

BERNOCIA

SUMMARY CORPORATE STRATEGY (DRAFT)

2018-23

Housing People
Helping People



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Foreword

from the Chair and Chief Executive

Welcome to Bernicia Housing Association's 2018-23 Corporate Strategy.

It is 10 years since the creation of the Bernicia Group, and we can now look back with a sense of pride in what has been achieved. Our Group included two large scale stock transfer organisations and through the investments we have made, homes and neighbourhoods have been improved and communities strengthened, services have been transformed and many valued partnerships have been developed. The success of our work is perhaps best evidenced by the consistently high customer satisfaction levels that have been recorded.

We recognise that none of these achievements would have been possible without the dedication and hard work of the Board, staff and our involved tenants, who have worked tirelessly to create the company that Bernicia has become.

Whilst we can reflect on the past, this strategy is about the future. Bernicia is now entering into an extremely important period of its development. Housing is higher within the national policy agenda than it has been for many years, and government believes it has created the conditions that our sector has been asking for. As such, it expects us to respond positively and do more to help deliver the homes the nation needs.

In developing our plans we have consulted with our staff and stakeholders, and have taken a step outside our immediate environment to look

at what is happening around us. We believe that our strategy is ambitious - Bernicia is to build more new homes, further improve services and how they are delivered, continue to invest in our existing properties and develop our commercial companies and in-house maintenance provider.

Whilst there remains both risk and opportunity, we believe that we have a solid foundation from which we can implement our plans to do more, and we have a resolute determination to respond positively to the agenda set by government, as this matches our own ambition for Bernicia.

Maintaining financial strength will be key to delivering our plans. The recent amalgamation of our four social housing subsidiaries into one organisation, the renegotiation of our loan covenants and the efficiencies that we have generated since our 2016 merger have enhanced our ability to invest in our strategic objectives. During the term of this strategy we will mobilise our collective skills and expertise, and put these to work alongside our financial capacity.

As a housing association we are determined to support our communities at a time when arguably they need this most. Our strategy places our work as a North East social landlord at the heart of what we do.

About Bernicia

Bernicia is a significant regional business, ideally placed to assist with the delivery of the strategic vision for the North East, and in doing so deliver positive outcomes for tenants, customers and stakeholders.

During 2017 we simplified our group structure by amalgamating our four operational subsidiaries into one strong North East social housing company, Bernicia.

We now own and manage 14,000 properties, and are developing new homes across a range of property types and tenures. We provide housing services for single people, couples, families, and older people, and care and support for those with additional support requirements.

Whilst predominantly a social landlord, we have successful commercial trading subsidiaries that provide high quality block and facilities management, estate agency, private rented and open spaces management. Our commercial subsidiaries Gift Aid their surplus to Bernicia, which is used to increase the social value that we are able to deliver.

As a group we build, rent, sell and manage homes, provide estate and facilities management and specialist care and support services to over 60,000 customers.

We employ almost 550 people,

have an annual turnover in excess of £70 million and will be investing £140 million in new and existing homes over the term of this strategy. During 2017 we were recognised as one of the North East's fastest growing businesses, we retained our Investors in People gold accreditation and extended our award-winning apprenticeship and training programmes.

Our high standards and values, from which we will not waiver, underpin the way that we do business. We value our customers, work together, respect each other, and have the highest levels of accountability and integrity. We deliver what we say we will do, something that our tenants, customers and partners can rely upon.

