

Corporate Review 18/19



Our commitment to you...

We will always aim to deliver...

the right **service outcomes, efficiently**
with **great customer experience...**

for the people and communities
of West Wales.



Purpose of This Review?

To update our corporate stakeholders with the improvement and growth we have undertaken over the last year.

The corporate review is supported by the following documents:

- > Board Member & Executive Team Profiles

This review is split into the following sections:

- > Governance & Service Delivery
- > Financial Performance

We will be happy to answer any queries or issues, please contact:



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Adrian Williams
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A Board Overview of 18/19

I was delighted to be appointed Chair of ateb group in September last year and would like to thank Mark Lewis our previous Chair for his support to the Board and the group. Following on from the previous year, we continued to see a transition on the Board due to the '9 year rule' along with a review of our governance approach. The year also saw the Welsh Government (WG) reinforce the role of Governance with their first Lesson Learnt report.

During 2018/19 the theme of Assurance has been a focus for the Board and in particular, the area of compliance (Gas and Electrical maintenance etc.). By addressing the outcomes of the WG Lesson Learnt report, the Board identified areas where we could improve our systems and reporting of assurance. This has led to the development of a new Assurance Framework that will be implemented across the group in 2019/20.

On 1st March 2019, we celebrated the first full year since the ateb rebrand and we are pleased to report that the change has been received well by our customers and partners. 2018/19 was also the first full year of our 3 year strategic plan (www.atebgroup.co.uk/next-steps-our-plans-for-ateb) that promoted 3 strategic aims for the group to develop, increase corporate strength, improve service delivery and develop new business growth. A review of the first year will be issued by the group to accompany this corporate review. We also formerly issued our Vision document for ateb (www.atebgroup.co.uk/one-year-on-our-vision) to explain how ateb should look in future in respect to our purpose, DNA, strategic plans, service expectations, assurance and improvement. The Vision document is complemented by 5 supporting documents that will help us embed the Vision across the group in the coming years.

We have had another year of strong operational and financial performance across the group. Mill Bay Homes gift aided £1.3M to the parent in 2018/19 through the sale of 42 homes, this gift aid is used by the Housing Association to build more social homes over and above the homes it builds with WG Social Housing Grant. This is the highest gift aid payment made to date. West Wales Care and Repair is predominantly supported by WG and Pembrokeshire and Ceredigion Local authorities, we thank these partners for their continued support and for the team's outturn performance. ateb completed 102 new homes, kept rent arrears to a figure of 0.60% and maintained an operating margin of >35%.

In the year, ateb started a move towards aligning our rent more closely to 'living rent' principles. This strategy will evolve over a number of years and is aimed at ensuring our rents are affordable, in 2018/19 some rents were not increased and others were increased at less than the WG annual settlement. The Board were pleased to receive the WG regulatory judgement of standard/standard last September and we will continue to work closely with the Regulator as we implement the requirements of the regulatory framework.

Thank you to the Boards of ateb group and the wider teams for another year of continued effort and dedication aimed at improving what we do at ateb.



David Birch

Chair of ateb group limited



Section One/Governance & Service Delivery

Organisational Structure, Governance & Risk Management

The ateb group is a group of companies that collectively share an aspirational purpose of 'creating better living solutions' for the people and communities of West Wales.

Our Vision document sets out 'what good looks like' for ateb over the long term. Using the Vision document, the Boards have published our improvement requirements within the 3 year strategic plan, issued at the start of FY 18/19. The Board's year 1 review of this plan is detailed in an accompanying document.

The group structure is shown in the following diagram:



ateb group limited (AG) is the parent organisation and the affordable and social housing business. Mill Bay Homes Limited (MBH) is the property development business building new homes for sale. West Wales Care and Repair Limited (WWC&R) provides support services to older clients enabling them to continue living in their own homes. The remaining entity in the group structure is a dormant company – Effective Building Solutions Limited (EBS).

Our boards consisted of the following Board Members and Directors at the end of 2018/19:

ateb group limited Board of Management	Skills and experience developed from a career in...
David Birch (Chair)	Property & Facilities Management – In both public and private sectors
Hugh Watchman	Procurement & Supply Chain Management – In the domestic electricals industry currently running a local leisure related business
Hannah Dahill	Legal Services – Currently an Associate Solicitor with a local law partnership with a specialism in employment law
Colin King	Housing and Construction – Director of BRE with background in housing regeneration
Owen Jones	Planning – A chartered town and county planning consultant
Rob Davies	Cost Consultancy/Project Management – Owner of a local Quantity Surveying company
Sharron Lusher	Further Education – Former Principle of Pembrokeshire College
Jackie Leonard	Housing & Maintenance – Housing professional
Jade Francis	Commercial Banking – Regional Manager for Swansea Building Society



Retirements During 2018/19

Due to the introduction of the nine year rule i.e. no Board member to service for more than 9 years:

> **Dean Campbell** – ateb & WWC&R

Due to personal reasons:

> **Mark Lewis** – ateb

> **Ron Butler** – ateb & MBH

Due to conflict of interests:

> **Cllr Catherine Hughes** – WWC&R

The group Board can comprise up to twelve full members and three co-opted members. Board members are drawn from a wide background bringing together a diverse skillset. The primary role of the Board is to focus on strategic direction, growth and investment and risk. The Board meets formally ten times a year for regular business and at other times to discuss strategic issues.

The group Board is now supported by two committees with specific responsibilities, we have combined our People and Remuneration Committee into one and refocused our Audit committee on to assurance whilst retaining audit responsibilities as follows:

> **People and Remuneration Committee** – Ad hoc committee responsible for policy on remuneration and terms and conditions of employment as well as matters relating to grievances and related appeals.

> **Assurance Committee** – Responsible for setting and reviewing the assurance framework including appointment of internal auditors, internal audit plan and external audit services. The Committee meets 4 times a year to review and test whether we can be assured we are meeting our ateb Vision. The framework consists of the **risks** that will prevent us from achieving our Vision, the **controls** that manage or mitigate those risks and the **tests** we will apply to those controls to make sure the controls are doing what they should. The Assurance Committee report to the parent Board.

The membership of the Committees' was as follows:

People & Remuneration Committee	Assurance Committee
Hannah Dahill (Chair)	Hugh Watchman (Chair)
Other members appointed on ad hoc basis	Mike Westerman (Independent)
	Owen Jones
	Sharron Lusher



Mill Bay Homes Limited and West Wales Care and Repair Limited are wholly owned subsidiaries.

