

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 represented 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 also recognised a debtor in respect of this work, as the Group will benefit from the work which it is obliged to perform. This obligation ended during the financial year ending 31 March 2024 and 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.

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 2024/24. 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.

Notes (*continued*)

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.

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.

Notes (*continued*)

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.

Prior Period Adjustment – Water Rate Accounting

The accounts have been restated to recognise that the contract for water rate collection between Northumbrian Water Limited and Bernicia Group operates on an agency basis, and therefore the turnover and costs relating to this activity should not be recognised in the accounts of Bernicia, the agent.

The revised accounting treatment affects turnover and operating expenses equally, and has no effect on surplus, reserves or balance sheet accounts. A summary of the prior year accounting impact is as follows:

	Group and Association 2024 £000
Reduction in turnover	**3,165**
Reduction in operating expenses	**(3,165)**
Net effect on financial statements	-

Notes (*continued*)

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

Group

	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2025 Operating surplus £'000	2024 Operating surplus £'000
Social housing lettings (note 2a)	**80,102**	-	**(62,826)**	**17,276**	16,362
Other social housing activities					
First tranche low cost home ownership sales	**2,534**	**(1,903)**	-	**631**	20
Support services	**150**	-	-	**150**	150
Community services	-	-	**(368)**	**(368)**	(388)
Development services	-	-	**(1,590)**	**(1,590)**	(1,511)
Other	-	-	**(319)**	**(319)**	(180)
	2,684	**(1,903)**	**(2,277)**	**(1,496)**	(1,909)
Activities other than social housing activities					
Leasehold management	**7,775**	-	**(6,192)**	**1,583**	1,189
Charitable activities	-	-	**(199)**	**(199)**	(203)
Other operating income (note 4)	**1,686**	-	**(89)**	**1,597**	1,744
Market Rentals	**226**	-	**(28)**	**198**	94
Commercial and other	**482**	-	**(18)**	**464**	385
Care & Repair	**710**	-	**(1,677)**	**(967)**	(163)
Amortisation of goodwill	-	-	-	-	(1,115)
	10,879	-	**(8,203)**	**2,676**	1,931
Total	**93,665**	**(1,903)**	**(73,306)**	**18,456**	16,384

Shared ownership transactions (Group and Association)

	First tranche £000	Staircasing £000	2025 Total £000	2024 Total £000
Proceeds	**2,534**	**406**	**2,940**	274
Cost of sales	**(1,868)**	**(211)**	**(2,079)**	(168)
Operating expenditure (cost of sales)	**(35)**	**(2)**	**(37)**	(2)
	631	**193**	**824**	104

Notes *(continued)*

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

Association

	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2025 Operating Surplus £'000	2024 Operating Surplus £'000
Social Housing Lettings (note 2a)	**80,102**	**-**	**(62,826)**	**17,276**	16,362
Other social housing activities					
First tranche low cost home ownership sales	**2,534**	**(1,903)**	**-**	**631**	20
Support services	**150**	**-**	**-**	**150**	150
Community services	**-**	**-**	**(368)**	**(368)**	(388)
Development service	**-**	**-**	**(1,590)**	**(1,590)**	(1,511)
Other	**-**	**-**	**(532)**	**(532)**	(180)
	2,684	**(1,903)**	**(2,490)**	**(1,709)**	(1,909)
Activities other than social housing activities					
Other operating income (note 4)	**1,762**	**-**	**(103)**	**1,659**	1,820
Commercial and other	**482**	**-**	**(18)**	**464**	385
Market rental	**226**	**-**	**(53)**	**173**	94
Care & Repair	**710**	**-**	**(1,677)**	**(967)**	(163)
Other	**-**	**-**	**-**	**-**	(200)
	3,180	**-**	**(1,851)**	**1,329**	1,936
Total	**85,966**	**(1,903)**	**(67,167)**	**16,896**	16,389