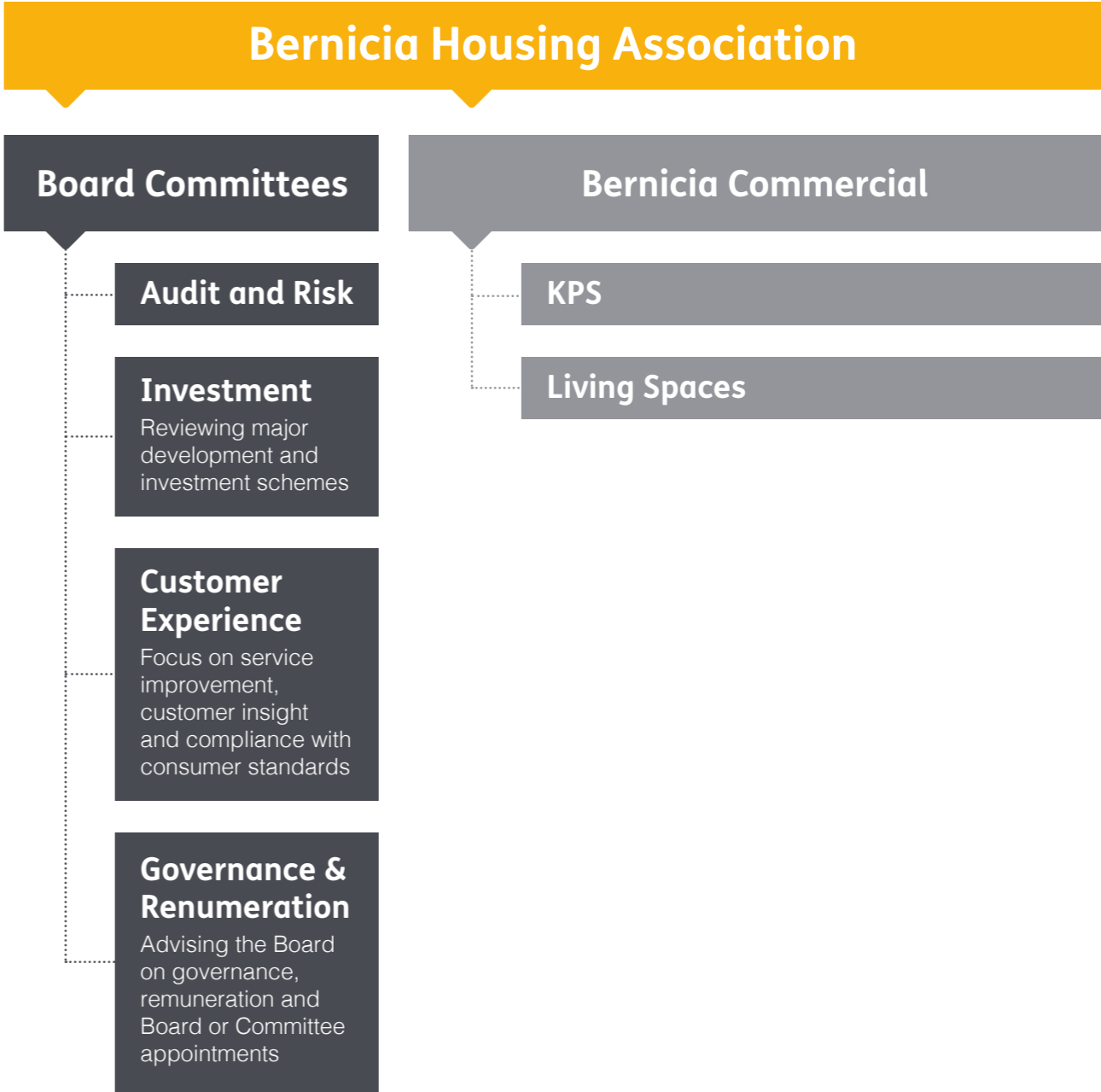
We have built a solid foundation from which to launch our new strategy. We have implemented new governance, executive and senior management structures, and fully integrated our staff structures and support systems.

In summary, we are a North East Housing Association that provides great homes and services.

Social Housing Operating Area



Our Structure



Vision, Mission, Values

Impact Our Vision

Housing people, helping people: we believe a good home makes lots of other things possible, so we provide great homes and services that do just that. We are “housing people” - professional and passionate about what we do.



Purpose Our Mission

Investing 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, in the provision of services that respond to our tenants, customers and market place requirements, and in our people and the communities within which we operate. **We will invest in the North East.**



Way Our Values

The Bernicia way: we value our customers, work together, respect each other, and have the highest levels of accountability and integrity. We deliver what we say we will do, something that our tenants, customers and partners can rely upon.



Our Values



Customer Focused

Because we care about our customers, **how** we do things is as important to us as **what** we do. We understand our customers and deliver great customer service



Teamwork

We work together, across boundaries, to meet the needs of our customers and help the organisation to be successful.



Integrity

We uphold the highest standards of integrity in all of our actions.



Respect for our People

We value our people, encourage their development and reward their performance.



Leadership

We provide strong corporate governance and leadership which is outcome-focused.



