



Group Business Plan 2022-25





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Headlines

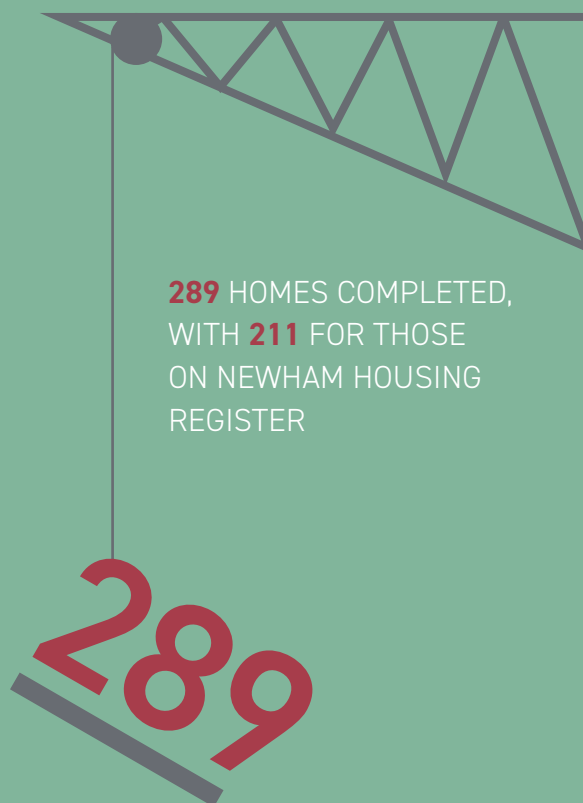
Achievements 2020–21



622 HOMES UNDER CONSTRUCTION



308 (184%)
MORE HOMES
DELIVERED, WITH 231
BEING AFFORDABLE



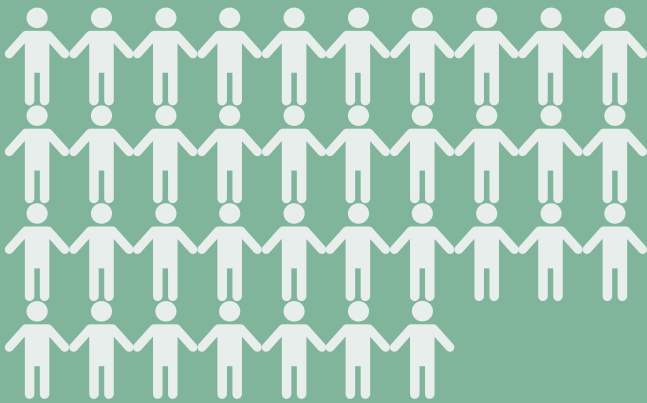
289 HOMES COMPLETED,
WITH **211** FOR THOSE
ON NEWHAM HOUSING
REGISTER

519 (311%) MORE HOMES UNDER
MANAGEMENT THAN LAST YEAR. 453 (66%) OF
TOTAL HOMES MANAGED ARE AFFORDABLE



25% OF
CONSTRUCTION
WORKERS ARE
NEWHAM
RESIDENTS





TEAM HAS GROWN TO **37**



AVERAGE SCORE OF
4.7 OUT OF 5 FOR
CUSTOMER SERVICE

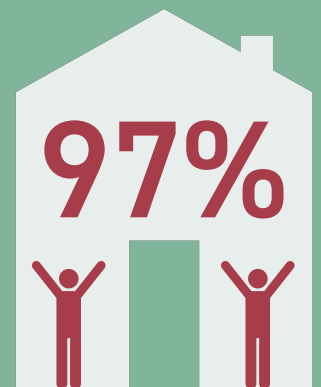
Targets 2022–23

731



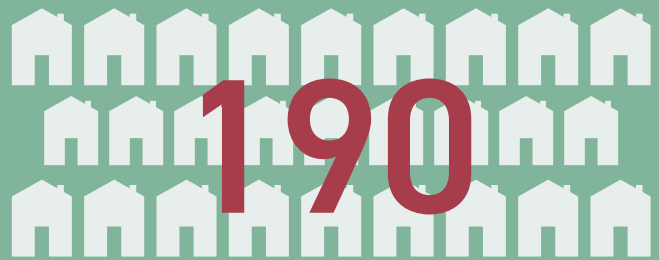
AVERAGE OF **731** HOMES
UNDER CONSTRUCTION