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	2025 Total £'000	2024 Total (As restated) £'000
Income						
Rent receivable net of identified service charges	48,931	14,953	4,494	1,291	69,669	63,430
Service charge income	1,005	3,149	2,123	226	6,503	7,500
Amortised government grants	3,735	-	-	72	3,807	3,993
Government grants taken to income	123	-	-	-	123	-
Turnover from social housing lettings	53,794	18,102	6,617	1,589	80,102	74,923
Operating expenditure						
Management	(8,585)	(3,421)	(776)	(350)	(13,132)	(12,041)
Service charge costs	(4,710)	(1,709)	(794)	(191)	(7,404)	(7,650)
Routine maintenance	(12,934)	(4,275)	(789)	(27)	(18,025)	(15,621)
Planned maintenance	(4,144)	(1,523)	(319)	(69)	(6,055)	(6,060)
Major repairs expenditure	(2,833)	(1,062)	(227)	(55)	(4,177)	(3,997)
Bad debts	(187)	(140)	(60)	(9)	(396)	(20)
Depreciation of housing properties	(8,937)	(3,218)	(876)	(184)	(13,215)	(12,701)
Lease costs	(1)	-	(421)	-	(422)	(403)
Other costs	-	-	-	-	-	(68)
Operating expenditure on social housing lettings	(42,331)	(15,348)	(4,262)	(885)	(62,826)	(58,561)
Operating surplus on social housing lettings	11,463	2,754	2,355	704	17,276	16,362
Void losses	(1,099)	(624)	(151)	-	(1,874)	(1,875)

Notes *(continued)*

3 Accommodation owned and managed

Group

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

	2024	Additions	Disposals	Other	2025
	No	No	No	No	No
Social Housing					
Owned and Managed:					
General needs:					
Social rent	8,533	23	(25)	(5)	8,526
Affordable rent	949	119	-	(4)	1,064
Housing for older people:					
Social rent	2,952	2	-	(3)	2,951
Affordable rent	190	15	-	-	205
Supported:					
Social rent	496	-	-	10	506
Affordable rent	17	-	-	-	17
Rent to HomeBuy	80	4	-		84
Care Homes	54	-	-	(12)	42
Shared ownership	380	29	(8)	-	401
Leasehold schemes - Freehold retained	758	3	-	-	761
Total owned and managed	14,409	195	(33)	(14)	14,557
Managed by others					
Supported housing accommodation	110	-	-	(2)	108
General needs social rent	-	-	-	3	3
Housing for older people social rent	-	-	-	2	2
Affordable rent	-	-	-	1	1
Total managed by others	110	-	-	4	114
Managed for others					
General needs housing:					
Social rent	76	-	-	-	76
Affordable rent	1	-	-	-	1
Housing for older people	14	-	-	-	14
Supported housing accommodation	7	-	-	-	7
Total managed for others	98	-	-	-	98
Commercial and other					
Private rented	12	16	-	6	34
Garages	1,063	-	(73)	-	990
Shops	45	-	-	1	46
Other commercial	6	-	-	-	6
Leasehold schemes - Freehold retained	397	-	-	-	397
Leasehold schemes - managed for others	12,347	228	(543)	-	12,032

Notes (*continued*)

Association

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

	2024 No	Additions No	Disposals No	Other No	2025 No
Social Housing					
Owned and Managed:					
General needs:					
Social rent	8,533	23	(25)	(5)	8,526
Affordable rent	949	119	-	(4)	1,064
Housing for older people:					
Social rent	2,952	2	-	(3)	2,951
Affordable rent	190	15	-	-	205
Supported:					
Social rent	496	-	-	10	506
Affordable rent	17	-	-	-	17
Rent to HomeBuy	80	4	-	-	84
Care Homes	54	-	-	(12)	42
Shared ownership	380	29	(8)	-	401
Leasehold schemes - Freehold retained	758	3	-	-	761
Total owned and managed	14,409	195	(33)	(14)	14,557
Managed by others					
Supported housing accommodation	110	-	-	(2)	108
General needs social rent	-	-	-	3	3
Housing for older people social rent	-	-	-	2	2
Affordable rent	-	-	-	1	1
Total managed for others	110	-	-	4	114
Managed for others					
General needs housing:					
Social rent	76	-	-	-	76
Affordable rent	1	-	-	-	1
Housing for older people	14	-	-	-	14
Supported housing accommodation	7	-	-	-	7
Total managed for others	98	-	-	-	98
Commercial and other					
Private rented	11	16	-	6	33
Garages	1,063	-	(73)	-	990
Shops	45	-	-	1	46
Other commercial	6	-	-	-	6

Notes *(continued)*

4 Other operating income

	Group		Association	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Rate collection allowance	**465**	416	**465**	416
Office rental	**99**	92	**175**	168
Sale of management services	**176**	177	**176**	177
Sundry income	**946**	1,059	**946**	1,059
Total other operating income	**1,686**	1,744	**1,762**	1,820