Mill Bay Homes Limited Directors	Position or skills and experience
Mike Westerman (Independent Chair)	Consultant in fundraising specialising in the not-for-profit sector
Jim Leighton (Independent Director)	Chartered Quantity Surveyor
Nick Hampshire	Chief Executive
Adrian Williams	Executive Director – Finance and ICT
Nigel Sinnett	Executive Director – Property

West Wales Care and Repair Limited Board Members	Position or skills and experience
Simon Hancock (Chair)	Pembrokeshire County Council Nominee
Hugh Watchman	Parent Board Appointee
Cllr Lyndon Frayling	Pembrokeshire County Council Nominee
Cllr Dafydd Edwards	Ceredigion County Council Nominee
Cllr Alun Williams	Ceredigion County Council Nominee

Board Member Recruitment

During 2018/19 we recruited 6 new Board Members to the group as follows:

ateb group limited board

- > [Colin King](#)
- > [Owen Jones](#)
- > [Robert Davies](#)
- > [Jade Francis](#)
- > [Jackie Leonard](#)
- > [Sharron Lusher](#)

Mill Bay Homes Board

- > [Jim Leighton](#)

West Wales Care and repair Board

- > [Alun Williams](#)

The recruitment addressed vacancies and skill/competency requirements across the Boards. Recruitment remains ongoing to all Boards.

The group Board have taken the principle decision to remunerate ateb group and Mill Bay Homes Board Members and Directors. WWC&R are not to receive remuneration due to the nature of their business and the forms of funding/grant they receive. Remuneration will likely commence in 2019/20 following completion of appropriate due diligence. Executives sitting on the group Board remains an option for 2019/20.

We remain committed to improving our gender, diversity and age balance on our Board, but recognise that skills and competencies must always be the first requirement.



Executive Team

The EMT is supported by a Managers' group.

EMT	Role	Joined
Nick Hampshire	Chief Executive	2017
Adrian Williams	Executive Director – Finance and ICT	1996
Mark Lewis*	Executive Director – Customer	2018
Nigel Sinnett	Executive Director – Property	2001

*Mark Lewis is covering the vacancy left by Elin Brock leaving the business following maternity leave.

Legal Status & Governance Framework Changes

Here is a summary of the key changes in FY 2018/19:

ateb group limited

- > Change in Company Secretary. The decision was taken in the year to split the Chief Executive and Company Secretary roles across the group to provide greater probity in decision making and company rule administration. Ceri Barnett, our Company Solicitor, will become the Company Secretary for ateb, Mill Bay Homes and WWC&R during 2019/20.
- > A Group Constitutional framework has been adopted which connects the Group's key governance documents, details the governing relationship between the companies within the group and shows how the companies work together to achieve our purpose.
- > ateb Board has adopted the 2018 CHC Code of Governance.

Regulatory Framework

The Welsh Government introduced its new Regulatory Framework in 2017/18. The Framework operates on a co-regulation basis and focuses on ten performance standards.

We received our latest regulatory judgement in September 2018/2019 as follows:

- > Governance and Services: **Standard**
- > Financial Viability: **Standard**

The full judgement is available on our website www.atebgroup.co.uk



The regulator, has separately to our judgement, identified three areas where we will highlight progress through the year:

- > **Health & Safety** – As with all Welsh Housing Associations (WG Lessons Learnt Report 1), the WG will monitor our H&S performance against our H&S assurance report issued to the WG during the year.
- > **Engage Initiative** – The WG are interested to see how the initiative works in practice.
- > **Assurance Framework** – The WG are interested in the development of our new Assurance Framework.

ateb group identified a number of ongoing improvement actions as follows:

- > Implementation of Vision corporate document and supporting framework.
- > Governance Improvement Plan.
- > Assurance Framework.
- > Performance Monitoring report.
- > Engage initiative.
- > Develop aspirational new homes target.

Our next Annual Statement of Assurance will be issued in June 2019 where we will update on the above actions.

ateb stories – self evaluation

2018/19 saw the launch of ateb stories, our new take on evaluating our own performance, please see our website for the full document. The first edition of ateb stories discusses the performance of each of our 'Service Areas', identifies the areas we need to improve and gives a summary overview of our position against the WG 10 performance standards. The self-evaluation also includes stories from our customers and partners to demonstrate our performance and approach.

We will issue ateb stories 19/20 using the same format at our AGM in September 2019.

Ongoing regulatory issues to note:

- > The implementation of the Renting Homes (Wales) Act 2016 has been delayed following the First Minister's announcement to end the 'no fault' eviction section 21 process. This announcement will require amendments to the primary legislation as passed in 2016. We therefore do not expect the Act to be implemented for several years.
- > The independent review of affordable housing supply in Wales was issued to the WG on May 1st, 2019.
- > Our Annual Statement of Assurance will be issued to the WG in Q1 FY 2019/20 instead of Q2 as per last financial year.



Assurance Management

In line with the WG regulatory framework and their supporting 'The Right Stuff' publication, ateb group have developed an approach to assurance management called Assure.

How we will create assurance?

- Step one** – Will be to understand the risks and controls that will impact our ability to achieve our Vision.
- Step two** – Will be to collect the right data and validate its accuracy.
- Step three** – Will be to use that data to answer the following questions:
 - 1/ Purpose** – are we achieving our purpose?
 - 2/ DNA** – have we got the right DNA?
 - 3/ Plan** – have we got and are we achieving the right long term strategic aims?
 - 4/ Deliver** – have we established the right service delivery model that gives the customers what they want?
 - 5/ Assure** – do we know our operating boundaries and are we operating within them?
 - 6/ Improving** – are we an improving organisation?

The Assurance Committee will set the risk, controls and tests required to deliver the six sections of the Vision and then receive quarterly reports to monitor our progress.

Internal Audit

During the year we changed our internal audit services from RSM to Barcud. All our in year internal audit reports either gave substantial or reasonable assurance. A key area for our Assurance Committee in the year was our response to the WG Lessons Learnt report (and Grenfell Inquiry) relating to H&S compliance works. We concluded that we would further strengthen our approach to compliance to assure the Board that we had incorporated the lessons highlighted by the WG report and the learning/regulation changes emerging from the Grenfell Inquiry.

Our Management Team and Assurance Committee were tasked with implementing a series of improvements during quarter 4 of FY 18/19. Barcud were then retained to test that our improvement efforts would ensure our approach meets the requirements detailed in the WG Lesson Learnt report.

