



Homes &
Communities
Agency

The Social Housing Regulator

HCA Regulatory Judgement on Poplar HARCA Limited – L4170

April 2015

HCA Regulatory Judgement: Poplar HARCA – L4170

The provider

Poplar HARCA (Poplar) is a large scale voluntary stock transfer registered provider. An initial stock transfer from London Borough of Tower Hamlets took place in 1998 with further estates transferred until 2009. Its priority is to deliver transfer promises associated with the regeneration of estates in Poplar, an area of social deprivation in East London. It currently has 8,990 units in ownership or management as well as community centres and open spaces.

Poplar has four unregistered subsidiaries, Poplar HARCA (Developments) Limited, which develops property for sale, Poplar HARCA Projects Limited, which collects overage payments on behalf of the Group, Leaside Regeneration Limited, which provides consultancy services to the parent and Poplar HARCA Capital Plc., which was incorporated to issue a bond on the capital markets.

Reason for publication: Viability downgrade

Regulatory Ratings*

- **Properly Governed: G1**

The provider meets the requirements on governance set out in the Governance and Financial Viability standard.

- **Viable: V2**

The provider meets the requirements on viability set out in the Governance and Financial Viability standard but needs to manage material financial exposures to support continued compliance.

*The regulator's assessment on compliance with the Governance & Financial Viability Standard is expressed in gradings from G1 to G4 for governance and V1 to V4 for viability. For both viability and governance the first two grades indicate compliance with the standard. A G3 or V3 assessment indicates a level of concern with the organisation's performance that is likely to be reflected in intensive regulatory engagement. A G4 or V4 judgement indicates a failure of governance or viability to the extent that the regulator is using its statutory powers.

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Regulatory Judgement

This Regulatory Judgement downgrades our previous published assessment of Poplar's viability.

Based on evidence gained from contact with the executive, a review of the latest financial forecast, annual accounts and quarterly survey, the regulator has assurance that the financial plans are consistent with, and support, the financial strategy of the provider. Poplar has sufficient financing in place to meet its business plan commitments until July 2018, with sufficient security in place. It has met and forecasts continuing to meet funders' loan covenants using its current business plan assumptions.

However, although Poplar meets the requirements on viability set out in the Governance and Financial Viability standard, it needs to manage the following exposures to support continued compliance.

There is minimal headroom in Poplar's business plan in relation to funders' covenants. Consequently, Poplar's business plan is sensitive to reductions in income and/or cost increases and the tightness of the financial position limits its ability to manage other adverse scenarios.

There is a reliance on efficiency savings to meet future obligations. The change in government policy to limit rent increases to CPI + 1% from 2015/16 until 2024/25 and removing the £2 per week rental uplift for units below target has a significant impact on Poplar's capacity and headroom to deliver its business plan which includes significant regeneration obligations.

A waiver on compliance with the rent direction has been granted for 2015/16. Poplar has agreed to undertake a review of its activities in order to show what further savings could be made towards alleviating the impact of the revised Rent Standard on the plan. It also needs to balance its contractual commitments against its duty to comply with the Rent Standard. The regulator will then consider whether a rent waiver is required for future periods.

The regulator's assessment of Poplar's compliance with the governance element of the governance and financial viability standard remains unchanged. Based on evidence gained from previous contact with the board and executive and a review of board papers, the regulator has assurance that governance arrangements remain sufficient to adequately control the organisation to enable it to continue meeting its objectives.