5 Gain on disposal of tangible fixed assets

	Group		Association	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Proceeds from sales of housing properties	**1,973**	1,399	**1,973**	1,399
Cost of sales of housing properties (including fees)	**(559)**	(783)	**(559)**	(783)
Net gain on disposal of housing properties	**1,414**	616	**1,414**	616
Proceeds from sales of other tangible fixed assets	**37**	5	**37**	5
Cost of sales of other tangible fixed assets	**(31)**	-	**(31)**	-
Net gain on disposal of other tangible fixed assets	**6**	5	**6**	5
Gain on disposal of tangible fixed assets	**1,420**	621	**1,420**	621

6 Surplus/(deficit) on ordinary activities

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

	Group		Association	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Auditors' remuneration including expenses (excluding VAT):				
Audit of the Group financial statements	**51**	50	**51**	50
Audit of subsidiaries	**12**	12	**-**	-
Audit-related assurance services	**6**	6	**6**	6
Operating lease rentals:				
Land and buildings	**501**	511	**471**	481
Office equipment	**14**	22	**14**	22
Vehicles	**656**	222	**633**	195
Depreciation of housing properties	**13,215**	12,702	**13,215**	12,702
Depreciation of other owned fixed assets	**518**	497	**486**	464
Amortisation of intangible fixed assets - software	**331**	295	**325**	279

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	
	2025	2024	**2025**	2024
	Number	Number	**Number**	Number
Operational	**480**	444	**400**	363
Finance and administration	**115**	110	**89**	86
	595	554	**489**	449

The aggregate payroll costs of these persons were as follows:

	Group		Association	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Wages and salaries (including car allowance)	**21,858**	18,952	**19,732**	17,068
Compensation for loss of office	**132**	156	**132**	156
Social security costs	**2,021**	1,750	**1,847**	1,600
Pension costs	**1,972**	3,225	**1,816**	3,086
	25,983	24,083	**23,527**	21,910

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	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
£60,000 - £70,000	**12**	11	**12**	10
£70,001 - £80,000	**15**	11	**13**	10
£80,001 - £90,000	**4**	4	**4**	4
£90,001 - £100,000	**1**	2	**1**	2
£100,001 - £110,000	**2**	1	**2**	-
£110,001 - £120,000	**4**	5	**3**	5
£120,001 - £130,000	**2**	-	**2**	-
£160,001 - £170,000	**-**	3	**-**	3
£170,000 - £180,000	**3**	-	**3**	-
£210,000 - £220,000	**-**	1	**-**	1
£230,000 - £240,000	1	-	1	-
	44	38	**41**	35

Notes (*continued*)

8 Key management personnel remuneration

Key management personnel comprise the executive and non-executive directors. Total remuneration amounted to £932,000 (*2024: £875,000*).

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

	Group and Association	
	2025	2024
	£000	£000
Wages and salaries	**667**	629
Social security costs	**87**	81
Pension contributions	**85**	78
	839	788

Retirement benefits are accruing to four (*2024: 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:

	2025	**2024**
	No.	**No.**
£160,001 - £170,000	-	3: - Michael Farr - Janette Longstaff - Andrea Malcom
£170,001 - £180,000	3: - Michael Farr - Janette Longstaff - Andrea Malcom	-
£210,001 - £220,000	-	1 - John Johnston
£230,001 - £240,000	1- John Johnston	-

The aggregate of emoluments for the year, excluding employer pension contributions, to the highest paid director, was £214,857 *(2024: £205,054)*. 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	2025 £000	2024 £000
A Alden	7	7
B Anderson	2	-
S Anderson	3	2
R Cave	7	5
S Crosland	3	-
A Dunn	7	7
A Gibson	9	9
J Holmes	17	17
G Jagpal	6	3
M Massey	3	2
L Moody	3	-
H Parker	2	4
A Pegg	2	5
C-J Rewcastle	3	6
S Safdar	2	2
X Setna	3	6
L Shearing	-	3
G Smith	4	-
V Smart	3	2
A Tarn	3	7
T Weightman	3	-
Total non-executive Board members' emoluments	92	87

9 Interest receivable and similar income

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Interest receivable	930	1,523	918	1,511
Total interest receivable and similar income	930	1,523	918	1,511

10 Interest payable and similar charges

	Group		Association	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Interest on loans	6,070	6,230	6,070	6,230
Less: Interest capitalised on housing properties under construction	(202)	(54)	(202)	(54)
Total interest payable and similar charges	5,868	6,176	5,868	6,176
Capitalisation rate used to determine the finance costs capitalised during the period	3.75%	3.35%	3.75%	3.35%

