POPLAR HARCA

Value for Money Self assessment 2016/17

Value for Money Self-Assessment 2016/17

1. Introduction

Poplar HARCA was established in 1998 as the first urban local housing company stock transfer. Virtually all of the stock we took on was medium to high density, medium or high-rise flatted housing and had significant problems of disrepair due to historic underinvestment. Our communities had among the highest levels of deprivation in the UK, and faced particular issues with overcrowding, anti-social behaviour and the highest youth density level in Europe.

Since those early days, we have refurbished more than 4,500 homes, carried out estate improvements, taken on the transfer of another 4,000 homes and built a further 1,000 homes. We have also levered in vital infrastructure, such as the A12 crossing and a new DLR station, paving the way for future regeneration opportunities.

We now have significant regeneration schemes underway under the 'Reshaping Poplar' programme and are also leading on the 'Stuck in the Middle' strategy to redevelop some 110 hectares of land in South Poplar and the Lower Lea.

We currently own or manage 8,903 homes.

This year 76% of tenants said that we are providing Value for Money, and 77% would recommend Poplar HARCA to family and friends.

In this value for money self-assessment, we outline our return on assets, our costs and how they compare, the savings we have made and the savings we plan to make in the future. We also show how we are responding where costs are higher than anticipated and outline the VFM strategy and targets going forward in response to rent reduction.

2. Our strategy

Our five year corporate strategy from 2016, Creating Opportunity, sets out how we discover progress and achieve opportunities that help our communities flourish. Achieving excellent value for money in all that we do is vital to achieving this vision: we aim to make the best possible use of resources to improve housing, neighbourhoods and opportunities for our residents, with high quality outcomes and demonstrable social returns.

In response to rent reduction, the Board approved a Resourcing the Vision (RtV) Strategy that includes:

- 5% nominal operating cost reduction for the 2016/17 budget
- Additional income generation of over £1m per annum from sweating assets further
- Letting 300 homes at local housing allowance to homeless families or at market rent when more appropriate

- Selling 300 homes based on asset management criteria where disposal adds significant value relative to a high cost void repair and future planned maintenance obligations, and using the disposal proceeds to buy new affordable homes through s106 opportunities at a ratio of 1.5 new homes for every old home sold

- Further operating cost efficiencies of 1% per annum from 2017/18 to 2020/21.

We have a value for money implementation plan that is reported quarterly to the Board and monitors the above, in addition to other specific VFM projects. Progress is as follows:

- The 5% cost saving has been delivered and rolls forward year on year in the business plan.

- Additional annual income of approximately £0.5m has been achieved to date. The decision by the Board to reduce parking charges (£0.3m less income) in order to mitigate reputational and political risk has made the £1m target more difficult to achieve. The business plan approved in June 2017 has no further income targets for prudence. We continue to work towards the £1m target, all progress adding capacity to the business plan.

- 109 empty properties have been identified to date for homeless families of which 98 have been let. The project has faced delays due to void maintenance budget restrictions and due to the requirement to seek an order from the Charity Commission (which is now going relatively smooth). The VFM implementation plan highlights that we're behind the 'run rate' and this is incorporated into our latest forecast.

- 131 empty properties have been identified for disposal, of which 39 sales at auction have completed. The remaining 92 have been offered to London Borough of Tower Hamlets at a market price and 43 are agreed but none have yet completed due to delays in the process of agreeing leases. The Poplar HARCA Board are aware of the delay and the CEO has contacted the Mayor of LBTH.

- The s106 homes that have been agreed to date and for which we are in contract to achieve 1.5 ratio. The plan is to sell negative income generating units, which require high repair costs over the next three years, and invest the proceeds into new s106 units. So we anticipate to sell nearly 300 existing units and buy circa 450 new units over the next few years.

- The 2017/18 budget delivered on the 1% efficiency saving.

3. Key features of our VFM approach

Our VFM Strategy sets how we target and monitors VFM at every level of the organisation. The Board sets and monitors our VFM action plan annually. The Finance and General Purpose Committee monitors this and reports to the Board on a quarterly basis.

The current strategy focuses on enhancing our financial resilience and resourcing our existing commitments.

The top level VFM targets are set as a Financial Control Framework to enable us to 'Resource the Vision' and to deliver the Corporate Strategic Plan. The below targets are in place to manage risk and ensure financial viability:

- Achieve interest cover of 125% in 2016/17 rising to 135% as we control risk and 'move away from the cliff edge'
- Manage debt within set parameters
- Control exposure to market sales
- Manage liquidity

Local people are fully engaged with the VFM process. A significant number of members: the Board and Financial and General Purposes Committee are from the community.

Poplar HARCA has developed a model to conduct community research in neighbourhoods, using open questions to facilitate face to face conversations to gain an insight into what is most important to a neighbourhood. Listening campaigns aim to gain an understanding of what is working in a neighbourhood, what residents' value and identify gaps and community priorities.

We undertook a Listening Campaign in the Aberfeldy estate in late summer/early autumn of 2016 with the aim to engage local residents in face to face open conversations in their own neighbourhoods. The outcome of the campaign has given a great insight into the Aberfeldy neighbourhood strengths and opportunities, and the findings from this campaign will be used to support the planning by Aberfeldy Big Local along with other listening campaigns to eventually build into a Poplar wide picture of social capital across all HARCA neighbourhoods.

In the annual survey to tenants and leaseholders, we ask a VFM related question. We also include VFM related articles and initiatives in our resident newsletter and ask for residents' VfM ideas in each issue.

All the above is ultimately information to improve the allocation of resources.

3.1 Increasing financial resilience

The result of our value for money strategy is a rising operating surplus and operating margin. This has resulted in increased interest cover which is our tightest loan covenant and focus for financial resilience. At the same time as this rising operating surplus, we have achieved upper quartile resident satisfaction. Interest cover in 2016/17 met our 125% target (result 126%).

The asset management strategy introduced in September 2016 as part of Resourcing the Vision was put in place to ensure best use of resources and control maintenance expenditure. Using an asset evaluation matrix, each empty home is assessed and some of the homes, particularly where repair costs are very high, are selected to be sold. We exclude large family homes from this process which are repaired and let at social rent.

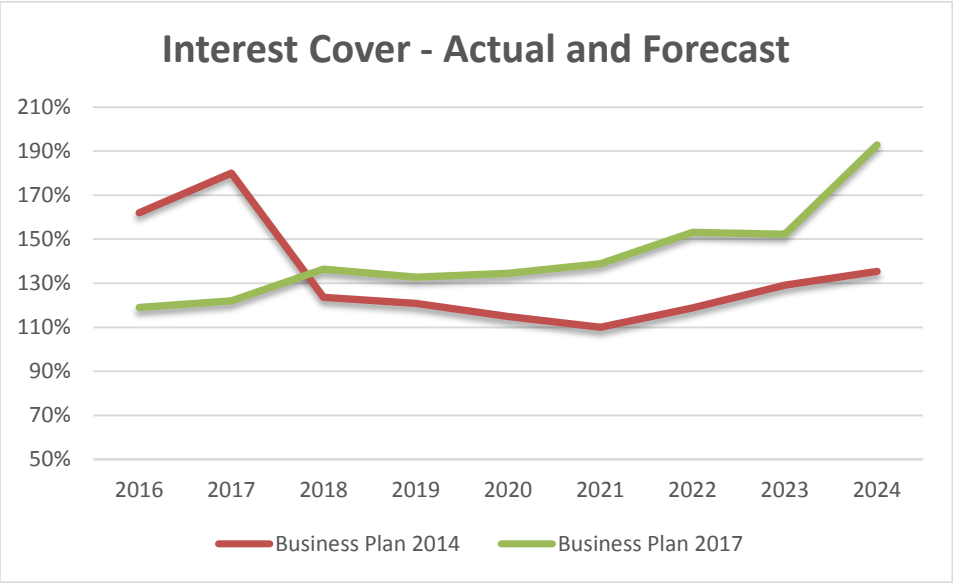
The chart below shows interest cover as measured by Lloyds and Santander in our loan agreements. The loan covenant requires a minimum of 110%.