MAINTAIN AN
ANNUAL AVERAGE
OCCUPANCY OF
AT LEAST 97%



195

195 NEW HOMES
TO BE BROUGHT
INTO MANAGEMENT,
WITH **80%** FOR
AFFORDABLE RENT



190

190 NEW AFFORDABLE HOMES
TO START CONSTRUCTION

Forecast 2040



7,400 NEW HOMES TO
BE DELIVERED, WITH **2,250**
MORE AFFORDABLE THAN
PREVIOUS YEAR

£269m



£269 MILLION
TOTAL RETURN
TO THE COUNCIL

£1.2 BILLION OF
INVESTMENT
REQUIRED



70% OF NEW HOMES TO BE AT
AFFORDABLE RENT LEVELS



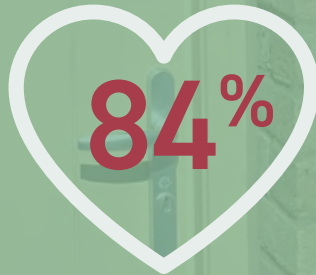
POPULO TO BE
CARBON NEUTRAL
BY 2030

ALL NEW HOMES
TO BE ENERGY
EFFICIENT



Populo residents

84% OF POPULO RESIDENTS ARE EXTREMELY OR VERY SATISFIED WITH POPULO LIVING



£££

63 % OF POPULO RESIDENTS THOUGHT THE AFFORDABILITY OF THEIR HOME WAS EXCELLENT OR ABOVE AVERAGE



84% OF POPULO RESIDENTS SAID THE TEAM WERE EXTREMELY OR VERY RESPONSIVE

2/3 RESIDENTS SAY THEY ARE EXTREMELY OR VERY LIKELY TO RENT THEIR NEXT HOME FROM POPULO LIVING



Chair's statement

Over the last 12 months we have made great progress delivering on our 'triple dividend' of Social, Economic and Environmental benefits for Newham. In the face of a challenging environment, we will have increased the number of homes in management by at least 184%, delivering 231 new affordable homes and 77 new market rent homes. We have commenced a programme of new home acquisitions that has the potential to rapidly increase the scale of the Group and deliver greater shareholder value.

Furthermore, as Development Managers, we have led the production of a high-quality, sustainable, and resident-led masterplan for the Carpenters Estate. Residents were asked to vote for this masterplan as part of a wider Landlord Offer set out by Newham Council this November. We were delighted that a large majority backed the plan, which we can now take forward.

I am extremely proud of how well our team continue to work and perform to provide quality homes for Newham residents. The new joiners to the business have brought ideas and enthusiasm, which is always welcome. As we have emerged from lockdown over the summer, the importance of listening to our employees and ensuring that we give them the support they need to enable them to enjoy and do their jobs well – wherever they are working – is paramount. This will be a continued focus for the Board and Executive over the coming year as we adjust to hybrid working patterns.

I am delighted that Populo Homes - our Registered Provider subsidiary - is fully established and providing high quality services for residents in our new affordable homes. The Board of Populo Homes is highly-skilled and they make a positive contribution to overall Group activity.

How we approach environmental sustainability is crucial to our business. Our investment in a Sustainability Manager to lead our approach to becoming carbon neutral by 2030 demonstrates our commitment. The challenges we face - both as Populo and as a housing

industry – are surmountable with the necessary thought and investment, and we intend to take a leadership role in this area over the coming years.