Notes *(continued)*

11 Other finance expense

	Group and Association	
	2025	2024
	£000	£000
Net interest on net defined benefit plan asset / liability	**(270)**	**(87)**
Total other finance expense	**(270)**	**(87)**

12 Taxation

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

	Group and Association	
	2025	2024
	£000	£000
Current tax		
UK corporation tax on surplus for the year	**-**	-
Adjustments in respect of prior years	**25**	-
Total current tax charge	**25**	-

The tax assessed in the year is lower than the standard rate of corporation tax in the United Kingdom at 25% (*2024: 25%*). The differences are explained as follows:

Reconciliation of effective tax rate

	Group		Association	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before taxation	**14,920**	12,600	**14,958**	13,580
Total tax expense	**25**	-	**25**	-
Surplus on ordinary activities after taxation	**14,895**	12,600	**14,933**	13,580
Tax using the UK corporation tax rate of 25% *(2024: 25%)*	**3,724**	3,150	**3,748**	3,395
Tax exempt revenues	**(3,724)**	(3,150)	**(3,748)**	(3,395)
Total tax expense included in profit or loss	**-**	-	**-**	-

Notes *(continued)*

13 Intangible fixed assets

Group

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 31 March 2024	2,319	2,095	4,414
Additions	-	649	649
Disposals	-	(120)	(120)
At 31 March 2025	2,319	2,624	4,943
Amortisation			
At 31 March 2024	2,319	1,442	3,761
Charged in the year	-	331	331
Disposals	-	(88)	(88)
At 31 March 2025	2,319	1,685	4,004
Net book value			
At 31 March 2025	-	939	939
At 31 March 2024	-	653	653

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

Association

	Software £000
Cost	
At 31 March 2024	1,911
Additions	649
Disposals	(120)
At 31 March 2025	2,440
Amortisation	
At 31 March 2024	1,268
Charged in the year	325
Disposals	(88)
At 31 March 2025	1,505
Net book value	
At 31 March 2025	935
At 31 March 2024	643

14 Tangible assets

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

		Group		**Association**	
	Note	**2025 £000**	2024 £000	**2025 £000**	2024 £000
Tangible fixed assets – housing properties	*14a*	**531,463**	499,431	**531,463**	499,431
Tangible fixed assets – other	*14b*	**11,130**	11,092	**10,817**	10,758
		542,593	510,523	**542,280**	510,189

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**
Cost							
At 31 March 2024	625,586	8,369	22,348	1,336	647,934	9,705	657,639
Properties acquired	-	13,169	-	2,484	-	15,653	15,653
Development of new properties	-	10,422	-	3,698	-	14,120	14,120
Works to existing properties	16,101	-	9	-	16,110	-	16,110
Disposals	(2,901)	-	(304)	-	(3,205)	-	(3,205)
Completed schemes	22,801	(22,801)	2,529	(2,529)	25,330	(25,330)	-
Transfers	-	-	-	-	-	-	-
At 31 March 2025	661,587	9,159	24,582	4,989	686,169	14,148	700,317
Depreciation and impairment							
At 31 March 2024	155,856	-	2,352	-	158,208	-	158,208
Charged in the year	13,032	-	183	-	13,215	-	13,215
Disposals	(2,503)	-	(66)	-	(2,569)	-	(2,569)
At 31 March 2025	166,385	-	2,469	-	168,854	-	168,854
Net book value							
At 31 March 2025	**495,202**	**9,159**	**22,113**	**4,989**	**517,315**	**14,148**	**531,463**
At 31 March 2024	469,730	8,369	19,996	1,336	489,726	9,705	499,431

Notes *(continued)*

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

Security

Tangible fixed assets with a net book value of £242,799,652 *(2024: £242,696,910)* are secured.

Land and Buildings

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

	Group and Association	
	2025	2024
	£000	£000
		(Restated)
Freehold	**515,639**	483,162
Long leasehold	**15,473**	15,939
Short leasehold	**351**	330
	531,463	499,431

The 2024 figures have been restated following a review of leasehold property agreements.

