

22/23

atebgroup.co.uk

Financial Self-Evaluation



Creating
better
Living Solutions

of
the
top

Contents

Purpose of the Evaluation	4
Board Overview	6
RS6 – Value for Money	8
RS7 – Financial Planning & Management	16
RS8 – Asset & Liabilities.....	40
Consolidated Group Financial Statements	48
Summary	52

A photograph of a woman with dark hair in a ponytail, wearing a black tank top and grey jeans, sitting on a brown couch and hugging a child in a pink shirt. The scene is set against a light-colored wall. A large purple semi-circle is in the top right corner. A blue diagonal overlay covers the bottom left, containing the text.

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 Financial evaluation

The Welsh Government updated its Regulatory Framework in January 2022. The Framework operates on a co-regulation basis and focuses on nine performance standards. During 2022 the Welsh Government carried out a Transitional Regulatory Review of our compliance against the nine standards with the following outcome:

- **Governance** (including tenant services): Compliant - Green
- **Financial Viability**: Compliant - Green

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

The nine Regulatory Standards are as follows:

- **RS1** - The organisation has effective strategic leadership and governance arrangements which enable it to achieve its purpose and objectives.
- **RS2** - Robust risk management and assurance arrangements are in place.
- **RS3** - High quality services are delivered to tenants.
- **RS4** - Tenants are empowered and supported to influence the design and delivery of services.
- **RS5** - Rents and service charges are affordable for current and future tenants.
- **RS6** - The organisation has a strategic approach to value for money which informs all its plans and activities.
- **RS7** - Financial planning and management is robust and effective.
- **RS8** - Assets and liabilities are well managed.
- **RS9** - The organisation provides high quality accommodation.

This review evaluates the quality of our organisation's financial viability by giving an overview of our finance arrangements and changes made throughout the year, as well as demonstrating how well we are delivering on the following Welsh Regulatory Standards:

- **RS6** - The organisation has a strategic approach to value for money which informs all its plans and activities.
- **RS7** - Financial planning and management is robust and effective.
- **RS8** - Assets and liabilities are well managed.

The finance evaluation forms part of the following suite of self-evaluation documents which each cover a few of the standards and collectively detail how we meet the Regulatory Standards:

- **Governance** - RS1, RS2
- **Performance** - RS3, RS4, RS5 and RS9
- **Financial** - RS6, RS7 and RS8
- **Improvement Plan**



The above documents will provide an evaluation of our organisation's governance by demonstrating how...

- the Board knows the organisation complies with each regulatory standard including reference to key performance data and sources of assurance
- we comply with the Code of Governance that the organisation has adopted
- we have used the principal evidence which has been relied upon in conducting the evaluation
- the process of evaluation has been robust
- the needs and views of tenants have been understood and considered as part of the self-evaluation
- we have identified our key strategic risks and associated controls or signposted to other documentation where the key risks are articulated
- our continuous improvement plan identifies any gaps or areas for improvement and shows how these will be addressed (this replaces the Regulatory Assurance Plan).



A Financial overview of 22/23

It was a year of economic turmoil. With pressures already building due to post Covid recovery, Brexit and the war in Ukraine, the UK government launched their mini budget in the Autumn of 2022. The financial turmoil that followed and stubborn inflation rates has played havoc with our customers' ability to manage their cost of living and businesses to plan successfully over the longer term.

We saw repair and maintenance costs increase through the use of external contractors and increasing material costs for our internal teams. These and other areas that outperformed our inflation targets meant costs increased in the year, above those anticipated. Some aspects of this trend will continue, but efforts were started some months ago to proactively recruit to bolster our internal. At the same time we have been investing greater sums into our homes to improve safety, energy efficiency and serviceable standards generally.

We operate an affordable rent policy that seeks to balance the needs of the Group's investment against the need for customers to have an affordable rent. The settlement this year was very difficult, given inflation was trending above 10% at the time the rent review was undertaken. As most housing associations in Wales, we agreed a 6.5% rent increase (circa 4% under inflation) which in itself was not easy for customers and clearly left challenges to future years' planning. This year has seen a range of financial realignments that will impact financial planning in the future.

Mill Bay Homes (MBH) was generally unaffected over the year and to some extent, so was West Wales Care & Repair (WWCR). MBH generated a gift aid receipt of around £1.47m and WWCR continued to post a surplus, even though it had planned a deficit. ateb had positive surplus generation of £2.4m before pension adjustments and a lower, but positive, operating margin of 18%, with all covenants

being met. The need to invest in homes due to decarbonisation, safety and in-home performance issues such as damp and mould is likely to, unintentionally, test historical financial industry covenants where Major Repair Investment is part of the interest cover calculation. Although quite technical, we are working with our lenders to ensure that investment can be made whilst retaining long term financial robustness.

This has been a testing year where the Group has made decisions to ensure that financial strength over the long term is balanced with needs here and now. Like most, we hope that inflation can be lowered and stabilised with interest rates to follow in the same vein. We will continue to financially plan for the long-term benefit of our customers, team and partners. Thank you to all our financial partners who have supported us over the last year with great advice and input and thank you to our teams and auditors who have managed the outcomes of a volatile financial year.

David Birch
Chair of ateb
Group Limited



■ RS6

The organisation has a strategic approach to value for money which informs all its plans and activities

ateb Group has developed the ateb Vision that guides our approach to being as good as we can be. The Vision details our strategic approach to optimising value for money as follows:

Customer Outcome Management

Customers should expect ateb to...

“Always deliver the right customer outcomes as effectively as we can.”

Customer Outcome Management is the process of aligning everything we do to achieving successful customer outcomes, plus the experience associated with each outcome e.g.:

- In a timely manner
- Cost effective
- Positive feeling
- Meets our social responsibility

The concept will dictate how we invest, evolve our services, develop our processes and define our structures, i.e. the customer is @ the heart of everything we do.



So, what should our services feel like to our customers?

- **Outcome** - Customers should receive service outcomes that meet their expectations on first contact wherever possible. Where we can't, we should have clear reasons why it's not possible, what we can do to assist further or what alternatives we can offer. We should always learn and improve.
- **Effectiveness** - Customers should receive outcomes as quickly as possible, to a high-quality standard and without the need for multiple interactions. Where we can't, we should be clear on the time frame that is possible, why the quality is not as expected and why we need to refer to someone else. We should always learn and improve.
- **Experience** - Customers should always have a positive experience when interacting with our services. We should understand where this is not the case, learn and improve.

ateb Group Value for Money approach

We should always try to deliver 100% of the right outcome, 100% as effectively as we can, but will always ensure that where we don't, we will improve and learn.

ateb VFM =

**Delivering the right outcomes +
As effectively as we can**

What are the 'right outcomes'?

- Service outcomes must mirror customer need
- Continually monitor customer need to ensure ongoing service alignment
- Actively encourage customer engagement/feedback to help improve outcome understanding
- Develop measures and targets to communicate customer outcomes and achievement

What does 'effectively' look like?

- Service outcomes must mirror customer need
- In the right format – digital, 1 to 1 etc.
- To the best cost and quality
- With minimal risk
- Clear, concise process design
- Develop measures and targets to communicate effectiveness

Operational framework

To achieve the above we use our Deliver operational framework to shape and manage what we do. Deliver has been developed using lean and system thinking principles where customer outcomes dictate service delivery design. Process mapping and management then ensures the required outcomes are delivered as effectively as possible whilst monitoring risk and identifying improvement.

The whole Group is covered by our Deliver framework, whether the service area is customer facing or a support service. In total we have 37 service areas with 19 of those directly customer-facing. Deliver is a long-term proposition that will need a concerted effort to fully embed within the Group.

Strategic approach to VFM

Our customer outcome management and VFM criteria is applied to our 38 service areas through the following Group wide organisational framework:

Directorates	Management Teams
DR/01 - Corporate	MT/01 – Corporate Services
	MT/02 – People & Communications
DR/02 - Customer	MT/03 – Customer Services
	MT/04 – Property Services
	MT/05 – WWCR
DR/03 - Development	MT/06 – Development
	MT/07 – MBH
DR/04 – Finance	MT/08 – Finance
	MT/09 – Digital Systems

Each management team area has a future state guide detailing the direction of travel to improve our customer outcomes and effectiveness over time, based on the Group's strategic objectives for the current period.

Our future state guides then inform our annual Directorate Improvement Plans that the Boards monitor to ensure we are delivering the improvements required to better satisfy our customers outcomes as effectively as we can.

VFM Assessment

Our Value for Money (VFM) assessment comes from our measurement of certain indicators and comparing them to our peers. It can be seen from the tables and charts below that our costs are running lower on many measurements. We consider our overall VFM on the backdrop of our rent setting policy whereby we see ourselves continuously charging rents much lower than what is considered affordable.

ateb Group Limited

As a Registered Social Landlord regulated by the Welsh Government, we share performance and cost data that is then compared to similar Welsh providers. This gives us a broad understanding of our VFM performance. The biennial Welsh Government STAR survey was undertaken in 2022 and uses customer feedback from 12 questions, ateb had the following performance as compared to 46 RSL's and LA's across Wales:

2022 STAR Survey Questions 46 RSL and LA Respondents		RANK (Sum of very or fairly satisfied)
1	How satisfied or dissatisfied are you with the service provided by your social landlord?	7 th
2	How satisfied or dissatisfied are you with the overall quality of your home?	5 th
3	Generally, how satisfied, or dissatisfied are you with the way your social landlord deals with repairs and maintenance?	8 th
4	How satisfied or dissatisfied are you with your neighbourhood as a place to live?	9 th
5	How satisfied or dissatisfied are you that your rent provides value for money?	8 th
6	How satisfied or dissatisfied are you that your service charges provide value for money?	10 th
7	How satisfied or dissatisfied are you that your social landlord listens to your views and acts upon them?	16 th
8	Thinking about your home specifically, how satisfied or dissatisfied are you that your social landlord provides a home that is safe and secure?	13 th
9	How satisfied or dissatisfied are you with the way your social landlord deals with anti-social behaviour?	5 th
10	How satisfied or dissatisfied are you with opportunities given to you to participate in your social landlord's decision-making processes?	20 th
11	How satisfied or dissatisfied are you that your social landlord gives you a say in how services are managed?	22 nd
12	To what extent do you agree with the following statement - "I trust my social landlord"	11 th

Blue = top 25% | Yellow = top 50%

Annually all Welsh housing associations contribute to the national global housing association accounts compiled by CHC. The latest indicators can be seen as follows:

Value for Money Indicators – annual sector averages	2022 Sector Average	2022 ateb Average	Variance
Turnover per social housing unit	£5,831	£5,923	£91
Total operating costs per social housing unit	£3,680	£3,018	-£662
Management costs per social housing unit	£1,283	£912	-£371
Reactive costs per social housing unit	£1,251	£1,149	-£102
Major repairs & components per social housing unit (Capital)	£773	£397	-£376
Major repairs & components per social housing unit (Capital and Revenue)	£1,192	£970	-£222
Bad debt costs per social housing unit	£24	£2	-£22
Weighted average cost of capital	3.9%	3.9%	0.0%
Free cash inflow (outflow) per social housing unit	£540	£1,689	£1,150
Gross arrears / social housing turnover	4.4%	4.2%	-0.2%
Rental void loss per social housing unit	£80	£33	-£47

Our leading customer VFM benchmark is our rent levels and satisfaction with us as a landlord, as compared to others.

	ateb	Mid-point*	Local 1**	Local 2****
Rent provides VFM***	88%	80%	88%	74%
Service charges provide VFM ***	75%	68%	71%	49%
Service satisfaction***	90%	82%	86%	74%
Home satisfaction***	93%	81%	86%	74%

*All RSL/LA responding to survey in 2022 *** STAR survey fairly/very satisfied %

** Local = RSL operating in similar area ****Local Authority where ateb mainly operates

ateb has developed the following new homes over the last 3 years:

	22/23	21/22	20/21
New homes (excluding s.106 and MBH funded)	55	63	81
Social Housing Grant (SHG) £m	5.1	7.1	6.7
New homes (including s.106 and MBH funded)	59	66	125

All new developments are assessed against the WG Average Cost Guidance and our own viability assessment criterion that models projected VFM over a 40/50 year period.