The March 2014 line shows the expected performance at the time, before rent reduction and the removal of rent convergence and before Poplar HARCA included all commitments to the area in the business plan, in particular the resource intensive phase 3 of the Aberfeldy New Village regeneration scheme.

The June 2017 line shows the latest business plan expectations from 2018 with actual results for 2016 and 2017.

The 2016 and 2017 results were lower than predicted in the 2014 business plan. This is due to many factors, including rent reduction the Aberfeldy phase 3 scheme and maintenance cost pressures.

However the chart shows the June 2017 line rising above the March 2014 line as a result of the VFM strategy put in place as part of Resourcing the Vision.



In summary, Poplar HARCA has ‘weathered the storm’ in 2015/16 and 2016/17, continued with the delivery of its commitments and enhanced its financial position from 2017/18.

4. The Value for Money Scorecard

A summary of performance is tabled below and incorporates efficiency measures known as the "sector scorecard" that is being piloted with other housing associations. Set out below is the performance of Poplar HARCA on the proposed sector scorecard measures based mostly on the financial statements.

Sector scorecard	PH Group 2017	PH Group 2016	G15 averages 2016
Business health			
Operating margin excluding surplus on disposals	23%	19%	32%
Operating margin - social housing lettings	21%	24%	36%
EBITDA MRI % interest cover [1]	253%	193%	192%
Development - capacity and supply			
Units developed	416	267	781
Units developed as a % of units owned	7%	4%	2%
Gearing [2]	79%	77%	45%
Outcomes delivered			
Resident satisfaction with services provided by landlord	75%	82%	76%
£s invested in new supply for every £ generated from operations	0.9	1.2	1.2
£s invested in communities for every £ generated from operations	0.15	0.20	0.1 [5]
Social value generated per £ invested (HACT) [3]	14.7	20.7	5.0 [5]
Effective asset management			
Return on capital employed [4]	5.8%	3.6%	4.5%
Occupancy	99.7%	99.5%	N/A
Ratio of responsive repairs to planned maintenance	0.9	0.9	0.6
Operating efficiencies			
Headline social housing cost per unit	2,858	2,959	4,933
Management cost per unit	1,047	990	1,320
Service charge cost per unit	847	830	613
Maintenance cost per unit	834	968	1,084
Major repairs cost per unit	129	170	855
Other social housing cost per unit	0	0	860
Rent collected	100.3%	101%	98%
Overheads as a % adjusted turnover	11.7%	11.8%	12%

[1] EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current Sector Scorecard pilot, where EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs

[2] Gearing calculated as net debt ÷ Carrying value of housing properties x 100 as prescribed in the current Sector Scorecard pilot, where net debt represents total bank and debenture loans less cash and cash equivalents

[3] This is calculated using the HACT tool for return on social investment, which is a sector wide approach

[4] Return on capital employed calculated as operating surplus ÷ total fixed assets + total current assets less total creditors due within one year

[5] G15 average not available, comparable figure is L&Q

4.1. The VFM sector scorecard commentary

Operating margin is rising however is lower than the average for G15 largely due to our annual investment in Communities and Neighbourhoods (CaN). The operating margin for social housing lettings reduced due to rent reduction and the Resourcing the Vision strategy in place to mitigate rent reduction. Overall business health is increasing.

Our delivery of new homes is significantly higher than the G15 average for 2016/17 following the completion of Aberfeldy phase 2 and Leopold phase 2.

Return on capital employed of 5.8% is a significant improvement on the previous year, a significant improvement on the previous year (3.6%) and compares favourably to the G15 average of 4.5%. The high result is largely as a result of surplus from joint ventures (Aberfeldy phase 2 results) and property disposals against the backdrop of a relatively small asset base.

The operating efficiencies show reduced headline social housing cost per unit. Our costs are lower on average than G15. Major repair cost per unit is too low due to budget constraints. From 2019/20 the financial plan has more capacity and additional planned maintenance budget.

The headline social housing cost per unit is calculated using the same method as the HCA regression analysis.

4.2. Return on assets

Since our earliest days, robust asset management has been vital to our work. This has involved comprehensive stock condition surveys and net present value assessments, followed by the development of detailed masterplans and high quality refurbishment of the housing stock, using significant levels of capital grant to bridge the funding gap on negative value stock.

Where refurbishment was not financially viable, decisions were made to maximise the return on our land assets through regeneration by new build and the creation of mixed tenure neighbourhoods.

More recently we have further developed this approach through our Reshaping Poplar programme, which is built around a comprehensive approach to asset management and return on investment. We recognise that we now own 32% of land in the area, with another 30% of land being potentially available brownfield sites of which 8% are owned by the London Borough of Tower Hamlets. We therefore have one of the strongest regeneration opportunities in London. We are committed to achieving mixed-tenure development at higher densities than the existing stock, so maximising cross-subsidy from homes for sale whilst mitigating development and sales risk.

We have also facilitated the development of the ‘Stuck in the Middle’ strategy for the neighbouring areas of Lower Lea and South Poplar in partnership with the London Borough of Tower Hamlets, the GLA, Transport for London, the London Borough of Newham and the London Legacy Development Company. The Stuck in the Middle partnership has identified 110 hectares adjacent to our stock with the potential to build 40,000 new homes and create

13,000 jobs. On the back of this initiative we worked with LBTH to submit a bid to the GLA and have now secured a Housing Zone for the Lower Lea. The GLA are also developing an Opportunity Area Planning Framework for South Poplar. Both of these initiatives will help to lever in investment into the area, both in terms of new infrastructure and new housing, which will greatly increase the value of our existing assets.

Our current approach to maximising the return on our assets is characterised by extensive stock option appraisals based on detailed density calculations and net present value analysis.

Our work in securing wider infrastructure improvements, such as a pedestrian road crossing over an urban motorway near the Aberfeldy Estate and a new school and health centre in the St Paul's Way area, has been key to securing the improved neighbourhoods that allow for increased values and successful regeneration.

4.3. Asset Income Management Group

Beyond large scale projects, we recognise the importance to sweat every asset in the organisation. The Asset Income Management Group was set up in 2015/16 with an aim to achieve additional income from existing non-social housing assets. Some examples of what has been achieved to date are listed below:

Sale of the Burdett Mosque

A deal was agreed to sell the mosque that is part of the St Pauls Way regeneration scheme. This resulted in an NPV gain for the regeneration scheme of £422k compared to the base assumption of retaining the asset under the terms of the existing lease.

Solar project with GeoCapita

The project to fit a solar portfolio of approximately £1m in addition to the existing portfolio (income £450k per annum) completed in September 2016 and is anticipated to achieve a profit for investment in the community of £50k per annum as well as securing long term stable electricity prices for communal areas in the relevant blocks.

Hidden Homes

Our Hidden Homes programme has been created to identify unused or redundant spaces in our buildings and convert them into new homes that can either be let or sold. In 2016 we converted six spaces to create a one 1 bed home, four 2 bed homes and one 3 bed at a cost of £1.4m. These new homes have now been let at a combined annual rental of over £122k, representing a NPV of £422k, and have a positive impact on operating margin and interest cover. A second programme of hidden homes is now underway which will generate at least six more new properties.