It has never been more important for us to have a clear values-driven focus on our purpose and strategic direction. Our first year as Populo Living focused on delivering the first new affordable homes into management. This Business Plan continues the evolution of Populo Living led by the Executive team over the past couple of years. The Group's approach to development and acquisitions is very different to that set out in previous years and the effect on our Plan is dramatic, with more new homes delivered – including more affordable homes – and more revenue returned to the Council sooner.

While we are of course managing our risks, our focus remains on doing all we can to provide great quality homes for Newham residents and delivering wider

Shareholder value. I am confident 2022 will be another strong year for Populo's growth and ambitions.



Nigel Taylor
Chair, Populo Living



1

Introduction

1. Introduction

This Business Plan covers the operating period from April 2022 to March 2023 in detail and sets a longer-term delivery target for the next 20 years.

It has been prepared and reviewed in accordance with governing documents between Populo and our Shareholder, the London Borough of Newham ("Council"). It sets out the planned activities, objectives, deliverables, performance management, and forecast financial performance for the three companies within the Populo Living Group (The Group). The Group includes Populo Living Ltd ('Populo'), Populo Design and Build Ltd - our in-house development subsidiary - and Populo Homes - our Registered Provider subsidiary.

Populo is focused on increasing the supply of high quality, sustainable homes in Newham. We seek to maximise the number of genuinely affordable homes provided across our group. We subsidise our affordable homes with income from government grants and our market rental homes.

Over the past three years, the Council has invested £115m in Populo, with a further £125m committed to the middle of 2023. This represents a significant vote of confidence in our ability to act commercially to generate a long-term financial return to the Council. We continue to focus on protecting and enhancing our Shareholder's investment whilst delivering high quality sustainable homes, and strong communities.

During this Business Plan period we expect to undertake the following activities:

- Make recommendations to the Council (in the form of an Options Appraisal) on how best to take forward any given site in respect of the objectives of Populo and our Shareholder;
- Subject to a decision on the preferred option, to secure an interest in the site through an Agreement for Lease with the Council. The grant of a new lease will be conditional on Populo securing full planning permission and funding approval;
- Use our working capital resources to progress sites through the planning process, gaining planning permission before moving onto technical design and construction. Upon completion, the homes will be transferred into the management of one of the Group companies;
- Provide a Development Management Service for the Council or any other public sector organisation with the aim to bring forward development projects, including rooftop and infill development, and progress them through the full development process;
- Operate as Landlord and Asset Manager for all affordable homes – rented or leasehold - that Populo has built and transferred to Populo Homes, complying with the requirements of the Regulator for Social Housing;
- Operate as Landlord and Asset Manager for all market rent homes, complying with all regulations;
- Acquire completed homes on the open market where appropriate, subject to viability and funding approval;
- Deliver housing management services for various tenures on behalf of the Council, as part of its wider acquisition programme;
- Work in partnership with the Council to develop, implement and measure our impacts against a Towards a Better Newham Joint Delivery Plan. This will recognise and harness our unique potential to support the Council's ambitions to place the health, wealth and happiness of Newham's residents at the heart of post-COVID economic recovery.



We are Populo

2. We are Populo

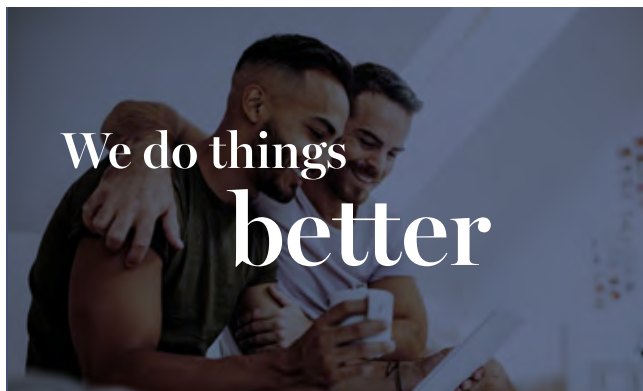
Our Purpose

We are making Newham home for everyone. We are designing and building better homes and places, and our environmentally friendly developments will become communities and strengthen existing ones. Whether for private or social rent, residents will enjoy excellent standards of design and attention to detail. Together with Newham Council, we are focused on the need to deliver for Newham's people. This long-term commitment means that our exceptional customer service and commitment to you, and Newham, is here to stay.