Accountability

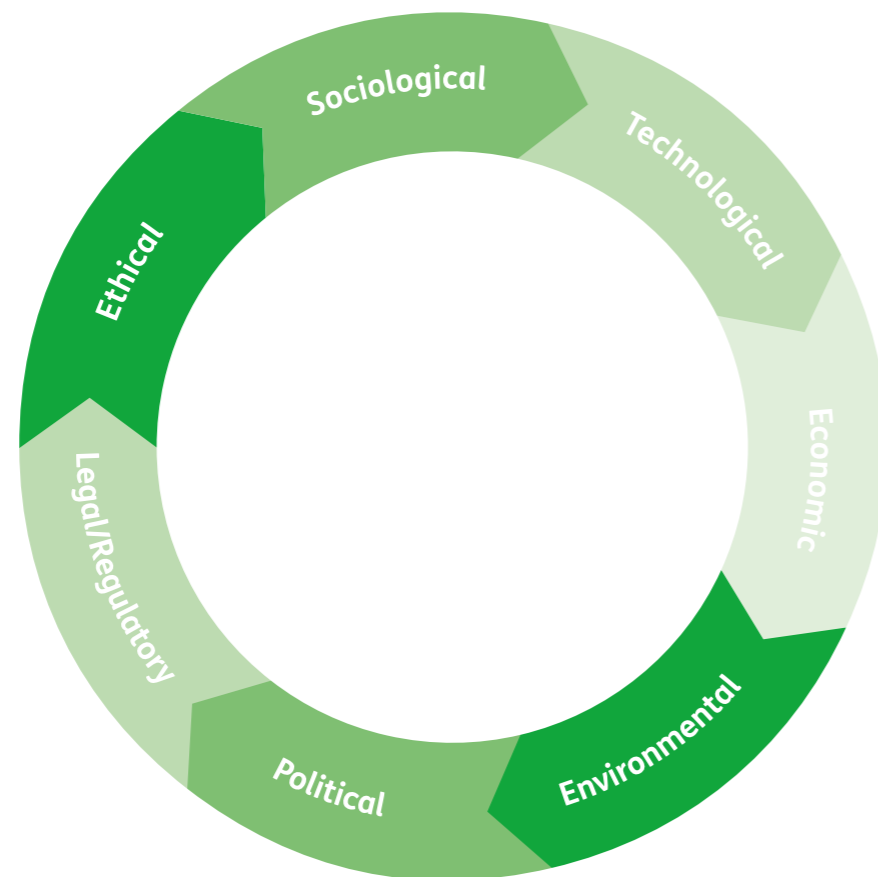
We are personally accountable for delivering on our commitments.

Our Operating Environment

The environment within which we operate is complex, ever changing and is influenced by a range of interplaying factors.

We have considered the main Social, Technological, Economic, Environmental, Political, Legal and Ethical issues that are impacting on the social housing sector, and how these will impact on Bernicia. These are summarised below. This analysis sets the context for our strategy.

We will continually monitor changes in our operating environment and ensure we are agile in our approach, in order that we respond positively to opportunities to maximise the delivery of our strategic objectives and to mitigate risks to them.



Sociological

- Continuing impact of Welfare Reform and cuts to public services
- Increased demand for the housing and support services we provide
- Demand for a wider range of housing products to be provided by the sector
- Increase in the older population and in young adults remaining within the family home
- Technology leading to demand for 'instant' service delivery



Technological

- Increased use of technology by our customers – smart phones and self-service
- Increased business reliance on ICT and increased cyber risks
- Technology delivering opportunities for efficiency but also the challenge of keeping pace
- Mobile working solutions - changing approach to office accommodation and working arrangements
- Increase intelligence and insight – enabling services to be better tailored to meet need, including those of the most vulnerable
- Requirement to manage data securely and sensitively to comply with legal expectations
- Need to train, develop and support our staff.



Economic

- Brexit – creating a sustained period of ongoing economic uncertainty
- Higher inflation will put pressure on our cost base
- Continued pressure on our social rent income streams
- Recent positive announcements by government whilst welcomed come with an expectation that more new homes will be delivered.
- The need to effectively manage Bernicia as a significant regional business
- Ensuring we have the necessary skills and expertise to support our development and growth ambitions.



Environmental

- Increasing energy costs, fuel poverty and the need to reduce carbon emissions.
- Responsible approach to limiting the production of waste, and recycling
- Reduce our reliance on paper transactions and unnecessary duplication and travel.