Mill Bay Homes

Mill Bay Homes (MBH) receives on lending from ateb to undertake its development activities. As MBH pays a commercial interest rate for this facility, neither ateb nor MBH are being adversely financially impacted. All inter-Group company charges are apportioned in accordance with time expended at a rate validated through our external auditors.

MBH sold 23 homes last year and gift aided £1.47m to ateb representing on average £64k gift aid per home sold. As the homes are sold competitively on the open market the sales values are deemed to be the decider on value for money.

MBH is constantly appraising its sales values in the marketplace to ensure purchasers remain satisfied with their purchase. Additionally, MBH seeks to ensure that both pre and after sales service meet the expectations of the purchaser.



West Wales Care & Repair Limited

West Wales Care & Repair (WWCR) receives funding from a range of organisations including Ceredigion and Pembrokeshire local authorities, the health authority, and Welsh Government. Generally, all these funds/grants come with a monitoring arrangement to ensure the activities required are delivered as expected across the year. This requires WWCR to regularly report on customer and financial performance to its funders and nationally to Care and Repair Cymru, the overarching trade organisation of Welsh Care and Repair providers.

WWCR's business model is one which typically sees the business making modest surpluses and the business planning process is key to ensuring costs are commensurate with income.

Where WWCR provides private works to customers, they are undertaken on a quote basis with the customer deciding whether the work represents value for money to them. Satisfaction with our private works is very high.

VFM Summary

Based on our assessment of our Group's activities against our VFM criteria, we believe the Group is providing Value for Money. However, we are planning improvements to further embed our Deliver framework and therefore increase our VFM effectiveness.



■ RS6 – FY 21/22

EVALUATION CHECK

“The organisation has a strategic approach to value for money which informs all its plans and activities”

We have made the following evaluation:

Our Board has reviewed our analysis and evidence and considers we are compliant with this performance standard.

Evaluation Check

1. Does the Board know it meets this standard?

The Board has:

- Concluded that our Vision, #4 Deliver, defines Value for Money as always trying to deliver the 'right outcomes as effectively as we can', where right outcomes refers to delivering our customers what they expect, and effectiveness relates to maximising our vision, time frames, cost, quality, and risk when delivering those expectations. Our systems are designed to deliver the right customer outcomes as effectively as we can by adopting a customer outcome management approach. We are making improvements in areas, such as our procurement service, to ensure we are effectively considering the full economic, social, and environmental value of our partnerships in line with our VFM definition

2. What was the principal evidence used to evaluate this standard?

The Board has:

Considered the following key evidence for this standard:

- ateb Vision
- #4 Deliver
- Performance reports
- Financial reports
- STAR survey
- Customer satisfaction feedback
- WG Global accounts
- Procurement policy
- Strategy
- Business Plan
- Stress and scenario testing of Business Plans
- Treasury management reports

3. Is there Improvement planning in place?

The Board has:

Included the following improvement actions for FY 23/24 in our Improvement Plan:

- IP/17 - Continue to support smaller local suppliers and contractors to join our supply chain. (Corporate): **Carried Forward to FY 24/25**. Progress has already been made with meet the supplier events taking place and support for tender completion. Improvement actions continuing in 23/24 and 24/25.
- IP/43 - We will increase our understanding and reporting of VFM across the Group and highlight cost/value savings. (Corporate): **Carried Forward to FY24/25**.

Financial planning and management is robust and effective

The Group undertakes a range of regular financial and planning activities across the year aimed at ensuring the Group has sufficient financial strength and resources to deliver on its strategic aims.

Constitutional framework

The Group's constitutional framework supports the financial planning and management functions of the Group. The following are of particular importance:

- Financial Regulations
- Schedule of Delegated Authority
- Treasury Management Policy Statement
- Financial Recovery Plan

These documents detail the key financial mechanisms that must be in place to ensure the financial framework of the Group is robust and effective. The Board reviews and approves these documents on an annual basis as do our external auditors, where necessary.

Budgeting

On an annual basis the Group develops budget proposals based on the needs of the Group for the FY ahead. The Boards provide appropriate challenge to these proposals and approve budgets within which the Group manages financial resources for that year.

Business Plan

The Group produces a 5-year Business Plan in line with our regulatory requirements. The Plan is revisited each year with changes modelled against a base Business Plan, the base plan is the plan produced to support a new strategy (FY 22/23 will be a base plan year).

Year 1 of the plan is always the budget with subsequent years being developed from strategy objectives, likely economic factors in future years and service growth and improvement. The Business Plan is always approved by the Board and is shared with our regulator and lenders.

As the Business Plan is presenting a view on the future, the assumptions we use e.g. CPI, interest rate changes etc. are derived independently and reviewed by the Board before being applied. A key feature of approving the Business Plan is to test 'what ifs', we undertake stress and scenario exercises to see how robust the Plan is if things changed over the 5-year period

Financial Plan

Again, to meet our regulatory requirements, we produce a 30-year financial plan around September each year. This plan extends the Business Plan assumptions up to 30 years in the future to test that the long-term obligations we have to our existing homes and commitments, can be met.

We include development activity up to year 5 in this plan and then show our capacity to develop from year 6. This best reflects the reality of the development cycle and clearly shows our ability to meet existing commitments.

Treasury Management Plan

As we borrow significant sums, we regularly review our borrowings and investment to ensure we achieve the best returns for the Group in terms of value and risk. Each year our independent treasury advisors meet our Board to assess our treasury portfolio and any actions we may want to consider.

Management Accounts

As we borrow significant sums, we regularly review our borrowings and investment to ensure we achieve the best returns for the Group in terms of value and risk. Each year our independent treasury advisors meet our Board to assess our treasury portfolio and any actions we may want to consider.

Statutory Accounts

At the end of our financial year (March), the Board employs an external auditor to validate our financial position at that point in time. The external auditor looks at a range of data and undertakes a lot of financial checks so that they can say whether the accounts give a fair representation of ateb Group's financial position.

Financial Controls

Throughout the year we undertake a range of financial checks and reports such as balance sheet reconciliations and checking that we are meeting our lenders' loan covenants (ratios that demonstrate our financial strength). These checks are an important part of making sure that we are not missing something that could impact our financial plans.

FINANCIAL ASSESSMENT

Over the last year each of our 3 Group companies has demonstrated a strong financial position. (EBS remains a dormant company).

Please note the following:



ateb Group Limited

FY 22/23 Financial Statements
(Please note the statements are for the Group)

Headlines:

- Turnover has increased by 6.8% vs 21/22 to £19.4m
- Number of homes has increased by 1.9% to 3,127.
- Operating surplus at £3.5m, has decreased by 34.9% or £1.9m vs 21/22 driven by repairs and further investment in our establishment.
- Operating surplus % has decreased from 29.5% to 18.0%.
- Gift aid of £1.5m received from Mill Bay Homes Limited (subsidiary) was £0.4m lower than last year primarily driven by fewer sales.
- Net surplus (after pension adjustments), at £2.2m is down 60.4% on FY 21/22, including a £(0.2)m actuarial loss on pension schemes (21/22 saw a £1.2m gain).



MBH limited

FY 22/23 Financial Statements

Headlines:

- Turnover has decreased by 23.0% on 21/22 down to £6.5m, due to fewer properties sold.
- Number of properties sold has decreased to 23 (FY 21/22: 31)
- Gross Profit (GP) fell by 16.4% to £1,924k with the improved margin on unit sales going some way to closing the turnover decrease.
- Gross Profit % (GP%) has increased from 27.3% to 29.6% this year due to different scheme profitability.
- Net Profit fell by 23.4% to £1,467k due to higher interest costs.
- Net Profit % marginally decreased by 0.1% to 22.6% from 22.7%



West Wales Care and Repair
Gofal a Thrwsio Gorllewin Cymru

West Wales Care & Repair Limited

FY 22/23 Financial Statements.

Headlines:

- Turnover has increased by 18.4% on FY 21/22 to £1,035k.
- Operating surplus decreased by £40k to £31k with the net increase in turnover offset by materials costs, project expenses and salaries.
- Net surplus (before pension adjustments) down £28k to £38k with interest received closing the gap somewhat on operating surplus.
- £13k actuarial loss in respect of defined benefit pension scheme vs £96k gain in FY 21/22

The economic challenges increased for the Group as FY 22/23 progressed, with external factors impacting inflation. Please note the following performance metrics:

Statement Of Comprehensive Income

SOCI Summary	Group* £m	ateb £m	MBH £m	WWCR £m
Turnover	27.0	19.4	6.5	1.0
Operating Costs & Cost of sales	(21.8)	(15.9)	(4.8)	(1.0)
Operating Surplus	5.2	3.5	1.7	-
Net Interest and Other Costs/Income	(2.7)	(1.1)	(0.2)	-
Actuarial gain/(loss) pension schemes	(0.3)	(0.2)	-	-
Surplus for the Year	2.2	2.2	1.5	-
Operating Margin %	19.4%	18.0%	22.6%	3%

* Group results shown after consolidation adjustments

Statement of Financial Position	Group* £m	ateb £m	MBH £m	WWCR £m
Tangible Fixed Assets/Investments	254.9	255.0	-	-
Net Current Assets	29.3	28.4	0.3	0.7
Total Assets	293.6	292.2	0.3	0.7
Payables > 1 Year	(235.3)	(235.2)	(0.3)	(0.1)
Reserves	47.5	46.9	-	0.6

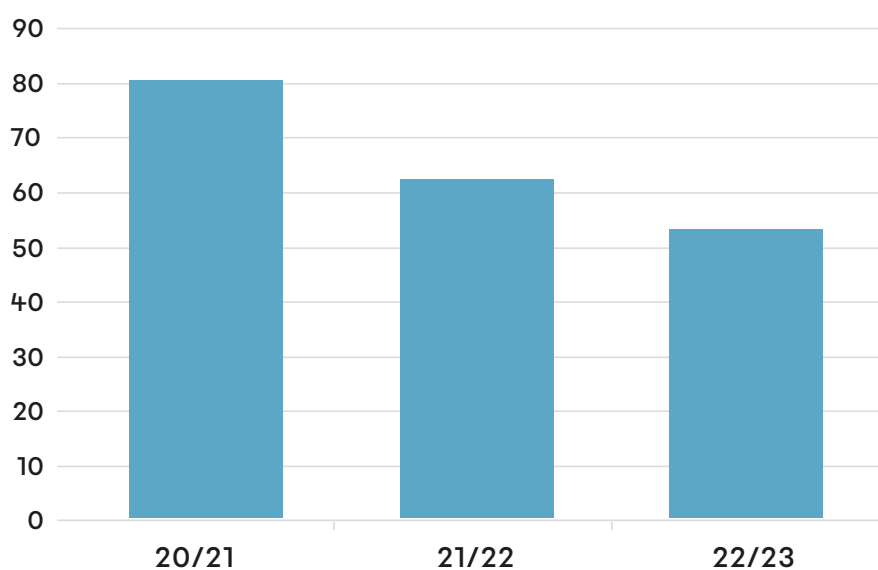
* Group results shown after consolidation adjustments

ateb Loan Covenants	Min/Max	22/23	21/22	20/21
Interest Cover (EBITDA MRI / Interest)**	110%	153%	184%	207%
Gearing – Historic	55%	30%	34%	37%
Gearing – Net Worth	80%	44%	52%	55%