Our Values

We do things better: We constantly learn and seek to improve things. We believe that people in Newham should enjoy the best possible design, build and management standards. We innovate in order to create and deliver quality homes responsibly and sustainably. We look for ways to deliver the best quality we can while ensuring value for money.

We care: 'Populo' means 'with the people' – we put people first. We engage with our residents and each other because we know that Newham is its diverse people, and our success depends on both our team and our residents. We're dedicated, passionate and believe that what we do matters.



We create community: Newham should be home for everyone that wants to live here. We include, involve, and support existing communities and create strong new ones. We're committed to providing an attractive and more sustainable built environment; we want local communities to thrive. We're here for the long-term and are planning for the future.



Populo intends to deliver a 'triple dividend' for Newham in the form of Social, Economic and Environmental sustainability:

- **Social** – by building more homes for Newham residents – including at least 50% genuinely affordable homes – and supporting the Council to deliver its Towards a Better Newham plan.
- **Economic** – by delivering a long-term revenue stream back to the Council that can be used to support core council service delivery.

- **Environmental** – by creating great places that promote health and wellbeing and which reduce carbon emissions.

We recognise that, because we are a wholly owned delivery vehicle of the Council, we are presented with a unique opportunity to contribute to the health, happiness and wellbeing of Newham's residents; through our approaches to planning, funding, delivering and operating new homes. These aims align with Populo's 'triple dividend' ambitions and also sit at the heart of Towards a Better Newham, which is the Council's overarching strategy for delivering a fair and inclusive economic recovery in Newham post COVID.

Populo's aim is to unify those Pillars with our 'triple dividend'. Our strategy will focus on five core objectives:

1. To be widely recognised as a trusted and professional housing development and management company, building on our reputation for innovation and good governance with our Shareholder, tenants and the communities we work in.
2. To develop an organisational culture focused on continuous improvement and operational efficiency where we consistently maximise the 'triple dividend' for Newham.
3. To be ambitious, delivering at least 1,700 new homes by 2025 - of which at least 50% will be genuinely affordable.
4. To grow the talent in our team, maximising diversity, inclusion, and investment in our people to underpin our growth ambitions.
5. To drive best performance, achieving top-quartile service levels while ensuring our homes are safe and sustainable, and our communities are places where people want to live.

Over this business planning period we will develop, implement, and measure the positive impacts that we deliver against the 'Towards a Better Newham' Joint Delivery Plan, in partnership with the Council.

The Joint Delivery Plan will build upon and extend the breadth of effective partnership working that is being put in place between Populo and the Council and will look to identify and secure the multitude of opportunities to benefit Newham's communities that are presented by our unique businesses model:

- Tackle the housing crisis by delivering the affordable, high quality homes that Newham's residents deserve
- Because we are wholly owned, reinvestment in Newham is at the heart of our business model as any surpluses are reinvested into delivering affordable homes for Newham resident. But we recognise that further opportunities exist for reinvestment in Newham across our business model, including:
 - Unlocking the potential of Newham residents through supporting training, skills development and employment opportunities in our corporate processes and our approach to each scheme;
 - Localising our supply chain and supporting community businesses;
 - Supporting successful communities and places through our approach to development and housing management;
 - Working openly with tenants and communities and building their capacity and role within the stewardship of their areas;
 - Encouraging our partners, contractors, suppliers, and advisors to share in these commitments.
- We acknowledge that the Council is developing a framework of key performance indicators targeting the new measures of success by which the eight

pillars of Towards a Better Newham will be judged. We will work with the Council to adopt these measures within our approach and to quantify the value we generate.