Filming income

Annual income of approximately £30k from allowing filming within our area. When on an estate, the Estate Board take control of how the funds are invested locally.

4.4. Alternative use of space: Assets previously underutilised and not generating income

Tudor Lodge and Limborough House

Annual income of £25k and £4k has been achieved respectively from these assets following the agreement of new leases and licences. Previously the asset did not generate income.

Celandine Garages

Rent negotiation resulted in additional £20k annual income until 2019.

5 Alton Street Nursery

This asset has in recent years been an estate services base. An alternative asset was identified and a cost of £78k approved to convert it to a new estate services base. This has released 5 Alton Street to be let as a nursery for over £26k per annum. The project overall achieves an NPV of £240k and improves operating margin and interest cover.

Sleaford ground floor and Baring House basement commercial space

These available spaces were identified and tenants found, achieving a rent of £20k and £10k per annum for Sleaford and Baring respectively.

4.5. Risk based approach

We take a risk based approach to ensure we achieve the desired return on assets within our financial control framework. For example, we work in partnership with residential developers using land sale and barter arrangements, which means the risk is carried by the developers. We insist on overage clauses, but there is no underage. We therefore protect ourselves financially from any development losses, but share in development gains. We could take more risk and potentially make a higher financial return. However the priority is to ensure the area is regenerated and we need to ensure that that we can continue with this work in the future.

We only include conservative estimates for overages in our business plan. We do include conservative assumptions for shared ownership sales and a cash inflow from the Balfron Tower redevelopment. To test financial stability, we run a sensitivity of a 20% fall in property prices to ensure resilience and that we are operating well within our financial framework and funder’s covenants.

4.6. Examples of our success in maximising the return on our assets

A section later in this report gives detail of VFM savings achieved, which are part of maximising the return on assets.

Our communities and neighbourhoods (CaN) programme utilises community assets and a £2.8m annual revenue budget to produce social returns valued between £17M and £25m a year (calculated by HACT). An example is in 2016-2017, we supported 450 people to

achieve training qualifications and got 300 local people into jobs. This amounts to a social impact value of £3.5m.

Getting 232 JSA claimants and 68 ESA claimants into jobs meant a savings of £4m to the Treasury, based on their formula.

The regeneration of the Aberfeldy Estate, which is now onsite, where we are replacing 297 existing homes with 1,176 new homes, of which 828 are for sale, 158 are for private rent, 170 are for affordable rent and 20 are for shared ownership. We are increasing the density of the estate from an existing 160 habitable rooms per hectare to 527, increasing the value of the land and our stock holding without the need to buy additional land.

The first phase generated a profit of 28% of GDV, considerably above our original appraisal assumption of 16%, and the second phase (194 private homes and 25 affordable) generated a profit of 29% of GDV, considerably above the original appraisal of 21%. This increase in phase 2 value is set to deliver above £10m in profit share to Poplar HARCA.

We have secured overage clauses in contracts to ensure that we benefit from any upturn in the market. This strategy has generated £6.6m to date including recent completions of £1.9m for Tweed House and £1.8m for Bartlett Park. The strategy is expected to generate at least £10m for the Leopold 2 regeneration scheme.

Overage rights are assigned to Poplar HARCA Projects Ltd. Poplar HARCA Developments Ltd is the joint venture partner for the Aberfeldy regeneration project. This has enabled profits to be distributed to Poplar HARCA Ltd (the Registered Provider and Charity) by way of gift aid, thus minimising corporation tax and maximising our return on investment.

Converting the Grade 2 listed Balfron Tower from a social rented block to all private sales. The red book valuation of Balfron Tower using EUV–SH is negative (£4,030,000). By changing the tenure to private sale we anticipate that the project will generate a positive NPV and reduce financial risk for Poplar HARCA. Balfron Tower was sold in February 2017 to the Balfron Tower Development LLP, of which Poplar HARCA Projects Ltd owns a 50%. A total of 110 social homes were lost as a result of selling Balfron Tower, however as part of the wider Brownfield Estate regeneration, Poplar HARCA will deliver 148 new affordable homes, 126 for social rent. That is a 15% increase in the number of social homes on the much improved estate, a 35% increase when affordable are included. At the same time the financial risk of Balfron Tower was mitigated.

On the Burdett Estate we are working in partnership with the London Borough of Tower Hamlets and the St Pauls Way Trust School to build a new mixed residential development that will integrate a new primary school with mixed tenure housing above, thereby providing much needed primary school places for our residents. The school west wing has been completed and delivered to the LBTH in July 2017, and school is due to start its first session in September 2017.

Work is progressing on our Chrisp Street regeneration project and the planning decision is expected in October 2017. 169 existing homes are being replaced by 649 new homes and the commercial space is being increased by 16,777sq ft. This project will significantly increase the value of Chrisp St and will ensure that it continues to be the vibrant commercial heart of Poplar.

5. Abolute and comparative costs of delivering services

Poplar HARCA is a member of HouseMark. We use HouseMark data to compare our operating costs against 10 other housing providers (London stock transfer organisations, the local ALMO and other comparable providers with whom we share information).

Each year an independent polling company carries out a statistically representative survey of our residents. Analysis of resident satisfaction is therefore provided in a separate section below.

The table at figure 1 below shows Poplar HARCA's key performance indicators (KPIs) over the last four years with consistent results over these years. In 2016/17 the Housing management costs have increased due to an increase in the Anti-Social behaviour cost.

Figure 1: Poplar HARCA Efficiency Summary

Efficiency Summary for Poplar HARCA

Business activity	Cost KPI	Cost KPI Quartile			
		Poplar HARCA (2016/2017)	Poplar HARCA (2015/2016)	Poplar HARCA (2014/2015)	Poplar HARCA (2013/2014)
Overheads	Overhead costs as % adjusted turnover	Upper Quartile	Upper Quartile	Middle Upper	Upper Quartile
Major works & cyclical maintenance	Total CPP of Major Works & Cyclical Maintenance	Upper Quartile	Upper Quartile	Upper Quartile	Middle Upper
Responsive repairs & void works	Total CPP of Responsive Repairs & Void Works	Middle Lower	Middle Lower	Middle Upper	Middle Lower
Housing management	Total CPP of Housing Management	Median	Upper Quartile	Middle Upper	Upper Quartile
Estate services	Total CPP of Estate Services	Lower Quartile	Lower Quartile	Lower Quartile	Lower Quartile

Quartile key

	Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
Valid dataset							
Small dataset							

5.1. Peer comparisons and cost trends

We have further analysed our cost trends and compare that with our Peer group. The below tables and graphs show the key business areas of Poplar HARCA with its Peer group.

Poplar HARCA Overhead cost

Poplar HARCA has low overhead costs (also known as back-office costs). The results show that both premises and central overhead costs are the lowest in the peer group. This is largely driven by the termination of the lease agreement for occupation at Quebec wharf and retendering of the general business insurance. These have both reduced cost in terms of rental payment and policy premiums payable.

Finance and IT costs have increased as part of a deliberate strategy to invest in enhanced controls. The majority of the highest strategic risks that we face are owned and monitored by the Finance Team. IT has invested significantly in recent years in areas such a disaster recovery and battery backup to ensure no down time.