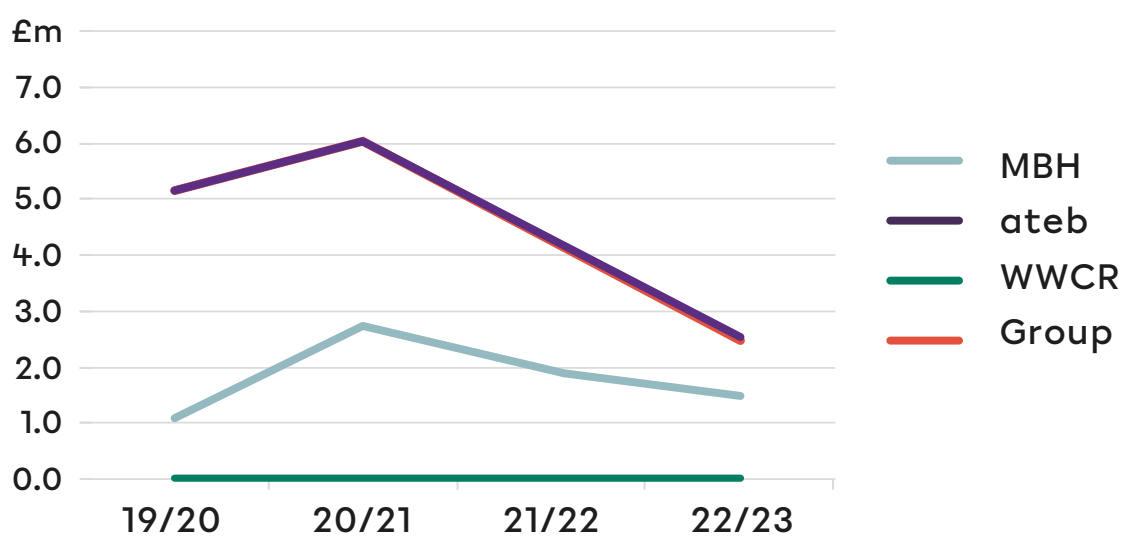
* Group results shown after consolidation adjustments



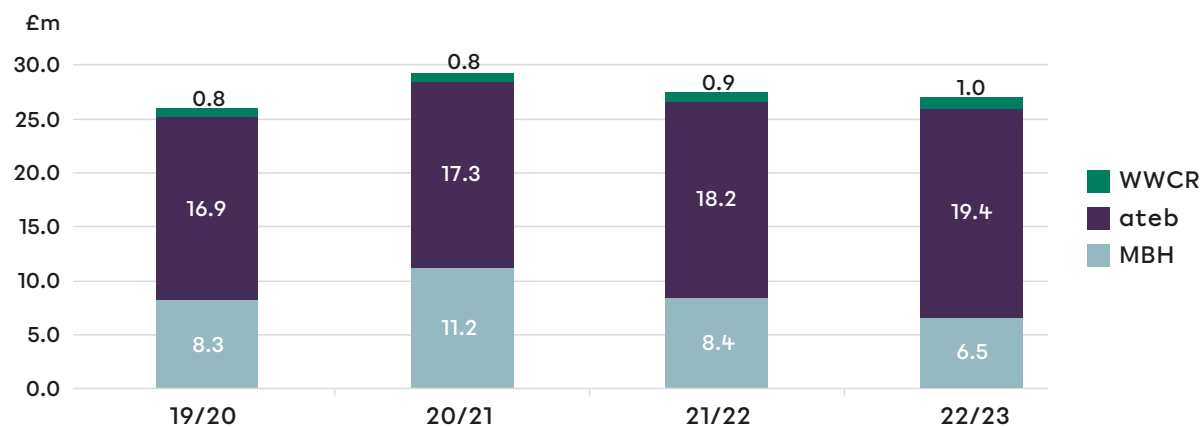
New homes developed (excluding S106 & MBH Funded)