We are pleased with the improvements made in FY 18/19 that will increase our level of assurance relating to compliance works, but will obviously continue to develop our approach as new advice and regulations are issued. The following is the executive summary of our Internal Audit opinion.



Internal Audit Annual Report 18/19

Barcud Shared Services

Executive Summary

Background

The purpose of this report is to present the results of the internal audit work for ateb Group's system of governance, risk management and control. This report forms part of the framework designed to inform the Statement on Internal Control and is therefore a key part of ateb Group's assurance cycle. The outcomes of this report should be used to inform and update the organisation's risk profile; however, there are a number of other important sources to which the Assurance Committee should look for assurance.

The Group used the services of RSM for its Internal Audit functions at the start of 2018/19 for review of the Group's key controls documented on the organisation's risk register. During the year, the Group ceased working with RSM and went out to tender for specific assurance reviews aimed at providing assurance over key risk areas not previously covered in the year by RSM. Barcud Shared Services won this work and completed those two reviews, plus an additional review in relation to governance and risk management to ensure sufficient coverage during the year and to enable completion of the annual report.

This report does not supplant the Assurance Committee's responsibility for forming its own view on governance, risk management and control.

Scope

Our findings are based on the Internal Audit work performed during the year, including those set out in the Internal Audit Plan agreed by the Assurance Committee in April 2018; subject to the following amendments:

- > As a result of the change from RSM during the year, the following reviews were not undertaken:
 - Strategic Framework (including VFM);
 - Operational Framework (including VFM);
 - HR Training and Development; and
 - Follow Up.

- > The following engagements were undertaken by Barcud Shared Services:
 - Compliance Works;
 - Key Financial Controls; and
 - Governance & Risk.



> In addition, the following have also been taken into account in arriving at our opinion:

- The acceptance of recommendations by management;
- The effects of any material changes in the organisation's objectives or activities;
- Whether or not any limitations have been placed on the scope of internal audit; and

We have taken into account the results of the audit work undertaken by RSM as detailed above. We have based our opinion on the information available from the reports and have not had access to the underlying data or information that fed into the results of each of those reviews. Therefore, we accept no liability for any inaccuracies, errors or inconsistencies in, or resulting from, RSM's work.

In giving our opinion it should be noted that assurance can never be absolute; the most that the internal audit service can provide to the Board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work or from the reports provided by RSM and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal Audit Assurance Statement

The annual Head of Internal Audit opinion is provided to ateb Group by Barcud Shared Services. We are satisfied, subject to relying on the work undertaken by RSM during the year, that sufficient internal audit work has been undertaken during 2018/19 to enable us to draw a reasonable conclusion on the adequacy and effectiveness of ateb Group's governance, risk management and internal control arrangements.

For the 12 months ended 31 March 2019, based on the work we have undertaken, the reports available to us covering RSM's work and subject to the areas for improvement identified in the year's internal audit reports, our opinion is that the organisation has adequate and effective governance arrangements.

The Group is currently in the process of reviewing its risk management arrangements and implementing a new framework titled #5 Assure. Our Governance and Risk audit provided substantial assurance over the direction of travel; however, recognised that the framework was not yet fully implemented. In relation to internal control, significant gaps were identified in some areas during the year and the organisation was in the process of implementing changes, including in relation to the culture of the organisation, to ensure a robust internal control framework will be fully embedded for the future.

Conflicts of Interest

We have not undertaken any work or activity during 2018/19 that would lead us to declare any conflict of interests.

Barcud Shared Services July 2019



Strategic Plan

We have completed 1 year of our current 3 year strategic plan that was based on the following 3 strategic aims:



The plan identified 19 strategic priorities and is supported by a 5 year business plan from which we have set our 3 year financial targets. It is our intention that we will review progress against our strategy at the end of each financial year.

The year one Strategic Plan Review (2018/19) can be found at www.atebgroup.co.uk

Service Delivery

Our service delivery remained strong throughout 2018/19. Some key areas to note are:

ateb group limited

Service Measure	2018/19	2017/18	2016/17
Properties	2,792	2,690	2,617
Rental Income (£,000)	£14,781	£14,013	£13,284
Rent Arrears (%)	0.60%	0.35%	0.54%
New Homes Built (No)	102	74	136
Av Time To Let (Days)	6.6	9.6	10.8
Reactive Repairs (No)	11,691	12,255	11,544
Planned Repairs (No)	1,014	1,521	1,666
Gas Certification (% @ Q4)	99.9%	100%	100%
Repairs Satisfaction (%) (in house team)	99.1%	99%	97%
New Home Satisfaction (%) (@ 12 mths defect period)	100%	88%	80%

Mill Bay Homes

Service Measure	2018/19	2017/18	2016/17
Sales	42	47	48
Gift Aid to Parent (£,000)	1,305	1,015	1,078



West Wales Care and Repair Limited

Service Measure	2018/19*	2017/18	2016/17
Customer Referrals	1,709	2,734	2,810
Quick Adaptations Completed	1,190	1,417	1,688
Planned Adaptations	437	661	769

*Methodology for data collection changed

The approach to service delivery is being reviewed by the Managers' group. Each service area will develop a service hub to capture improvements that will ensure that each service delivers the right outcomes to our customers, efficiently and with great customer experience.

Service Challenges Identified for 2019/20

ateb group limited

- > Universal Credit launch in September 2018 – System and organisational changes in place to help transition.
- > ICT – New technologies need to be understood to make our services more accessible to changing tenant demands and employee work arrangements.
- > Regulatory Framework – Value For Money (VFM) is a high priority item.
- > Reducing Social Housing Grant levels in the future.
- > Raise additional private funding of £35m in part towards refinancing existing debt and in part towards further investment in the development of new social housing properties.
- > Continue to attract the best skills and expertise to our Boards.
- > Impact of independent affordable housing review.
- > Service delivery improvements – processes, data and reporting.

Mill Bay Homes Limited

- > Volatile trading conditions arising from economic/political uncertainty could impact sales.
- > Insufficient land and lack of competitive contractor bids.
- > Broaden geographical coverage.

West Wales Care and Repair Limited

- > Government grant support remains uncertain beyond a 12 month commitment.
- > Implementation of organisational modernisation to continue.

Governance & Service Delivery Summary

With the WG evolution of the regulatory system we have responded with changes to our governance systems to create the assurance our Boards need to have to govern and report to the regulators effectively.

We have developed a good understanding of where and how we can further improve our service delivery, 2019/20 will be an important year for implementing the change we have identified whilst ensuring our current performance levels do not drop.