Table 1: Overhead cost summary (cost per direct employee)

	Peer Group Quartiles				2016/2017		2015/2016		2014/2015		2013/2014	
KPI	Sample	Upper	Median	Lower	Result	Rank	Result	Rank	Result	Rank	Result	Rank
Premises	11	4,665	6,734	8,339	666	1	2,950	3	3,725	4	3,216	3
ITC	11	6,675	9,051	11,205	10,004	7	9,469	7	9,482	7	8,023	5
Finance	11	3,518	4,749	5,642	4,749	6	3,186	3	2,350	1	1,957	1
Central	11	7,693	9,330	15,677	6,343	2	5,768	1	7,744	4	6,465	3
Total Overheads	11	22,551	29,864	40,863	21,762	4	21,373	4	23,301	4	19,661	4

Housing Management cost

In summary, we are now above average cost in our HouseMark data on total housing management cost per unit. However significant cost reduction can be seen I the management of maintenance which is separate to total housing management costs. The movement is largely due to cost allocation. The resulting position, with high housing management costs is being investigated.

Performance in housing management has been good and a number of complex strategies incorporated (such as asset evaluation of void properties and mixed tenure outcomes). With above 100% rent collection, 100% resolution of ASB cases and relatively high resident satisfaction (considering the backdrop following tough decisions by the Board such as cutting the police team and increasing parking charges), the cost of housing management during a transitional year (new strategies) may be above average but is still good value for money.

The below table summarises the Housing management cost and compares Poplar HARCA's housing management cost over the last four years and with its Peer group.

Table 2: Housing Management - Cost Summary

Housing Management - Cost Summary												
	Peer Group Quartiles				2016/17		2015/2016		2014/2015		2013/2014	
KPI	Sample	Upper	Median	Lower	Result	Rank	Result	Rank	Result	Rank	Result	Rank
Total Housing Management	14	542.28	607.39	657.59	615.78	6	542.43	4	578.5	4	541.66	3
Direct Housing Management	14	352.48	380.23	393.21	394.59	8	367.49	6	388.67	7	380.11	6
Direct Rent Arrears & Collection	14	94.34	114.79	123.84	113.94	6	112.48	6	115.64	7	120.38	7
Direct Resident Involvement	14	35.18	59.03	64.81	62.99	6	59.89	6	37.76	4	31.23	2
Direct Anti-Social Behaviour	14	38.8	47.63	61.29	90.64	11	69.84	11	76.81	11	61.77	11
Direct Lettings	14	34.65	42.03	51.34	33.93	3	32.22	3	44.28	7	40.78	6
Direct Tenancy Management	14	82.17	94.9	123.76	93.09	6	93.07	6	114.19	8	125.95	9

Housing Management performance

The latest resident satisfaction figures show excellent performance, confirmed by the repairs and voids performance summary. Performance on repairs is among the top few in our benchmark group. Overall, Housing Management performance in 2016/17 remained stable year on year. Performance on resolving anti-social behaviour remained high at the top quartile.

We are committed to improving the lives of our residents creating sustainable, safe and healthy neighbourhoods with good access to employment and leisure opportunities. We have resourced a number of initiatives such as a family intervention programme, an intervention for households at risk of eviction and anti-social behaviour initiatives. These impact on our costs in areas such as tenancy management and anti-social behaviour but produce high social returns and savings in, for example, reducing evictions and crime-related costs. We are top quartile performers on percentage of anti-social behaviour cases successfully resolved, showing the value of our work in this area. The investment in these areas also contributes to tenant satisfaction levels as detailed earlier in this document.

Table 3: Housing Management Performance Summary

Housing Management - Performance Summary												
	Peer Group Quartiles				2016/2017		2015/2016		2014/2015		2013/2014	
KPI	Sample	Upper	Median	Lower	Result	Rank	Result	Rank	Result	Rank	Result	Rank
Rent collected as % rent due (excluding arrears b/f)	12	100.34%	99.52%	98.64%	100.34%	2	98.49%	9	96.58%	9	101.51%	1
Current tenant rent arrears as % of rent due	11	3.86%	4.51%	5.41%	5.41%	8	5.71%	9	5.24	8	4.3	6
% of anti-social behaviour cases successfully resolved	1	99.60%	93.80%	86.20%	100%	1	100%	1	95.90%	5	99%	4
Rent loss due to empty properties as % of rent due	9	0.76%	1.03%	1.26%	1.44%	9	1.30%	9	1.70%	9	1.10%	9
Number of tenancies terminated as % of properties managed	8	3.50%	3.80%	4.60%	2.43%	1	4.20%	TBC	6.40%	8	4.40%	7
Percentage of all repairs completed on time	10	96.40%	95.30%	92.00%	99.38%	N/A	99.60%	N/A	98.80%	N/A	98.40%	N/A
Average number of calendar days taken to complete repairs	14	5.8	8.5	12.8	6.51	3	5.5	5	6.2	3	4.2	1
Average re-let time in days (standard re-lets)	14	22.7	26	30.4	34	TBC	20	TBC	28	9	25	6
Average cost of a void repair	14	£2,769	£3,471	£4,180	£5,476	TBC	£6,494	TBC	£2,821	3	£6,105	14

Figure 2: Responsive Repairs, Voids and Major Repairs Cost Summary

KPI	Size	UQ	M	LQ	2016/2017			2015/2016			2014/2015		
					Result	Rank	Quartile	Result	Rank	Quartile	Result	Rank	Quartile
Total CPP of Responsive Repairs & Void Works	14	958	1,043	1,142	1,096	8		1,123	9		956	4	
Total CPP of Responsive Repairs (Service Provision)	14	518	577	632	510	3		539	4		497	3	
Total CPP of Responsive Repairs (Management)	14	181	224	275	150	2		217	7		238	8	
Total CPP of Void Works (Service Provision)	14	116	177	265	404	11		345	11		185	8	
Total CPP of Void Works (Management)	14	22	37	61	32	4		21	4		36	5	
Total CPP of Major Works & Cyclical Maintenance	14	1,308	1,558	2,092	661	1		830	2		1,255	2	
Total CPP of Major Works (Service Provision)	14	833	992	1,425	275	1		495	2		909	5	
Total CPP of Major Works (Management)	14	87	118	143	49	1		32	1		118	7	
Total CPP of Cyclical Maintenance (Service Provision)	14	229	270	506	270	5		270	5		196	2	
Total CPP of Cyclical Maintenance (Management)	14	44	58	78	66	5		33	1		31	1	

Quartile key							
	Upper Quartile	*Middle Upper*	*Median*	*Middle Lower*	*Lower Quartile*	*N/A*	*No Data*
Valid dataset							NA
Small dataset							NA

Further improvement in cost of voids

In the section below we describe our strategy control the cost of repairs and voids. The table below shows the repair cost per property owned. In comparison with our house mark peer group, property repair performance is in the median quartile with the exception of void

repair which is in the lower quartile. Performance in terms of repair completion and satisfaction with repair quality has been excellent; therefore our primary focus is to reduce cost.

Void repair cost per property was budgeted at £190 per property (across all owned stock). This was reported in the 2016/17 VFM self-assessment. The actual cost per property was much higher at £436. The response to the ongoing cost pressure of empty homes requiring substantial void repair is the strategy to sell select homes by assessing using our Asset Evaluation Matrix and to reinvest the proceeds in new homes at a replacement ratio of 1.5 or more.

We developed an Asset Evaluation Matrix which is used to calculate the value and return on our properties. We use this information to identify areas for improvement and as a decision making tool to calculate properties that it would be advantageous to sell or use in another way. Disposal proceeds will be used to buy new S106 affordable homes. Selling void stock that have the highest void repair need and future maintenance liability will reduce void expenditure in the short term and planned maintenance in the longer term.