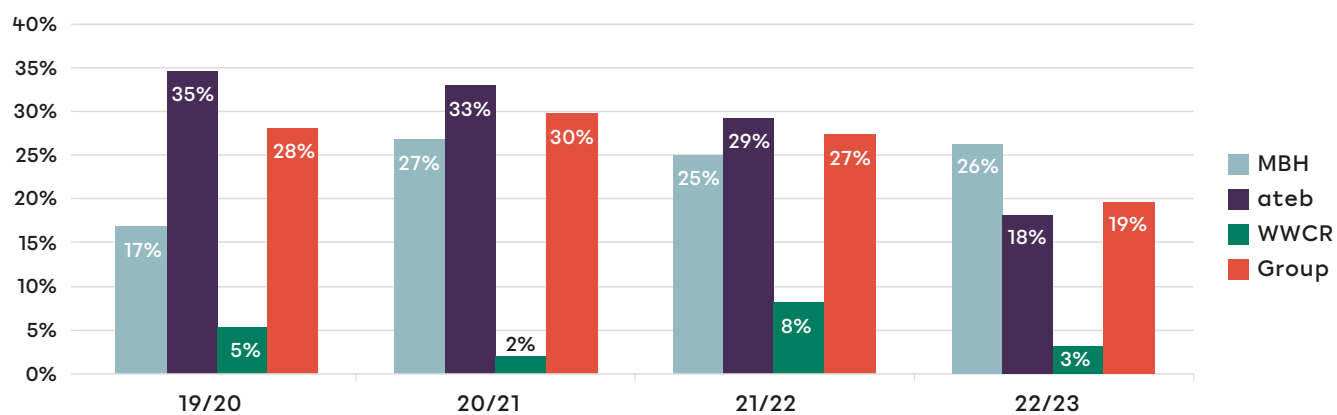
Net surplus



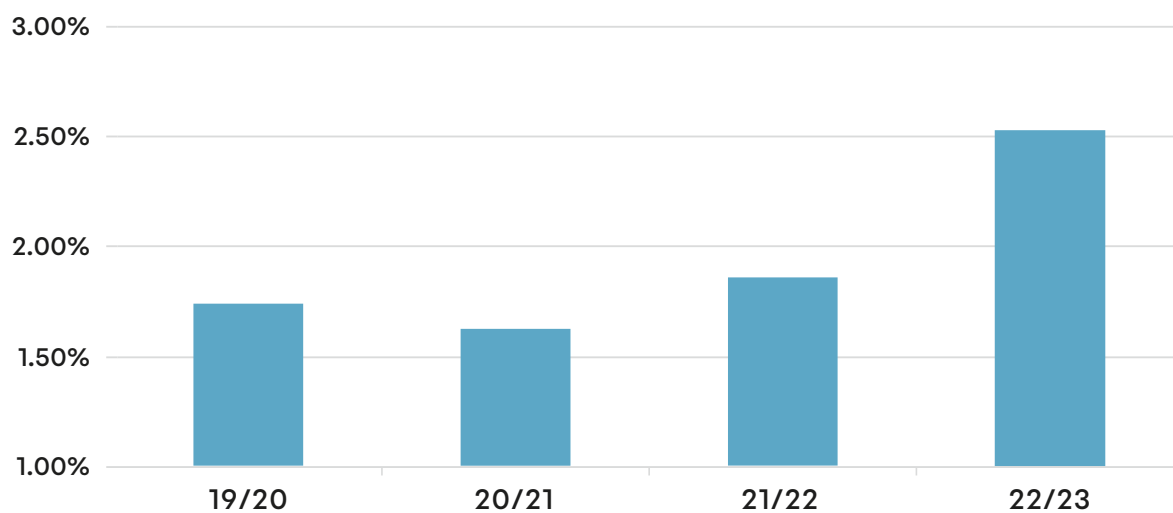
Turnover



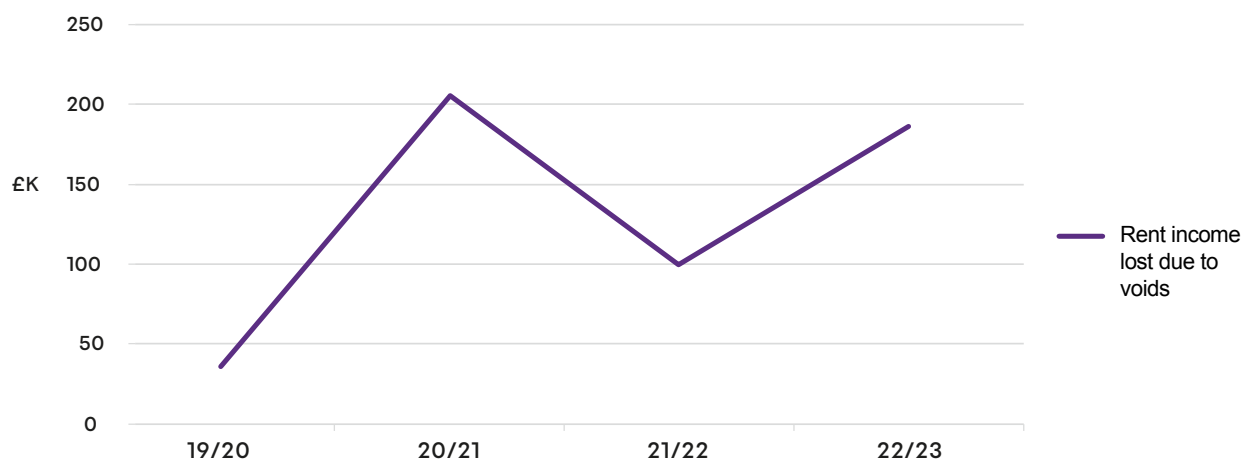
Operating margin



Current Tenant Arrears as a % of annual rent roll



Rental Income lost due to voids

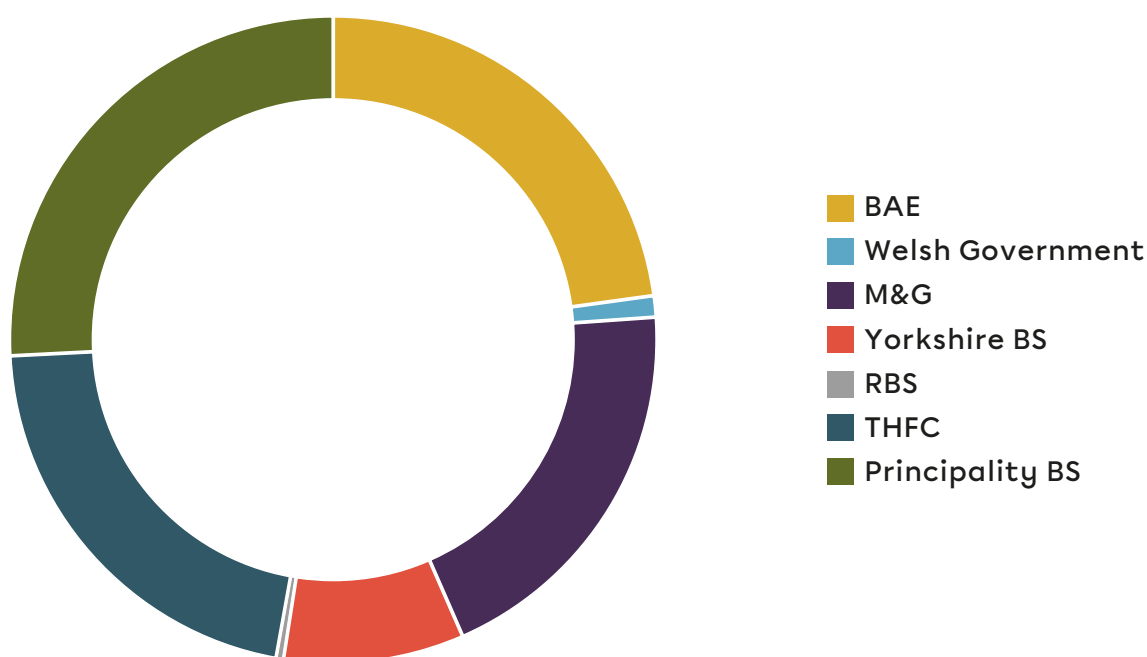


Group Treasury Management Assessment

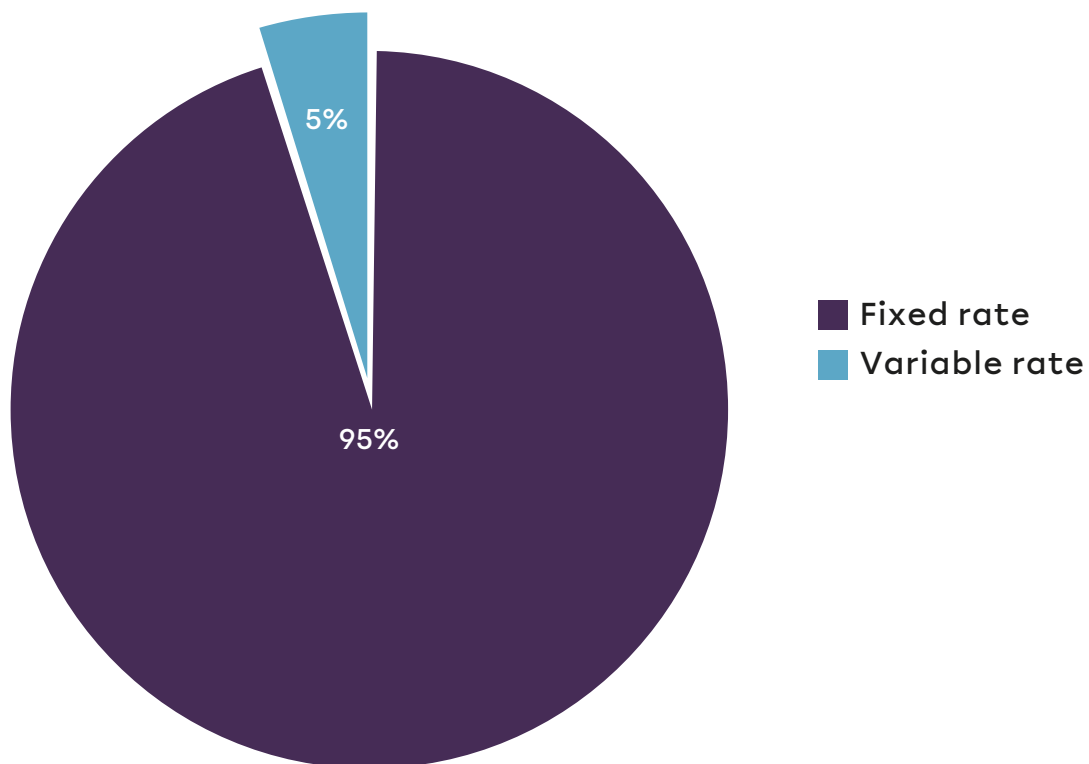
As at the year-end, 95% of debt is on a fixed interest rate. ateb benefits from a SONIA linked short-term Revolving Credit Facility (provided by Barclays) but this was not utilised at the year end. The weighted average interest rate of our loan portfolio is 3.93%. During the year ateb made one-off repayments of £1m regarding a Welsh Government loan and £4m regarding a variable rate loan with Yorkshire Building Society as it was financially beneficial to do so.

ateb's Business Plan suggests there is sufficient capacity in the existing agreements to see us through the next three years before further borrowing is needed. However, should conditions change, we are well placed to secure additional finance owing to our general performance and levels of unencumbered stock (see RS8 section below). We also plan to develop further housing stock across our 5-year Business Plan period, which would provide further security for additional finance if needed.

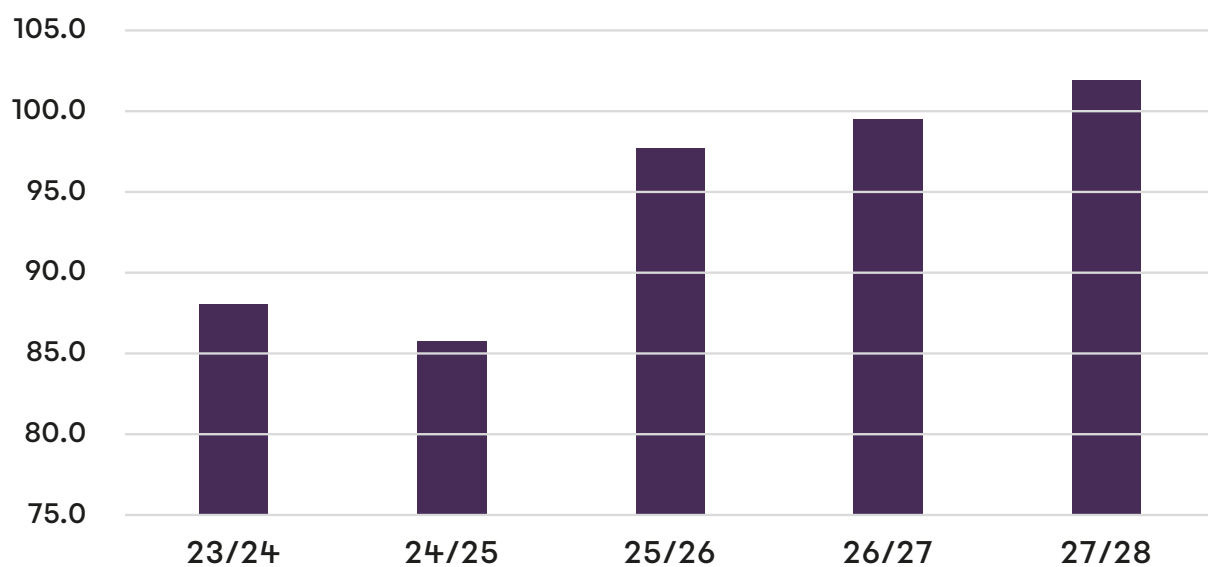
How we are funded



Interest rate risk



Forecast 5 Year movement in debt - £m



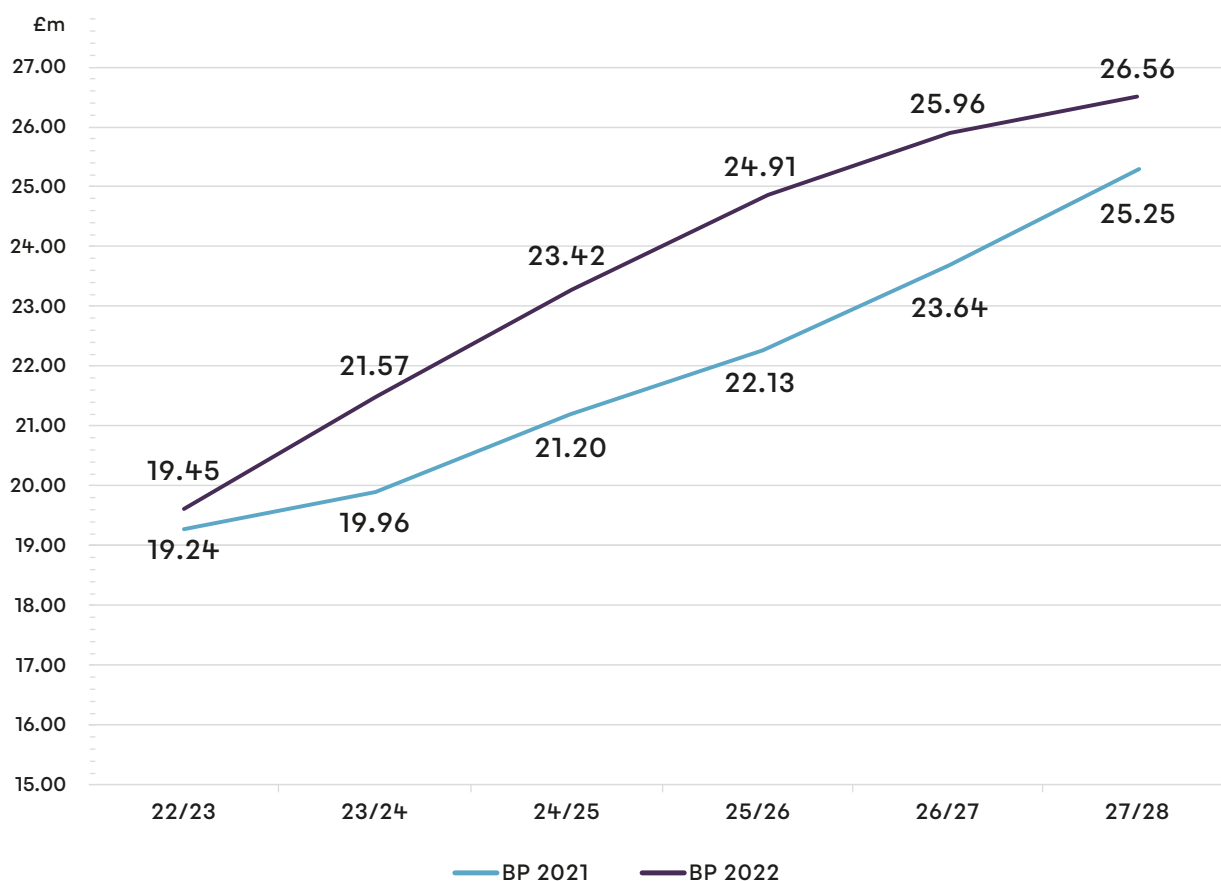
Financial Planning and Management Outlook

Having updated our 5-year Business Plan and 30-year financial plans we continue to show a positive financial position but recognise that the current economic and political environments as well as catch-up from the Covid disruptions and the economic turmoil of 2022 have impacted our outlook compared to previous years.

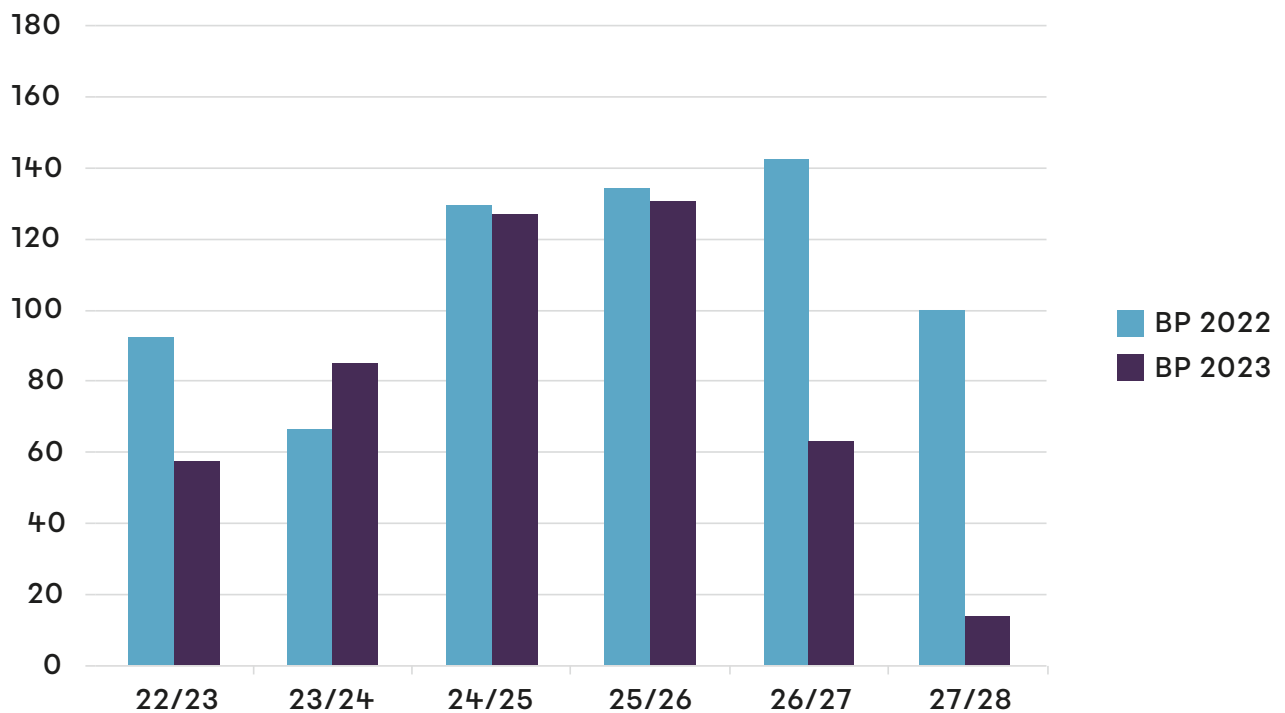
The following charts show some headline metrics from our business and financial plans:

The charts below are derived from the 2022 and 2023 Business Plans (BP). For the year 2022/23, the BP 2022 figure is the actual result in that year.