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

Social Housing Assistance	Group and Association	
	2025	2024
	£000	£000
Recognised in the Statement of Comprehensive Income	**93,006**	89,199
Held as deferred income (note 21)	**165,335**	162,435
Total	**258,341**	251,634

	Group and Association	
	2025	2024
	£000	£000
Finance and borrowing costs		
Aggregate amount of finance costs included in the cost of housing properties	**3,435**	3,233
Borrowing costs capitalised to tangible fixed assets - housing properties during the period	**202**	54
Development costs capitalised to tangible fixed assets – housing properties during the period	**354**	345
Capitalisation rate	**3.75%**	3.35%
Expenditure to works on existing properties:		
Amounts capitalised – enhancements	**16,110**	14,225
Amounts charged to statement of comprehensive income (note 2a)	**28,257**	25,678
Total	**44,367**	39,903

Notes (*continued*)

14b Tangible fixed assets - other

Group

	Land and buildings	Plant & Equipment	Office equipment	Scheme fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2024	13,352	-	1,351	701	1,485	16,889
Additions	165	5	346	40	-	556
Disposals	-	-	-	(175)	(199)	(374)
At 31 March 2025	13,517	5	1,697	566	1,286	17,071
Depreciation						
At 31 March 2024	2,844	-	1,045	423	1,485	5,797
Charged in the year	295	1	180	42	-	518
Disposals	-	-	-	(175)	(199)	(374)
At 31 March 2025	3,139	1	1,225	290	1,286	5,941
Net book value						
At 31 March 2025	**10,378**	**4**	**472**	**276**	**-**	**11,130**
At 31 March 2024	10,508	-	306	278	-	11,092

	2025	2024
	£'000	£'000
Freehold	**3,148**	3,330
Long leasehold	**7,230**	7,178
Short leasehold	**-**	-
	10,378	10,508

Notes *(continued)*

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

Association

	Land and buildings	Plant & Equipment	Office equipment	Scheme fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 March 2024	13,129	-	1,307	532	1,482	16,450
Additions	165	5	346	29	-	545
Disposals	-	-	-	(175)	(199)	(374)
At 31 March 2025	13,294	5	1,653	386	1,283	16,621
Depreciation						
At 31 March 2024	2,803	-	1,019	388	1,482	5,692
Charged in the year	291	1	169	25	-	486
Disposals	-	-	-	(175)	(199)	(374)
At 31 March 2025	3,094	1	1,188	238	1,283	5,804
Net book value						
At 31 March 2025	**10,200**	**4**	**465**	**148**	**-**	**10,817**
At 31 March 2024	10,326	-	288	144	-	10,758

	2025	2024
	£'000	£'000
Freehold	**3,148**	3,148
Long leasehold	**7,052**	7,178
Short leasehold	**-**	-
	10,200	10,326

Notes (*continued*)

15 Long term investments

	Group and Association	
	2025	2024
	£000	£000
Investments at valuation		
Opening fair value at 1 April	**624**	632
Gains/losses on re-measurement to fair value	**(2)**	(8)
At 31 March	**622**	624

Long term investments are represented as follows:

	Group and Association	
	2025	2024
	£000	£000
Long term investment in:		
Haven Funding plc	**476**	478
UK Rents (No 1) plc	**146**	146
	622	624

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	
	2025	2024
	£000	£000
Listed investments	-	28
Unlisted investments	**622**	596
	622	624

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	
	2025	2024
	£000	£000
Cost		
At 1 April and 31 March	**2,367**	2,367

17 Investment properties held for letting

	Group and Association	
	2025	2024
	£000	£000
Valuation		
At 1 April	**2,638**	2,303
Additions	**3,024**	-
Gain/loss from adjustment of fair value	**252**	335
At 31 March	**5,914**	2,638

Investment properties were valued at 31 March 2025 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	
	2025	2024
	£000	£000
First tranche shared ownership properties	**689**	890
Materials stock	**321**	238
	1,010	1,128

19 Debtors

	Group		Association	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Rents and service charge arrears	**5,762**	5,881	**5,762**	5,881
Less: Provision for bad and doubtful debts	**(3,215)**	(4,414)	**(3,215)**	(4,414)
Net rent arrears	**2,547**	1,467	**2,547**	1,467
Amounts owed by group undertakings	**-**	-	**1,922**	1,219
Other debtors due within one year	**1,423**	1,952	**939**	1,201
Prepayments and accrued income due within one year	**8,161**	4,067	**7,780**	3,664
	12,131	7,486	**13,188**	7,551
Other debtors due after more than one year	**827**	811	**827**	811
Prepayments and accrued income due after more than one year	**277**	348	**277**	348
Total due after more than one year	**1,104**	1,159	**1,104**	1,159
	13,235	8,645	**14,292**	8,710

For the Group, debtors includes other debtors of £1,104,000 *(2024: £1,159,000)* due after more than one year. £826,523 *(2024: £811,197)* 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	
	2025	2024	**2025**	2024
	£	£	**£**	£
Unpaid share capital	**10**	9	**10**	9