We have a long-term regeneration and redevelopment programme, which aims to replace lower quality stock over a period of time. Decanting crystallises void repair costs and has a negative impact on the tenant turnaround performance. Decanting is a necessary part of regeneration for those sites where we have calculated that redevelopment is more efficient and effective than refurbishment. Our strategy is delivering better quality stock and the recent void expenditure improves the quality of existing homes in addition to the new homes that we are building.

We have seen a major reduction in repairs spending after refurbishment work – our analysis of four blocks has shown a 58% average decrease in communal repairs post refurbishment. Internal repairs in refurbished homes cost 25% less than internal repairs in properties pre-refurbishment.

The business plan includes increased major works budget from 2019/20. The best use of this resource is critical and to ensure this, all the above will be assessed using the latest 2017 stock condition survey data to ensure the additional resource is invested to reduce risk and long term financial cost of maintenance.

We have deliberately avoided major partnering contracts with repairs and maintenance contractors which have caused financial and operational difficulties for some other associations. Instead, we recruit smaller locally-based contractors, producing a positive social return and boost to the local economy.

Table 4: Repairs cost per property owned

	Actual						Budget
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2016-17
Total repairs £	1,071.36	1,277.26	1,218.39	1,017.33	1,320.28	1,096.00	1,001.20
Responsive repairs £	695.15	717.45	679.28	649.85	652.86	660	461.14
Void repairs £	172.37	339.45	313	201.93	381.2	436	190.57
Homes owned	**6,216**	**6,206**	**6,260**	**6,122**	**6,195**	**6,018**	**6,198**

Universal Credit and Arrears

The Board has been kept apprised of Welfare Reform through the CSR and the tracking of tenants affected by the benefit cap and bedroom tax in the performance report. Now with the roll out of Universal Credit (UC) locally we are seeing a similar trend emerging as has been experienced in the pilot and early roll-out areas.

UC is a single monthly payment for people in or out of work. It replaces:

- Housing Benefit
- Child Tax Credit
- Income Support
- Working Tax Credit
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance

A working example to demonstrate the impact of UC on the individual – Mr Stride loses his job and makes a new claim for UC on 15 July. He must wait seven days before his claim can start. This makes his assessment date the 22 July. It means he will be paid on the 22nd of each month. He needs to wait one assessment period (that's a calendar month) to 22 August because UC is paid monthly in arrears. He also needs to leave up to seven days for the money to reach his account. He should expect his first payment of Universal Credit no later than 29 August. That is no benefit paid between 15 July and 29 August during which time debts will accrue – including rent arrears. If Mr Stride does not pay the rent arrears when the money hits his account, he can expect to be served with a Notice Seeking Possession as he will owe in excess of 4 weeks rent.

We are now able to analyse the impact on our tenants, and the potential impact on our finances given almost half of our tenants are in receipt of benefits:

	No.	in arrears	% all tenants	% in arrears
Tenant households	5,495	1,704	-	31%
HB	2,618	1,255	48%	48%
UC	368	296	6.7%	80%
Bedroom tax	303	136	2.5%	45%
Benefit cap	35	17	0.3%	49%

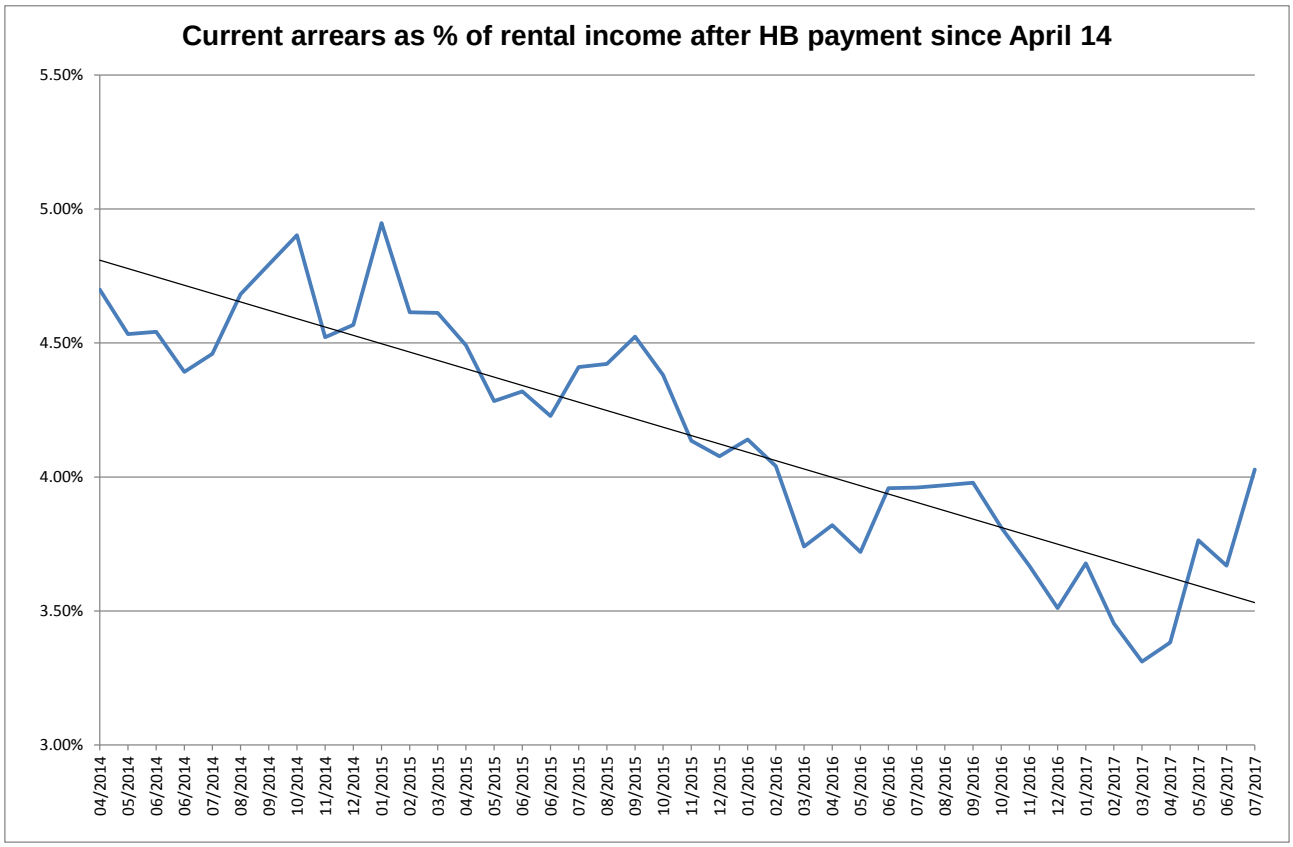
Our analysis mirrors the experience of others. A recent survey from the National Federation of Arm's-Length Management Organisations and the Association of Retained Council Housing revealed the total shortfall in rent from tenants claiming Universal Credit at £6.68m which represents a significant chunk of the £68.5m total value of council rent arrears from landlords surveyed, despite Universal Credit claimants only making up 2.6% of tenants.

Welfare reform and UC is now the number one risk to the organisation. The potential impact after controls has been assessed as up to £5m with a likelihood of occurring once in every two years. This is in excess of the stress test scenario applied in June 2017. As a result, the Finance Team will report to FGP in November and consider this in detail. The budget scoping report in November will pick up this issue with the Board in terms of ensuring the appropriate financial resilience and financial control framework.