Political

- A minority government; uncertainty over terms and consequences of Brexit
- Increased pressure on local authorities, health and social care budgets
- Regionally, working more strategically and in partnership.
- Whilst the quantum of housing supply needs to be increased and multi tenure solutions developed, recognising that a clear regeneration and supported housing agenda remains in the North East.
- Deregulation means we are classified as a private registered provider.



Legal / Regulatory

- Compliance with regulatory framework, and in particular the economic and consumer standards
- The requirement to demonstrate to RoSH that we understand our risks and have plans in place to manage these
- Demonstrate excellence in governance and continued financial strength as part of an in depth assessment, to retain our top level regulatory judgements
- Remaining focused on delivering Value for Money
- Equality and employment law, and health and safety requirements on a growing and diverse business
- Increased requirements of the General Data Protection Regulation.



Ethical

- Bernicia has a way of doing business from which we will not waiver
- The need to work collaboratively and to support our partners
- Honouring our commitments and delivering what we say we will do
- Valuing our staff, offering equality of opportunity, being an employer of choice
- Develop approaches to reward and recognition that are fair
- Understanding the financial and social implications of our decisions, and balance these.
- Maximising the value that we can deliver.



Our Strategic Outcomes

Details of our objectives and targets for the next five years are summarised below. They will be subject to annual review and will change as circumstances dictate.

In order to provide the organisation with an overall strategic direction, we have agreed that our efforts will be focussed on delivering the following **4 high level outcomes**:



Deliver an exceptional housing service



Invest in homes neighbourhoods and communities



Build an effective organisation



Help deliver the regional agenda

Delivering an exceptional Housing Service that responds to the needs of our tenants, customers and market place

We aim to retain high levels of customer satisfaction by maintaining our focus on the customer, and through the provision of products and services that respond to existing and newly emerging need and aspiration. We plan to use digital technologies to transform our service delivery models to ensure our customers can access services in ways and at times that suit their needs and preferences. We will promote a customer-centric culture, give great customer experience and deliver operational excellence.

We will employ people who embrace our culture, develop our staff, recognise and champion the right behaviours and our staff induction will be designed to promote our values and goals. We will have a menu of ways customers can be involved, we will use information about customers to tailor services, we will promote 'digital by default' and have a set of clear standards known as The Bernicia Promise. We will continue to drive out waste, to improve our repairs and estate services, and ensure that our new housing software package enables and innovates.

Our **success measures** will be:

- % of transactions conducted online (via self-service)
- % customer enquiries resolved at first point of contact
- Customer satisfaction with the overall service

Investing in Homes, Neighbourhoods and Communities

We will actively manage our assets and continue to invest to maintain the quality of our existing homes. We will increase the quantum of new homes that we provide and will extend our housing tenure offer. We will deliver 500 new homes by 2023 and indeed we would like to exceed this target if opportunities and resources permit. We will also continue to invest in social and economic wellbeing initiatives.

We will continue to ensure our existing homes meet the Bernicia Standard; we will also look to help address fuel poverty and improve the wider estate environment. We will further expand the role of our Property Maintenance Division to provide greater cost control and more added value opportunities for local people. We will have a mixed approach to the delivery of new homes and to tenure types; we will work collaboratively and ensure local housing markets are understood and needs addressed. We will continue to have a keen focus on improving the lives of our customers, and use technology and early intervention to address financial inclusion. Our own business will create opportunities for customers around training, volunteering and employment.

Our **success measures** will be:

- Number of new homes delivered year on year.
- Average NPV of our stock.
- Energy Efficiency (measured by average SAP ratings of our properties)

Building an Effective Organisation

We will deliver strong corporate governance and leadership. We will maintain our financial viability through sound management, by being efficient, and through increasing the profitability of our commercial trading subsidiaries.

We will invest in our staff, and encourage a customer-focussed, can-do attitude, through a culture that supports our people to grow and develop. We will invest in technology and ensure we have the skills, capacity and capabilities to deliver our plans.