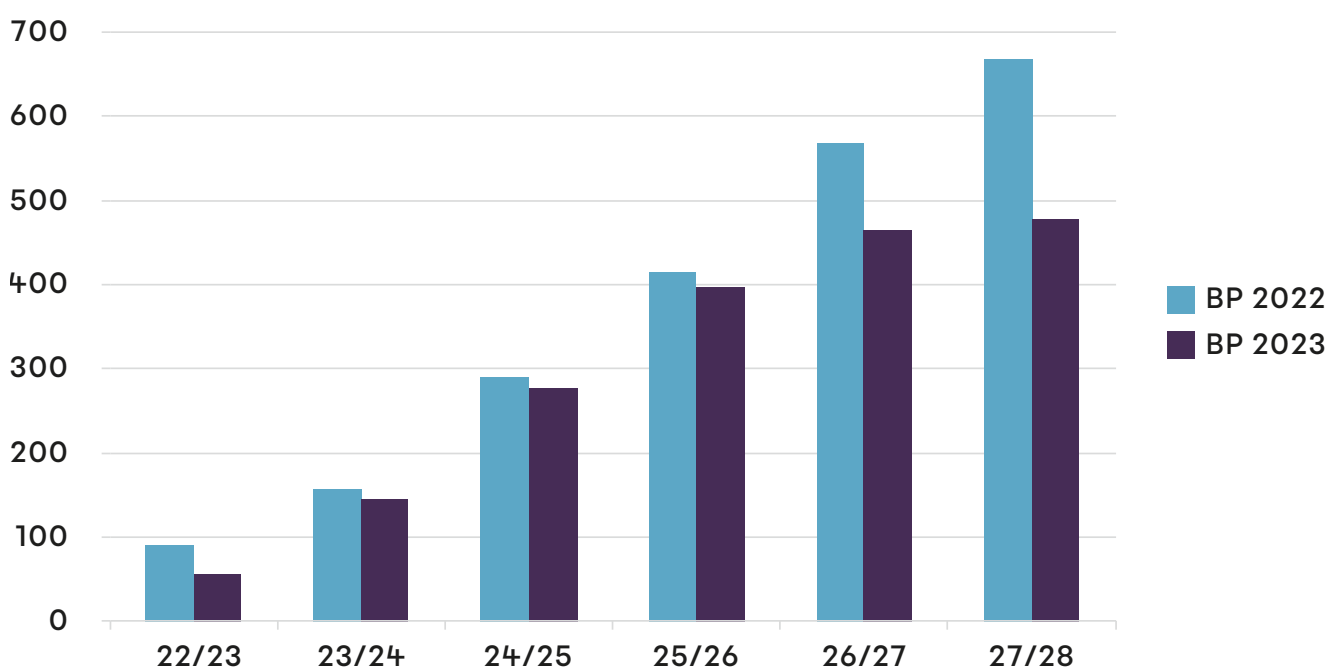
5-year turnover



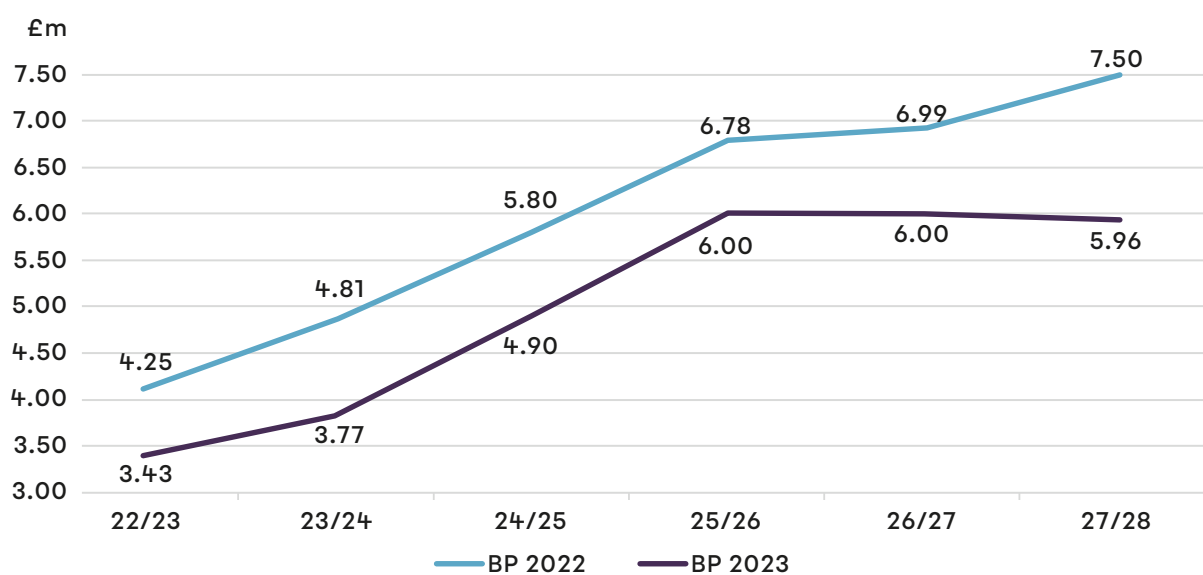
New homes in year



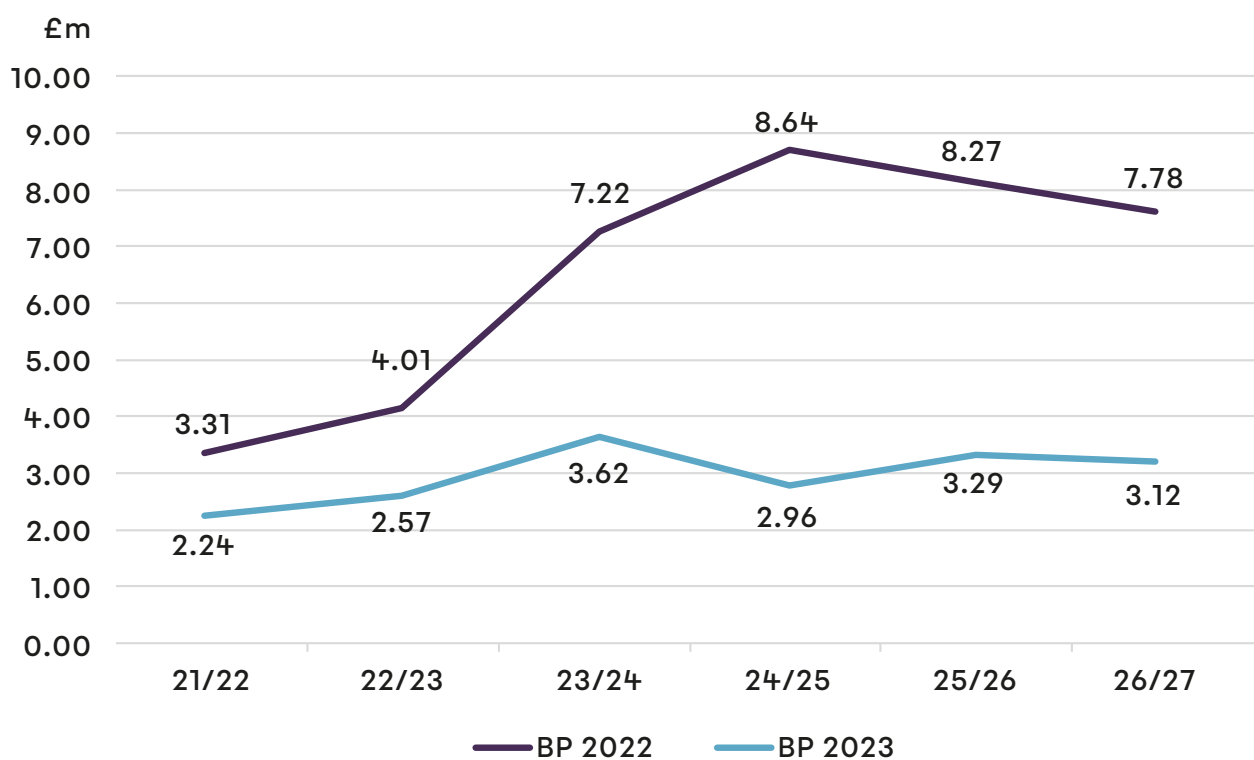
Cumulative new homes



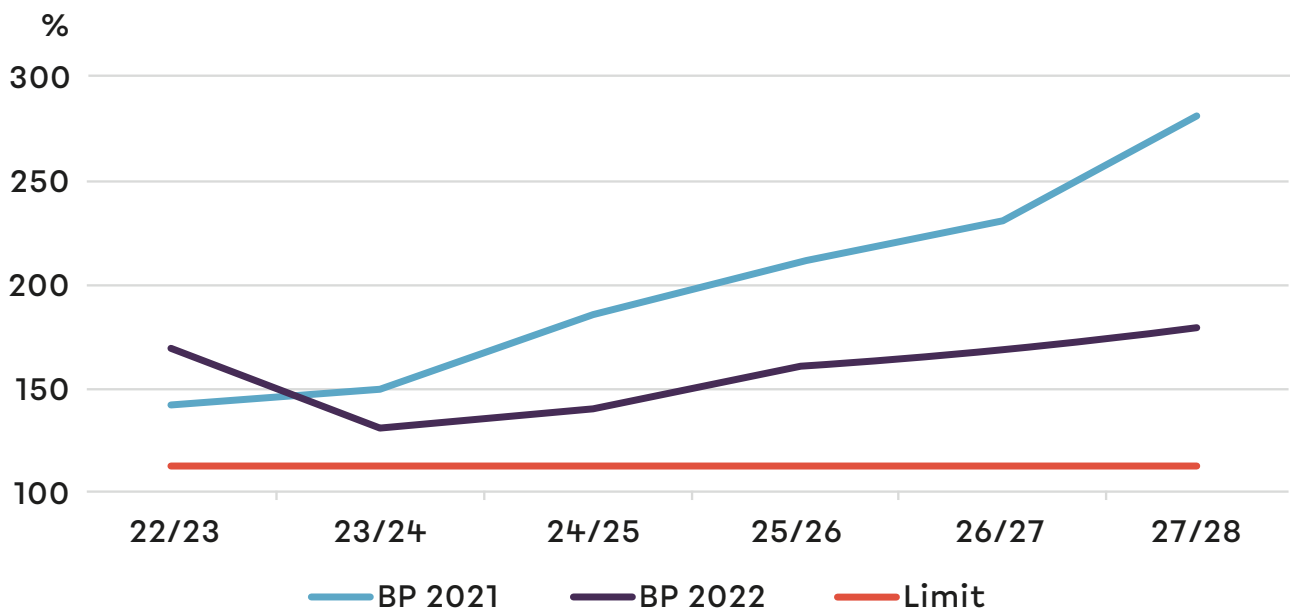
Operating surplus



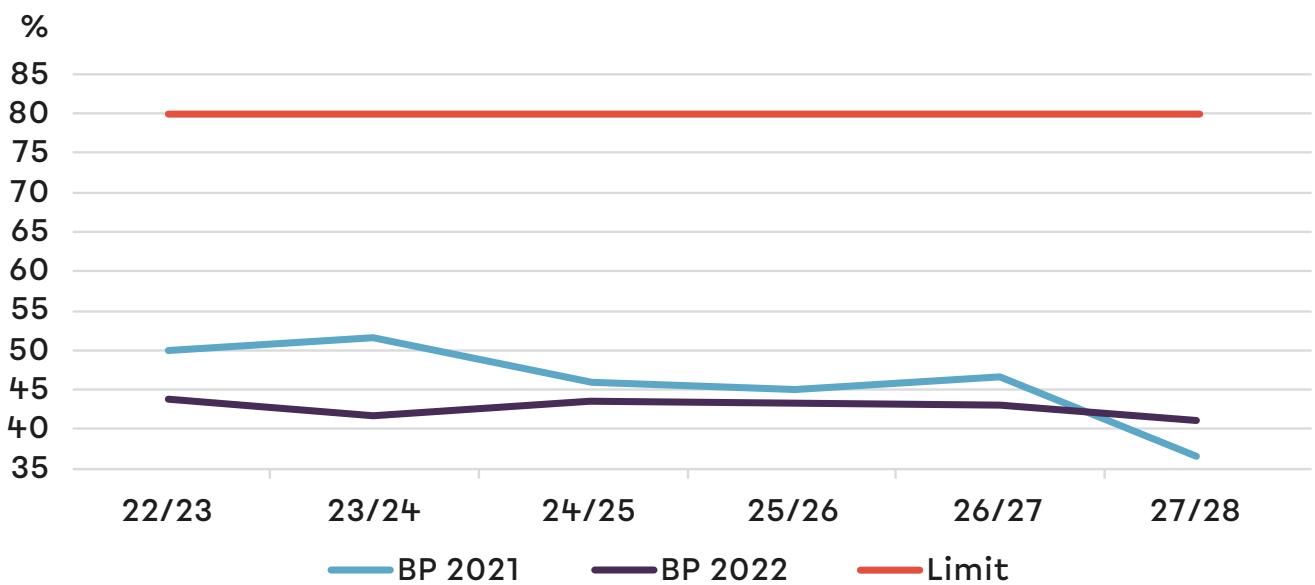
Net surplus