Section Two/Financial Review

2018/19 was a positive year for the Group. The operating margin increased to 29% (2018: 25%) on a turnover that remained broadly static and the net surplus increased to £4.5m (2018: £3.0m).

Group highlights were:

- > Increased operating margins
- > Increased net surplus
- > Increased number of homes for social renting
- > Co-op Bank loan refinanced
- > Strong loan covenants

The main reason for the Group turnover remaining static was due to build completion delays in Mill Bay Homes. This had the effect of negating the increase in turnover in the affordable and social housing business where it grew by 5% to £15.8m (2018: £15.0m).

Significant amounts continue to be invested in affordable and social housing. Over £2.5m (2018: £2.6m) was incurred in maintaining properties to a high standard and 102 new homes were made available to help satisfy the growing need for affordable social housing. The total number of homes in management increased to 2,792 (2018: 2,690). This was achieved with the support of the Welsh Government and our lenders.

During the year, there was a change in the corporate accounting requirements for the defined benefits pension schemes in ateb Group and West Wales Care and Repair. In both cases, this resulted in a significant increase in the respective shares of the pension fund deficit.

In the parent, the share of the deficit increased by £1.84m to £2.72m – the scheme remains open to existing members only.

All financial transactions between the subsidiary companies and the registered social landlord parent (RSL) are on a commercial arms-length basis.

Performance highlights for each of the subsidiary businesses were:

Mill Bay Homes

- > £1.3m in gift aid to the parent (2018: £1.0m)
- > 42 properties sold (2018: 47) and 18 reservations taken (2018: 31)
- > Improved sales margins

West Wales Care and Repair

- > Service provided to over 1,700 clients
- > No further financial support from parent
- > Pension deficit adjustment of £152k – closed scheme
- > Cash-backed reserves = 55% of turnover

The following tables show a headline analysis of our 2018/19 performance:



Group Financial Performance

Headline SOCI Summary

Statement of Comprehensive Income 2018/19	Group £m	ateb £m	WWC&R £m	Mill Bay £m
Turnover	24.1	15.8	0.7	7.6
Operating Costs and Costs of Sales	(17.1)	(10.4)	(0.7)	(6.0)
Operating Surplus	7.0	5.4	–	1.6
Net Interest and Other Costs/Income	(2.5)	(0.9)	–	(1.6)
Surplus for the Year	4.5	4.5	–	–

Financial Summary

Headline Group Financial Position

Statement of Financial Position 2018/19	Group £m	ateb £m	WWC&R £m	Mill Bay £m
Tangible Fixed Assets/Investments	209.7	213.4	–	–
Net Current Assets	6.3	1.9	0.6	3.8
Total Assets	216.0	215.3	0.6	3.8
Payables > 1 Year	(187.3)	(187.0)	(0.2)	(3.8)
Reserves	28.7	28.3	0.4	–

Key Financial Indicators for the Group

Our KFI for 2018/19

Key Financial Indicators 2018/19	Group	ateb	WWC&R	Mill Bay
Operating Margin	29%	34%	8%	21%
Months Cash/Secured Loans Available	–	13	–	–
Interest Cover (min 1.1)	–	2.0	–	–
Gearing (max. 80%)	–	59%	–	–

Welsh Government Global Account Indicators

The Welsh Government Publish a Set of Indicators Based on HA's Published Accounts

Indicator	Welsh Sector 2016/17*	Welsh Sector 2017/18*	ateb group 2018/19*
Operating Costs Per Unit	£2,795	£3,003	£2,589
Management Costs Per Unit	£999	£1,031	£713
Reactive Repairs Costs Per Unit	£976	£998	£855
Capitalised Component Costs Per Unit	£615	£629	£505
Bad Debts Per Unit	£28	£31	£16
Weighted Average Cost of Capital	4.52%	4.29%	4.03%
Free Cash Flow	£1.11m	£492k	£4.42m
Gross Rent Arrears/Lettings	4.58%	4.28%	3.92%
Total Rent Charges Per Unit	£4,689	£5,309	£5,300
Rent Void Loss Per Unit	£49	£60	£9

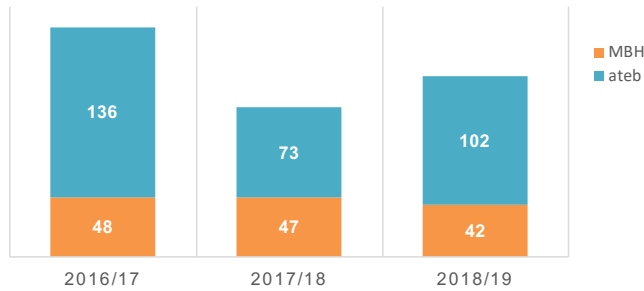
*Shown at out turn price level.



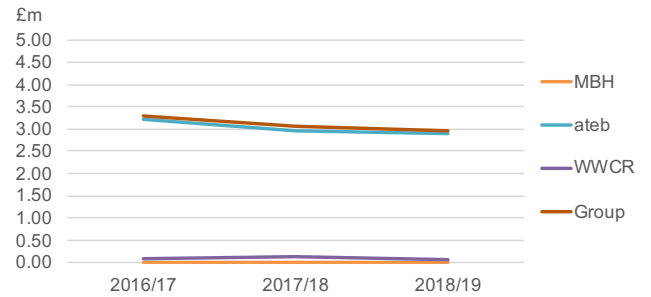
How Did 18/19 Compare to Previous Years?

The following charts show high level financial performance since 2016/17 and after FRS102 was first applied:

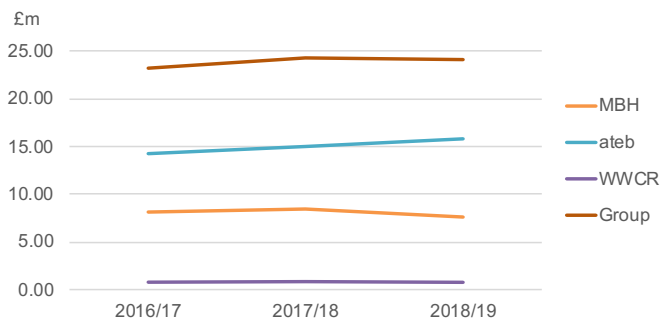
New Homes Developed or Sold



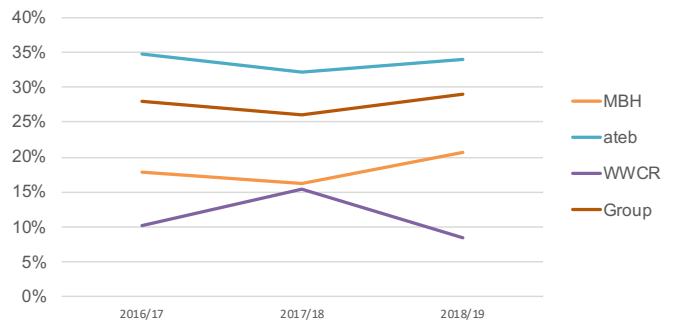
Net Surplus



Turnover

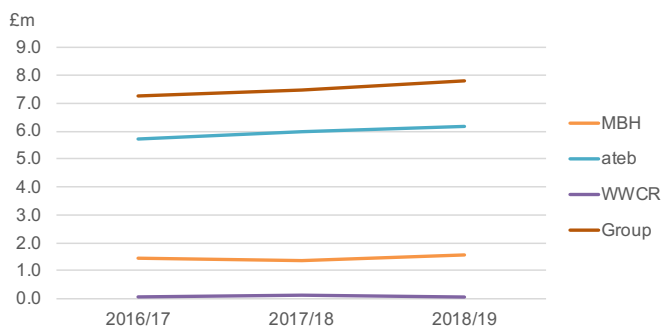


Operating Margin

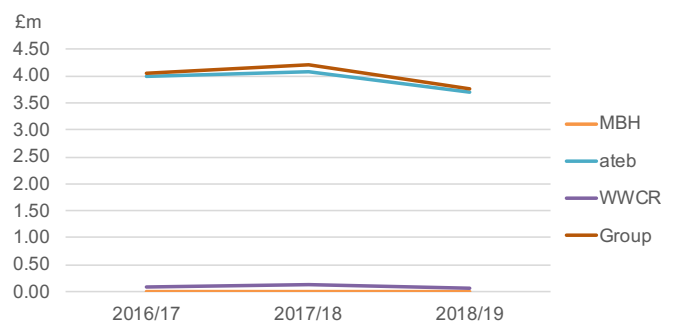


After adjusting for the impact of revenue component costs and donated land accounting adjustments, the financial performance is much more consistent as shown in the following graphs:

Operating Surplus Adjusted (Components Only)

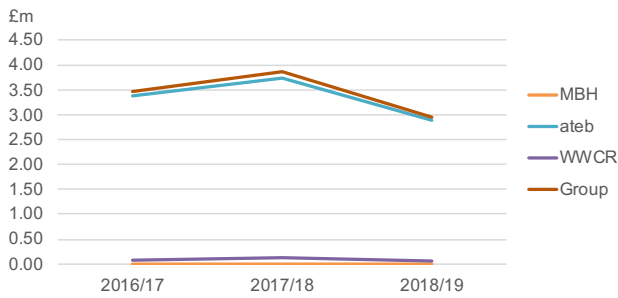


Net Surplus Adjusted (Components Only)



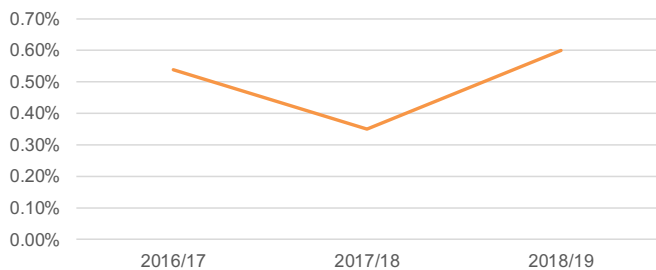


Net Surplus Adjusted – Donated Land and Components

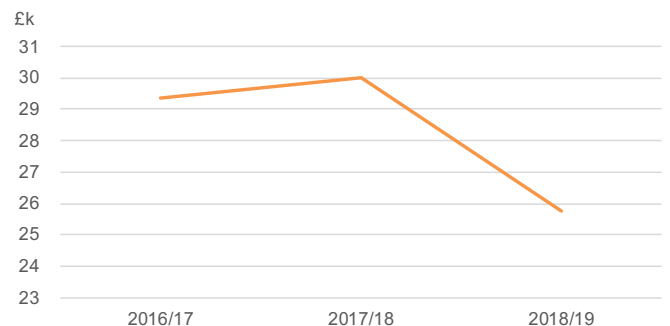


Our performance in controlling void losses continues to show a marked improvement and to be a market leader. With the introduction of Universal Credit, we now place a greater emphasis on sustaining tenancies in the longer term. Although this has resulted in a higher percentage of rent arrears, this is a relatively small amount in cash terms and remains highly competitive for the sector.

Current Tenant Rent Arrears (Net of Housing Benefit)



Rental Income Lost Due to Voids

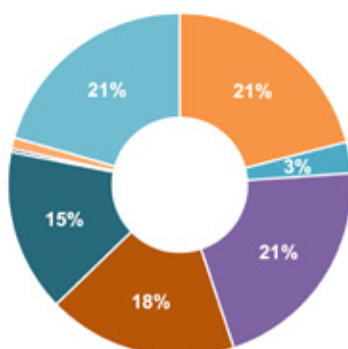


Year-End Snapshot of Our Borrowing

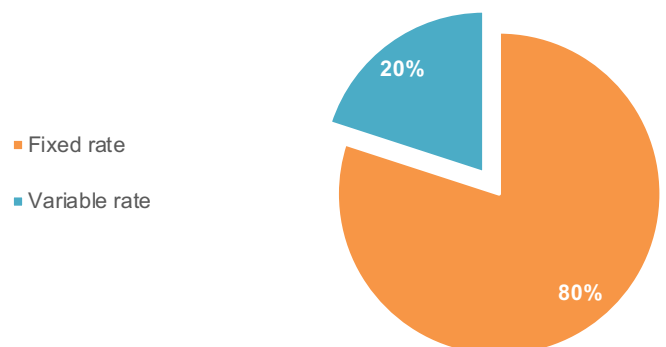
In the short-term c.80% of the debt is fixed. The next significant interest rate exposure is the expiry of Principality Building Society loans in 2022. The current ratio between fixed and variable rate debt is a healthy one offering certainty in uncertain economic conditions with the added advantage of benefitting from a current low variable interest rate environment. There is also scope for further debt to be fixed if so desired.