We have undertaken a governance review and have implemented its recommendations; this ensures we have the right leadership, skills and structures to deliver on this strategy. We will continue to review collective and individual effectiveness and ensure we have clear succession planning. We will continue to understand and control costs and be as efficient as possible, balancing our funds between core functions, service delivery, investment in existing homes, new supply and community wellbeing. We will review our office accommodation needs, and increase the profitability of our commercial activities in order to increase investment in our social housing objectives. We will invest in both our people and in technology which will benefit both staff and customers; safety, security and accessibility are key themes. We will be an employer of choice and have high levels of staff engagement, motivation and development.

Our **success measures** will be:

- At least V2 G1 regulatory judgement
- Retaining IIP or similar accreditation.
- Meeting our financial targets

Helping to deliver the regional agenda

As a sector, we have long campaigned for housing to be given greater importance and for the value of social housing provision to be recognised. Recent government policy statements indicate that this message is being received.

As a force for housing good in the North East, we will respond positively to the opportunities that this presents, and work collaboratively with a range of partners to help influence and deliver plans for our region.

Where we are able we will engage positively in devolution and with other strategic influencing opportunities; in particular we will look to promote the joining up of housing, health and care agendas. We will not actively pursue growth through merger; however, should opportunities arise for us to forge new alliances with like-minded organisations we will welcome discussions. We will ensure we maintain and grow our knowledge and understanding of our communities and markets through research and business intelligence. Throughout, we will actively seek to work together, with others, to champion the needs of our customers and deliver maximum benefit to them, and deliver a clear economic or social return for Bernicia.

Our **success measures** will include:

- Positive stakeholders perception survey

To sum up our corporate objectives, then: during the life of this strategy we will be focussed on:

- providing services that respond to our tenants, customers and market place requirements
- being operationally excellent, financially strong and effective;
- people, both our customers and staff;
- investing to deliver more new homes and to maintain the quality of our existing homes;
- working with partners to deliver positive outcomes for the communities of the North East.

Executives and members



Bill Worth – Chairman of Bernicia

Bill has been Chair of Bernicia since the merger with Four Housing in 2016. He was previously Chair of Four Housing, a position he had held since 2013.

Bill spent his professional life in NHS management and held senior posts in Birmingham, Liverpool, Gateshead and South Tyneside Health Authorities before becoming Chief Executive of North Durham NHS Trust in 1997.



John Johnston Chief Executive

John joined Cheviot Housing Association – one of Bernicia's original subsidiary companies in 1988. He worked within housing management, development and regeneration roles before being appointed as Deputy Chief Executive in 2008. John directed all operational services, as well as maintaining close links with strategic partners of Bernicia, in particular local authorities and private house builders, aligning the Group's investments in existing and new housing with the needs of local housing markets and the investment plans of partners. John was appointed as Bernicia's Chief Executive in 2018 and his initial focus will be ensuring the successful delivery of the new 2018-2023 corporate strategy.



Mike Axe Executive Director Resources

Mike is a member of the Chartered Institute of Public Finance and Accountancy. He is experienced in working closely with local authorities, development companies and the private sector on physical regeneration projects in various parts of the UK from his previous employments with English Partnerships and Teesside Development Corporation. He joined Three Rivers Housing Association as Finance Director in January 2003 and became Finance Director of its Group parent Four Housing in 2008. Mike became Executive Director, Resources with the Bernicia Group following its merger with Four Housing in 2016. As well as finance, Mike also has corporate responsibility for ICT, governance and risk.

Ann Tarn

Ann joined the Board in 2015 having previously been a co-optee. She is a member of the Audit Committee.

Ann has a background in Nursing and worked on the Burns and Plastic Surgery Unit. Ann is an Employment Tribunal Panel member, specifically experienced on Disability Discrimination, Employment and Criminal Law.

Andrew Pegg

Andrew joined the Board in 2016 following the merger with Four Housing where he had been a board member since 2014. He is Chair of the RRA Committee and sits on the Commercial Board and the Health and Safety panel.

Andrew owns his own Consultancy Practice, covering Human Resources and Health & Safety services for small to medium sized businesses.

Tom Stevenson

Tom joined the Board in 2012. He Chairs the Audit Committee.

Tom is a chartered accountant with significant experience as a Finance Director in the social housing sector. Tom is a member of the Institute of Chartered Accountants of Scotland; has an MBA from the University of Strathclyde, and an MA Honours in Economics and Economic Statistics from the University of Glasgow.

Keith Riddell

Keith joined the board in 2010. He is the board representative on Bernicia's Equality and Diversity panel.