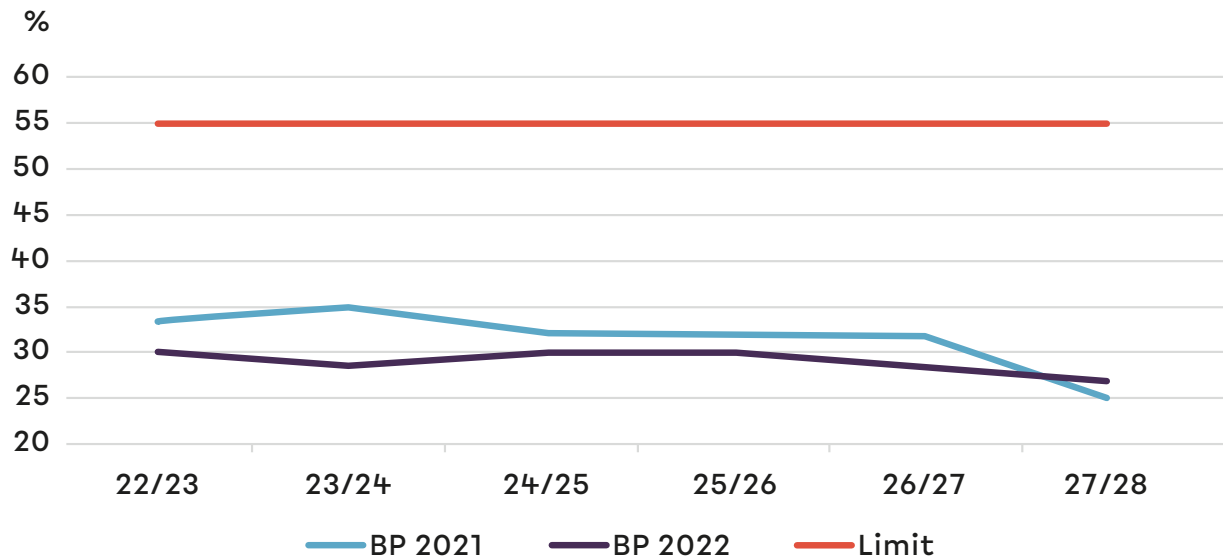
EBITDA MRI



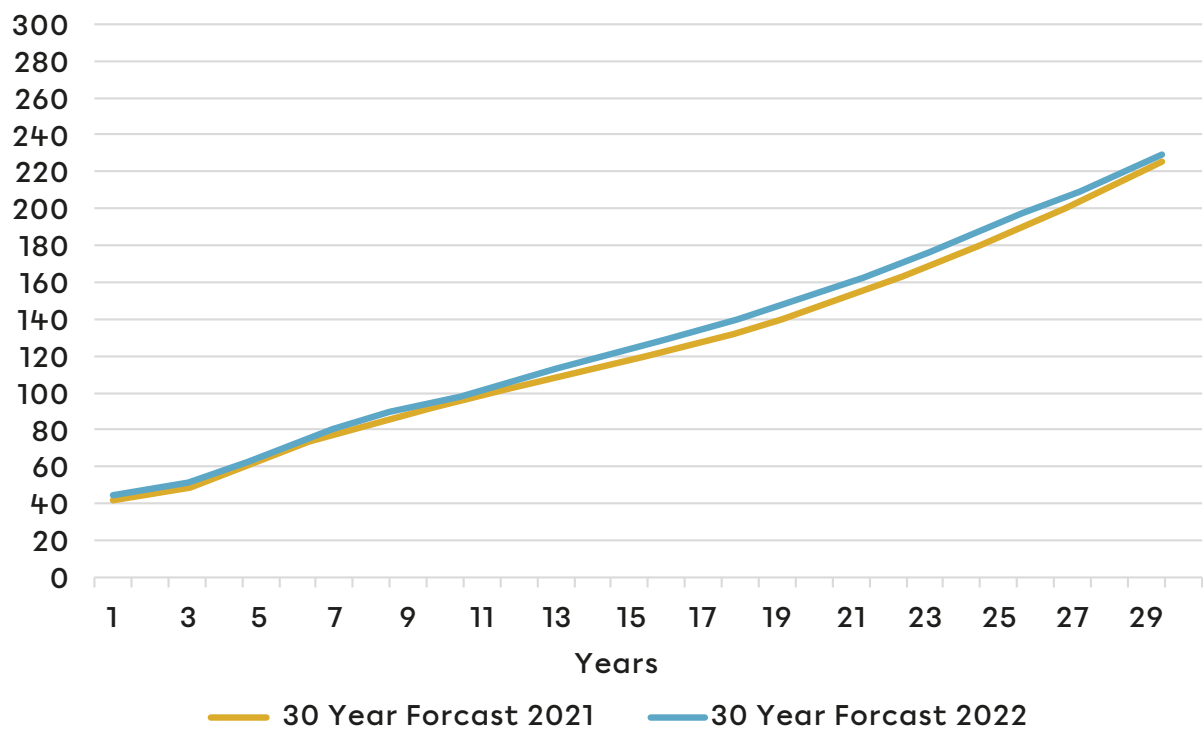
Gearing (Net Worth)



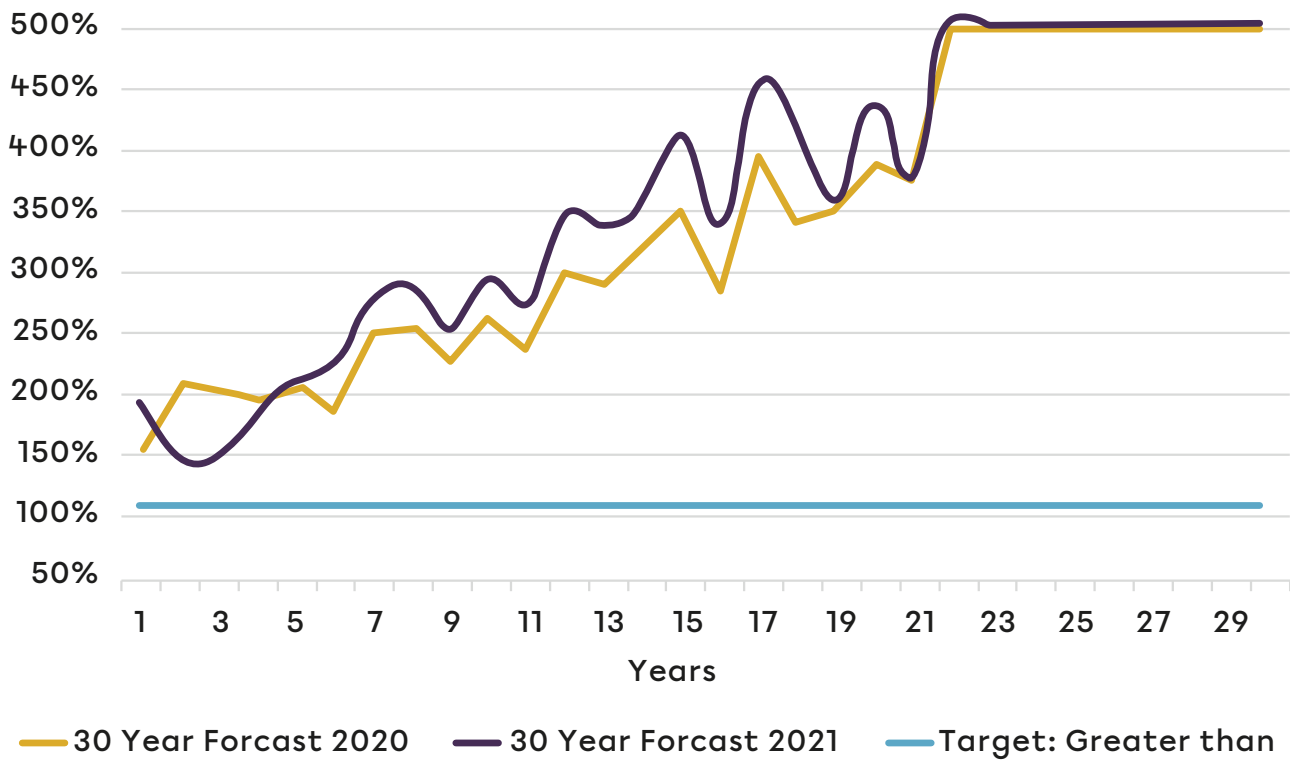
Gearing (Historical Cost)



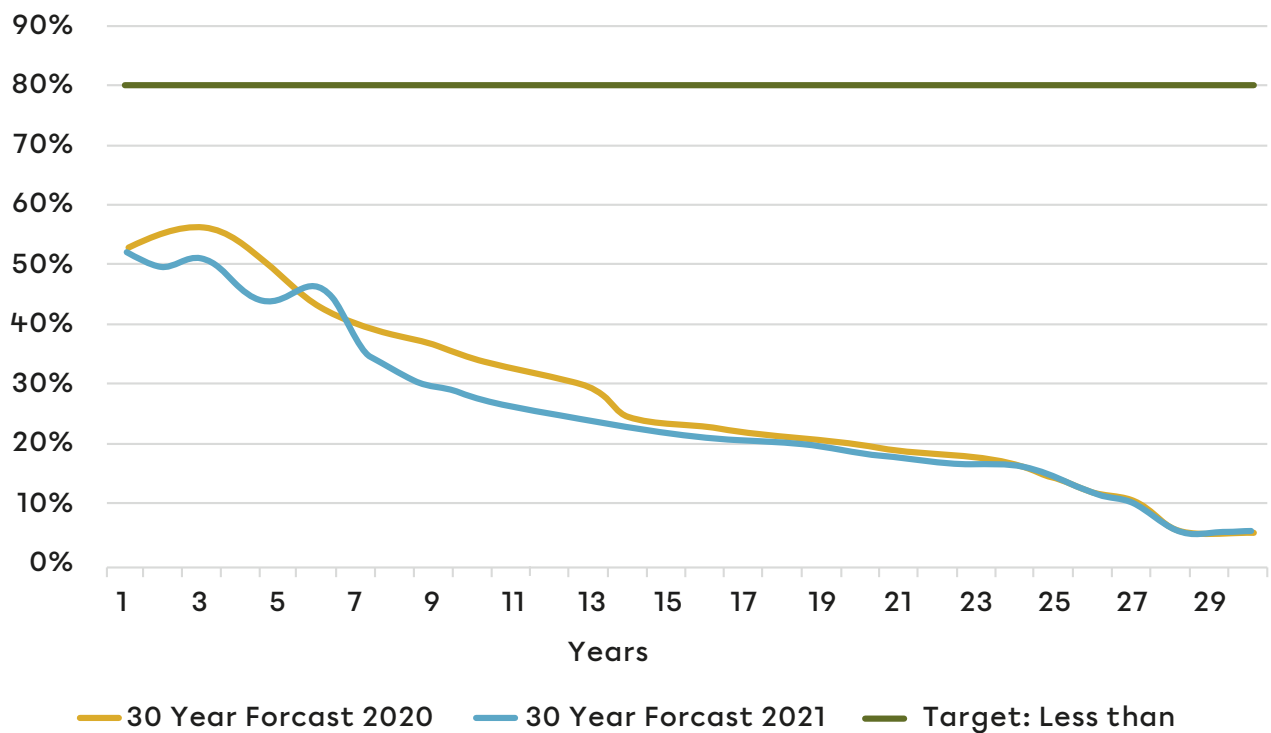
30 Year Forecast - Reserves



Interest Cover (EBITDA MRI / Net Interest)