We aim to develop and agree the first iteration of the Joint Delivery Plan with the Council in 2021/22 and will begin to establish the governance models, processes, and new working practices required to deliver the plan across this period.

We are incorporating our strategic objectives into our Design Guide through the following design principles:

- Passive design – passive cooling and ventilation, building orientation (e.g. maximising solar gain)
- Maximise fabric efficiency – building envelope minimises heat loss / gain
- Low carbon materials – focus on materials with low embodied carbon, locally sourced, which help achieve our net zero targets.
- Circular economy principles.
- Minimise resource usage – reduce heating and hot water loads, fossil fuel free, maximise on-site renewables, minimise water consumption
- Intelligent standardisation – Design for Manufacture and assembly from day one, maximise offsite construction, reduce resource waste, ensure quality and performance is achieved
- Design for disassembly – circular economy principles, design building layers for longevity in use, design for dismantling / reuse.



Diversity and Inclusion

Our core brand proposition is that we are Making Newham Home for everyone. We feel the same about our company. We seek to ensure that everyone that works with us feels included, respected, and valued and that we attract a diverse range of like-minded individuals to join us. We are not complacent in this endeavour and appreciate that creating a company that is truly inclusive takes effort and commitment. It is not a tick-box exercise for us.

We keep the rich diversity of Newham's communities in mind in how we communicate and operate. We are looking at ourselves to ensure that inclusivity is engrained, and this process has begun and will be ongoing. We say we do things better and that we are listening. We are continuing to learn as we grow, and we remain dedicated to making ourselves the best employer we can be.

To ensure that diversity and inclusion is inherent in our DNA, we have a diversity champion and a colleague-led working group auditing all our policies and procedures and thinking of ways we can enhance them. These measures will be implemented, and we will continue to learn and adapt as we go forward.

People and Resources

We are a growing company. In the last year the team has increased to 37 full-time permanent employees. We still operate with a slimmed down executive team and have sought to bring new colleagues onboard who prioritise delivering homes for Newham. Everyone has their part to play, whether that is in the finance, development or customer service team, but we have also sought to ensure that we operate as one team.

It is vital that we have the right people in order to deliver complex programmes, large capital budgets, and ensure the smooth running of a regulated registered provider. We know that we have that team in place, and we will continue to increase resource as we grow. We will seek to fill vacancies with people that reflect our values and passion to deliver for Newham.

The COVID-19 pandemic has meant that our team continue a hybrid working pattern to ensure everyone stays safe. Colleagues have exceeded expectations in their adaptability and dedication. It is a testament to the people we employ that despite the challenging situation, we have kept up the momentum of delivering homes for Newham.

We have implemented a structured, objective performance, and appraisal system to ensure staff are being assessed fairly against agreed goals that align with our Business Plan. Colleagues have access to a dedicated training fund, and this is integrated into the appraisal system we have put into place.

We continue to become more aligned and integrated within the Council through ongoing collaboration and working towards delivering the Affordable Homes Programme.

Housing Management

Over the life of this Business Plan, Populo will become the largest Build-to-Rent operator in Newham, providing a range of new rent options to help meet the Borough's housing needs. We will achieve this through judicious growth planning, ensuring that our quality new homes will be matched by an excellent service experience for all our residents.

For each of our new projects we create a comprehensive and bespoke management strategy containing details of:

- Required levels of staff and their duties
- Security requirements and staffing
- Health & Safety plans
- Asset and maintenance plans
- Operational requirements for cleaning, landscaping, and waste management
- Dealing with on-site resident issues
- Car park management
- Service charge plans

The exciting growth of Populo is augmented by our growing Customer Service capability to manage and maintain our new homes, whilst focusing on delivering an excellent service experience.

We will continue to strengthen the team over the Business Plan period, targeting the right blend of talented individuals who will add to the ambitions and values of Populo. In appreciation of the scope of new projects, we recognise that some projects may require different resource considerations, which we are exploring within an overall Strategic Resource Plan.