Keith's background is in Mental Health Services. He is a Registered Nurse and held various front line and senior management positions within the NHS. Keith still works part time (post retirement) within a Mental Health NHS Foundation Trust focussing on compliance with standards and regulation.

Xerxes Setna

Xerxes joined the board in 2015 and is a member of the Remuneration Resources and Appointments Committee (RRA).

Xerxes has a BA in Business Studies & Marketing and is an active CIPR member. He has significant experience in communications, PR and marketing, within the private, not for profit sector and the NHS sectors. His professional experience includes establishing communication functions & strategic planning.

John Holmes

John joined the board in 2017 having previously been a co-optee.

John has experience across various sectors which include all aspects of property and facilities management, business planning and development, residential and commercial property management, tourism and heritage promotion and delivery. John has extensive experience in both executive and non-executive roles including chair of an RP's development subsidiary.

Lisa Charles-Jones

Lisa joined the board in 2017 and is a member of the (RRA) Committee.

Lisa has extensive HR and board level experience in both an executive and non-executive capacity with a background in the residential property services market. She holds broad commercial knowledge and is an active contributor to general business strategy and operational initiatives.

David Jennings

David joined the board as a co-optee in 2017 and is a member of the Audit Committee.

David is a Chartered Accountant employed as Financial Services Manager and Deputy S151 officer at Redcar and Cleveland Council. He has a successful track record in accountancy, audit and strategic financial management working previously as a consultant and for the Audit Commission.

Governance and executive

We have simplified our governance arrangements by amalgamating our four social housing subsidiaries into one regional social housing company, Bernicia.

As part of developing our new strategy for 2018-23, we undertook a governance review in 2017 to ensure that our governance structure and arrangements remain fit for purpose and support the delivery of our plans.

The scope of the review included:

- Board and Committee structure, terms of reference, delegations, standing orders.
- Board member skills audit and gap analysis.
- Board member training, appraisal, recruitment, induction, support and succession planning, terms of office.
- Board observation and insight.

We have implemented the outcomes of this review.

There is clarity in the roles and responsibilities of our collective Board and Committees, individual Board members and officers, and our arrangements are streamlined and modern. Bernicia Board comprises nine non-Executive Directors that possess the skills, experience and expertise required to oversee the delivery of our strategy.

We have reviewed our Executive and senior management team structure. Leading our hard working and dedicated staff, we have an experienced Executive team to drive the organisation forward.



Managing risks

Risk management is integral to all aspects of our activities, and whilst it is ultimately the responsibility of the Board, all staff share the responsibility to identify and manage risk.

Risk management supports the achievement of our Corporate Strategy through:

- Enhancing the quality of decision making, planning and prioritisation
- Contributing to effective allocation of resources
- Protecting and enhancing Bernicia's assets and reputation.

We identify risks through a range of methods/sources. These include:

- Executive/Management and a dedicated Business Assurance resource
- Board and Committee Members (risk is on all meeting agendas)
- Internal / external auditors
- Specialist advisors (e.g. pensions, treasury, cyber security)
- The Regulator of Social Housing)
- Best practice in the sector and working with partners
- KPIs and stress testing (performance/data based)
- Horizon scanning.

The Group monitors and manages risks using a number of assurance tools, including a suite of Risk Registers. A Strategic Risk Register is maintained covering high level risks to Bernicia's strategic objectives. This is complemented by a suite of operational risk registers related to generally smaller risks which jeopardise the effective day to day running of the business. All of the Group's risk maps are inter-related and inform each other.

In addition to the risks posed by the operating environment, the main risks we face at the start of this Plan have been identified as:

- Pension liabilities
- Cyber security
- Development risk per se
- Potential breaches of our legal and statutory duties (including health and safety)
- Pressure on operating and maintenance costs
- Transformational change - culture and technology
- Joint ventures.

We have also identified our risk appetite as follows:



Strategic:

We have an open risk appetite to Bernicia developing and investing in new products and services and how those are to be delivered provided all activities are consistent with the Group's objectives and they do not contravene our Rules.



Operational:

Bernicia has a cautious appetite for risk and in some cases, such as gas servicing, we will be averse to any risk. However, we recognise that some risk is often necessary to foster innovation within business practices, and that this may mean (for example) a short term drop in customer satisfaction.

We will at all times comply with our statutory obligations, the requirements of our regulating authority and seek to demonstrate excellence in governance.