Notes (*continued*)

20 Creditors: amounts falling due within one year

	Group		Association	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Bank loans (see note 21)	**1,208**	1,846	**1,208**	1,846
Rents and service charges received in advance	**1,137**	926	**1,137**	926
Trade creditors	**7,709**	873	**7,709**	882
Owed to undertakings in which company has interest	**5**	1	**5**	1
Taxation and social security	**712**	438	**628**	416
Other creditors	**811**	569	**410**	706
Accruals and deferred income	**9,006**	8,609	**8,780**	7,878
Deferred capital grants (note 21)	**3,860**	3,814	**3,860**	3,814
Recycled capital grant fund (note 21)	**572**	284	**572**	284
Interest payable	**1,068**	1,247	**1,068**	1,247
Service charge sinking funds	**2,609**	2,263	**2,609**	2,263
	28,697	20,870	**27,986**	20,263

21 Creditors: amounts falling due after more than one year

	Group and Association	
	2025	2024
	£000	£000
Bank loans	**149,793**	150,502
Deferred capital grants	**161,475**	158,621
Recycled capital grant fund	**1,172**	1,114
Deferred recycled capital grant fund	**283**	295
	312,723	310,532

Recycled capital grant fund (RCGF)

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

	Group and Association	
	2025	2024
	£000	£000
Opening balance	**1,398**	1,616
Inputs to fund:		
Grants recycled	**591**	618
Interest accrued	**63**	89
Recycling of grant:		
New build	**(308)**	(925)
Closing balance	**1,744**	1,398

Notes (*continued*)

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

Recycled capital grant fund (RCGF)	**Group and Association 2025 £'000**	2024 £'000
Due within one year	**572**	284
Due after more than one year	**1,172**	1,114
	1,744	1,398
Amounts 3 years old or older where repayment may be required	**-**	-

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 £242,799,652 (*2024: £242,696,910*).

Included within bank loans are borrowings of £151,394,041 (*2024: £152,697,670*) with fixed interest rates ranging from 1% to 11.6% (*2024: 1% to 11.6%*) and borrowings of £750,000 (*2024: £900,000*) with variable interest rates at SONIA plus 0.5% (*2024: SONIA plus 0.5%*).

Borrowings are repayable as follows:

	Group and Association 2025 £000	2024 £000
Within one year	**1,208**	1,846
Between one and two years	**1,365**	992
Between two and five years	**2,777**	3,157
In five years or more	**146,794**	147,603
	152,144	153,598
Less: Issue costs	**(1,143)**	(1,250)
	151,001	152,348
Less: Amounts included within Creditors: amounts falling due within one year (see note 20)	**(1,208)**	(1,846)
	149,793	150,502

Notes *(continued)*

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

Deferred capital grants

	Group and Association	
	2025	2024
	£000	£000
At 1 April	**158,621**	153,251
Grants received during the year: Housing properties	**7,409**	8,947
Transferred on disposal	**(1,457)**	(1,898)
Amortisation	**(3,052)**	(2,205)
Transfer to creditors within one year	**(46)**	526
At end of year	**161,475**	158,621
Deferred capital grant movements within one year		
At beginning of year	**3,814**	4,340
Transfer from grant after more than one year	**46**	(526)
At end of year	**3,860**	3,814
Total deferred capital grants	**165,335**	162,435

Social Housing Decarbonisation Fund

	Group and Association	
	2025	2024
	£000	£000
At 1 April	-	-
Grants received during the year	**1,919**	**1,470**
Utilised for qualifying works and associated costs	**(1,919)**	**(1,470)**
At end of year	-	-

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	
	2025	2024
	£000	£000
At 1 April	-	2,336
Capitalised expenditure during the year	-	(2,336)
Revenue expenditure during the year	-	-
Release of provision	-	-
At 31 March	-	-

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 2024 and 2 November 2024 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 *(2024: £nil)* is included within debtors and £nil *(2024: £nil)* 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 2024;
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 2025.

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 multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2023. This valuation revealed a deficit of £693m. 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.

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 2024. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2025 to 28 February 2026 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.