How We Are Funded

- BAE
- Welsh Government
- Barclays
- M&G
- Yorkshire BS
- RBS
- THFC
- Principality BS

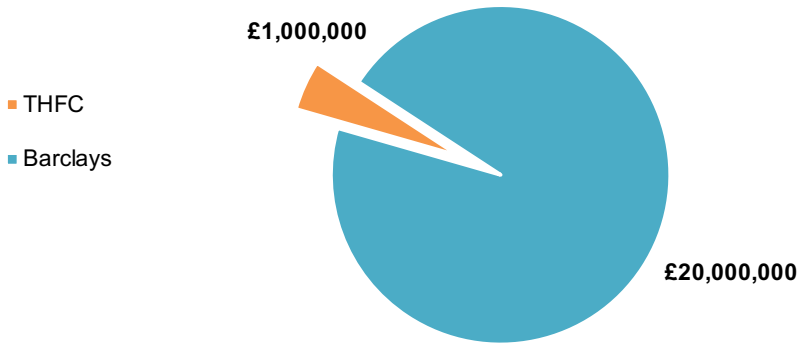


Interest Rate Risk



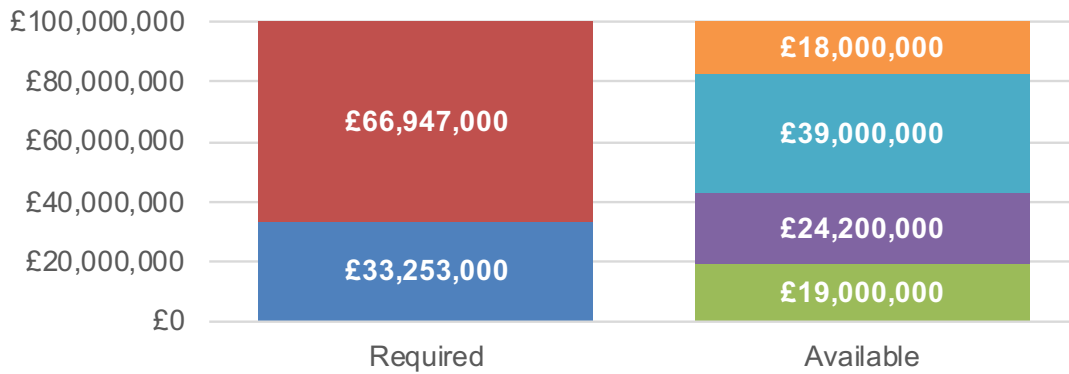


Refinancing Over the Next 6 Years



The graph below shows our forecast debt requirement compared with the property values that are available to secure that debt. It can be seen that there is more than sufficient collateral available to secure the debt requirement in the 5 year business plan. Assuming an asset cover of 125% MV-ST, we will need £56m of property to secure the £45m borrowing requirement. Over £100m of property is available – an excess of £39m. The £95m available comprises: £24m released from charge when the £20m Barclays Bank RCF is re-financed, £19m in excess security charged to other lenders, £18m released by Co-op Bank and £39m in completed schemes that are available for charging.

Security



- Security released by Co-op refinancing
- Unencumbered security
- Security to be released on refinancing
- Excess Security with current funders
- **Security needed to meet funding proposals**
- **Headroom**





External Auditor Opinion

For the year Ended 31 March 2019

Independent Auditor's Report to the members of ateb group limited registered under the Co-operative and Community Benefit Societies Act 2014.

In addition to our audit on the financial statements for the year ended 31st March 2019, we have reviewed the Board's statement of ateb Group Limited's ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular"). The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements. We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

Opinion

With respect to the Board's statement on internal financial control appendix 1, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan Buckland LLP

Chartered Accountants & Statutory Auditors

Langdon House

Langdon Road

Swansea SA1 8QY

Date: 27/06/19

Independent Auditor's Report to the members of ateb group limited registered under the Co-operative and Community Benefit Societies Act 2014.

Opinion

We have audited the financial statements of ateb Group Limited ("the Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, the cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- > Give a true and fair view of the state of the Association's affairs as at 31st March 2019 and of its income and expenditure for the year then ended;
- > Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;



- > Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

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 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. We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- > The Boards' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- > The Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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. We have nothing to report in this regard.

Independent Auditor's Report to the members of ateb group limited registered under the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- > A satisfactory system of control over transactions has not been maintained; or
- > The Association has not kept proper accounting records; or



- > The financial statements are not in agreement with the books of account of the Association; or
- > We have not received all the information and explanations we need for our audit.

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board, See appendix 2, 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 determine 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 are responsible for assessing 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 intend to liquidate the group or to cease operations, or have 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.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bevan Buckland LLP

Chartered Accountants & Statutory Auditors

Langdon House

Langdon Road

Swansea

SA1 8QY

Date: 27/06/19



Appendix 1

Responsibilities of the Board of Management

Housing Association legislation requires the Association's Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that year. In preparing those financial statements, the Board of Management is required to:

- > Select suitable accounting policies and then apply them consistently;
- > Make judgments and estimates that are reasonable and prudent;
- > State whether applicable Accounting Standards and the Statement of Recommended Practice for Registered Social Landlords have been followed, subject to any material departures disclosed and explained in the financial statements;
- > Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue to operate.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 2

Internal Financial Controls

The Board is ultimately responsible for the Association's system of internal financial control, which is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information used within the business.

The following mechanisms were in place and were designed to provide effective internal control:

- > Clearly defined management and reporting structures;
- > Clearly defined standing orders and financial regulations;
- > Financial training programme;
- > Development of the ateb Vision and the assurance framework;
- > Procedures manuals for staff;
- > Separation of duties and independent checking procedures;
- > Management information and accounting systems with monthly reporting of financial results and other performance indicators;
- > Rolling five-year business plans driven by the strategic plan;
- > Risk management process, including an annual risk review;
- > Asset and liabilities register; and



- > Monitoring of the control system by the Assurance Committee, internal auditors and external audit;
- > Policy statement on fraud covering prevention, detection and reporting of fraud and the recovery of assets.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2019. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

The Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed at the end of our Corporate Review.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Board.

Post Balance Sheet Events

There are no significant post balance sheet events.

Auditors

A resolution to reappoint Bevan & Buckland will be proposed at the Annual General Meeting.