The risk to the year 2017/18 is not expected to be material. The risk map scoring assumes years 2018/19 and 2019/20 are the years in which there will be financial impact (bad debt provision increase and cash flow impact).

The below figure 4 shows our current rent arrears, and with the introduction of universal credit our rent arears are likely to increase significantly.

Figure 3: Current Arrears Trend Analysis



6. Resident satisfaction survey

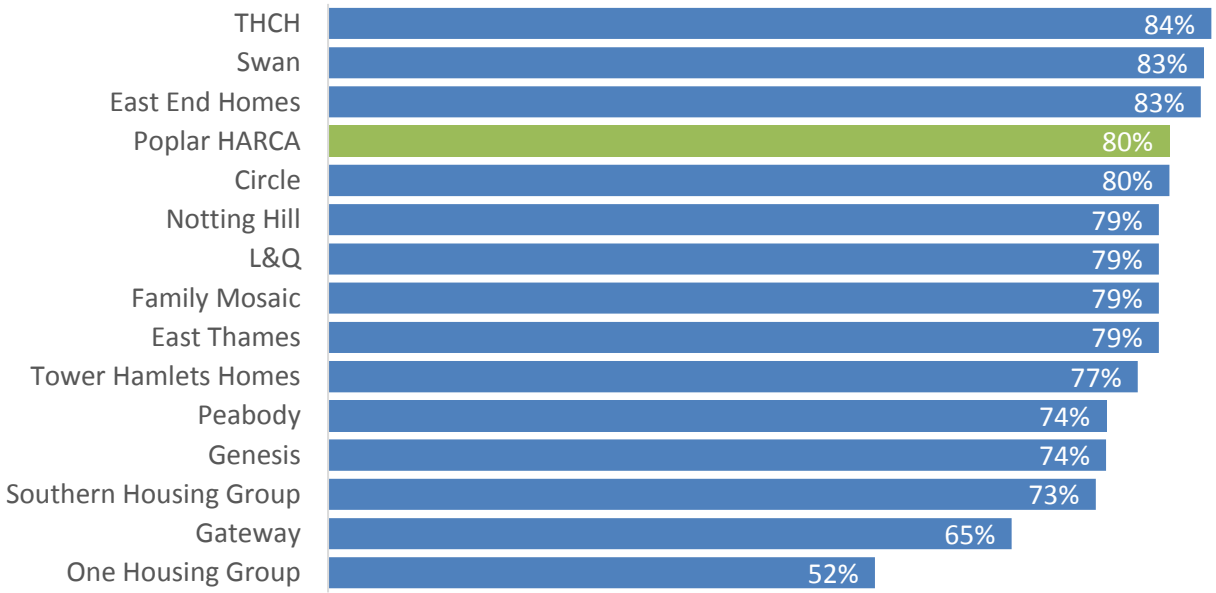
Each year an independent polling company carries out a statistically representative survey of residents. The 2016 survey was presented to our Board in November 2016.

The headline survey results are:

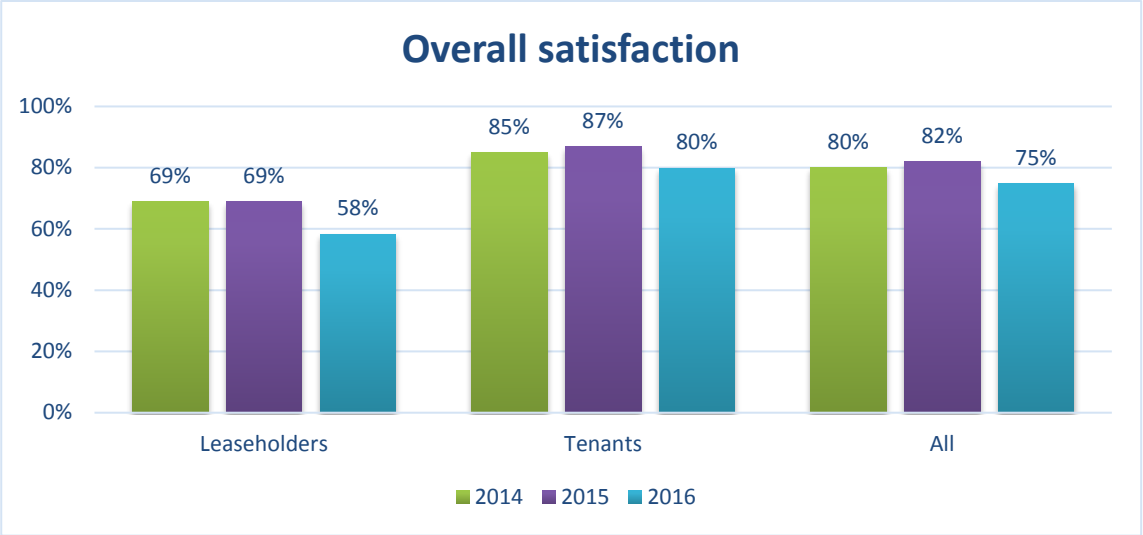
- **80%** of tenants surveyed are satisfied overall
  (2015 – 87%, 2014 – 85%, 2013 – 83%, 2012 - 79%, 2011 - 69%)
- **48%** of leaseholders surveyed are satisfied overall
  (2015 – 69%, 2014 – 69%, 2013 – 51%, 2012 - 68%, 2011 – 48%)
- **79%** of all residents surveyed are satisfied overall
  (2015 – 82%, 2014 – 80%, 2013 – 79%, 2012 - 77%, 2011 - 59%)

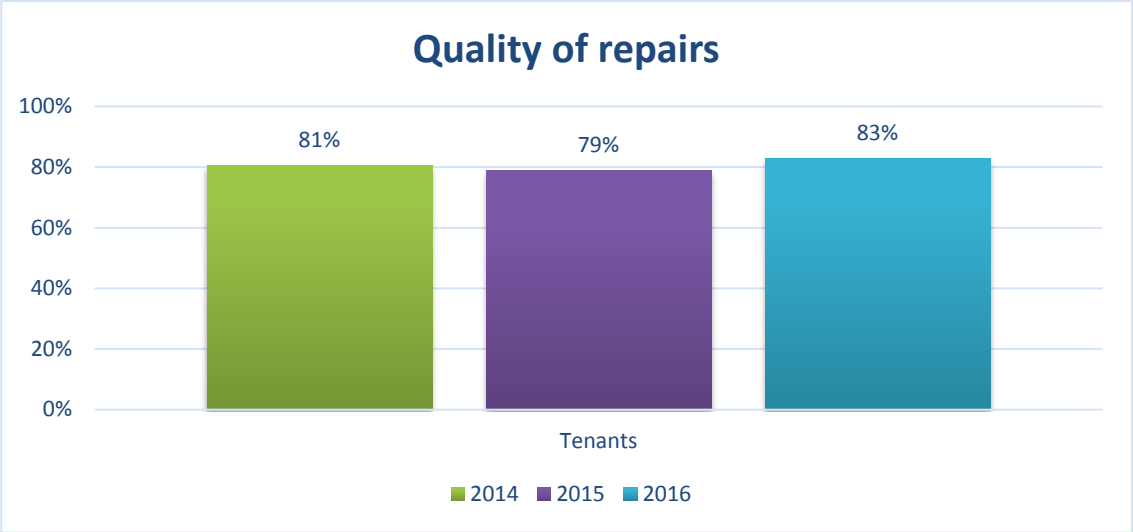
Benchmarking of London tenants' satisfaction through Housemark shows upper quartile at 79%. Through the Tower Hamlets Housing Forum and information shared from local landlords we can compare some headline results:

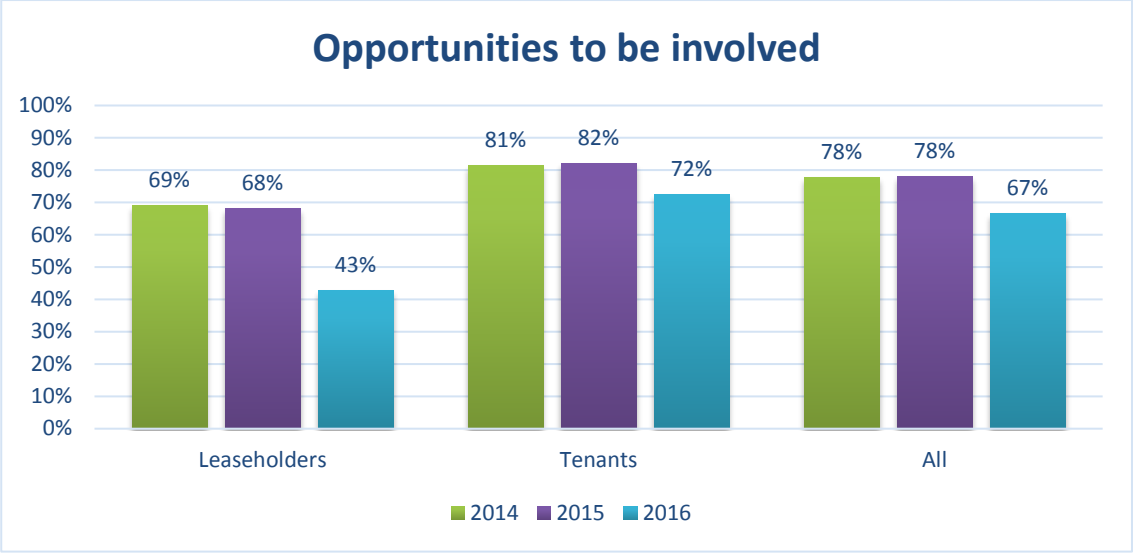
Figure 4: Poplar HARCA Resident Survey with Peer Group



The full resident survey report can be found on the Value for Money page on our website: http://www.poplarharca.co.uk/content/value-money


Overall satisfaction
100%
80%
60%
40%
20%
0%
69%
69%
58%
85%
87%
80%
80%
82%
75%
Leaseholders
Tenants
All
2014
2015
2016

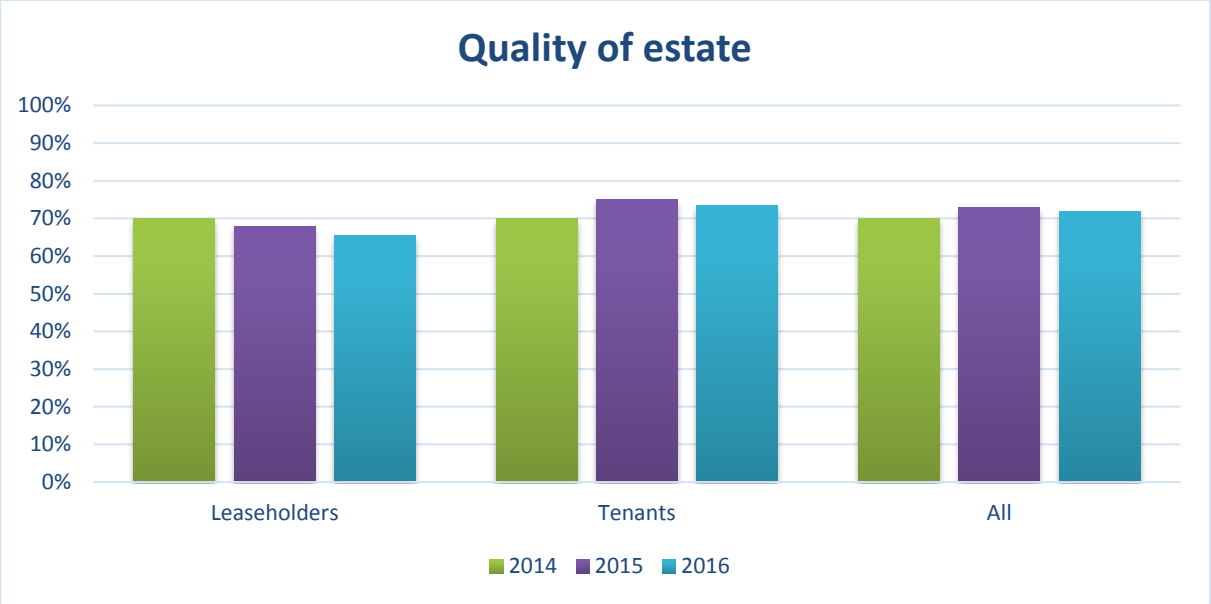

Quality of repairs
100%
80%
60%
40%
20%
0%
81%
79%
83%
Tenants
2014
2015
2016

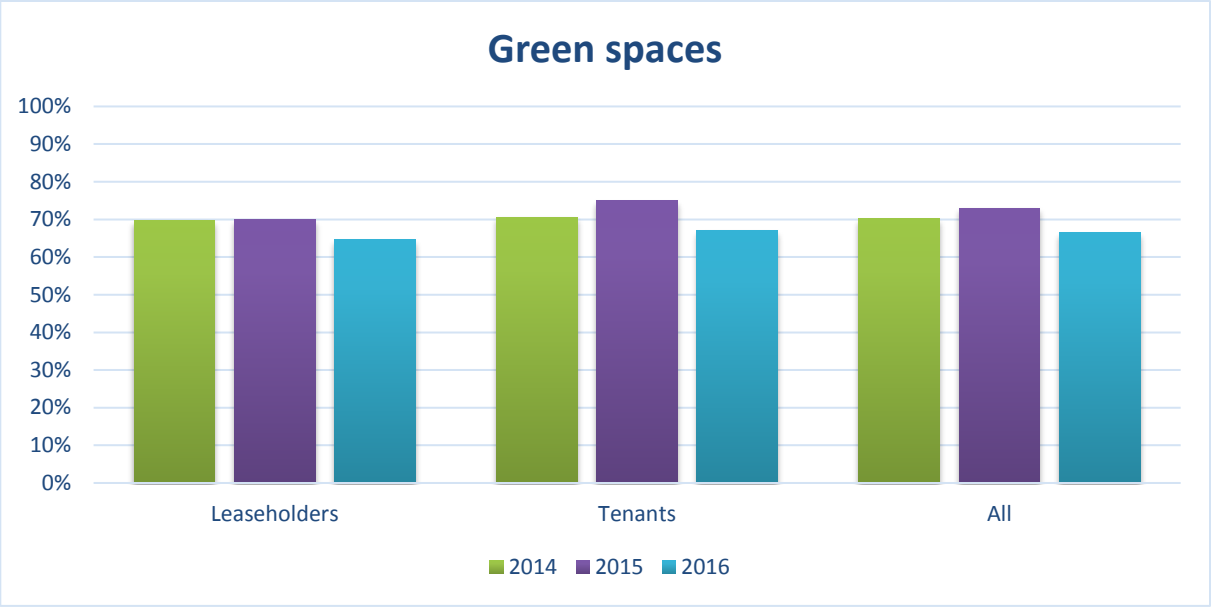

Opportunities to be involved
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
69%
68%
43%
81%
82%
72%
78%
78%
67%
Leaseholders
Tenants
All
2014
2015
2016

Estate services

Estate services costs have been relatively static whilst performance has improved significantly. We describe in this document how a restructure added more front line resource and a higher specification service without additional cost by reducing back office management costs. The results in our independent survey found that satisfaction with the quality of the estate has increase from 69% in 2012 to 73% for all residents (including leaseholders). We now aim to continue to improve the quality of estates, keep cost per home stable.