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with the Court's determination expected no earlier than Summer 2025. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Net pension asset/(liability) – LGPS and SHPS

	LGPS		SHPS	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Defined benefit obligation	**(26,494)**	(31,102)	**(36,038)**	(38,703)
Plan assets	**56,114**	54,826	**31,173**	31,185
Net pension asset/(liability)	**29,620**	23,724	**(4,865)**	(7,518)

Notes *(continued)*

23 Employee Benefits *(continued)*

Movements in present value of defined benefit obligation

	LGPS		SHPS	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**(31,102)**	(32,334)	**(38,703)**	(37,696)
Current service cost	**(393)**	(443)	**(467)**	(477)
Past service cost	-	(10)	-	-
Interest expense	**(1,464)**	(1,495)	**(1,879)**	(1,822)
Remeasurement: actuarial gains/(losses)	**5,250**	2,050	**3,583**	560
Contributions by members	**(130)**	(139)	**(225)**	(217)
Benefits paid	**1,345**	1,269	**1,690**	985
Expenses	**-**	-	**(37)**	(36)
At 31 March	**(26,494)**	(31,102)	**(36,038)**	(38,703)

Movements in fair value of plan assets

	LGPS		SHPS	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
At 1 April	**54,826**	52,353	**31,185**	30,961
Interest income	**2,615**	2,450	**1,572**	1,554
Remeasurement: return on plan assets less interest income	**-**	-	**-**	(3,503)
Experience on plan assets	**(536)**	691	**(3,174)**	
Contributions by employer	**424**	462	**3,055**	2,941
Contributions by members	**130**	139	**225**	217
Benefits paid	**(1,345)**	(1,269)	**(1,690)**	(985)
At 31 March	**56,114**	54,826	**31,173**	31,185

Expense recognised in the statement of comprehensive income

	LGPS		SHPS	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Current service cost	**393**	443	**467**	477
Expenses	**-**	-	**37**	36
Past service costs	**-**	10	**-**	-
Net interest on net defined benefit liability/(asset)	**(1,151)**	(955)	**307**	268
Less: Interest on unrecognised asset	**1,140**	-	**-**	-
Total expense recognised in the statement of comprehensive income	**382**	(502)	**811**	781
Remeasurement: actuarial (loss) / gain on defined benefit obligation	**5,250**	2,050	**409**	(2,943)
Remeasurement: gain/(loss) on plan assets less interest income	**(536)**	1,465	**(307)**	(268)
Total income/(expense) to potentially recognise in other comprehensive income	**4,714**	3,515	**102**	(3,211)

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 no asset could be recognised.

	2025 £000	2024 £000
Defined benefit obligation	**(26,494)**	(31,102)
Plan assets	**56,114**	54,826
Net pension asset before paragraph 28.22	**29,620**	23,724
Unrecognised asset due to limit in paragraph 28.22	**(29,620)**	(23,724)
Pension asset recognised on Balance Sheet	**-**	-

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

	LGPS	
	2025	2024
	Fair value	Fair value
	%	%
Equities	**48.1**	50.6
Government debt	**1.1**	1.3
Corporate bonds	**18.1**	19.5
Property	**11.1**	10.4
Cash	**1.8**	0.7
Other	**19.8**	17.5
	100.0	100.0

Notes *(continued)*

23 Employee Benefits *(continued)*

	SHPS	
	2025	**2024**
	Amount	**Amount**
	£'000	**£'000**
Global Equity	3,492	3,108
Absolute Return	-	1,218
Distressed Opportunities	-	1,099
Credit Relative Value	-	1,022
Alternative Risk Premia	-	990
Liquid Alternatives	5,781	-
Emerging Markets Debt	-	403
Risk Sharing	-	1,825
Insurance-Linked Securities	96	161
Property	1,562	1,252
Infrastructure	5	3,150
Private Equity	28	25
Real Assets	3,732	-
Private Debt	-	1,227
Opportunistic Illiquid Credit	-	1,219
Private Credit	3,815	-
Credit	1,192	-
Investment Grade Credit	960	-
High Yield	-	5
Cash	423	615
Corporate Bond Fund	-	-
Liquid Credit	-	-
Long Lease Property	9	201
Secure Income	520	931
Liability Driven Investment	9,441	12,692
Currency Hedging	50	- (12)
Net Current Assets	67	54
Total Assets	**31,173**	**31,185**

Notes (*continued*)

23 Employee Benefits (*continued*)

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

	LGPS		SHPS	
	2025	2024	**2025**	2024
	%	%	**%**	%
Discount rate	**5.8**	4.8	**5.90**	4.92
Future salary increases			**3.80**	3.79
2024/25	**n/a**	5.5		
2025/26	**2.5**	2.5		
2026/27	**3.6**	2.5		
2027/28	**2.5**	2.0		
2028/29	**2.1**	2.0		
2029 onwards	**2.0**	2.0		
Rate of increase to pensions in payment	**2.5**	2.6	**n/a**	n/a
Rate of increase to deferred pension	**2.5**	2.6	**n/a**	n/a
RPI inflation	**-**	-	**3.06**	3.11
CPI inflation	**2.5**	2.6	**2.80**	2.79

LGPS

The last full actuarial valuation was performed on 31 March 2022. To measure the defined benefit obligation as at 31 March 2025, the Association used a qualified, independent actuary. At 31 March 2025 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 2025, 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: 20.9 years (male), 24.1 years (female).
- Future retiree upon reaching 65: 21.8 years (male), 25.2 years (female).