By Order of the Board





Summary of Consolidated Group Financial Statements

(Subject to Shareholder Approval)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 March 2019

	2019 £k	2018 £k
Turnover	24,134	24,239
Cost of Sales	(5,815)	(6,906)
Gross Surplus	18,318	17,333
Less: Operating Costs	(11,314)	(11,029)
Operating Surplus	7,005	6,304
Gain/(Loss) on Disposal of Property, Plant & Equipment	15	(25)
Finance/Investment Income	47	33
Finance Costs	(3,324)	(3,494)
Loan Breakage Fee	–	–
Housing Finance Grant	228	239
Finance Charges/Issue Costs	(190)	(257)
Donated Land Value Adjustment	812	345
Other Income	10	43
Pension Fund Net Interest Costs	(58)	–
Corporate Rebranding	(11)	(109)
Surplus for the Year Before Taxation	4,534	3,078
Taxation	–	–
Surplus for the Year After Taxation	4,534	3,078
Other Comprehensive Income		
Initial recognition of multi-employer defined benefit scheme	(1,178)	–
Actuarial losses in respect of pension schemes	(547)	–
Pension Fund Deficit Adjustment	–	–
Total Comprehensive Income for the Year	2,809	3,078

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

for the Year Ended 31 March 2019

	Revenue Reserve £k	Designated Reserve £k	Restricted Reserve £k	Total Reserves £k
Balance at 1 April 2018	25,540	203	218	25,961
Surplus from Statement of Comprehensive Income	2,809	–	–	2,809
Transfer of Reserves	(4,178)	4,178	–	–
Balance at 31 March 2019	24,171	4,381	218	28,770

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as from 31 March 2019

	2019 £k	2018 £k
Property, Plant & Equipment		
Housing Properties – Depreciated Cost	206,118	188,739
Other	509	531
	206,627	189,269
Investments	–	–
Homebuy Loan	3,109	3,223
	209,736	192,493
Current Assets		
Inventories	6,107	5,644
Trade Receivables: Amounts Falling Due Within One Year	1,276	4,510
Trade Receivables: Amounts Falling Due After More Than One Year	4,268	3,499
Cash	3,717	13,178
	15,368	26,832
Trade Payables: Amounts Falling Due Within One Year	(8,824)	(12,900)
Net Current Assets	6,544	13,932
Total Assets Less Current Liabilities	216,279	206,424
Trade Payables: Amounts Falling Due After More Than One Year	(184,787)	(180,463)
Provisions for liabilities		
Pension – Deficit Funding Liability	(2,722.00)	–
Net Assets	28,770	25,961
Equity		
Called Up Share Capital	–	–
Restricted Reserves	223	218
Designated Reserves	4,367	203
Revenue Reserve	24,181	25,540
	28,770	25,961



CONSOLIDATED STATEMENT OF CASHFLOWS

for the Year Ended 31 March 2019

	2019 £k	2019 £k	2018 £k	2018 £k
Net Cash Inflow from Operating Activities		11,527		8,981
Cash Flow from Investing Activities				
Payments to Acquire and Develop Property	(19,235)		(9,897)	
Receipts from Sales of Property, Plant and Equipment	–		97	
Social Housing Grant and Contributions Received	7,106		4,252	
Other Grants and Contributions Received	–		239	
Purchase of Other Fixed Assets	(138)		(162)	
Finance/Investment Income	47		54	
Net Cash Outflow from Investing Activities		(12,221)		(5,417)
Cash Flow from Financing Activities				
Finance Costs	(3,329)		(2,959)	
Issue of Share Capital	–		–	
Mortgage and Other Loans Received – Housing	6,619		–	
Finance Costs of Loans Issued	(30)		(118)	
Loans Repaid – Housing	(12,028)		(2,398)	
Net Cash Inflow/(Outflow) from Financing		(8,768)		(5,475)
Net Change in Cash and Cash Equivalents		(9,461)		(1,912)
Cash and Cash Equivalents at Beginning of the Year		13,178		15,089
Cash and Cash Equivalents at End of the Year		3,717		13,178

Financial Statement Notes

The consolidated group financial Statements have been verified by our external auditors and Board but are subject to Shareholder approval at our AGM due to be held in September 2019. Following the AGM, the full set of financial statements for the group, ateb, Mill Bay Homes and West Wales Care and Repair will be available on request.

CONSOLIDATED RESULTS

Companies included are as follows:
 ateb group limited – parent.
 West Wales Care and Repair Limited – subsidiary.
 Mill Bay Homes Limited – subsidiary.

CONTINUING OPERATIONS

None of the Association's activities were acquired or discontinued during the two financial years. Pembrokeshire Housing Association Limited changed its name to ateb group limited in March 2018.



Key 2019/20 Corporate Dates

Please Note Our Key Corporate Dates for 19/20

Corporate Review (including Internal Audit Review, Strategic Plan & 5 Year Business Plan)	Sep 19
Private Finance Return	May 19
Annual Statement of Schedule 1 Exemptions	May 19
Partner Event	Sep 19
Tenant Satisfaction Results	Jul 19
AGMs Subsidiary Companies	Jun 19
Qtr1 Management Accounts	Jul 19
Financial Statements	Sep 19
Annual Statement of Compliance Return	Jul 19
30 Year Financial Forecasts	Aug 19
Regulatory Judgement	Q3 19
Annual Review (including Self Evaluation 18/19)	Sep 19
Qtr2 Management Accounts	Nov 19
Qtr3 Management Accounts	Feb 19
AGM	Sep 19
Strategic Away Day	Dec 19



Appendix

Board Member & Executive Team Profiles





ateb group limited Board of Management

Year End 18/19



David Birch

- > Appointed to the Board in October 2017
- > Chair of ateb group limited

On completion of his apprenticeship as a Mechanical and Electrical Engineering Draughtsman David joined BT and worked for Building Services during which he completed an HNC in Business Studies.

When BT was privatised David managed the change from the public to the private sector for building services across South Wales. He was then sponsored full time for a post graduate Management Studies course. David managed Building Services Midlands, Wales and West which involved new builds and major maintenance schemes. He then joined the NHS where he became Director of Facilities in Gwent then Powys where he was Director of Support Services.

David is currently a Director of a Property Management Company and is a Member of the British Institute of Facilities Management.



Hugh Watchman

- > Appointed to the Board in October 2016
- > Vice chair of ateb group limited
- > Chair of Assurance Committee
- > Board member of WWC&R

Hugh is an experienced Board level Manager working at strategic level on an international basis with major blue-chip FTSE 100 companies in the key areas of Sales, Marketing, IT, Procurement and Logistics.

Hugh is educated to post graduate level and was a Commissioned Army Officer having served in both the Australian and British Army.