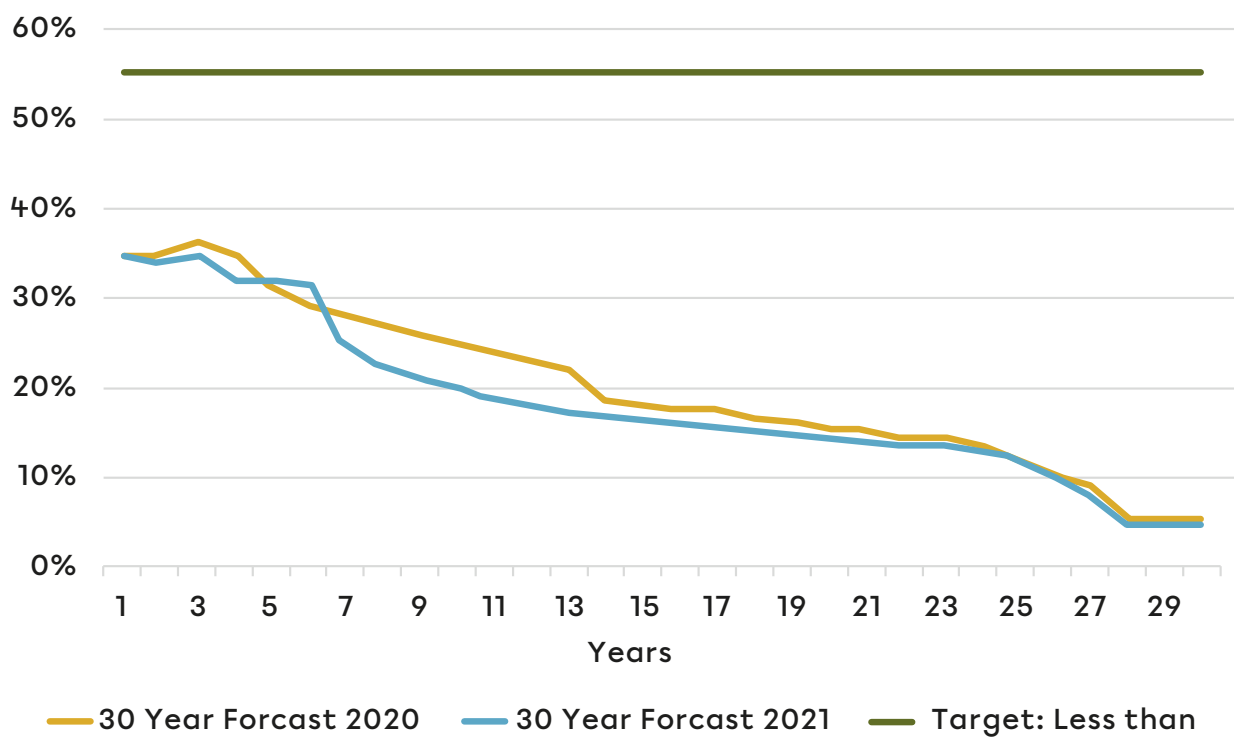


Gearing (Net Worth)





Gearing (Historical Cost)



External Audit Assurance

Every year we undertake an independent assessment of our financial position. Our External Auditors Bevan & Buckland have written to our Board as follows:



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 2023 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".

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2023 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.

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 Board's 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.

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 (set out on page 5), 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.

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.

We discussed our audit independence complying with the Revised Ethical Standard 2019 with the engagement team members whilst planning the audit and continually monitored our independence throughout the process.

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the organisation's policies and procedures relating to:
 - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas;
 - Purchasing in relation to the development and maintenance programmes, including any sales to connected individuals at below market value;
 - The recognition of development and maintenance expenditure in the correct period;
 - The rationale of any major fund flows during the period;
 - The potential of rent fraud arising as a result of collusion between the asset and housing teams.
- obtaining an understanding of the legal and regulatory frameworks that the organisation operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the organisation.

Audit response to risks identified

In addition to the above, our procedures to respond to risks identified included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the organisation's policies and procedures relating to:
- enquiring of management concerning actual and potential litigation and claims; performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Report of the Auditors.

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

Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

Date: 31/07/23

Financial Assessment Summary

We believe the above information demonstrates that a robust and effective financial management approach has been applied across the Group.



■ RS7 – FY 22/23 EVALUATION CHECK

**“Financial planning and
management is robust and
effective”**

We have made the following evaluation:

Our Board has reviewed our analysis and evidence and consider we are compliant with this performance standard.

Evaluation Check

1. Does the Board know it meets this standard?

The Board has:

- Concluded that our short, medium, and long-term financial planning and financial support systems allow us to organise, control and monitor our financial resources to support the delivery of our Group Business Plan and Group strategic objectives. Our systems ensure we make best use of our resources, fulfil our commitments to our customers, teams and partners and maintain a strong long term financial stability.

2. What was the principal evidence used to evaluate this standard?

The Board has:

Considered the following key evidence for this standard:

- Budget
- 5-year Business Plan
- 30-year Financial Plan
- Internal & External Audit Opinion
- Management Accounts
- Statutory Accounts
- Treasury management reports and policy statement
- Financial Regulations
- Schedule of Delegated Authority
- Performance reports
- WG and lender returns

3. Is there Improvement planning in place?

The Board has:

Made sure our Improvement Plan includes the following improvement actions for FY 23/24:

- IP/27 - Upgrade our finance systems including new Purchase-to-Pay (P2P) and budgeting/business planning monitoring and reporting. (Finance): **Carried Forward.**
- IP/28 - Review our Digital team processes and resources. (Finance): **Carried Forward.**
- IP/47 - Use lender and regulatory covenants/thresholds to set ideal levels of covenant performance that balance capacity to invest in the business (inc. decarbonisation) against the need to respond to unforeseen operating or economic events, monitor performance against agreed levels. (Finance): **New.**

■ RS8

Assets and liabilities are well managed

Assets under management

We have the following assets under management as at the end of FY 22/23:

Assets under management	At March 2023
Residential Freehold	3,070
Residential Leasehold	30
Shared Ownership	12
Management Only Properties	10
Rent To Own	5
Total Residential	3,127
Homebuy Property Holdings	78
Commercial Properties	3
Total	3,208

Housing Properties held for Letting at 31 March 2022 (£m)



Age profile

Age Bands	No of properties	%
Pre 1900:	114	3.6%
1900-1929:	15	0.5%
1930-1949:	10	0.3%
1950-1966:	144	4.6%
1967-1975:	52	1.7%
1976-1982:	84	2.7%
1983-1990:	153	4.9%
1991-1995:	543	17.4%
1996-2002:	562	18.0%
2003-2006:	130	4.2%
2007-2011:	332	10.6%
2012 Onwards:	988	31.6%

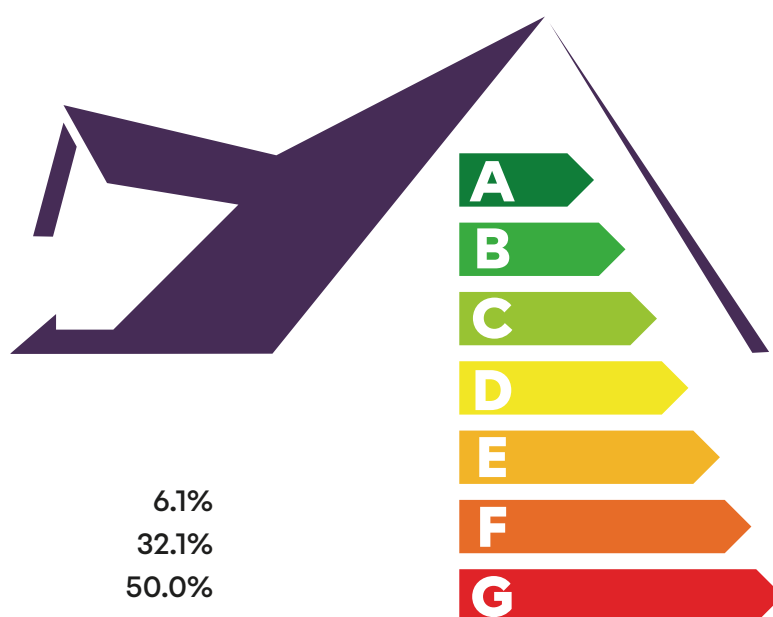
SAP profile

SAP Values

Average SAP:	78
Maximum SAP:	116
Minimum SAP:	23
Filtered Average SAP:	78
Filtered Maximum SAP:	116
Filtered Minimum SAP:	23

SAP Bands

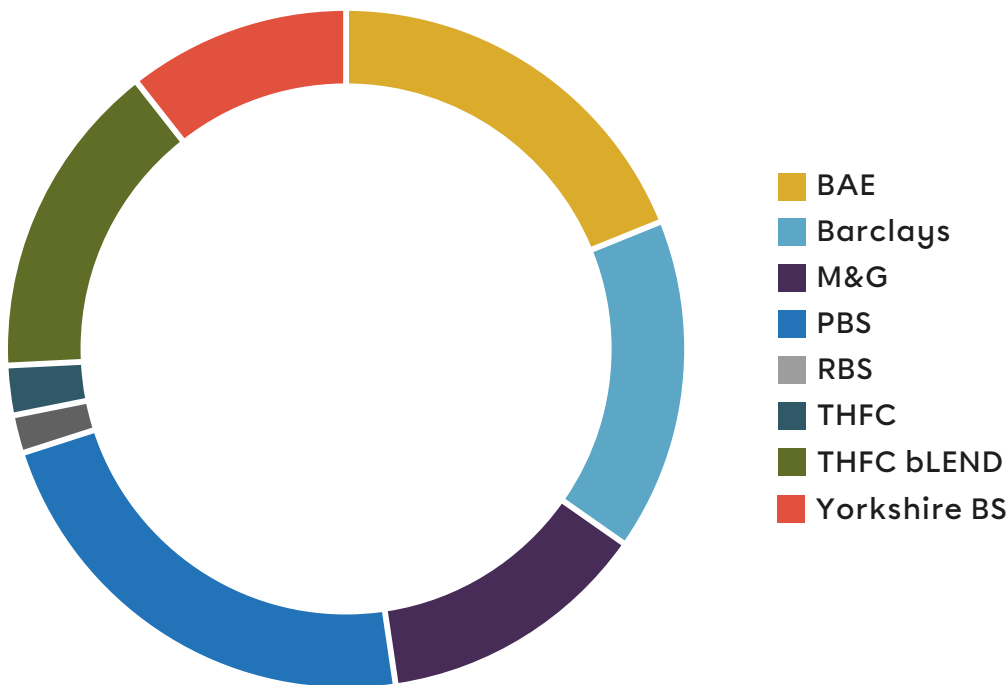
A:	206	6.1%
B:	1014	32.1%
C:	1,545	50.0%
D:	328	10.7%
E:	0	0.0%
F:	27	0.9%
G:	7	0.2%