SHPS

In valuing the liabilities of the pension fund at 31 March 2025, 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: 21.7 years (male), 24.5 years (female).

Notes *(continued)*

24 Share Capital

Group and Association

	2025	2024
	£	£
Ordinary shares of £1 each at 1 April	**9**	9
Issued during the year	**4**	2
Surrendered during year	**(3)**	(2)
At 31 March	**10**	9

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

25 Financial instruments

The book value of all financial assets and financial liabilities at 31 March 2025 is deemed to equal fair value.

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

	Group		**Association**	
	2025	2024	**2025**	2024
	£000	£000	**£000**	£000
Assets held at fair value through profit and loss				
Listed investments	**-**	28	**-**	28
Unlisted investments	**622**	596	**622**	596
Assets measured at amortised cost				
Rent and service charge arrears	**5,762**	5,881	**5,762**	5,881
Other debtors	**10,688**	7,178	**11,745**	7,243
Cash	**11,553**	29,054	**9,629**	28,215
Liabilities measured at amortised cost				
Rents and service charges received in advance	**1,137**	926	**1,137**	926
Trade creditors	**7,709**	873	**7,709**	882
Bank loans	**151,001**	152,348	**151,001**	152,348
Deferred capital grants	**165,335**	162,435	**165,335**	162,435

Included in these statements are payments to in relation to the SHPS past service deficit of £1,795,436 during 2024/25 *(2024: £1,702,609)*, which represents the fourth year of the recovery plan which is due to end in March 2028.

Notes (*continued*)

26 Operating leases

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

	Group		Association	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Less than one year	**1,082**	569	**1,025**	524
Between one and five years	**2,700**	900	**2,525**	765
More than five years	**110**	108	**80**	73
	3,892	1,578	**3,630**	1,362

During the year, £1,171,000 (*2024: £755,000*) was recognised as an expense in the Group statement of comprehensive income in respect of operating leases. £1,118,000 (*2024: £698,000*) was recognised as an expense in the Association statement of comprehensive income in respect of operating leases.

27 Capital commitments

	Group and Association	
	2025	2024
	£000	£000
Capital expenditure contracted for but not provided for in the financial statements	**35,544**	**52,507**
Capital expenditure authorised by the board but not yet contracted for	**33,291**	**26,418**
	68,835	**78,925**
The Group expects these commitments to be financed through:		
Social Housing Grant	**15,654**	**17,730**
Committed loan facilities	**19,890**	**34,777**
	35,544	**52,507**

28 Contingent liabilities

The Group has a contingent liability of £8,683,000 *(2024: £8,526,000)* 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 (*2024: £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.

Notes *(continued)*

29 Related Parties (continued)

Transactions between the two entities are summarised as follows.

Group and association	Amounts payable to Bernicia		Amounts payable to Kingston Property Services	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Business management services	**566**	416	**-**	-
Property management services	**-**	-	**38**	28
Gift aid	**1,610**	1,224	**-**	-
	2,176	1,640	**38**	28

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

Spirit Regeneration and Development Co LLP

Group and association	Administrative expenses charged to		Development expenditure incurred from	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Spirit Regeneration & Development LLP	**72**	71	**7,960**	2,748

	Receivables outstanding		Creditors outstanding	
	£'000	£'000	**£'000**	£'000
Spirit Regeneration & Development LLP	**72**	71	**5**	14

Bernicia Group is a member of Spirit Regeneration & Development LLP. Bernicia Group has the right to offset certain debtors and creditors owed to Spirit Regeneration & Development LLP; some amounts have therefore been disclosed on a net basis.

G Smith is a Board Member of Bernicia and also the CEO of Northern Learning Trust. Northern Learning Trust rents offices from Bernicia Group on normal commercial terms.

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), registered number 06674108
- Bernicia Housing Limited (dormant), registered number 03415690
- Bernicia Homes Limited (dormant), registered number 09502277

Notes (*continued*)

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.

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.