Hannah Dahill

- > Appointed to the Board in October 2017
- > Chair of People and Remuneration Committee

Hannah is an Associate Director of Employment Law based in Carmarthen. She holds a master's degree in Employment Law and a Post Graduate Diploma in Human Resource Management. Hannah is an associate member of the Chartered Institute of Personnel and Development and a mentor with Business Wales. Hannah lives in Pembrokeshire with her young family.



Colin King

- > Appointed to the Board in May 2018

Colin is employed by the BRE as Director, with key responsibilities of being the lead officer on the energy performance of retrofit, refurbishment and housing. He sits on numerous technical groups including the DECC Moisture Advisory Group, BS5250 Code of Practice for the control of condensation in buildings, DCLG Part C, currently delivering Welsh Government revisions to Part A, B, C and L of the Building Regulations.



Robert Davies

- > Appointed to the Board in June 2018

Rob is Chartered Surveyor with 28 years experience in the commercial management of UK Civil Engineering and Construction projects, including Highways, Waste & Water, Rail, Property, MOD and Tunelling.

Significant experience of EPIC projects in the Oil & Gas sector in the Middle East having worked in both the UAE and Qatar for over 5 years.

Established a consultancy based in Pembrokeshire offering contract and commercial support to the local and regional construction industry.

Rob is also a director of Haverfordwest County AFC who play in the FAW JD Cymru South League.



Sharron Lusher

- > Appointed to the Board in October 2018
- > Member of the Assurance Committee

Sharron has vast experience of working at a strategic level for Pembrokeshire's largest provider of post-16 education. Sharron became the Principal of Pembrokeshire College in 2012 and has a keen interest in audit and assurance. Sharron became a special advisor to the Pembrokeshire College's Corporation Board in July 2018 and accepted a public appointment in March 2019 on the Independent Welsh Pay Review Body.



Jade Francis

- > Appointed to the Board in October 2018

Jade is the Business Development Manager at Swansea Building Society and has worked at a senior level within the banking sector for the majority of her career. Jade has extensive experience in providing financial advice to clients and has a Diploma in Retail Banking Conduct of Business.



Jackie Leonard

- > Appointed to the Board in October 2018

Jackie is a Consultant and has worked within the housing sector for over 20 years at a Director level. Jackie's expertise and skills have been used in various service roles across the sector with a focus on planning, budgetary management, contract management and service delivery.



Owen Jones

- > Appointed to the Board in June 2018
- > Member of the Assurance Committee

Owen is a Director of an independent town planning consultancy that operates within England and Wales. Owen has extensive experience of planning and development and is a Chartered Town Planner and a Member of the Royal Town Planning Institute.

Owen's current work comprises of working with private developers and landowners on a range of strategic development schemes which includes major mixed use development sites, development plan promotion, planning applications, EIA and public enquires. Owen is educated to Masters Level and holds an MSc in Residential Development.

ateb group limited Executive Management Team Year End 18/19



Nick Hampshire – Chief Executive

I have worked for Housing Associations for over 25 years in property development and investment roles in Wales and England before taking on this role. I aspire to improving and growing our services to customers through the empowerment and development of great teams supported by strong collaborations with our customers, partners and the wider communities we serve. BSc (Hons) MBA MRICS.



Adrian Williams – Group Finance Director

I'm a fellow of the Association of Chartered Certified Accountants, a former senior manager with Dŵr Cymru Welsh Water and Finance Director of Hamdden Limited, a subsidiary company in the privatised utility group, Hyder plc. I joined Pembrokeshire Housing Association in 1998; played an active role in developing the business into a group structure with a turnover of £24m and its subsequent evolution into the ateb group.



Nigel Sinnet – Group Property Services Director

I hold BSc (Hons) and MRICS qualifications and have over 40 years' experience of working in the construction industry as a chartered quantity surveyor. From leaving Milford Haven Grammar School, I have worked in private practice, the civil service, the health service and local government before joining the housing association sector in 2001. I want to make sure we develop great homes and great communities.



Mark Lewis – Housing Director

The majority of my career has been spent working at senior operational level in London within the statutory and voluntary sectors, leading on reducing rough sleeping in central London as Head of Homelessness until 2008 when I decided after almost 20 years in London to return home to Wales as Director of Operations at Grwp Gwalia. I have always been committed to placing the customer at the heart of everything that I do and am passionate about delivering service excellence.

Lead Managers of Subsidiary Companies Year End 18/19



Matthew Owens – MBH Operations Manager

I have worked for Mill Bay since 2013 and been part of the team that has helped develop Mill Bay Homes into one of Pembrokeshire's leading property development companies. I have previous experience of working in both the public and private sectors and have a background in property sales and valuations.



Tina Mills – WWC&R Agency Manager

I joined WWC&R in August 2006 as the Agency Manager for Pembrokeshire Care and Repair and was successful in obtaining the West Wales Care and Repair Agency Manager role when Pembrokeshire and Ceredigion Care and Repair agencies merged in 2015. I have held a variety of roles during my career; prior to WWC&R, I worked as a Regional Manager in Mencap having originally joined them in 1995 as an Employment Officer.



West Wales Care and Repair Limited Board Year End 18/19



Cllr Simon
Hancock – Chair
– Pembrokeshire
County Council



Hugh Watchman
– Vice Chair



Cllr Lyndon
Frayling –
Pembrokeshire
County Council



Cllr Dafydd
Edwards –
Ceredigion
County Council



Cllr Alun Williams –
Ceredigion County
Council

Mill Bay Homes Limited Directors Year End 18/19



Mike Westerman – Chair

I am an experienced Chair, with a proven track record of achievement, having operated with success at Board level in the Public, Private, and Voluntary Sectors. I have a particular interest in Housing and have mentored and advised Shelter, Cardinal Hume Centre, and CHAS. I helped create the international charity – ActionAid, and continue to act as consultant to both the Voluntary and Business sectors. M inst F, Fellow IDM, ISP Mem Dip.



Jim Leighton – Vice Chair – Pembrokeshire County Council

Jim is Chartered Quantity Surveyor with extensive experience in the Construction Industry, whose speciality is providing early strategic advice for potential projects such as, for example, The College of Music and Drama in Cardiff, New Football Stadium for Cardiff City FC, The Atrium for the University of South Wales in Cardiff and currently developments for Glamorgan Cricket Club and Wales Millennium Centre.

Jim is currently a Director at Blake Morgan and was previously a Director of Aecom and Equity Partner for both Davis Langdon and Symonds. Jim also has experience of working in London, Europe, Canada, Jamaica and the Middle East.



Nick Hampshire



Nigel Sinnett



Adrian Williams



*better living
solutions*