Financial:

The homes we provide are critical to the sustainability and well-being of the local communities we serve, and with that in mind Bernicia has a minimal appetite for any operational budget variance. We accept that a more open appetite for risk will be required if we are to meet our strategic objective of delivering more new homes.

Financial planning

Framework

We have a detailed five year plan incorporating the 2018/19 agreed budget and a further four year's estimates. This is reviewed and updated annually as part of the budget approval process. The five year financial plan forms the basis for our long term financial forecasts (30 years) and the annual Financial Forecast Return (FFR) made to RoSH. These show that we have the financial strength to support the delivery of our plans, sufficient liquidity to meet our five year commitments, that we are able to comply with our lenders covenants and meet the financial viability standard of our regulator.

Finance Strategy

Our financial plans are guided by our Finance Strategy, the overriding purpose of which is to ensure that the long term financial viability of the Group is maintained, and that appropriate provision is made to allow adequate resources to be made available and invested in relevant services and existing and new homes, in order for the Group's mission to be delivered.

Within our overall objective, we also aim to:

- Maintain a strong financial profile, providing resilience to both known and unknown financial risks;
- Generate additional financial capacity to invest in new homes, existing homes and services.

These two aims are both inter-dependent and competing, requiring financial capacity to be optimised at a level appropriate to our risk profile and appetite.

Golden Rules

We have established key principles and parameters (Golden Rules) that guide the Group's financial planning and build resilience into our forecasts. These include key measures to manage our cashflow, interest cover and loan covenant compliance. By operating within these parameters, we maintain a level of headroom on our funding covenants, healthy interest cover and positive cash flows from our core business. These parameters safeguard our services to residents by maintaining our current financial strength and giving us the capability to absorb adverse changes to our business.

The Golden Rules are reviewed on an annual basis to ensure that they continue to provide the level of headroom commensurate with the financial and operating environment, the risks we face and our aim of maintaining a V1 rating. They will also be reviewed if there are any significant changes in the external operating environment that increase financial risk and uncertainty.

5 Year Financial Plan

The five year plan supports the delivery of the new strategies and the Group's growth aspirations. It incorporates the resources identified as required to deliver our agreed objectives and reflects the financial targets set in the core strategies agreed by the Board. It provides the investment to deliver our existing committed development programme and at least an additional five hundred new starts in the plan period.

The plan assumes that the government's commitment to a rent policy of CPI+1% for five years from 2020 is implemented and makes prudent assumptions on the impact of the full roll out of Universal Credit on our rent collection rates.

During the Plan period, we will:

- Invest £75m in new housing.
- Spend over £60m on major works to our existing homes.
- Undertake sustainability works of £7m to improve the neighbourhoods we serve.
- Maintain our overall management cost per unit at the sector median level.
- Create additional capacity through driving out efficiencies and careful cost control.

The Plan is fully funded with no new loan facilities required to deliver our commitments.

Corporate Planning Framework

Our Corporate Strategy 2018-23

This sets out the type of organisation that Bernicia is and what we are trying to achieve. Here we set out the scope and purpose of our business, where we want to be in 2023, the strategic outcomes that we are focussing on and the high level initiatives that we will be implementing.

Our Corporate Strategy directs the allocation of our resources to match the priorities that we have identified.

Our Business Plan 2018-23

This is our detailed medium term plan to implement our Corporate Strategy. Here we set goals, targets and performance expectations. We have developed an action plan inclusive of SMART targets for each of our high level strategic outcomes.

We have identified five year success measures and agreed annual targets, the achievement of which demonstrates our overall direction of travel towards meeting the goals of our Corporate Strategy. Our action plans and targets are subject to a twice yearly progress report to Board.

Our Core and Enabling Strategies

The Business Plan is underpinned by a range of core and enabling strategies which have been developed, including:

- Housing Services
- Asset Management
- Development
- Value for Money
- Corporate Social Responsibility
- Finance
- People
- ICT

These provide a clear direction of travel for each area of our business. Responsibility for the implementation of these strategies is assigned to a specified Director who reports progress to the Executive (and to Board by exception).

Operational Plans

Each Director develops an operational plan that set out how individual services will implement actions to meet targets, which will ultimately deliver our strategies and help us achieve our strategic outcomes. Progress is reviewed by the executive team quarterly (and Board by exception).



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