In 2016-17 we changed to a standards- based service delivery model. In practice this means that instead of Estate Services Operative mopping the floor every day (input centred approach), they carry out daily checks and ensure that the floor is kept to a prescribed standard of cleanliness (output- centred approach). This adjustment will lead to time and cost efficiencies.





Evidence for past VfM gains and VfM gains going forward:

7.0 Key VfM gains:

The 5% cost saving drive in 2016/17 saved approximately £1.6m from operating cost budgets.

The 1% efficiency saving in the 17/18 will deliver a further £0.3m assuming delivery on budget for operating costs.

We have saved £150,000 per year by closing down an office and using existing office space more efficiently.

The total additional income from the Asset Income Monitoring Group is £200k per annum

In 2016 we renewed our Development Framework agreements, thereby saving the need for expensive OJEU compliant tendering procedures every time we commence a new development.

Other social value

Poplar HARCA covers three wards. Up until 2007 two of these were the two poorest and the third was the 8th poorest in London. Encouragingly, by 2010, this had improved with two wards being 2nd and 8th poorest and the third ward no longer in the bottom 20. By 2013, the two poorest wards had moved out of the bottom 10.

Communities and Neighbourhoods VFM 2016-2017

Our communities and neighbourhoods (CaN) programme is a key priority for us. Our budget of £2.8m is supplemented by further funding of £1m secured externally. Over 90% of activities run from our 12 community hubs are delivered by (and often funded by) external partners, with savings secured through these arrangements contributing towards the funding of three new community hubs.

The CaN programme delivers excellent social returns, helping to address the effects of high youth density such as youth-related crime and anti-social behaviour. Using HACT's Value Calculator in measuring social impact, the value of the impact that CaN has achieved is £17M.

Activity	Overall budget	Overall social impact	Analysis of benefit	
			Budget: Social Impact	Net benefit
Employment & Training Hub	£150,000	£2,682,721	18	£2,532,721
Employment & Training Hub	£150,000	£865,601	6	£715,601
Volunteering	£60,000	£702,520	12	£642,520
Youth Work (Spotlight)	£500,000	£2,219,869	4	£1,719,869
Supporting Community Organisations	£160,000	£6,420,466	40	£6,260,466
Events	£50,000	£1,176,559	24	£1,126,559
Centre activity	£900,000	£3,114,605	3	£3,013,605
Others	£830,000		0	
TOTALS	**£2,800,000**	**£17,182,340**	**6**	**£16,011,340**

Our Employment and Training Team working jointly with our partners this year has supported 450 people to achieve accreditations and get 300 local people into jobs. This amounts to a social impact value of £3.5m. In terms of savings to the Treasury, based on a saving of £14,044 per JSA claimant entering work (232) and £12,568 per ESA claimant entering Work (68), we have saved them a total of £4m.

The social impact value of the activities delivered at our 4 major community centres in 2016-17 is £3m. This does not include the capacity building activities that our staff provide to local voluntary organisations and resident groups which has generated a value of £6m.

Poplar HARCA expects to benefit from falling management costs such as anti-social behaviour and reduced arrears as this economic and social benefit comes to fruition over the next ten years. For residents, the economic benefit will impact positively on local job opportunities and the social benefit will improve people's lives in areas such as health and education. Therefore CaN is a crucial element to delivering our mission of making Poplar a place where people choose to live, work and enjoy life.

Spotlight

In 2016/17 Spotlight was successfully awarded the contract to deliver all of the LBTH's commissioned youth services within Poplar HARCA's geographical area. This expansion saw Spotlight's youth service increase to cover four wards of Mile End, Poplar, Bromley North & Lansbury. Spotlight was also awarded funding from the Big Lottery to deliver a programme of outreach, specialist Support and youth volunteering.

Spotlight continued to deliver an exciting programme themed under the categories of Get Creative, Get Active and Get Inspired.

Implementation has been led by external partners with Spotlight utilising local delivery partners such IMD Legion, Leaders in Community, Urban Interface Dance UK, Ruff Sqwad Arts Foundation, Limehouse Boxing Academy, XLP, Bow Arts, Boy Blue Dance, S+K Project, and High Rise Theatre. The centre has also attracted high profile partners such as the V&A, Dulwich picture Gallery, the Barbican, CREATE London, the London College of Fashion, Celtic FC Foundation and Fight 4 Change. Our specialist support services have been bolstered through partnerships with the NSPCC, Docklands Outreach and Lifeline Renewal.

2,103 individual young people attended Spotlight between 1st April 2016 and 31st March 2017 (427 more than the year before, 886 more than during the same period in 2014/15). In 2016/17 young people attended 26,795 times across 1,720 sessions that were delivered.

The total number of young people registered as members as of March 2017 is 4,236. Of these, 1,829 are young women and 2,258 young men with 149 Unknown.

Employment & Training

The Employment and Training team have engaged with approximately 1,200 people throughout the year, providing one to one support, organising jobs fairs and running accredited training for work. As a result, 300 people successfully got a job.

This year we ran bespoke programmes targeted at specific needs or specific groups of people. Some of these programmes include:

- Inspire 50 - a programme that provided employment support to almost 100 people over 50
- Future Moves which was a pilot programme that worked with 15 young people who were Not in Education Employment and Training (NEET) and achieved over 90% success of progress sing them back into education and into employment.
- Benefits Cap Support - Worked with 76 families affected by the benefit cap.
- Talent Match programme which worked with 65 young people who have multiple barriers to employment achieved 66% success of moving clients into employment and self-employment and 5% into further education.

We have built on our relationship with employers and delivered the following:

- Talent Pool programme and Pre-apprenticeship programmes for Barts Health NHS Trust

- Worked with East London Business Alliance and Broadgate Estates – to bring opportunities in cleaning, security, front of house and retail to local residents
- Successfully organised three well-attended jobs fairs including one dedicated to construction jobs with a total attendance at the jobs fairs of 345
- We have supported 300 people to achieve job outcomes
- We have trained 450 residents who have achieved qualifications.
- We have started our own ESOL (English for Speakers of Other Languages) courses and have enrolled 50 learners onto the courses
- Raised almost £500k external funding for employment and training support work

Environmental returns

Our major community hubs have supported 15 existing local community food growing projects spread over 12 estates, benefitting a total of 353 people in 2016-2017. This has generated a social value impact of £ 520,964.

CaN has worked with colleagues in other teams to promote the Local Energy Advice Programme (LEAP), and encourage local residents especially those at risk of fuel poverty to sign in to the free service. Latest figures show that the project has generated an estimated savings of over £300k for 178 households.

Volunteering

Volunteering is an essential element of a thriving and successful community. Those who volunteer to help others also help themselves, and their wider community, through creating strong social bonds that protect us all. We develop and run services in a way that involves volunteers in all aspects of our work and our aim is to build the most successful volunteering community in London.

In 2016-2017, we have engaged 230 new volunteers, who have contributed their time and skills regularly at least once a month at our neighbourhood centres. The social value impact generated by our regular volunteers is £702,520 while the value they created for Poplar HARCA, using the Accounting for worth tool is £343,511.