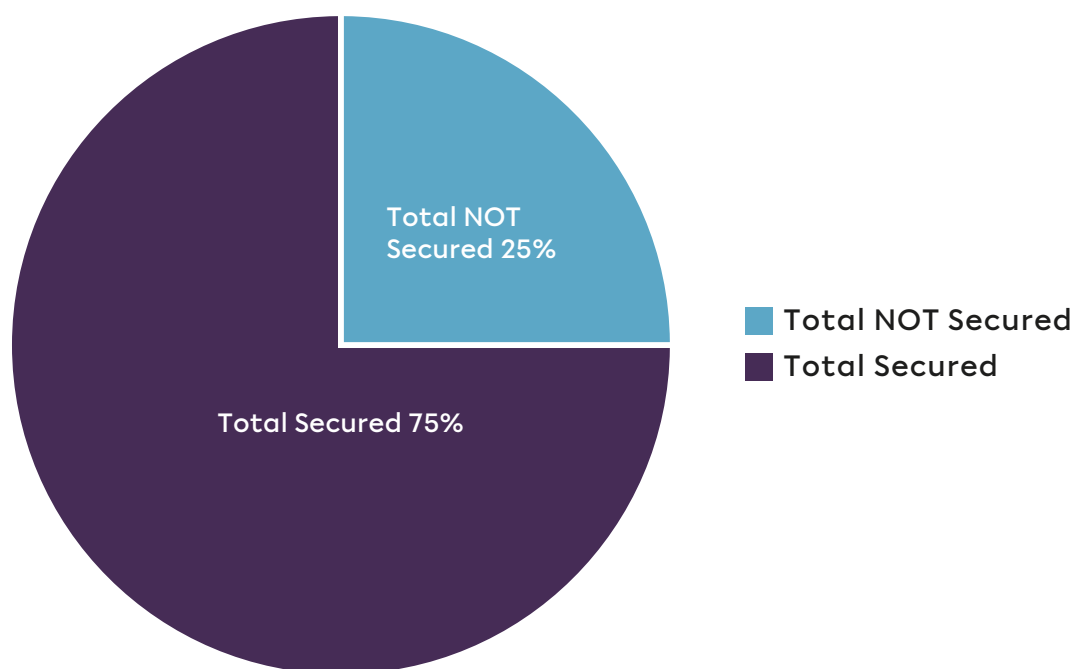
Asset Security

At March 2023 we had 787 (25%) residential freehold or leasehold properties that were not charged to a lender. By the end of the 5-year plan, as a result of the movements above, planned security releases and including the properties in the development programme, ateb will have approx. 1,335 properties available for charging. This equates to over £75m of property value which provides considerable comfort for ateb’s longer term borrowing needs.

Secured Properties by Lender March 2023



Secured & Not secured properties at March 2023



Liability Management

We manage and monitor our liabilities by maintaining a Loans Register and Treasury Management Diary, which are regularly updated and reviewed. Through Management Accounts and forecasts we monitor our performance versus our key covenants, as well as managing liquid cash levels to cover interest and capital repayments. We also control our working capital to ensure we meet our trading liabilities as they fall due. Every year we obtain a Treasury Health Check Report from our Treasury Advisers (Savills).

Asset and Liabilities Register (ALR)

As part of our regulatory requirements, we maintain an ALR to demonstrate the Group's assets and liability position at quarterly points through the year. The register helps the Group ensure it understands its long-term obligations. The ALR consists of the following components:

	Examples of what included in each category of the register
Land and Property Assets	Residential Properties for Rent, Land Bank,
Property Investment Liabilities	Development Contracts, Property Maintenance Contracts
Corporate Liabilities	Pension Liabilities, Insurance Policies
Financial Assets & Liabilities	External Loans, Work In Progress, Trade Receivables and Payables,

We assess each component of the ALR with a level of assurance periodically. The levels are “Substantial”, “Adequate”, “Limited” or “Needs Improvement”.

The ALR is reviewed by the Assurance Committee who scrutinises and challenges changes made or omissions to the register. Having visibility of assets and liabilities allows the Group to demonstrate it is a going concern and to maximise return and risk management of its assets.

Asset & Liabilities Management Assessment

We have a good understanding of our assets and liabilities within the Group that is developed from the following activities:

Assets

- Stock condition survey programme through the year
- Lifespan (property database) reporting including EPC and SAP ratings
- WHQS assessments and certification
- Security valuation process – when preparing to borrow
- Inspection/site audits
- New build programme
- Asset Register
- Annual audit of balances
- Balance Sheet reconciliations

Liabilities

- Procurement and Contracts register
- Supplier/contractor spend management
- Annual audit of balances
- Annual verification of lender balances and certificates of compliance
- Balance Sheet reconciliations



We have updated and revised the ALR on a quarterly basis with our Assurance Committee, highlighting key changes within each period. Our ability to raise finance from unencumbered stock is around £44m which puts us in a strong position to finance further developments.

Our liabilities are consistent with the type of Group, and we are not highlighting any exceptional liabilities

at this time. MBH and WWCR, as wholly owned subsidiaries of ateb Group Limited, have subsidiary assurance framework agreements with their parent to ensure the liability relationship between ateb and its subsidiaries is clearly understood and in accordance with WG Group Circular 05/08. MBH has an agreed lending facility with ateb who in turn has a full floating charge over MBH. WWCR is self-funded.

Assets and Liabilities Summary

We believe the above demonstrates that we are managing our assets and liabilities in accordance with the standard.



■ RS8 – FY 22/23 EVALUATION CHECK

**“Assets and liabilities are
well managed”**

We have made the following evaluation:

Our Board has reviewed our analysis and evidence and consider we are compliant with this performance standard.

Evaluation Check

1. Does the Board know it meets this standard?

The Board has:

- Concluded that in line with our purpose, we maximise the use of our Group assets and use the data we collect to inform strategic decision making and planning. Our assets and liabilities register is a reference point and business tool for the Group and is in a form that could be provided at short notice to the Regulator or a rescuer in a crisis.

2. What was the principal evidence used to evaluate this standard?

The Board has:

Considered the following key evidence for this standard:

- ALR
- Assurance Committee papers
- Board papers
- Strategic Asset Management plan
- Internal Audit
- Lifespan
- Stock condition reporting
- Procurement/spend reporting
- 30-year Financial Plan
- Planned & Cyclical programmes of work
- Securitisation process

3. Is there Improvement planning in place?

The Board has:

Made sure our improvement plan includes the following improvement actions for FY 22/23:

- IP/38 - Increase our budgeting, business planning, ALR and financial reporting capabilities to give more detailed and quicker information to the business. (Finance): **Carried Forward to FY 23/24.**



Consolidated Group Financial Statements Summary FY 22/23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2023

£'000s	FY 21/22	FY 22/23
Turnover	27,488	26,961
Cost of Sales	(6,128)	(4,568)
Gross Surplus	21,360	22,393
Less: Operating costs	(13,899)	(17,239)
Gain/(loss) on disposal of property, plant and equipment	46	68
Operating Surplus	7,507	5,222
Finance/Investment Income	45	455
Finance Costs	(3,588)	(3,545)
Interest Capitalised	98	61
Housing Finance Grant	257	252
Finance Charges / Issue Costs	(169)	(254)
Donated Land Value Adjustment	227	303
Other Income	10	-
Pension Fund Net Interest Costs	(63)	(37)
Surplus for the year before taxation	4,324	2,457
Taxation	-	-
Other Comprehensive Income	4,324	2,457
Actuarial Gain /(Loss) in respect of pension schemes	1,318	(261)
Total comprehensive income for the year ending 31st March	5,642	2,196

CONTINUING OPERATIONS

None of the Association's activities were acquired or discontinued during the two financial years.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31st March 2023

£'000s	Revenue Reserve	Designated	Restricted Reserve	Total Reserves
Balance at 1st April 2022	44,874	193	232	45,299
Surplus from statement of comprehensive income	2,196			2,196
Transfer of Reserves	(42)	40	2	-
Balance at 31st March 2023	47,028	233	234	47,495



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

£'000s	FY 21/22	FY 22/23
Property, Plant & Equipment		
Housing properties - depreciated cost	238,858	251,396
Other	866	951
	239,724	252,347
Investments	-	-
Investment Property	98	98
Homebuy loan	2,515	2,418
Receivables: amounts falling due after more than one year	4,921	4,915
	247,258	259,778
Current assets		
Inventories	4,115	2,459
Trade receivables: amounts falling due within one year	4,805	2,939
Cash	21,925	28,450
	30,845	33,848
Trade payables: amounts falling due within one year	(9,102)	(9,436)
Net current assets	21,743	24,412
Total assets less current liabilities	269,001	284,190
Trade payables: amounts falling due after more than one year	(222,214)	(235,289)
Provisions for liabilities		
Pension - deficit funding liability	(1,488)	(1,406)
Net assets	45,299	47,495
Equity		
Called up share capital	-	-
Restricted Reserves	232	234
Designated Reserves	193	233
Revenue Reserve	44,874	47,028
	45,299	47,495

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31st March 2023

£'000s	FY 21/22		FY 22/23	
Net cash inflow from operating activities		7,850		11,296
Cash flow from investing activities				
Payments to acquire and develop property	(10,735)		(15,122)	
Receipts from sales of Property, Plant and Equipment	46		69	
Social Housing Grant and contributions received	9,908		13,975	
Other Capital Grants	-		7,529	
Purchase of other fixed assets	(201)		(264)	
Finance/Investment income	45		455	
Net cash outflow from investing activities		(937)		6,642
Cash flow from financing activities				
Finance costs	(3,573)		(3,994)	
Mortgage and other loans received - housing	1,000		-	
Finance costs of loans issued	(122)		(167)	
Loans repaid - housing	(2,576)		(7,253)	
Net cash inflow/(outflow) from financing		(5,271)		(11,414)
Net change in cash and cash equivalents		1,642		6,524
Cash and cash equivalents at beginning of the year		20,283		21,925
Cash and cash equivalents at end of the year		21,925		28,449

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 2023. 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.

Financial Self Evaluation Summary FY 22/23

Financial Year 22/23 has been one of mixed results and reflects the challenges the nation has faced both economically and politically.

High inflation, increasing interest rates and a cap on rent increases coupled with a drive for investment in our property stock and establishment have been the main talking points. On the one hand ateb (the company) has seen a £1.8m reduction in surpluses before pension adjustments and on the other hand, we have found ourselves able to pay back a large portion of our loan portfolio. This further reduced our gearing whilst also easing the burden on our interest cover covenants.

Despite the closure in recent years of our DB Pension scheme to new members and further contribution, there remains a significant amount of uncertainty – this is demonstrated once again by a negative adjustment of almost £250k in FY22/23 compared to a favourable adjustment in the prior year of over £1.2m

Even though the number of units built during 22/23 was down on previous years owing to a range of site performance issues, we are pleased with what we have accomplished and plan to continue contributing to the social housing stock in Pembrokeshire – indeed our plans have us contributing over 400 units over the next 5 years.

ateb's subsidiaries Mill Bay Homes and West Wales Care & Repair have again performed well. Mill Bay delivered £1.47m of gift aid to ateb and this will help ateb deliver on its primary objective of creating better living solutions for the people and communities of West Wales. Care & Repair supported over 2,150 clients through grant funded and

commissioned works and maintained a robust balance sheet.

The cost of meeting our obligations for improving the energy efficiency of our stock coupled with higher interest rates will, going forward, puts additional strain on certain interest cover covenants. To address this, we are working with Savills (our treasury advisers) and our lenders to agree a way forward on alternative measurements of interest cover and hope to have a resolution by midway through FY 23/24. This resolution will allow further investment in our stock whilst also maintaining suitable boundaries within which to operate thereby giving comfort to our lenders.

Looking to the future we can see more challenging times ahead. The cost-of-living crisis in the UK persists and the higher-than-normal interest rates are unlikely to come down significantly in the short term and even less likely to return to the near-zero levels seen over the last decade. The continued investment in our stock, coupled with a development programme will inevitably put pressure on our financial performance through reduced surpluses and increased interest charges. It will be incumbent on all ateb team members to play their part in ensuring ateb is financially robust so that it can meet any challenges head on – a task I am confident will be embraced by our staff who are committed and extremely capable.

Please contact us if you would like more information on the detail raised in this evaluation.

Alex Jenkins

Executive Director for Finance

Creating
better
Living Solutions