Our Shareholder's asset acquisitions programme offers new opportunity and challenges for the Customer Service team and is a key plank in the development of our Strategic Resource Plan. The first of these projects will be Barking Road, which is a new build property

providing 19 homes to provide a longer-term solution to families currently living in temporary accommodation.

Over the period of the Business Plan, we are assuming growth of up to 200 homes through this route.

We have also upgraded our Housing Management system to offer an improved customer experience in terms of how customers access feedback. The system will go live in early 2022, offering real time data and feedback on our service performance.

Asset Management

Our dedicated Asset Managers oversee the day-to-day maintenance and upkeep of each project, working closely with the Block Manager and on-site staff as well as the Client Accounting Team. The Asset Manager attends the site regularly and assists the Property Managers on key issues relating to the building performance, compliance, liaison with contractors, and assisting service charge considerations.

To assist our maintenance capability over the period, we have procured Chigwell London Ltd, under a 5-year strategic maintenance contract, to provide a first-class property maintenance service across our portfolio. This will provide us with the strategic capability to service a much-enlarged portfolio of projects, with a capacity of up to 10,000 homes. The Chigwell maintenance software package will also enhance our overall service transparency on customer service experience, value for money, and asset insight.

Health & Safety

Management of health and safety is paramount to ensure compliance in all areas and provides protection to both our stakeholders and residents.

All our property data is recorded via our in-house system, Yardi, a web-based tool for the proactive management of all Health & Safety matters. The diary function sends alerts when maintenance inspections fall due and reminders of outstanding actions are highlighted in risk assessments.

We currently have 100% compliance with all our projects. We are also reviewing and updating our overall approach to Health & Safety in line with the new Building Safety Regime and the Fire Safety Act 2021.

Governance

Populo Living is governed by its Articles of Association and a Shareholder Agreement, a revised version of which came into effect in October 2021. These key documents ultimately govern the relationship between our Shareholder and the Populo Group.

Populo's funding for developments is subject to Newham Council Cabinet overview and scrutiny. This is fundamental to the checks and balances that Populo is subject to and ensures oversight of Populo's activities by elected members.

The Corporate Director of Resources and Corporate Director of Inclusive Economy and Housing hold a monthly Shareholder meeting with the Populo Executive Team to discuss ongoing operations and strategy. This is a forum for scrutiny but also collaboration.

In addition, a monthly report on the progress of developments is supplied to the Shareholder. Specific monthly operations meetings are held with respect to development, legal, and finance to ensure that schemes are progressed diligently and resourced sufficiently.

Our Executive Team is in regular contact with officers at the Council and our Board Chairs. Populo has in-house legal provision and calls upon this resource to ensure compliance and effective management. In addition to this, the Chairs of the Board have regular scheduled meetings with the Mayor. Populo Directors liaise closely with their counterparts at the Council in the course of their everyday roles.

Populo Living has a Group Board and our registered provider Populo Homes also has its own Board of industry experts. Both Boards scrutinise and provide robust governance. Executive Directors prepare reports and are questioned on activities by the Board. The Council is represented on all Populo Group Boards.

In addition to the two Boards, the Group also operates an Audit and Risk Committee, Development Committee and a Remuneration and Governance Committee. This ensures there is regular non-executive scrutiny of operations and the Executive.

Internally, a Project Review Board takes place monthly to discuss ongoing schemes, to ensure that all colleagues are aware of progress and can tackle any issues that may arise. There is also Council representation on this internal Board. Directors ensure that regular team meetings are held with respective departments to ensure efficient working within the organisation and a monthly staff meeting is convened to promote a shared motivation for the Group.



Making Newham home

Artists' impressions and recent photographs of typical Populo Living schemes. We build high-quality, energy-efficient and sustainable housing which people are proud to call their own, creating new communities and improving existing ones.

- | | | |
|---|---|-----------------------------------|
| | 2 | 1. Wordsworth Avenue |
| 1 | 3 | 2. Stracey Road |
| | | 3. Typical Interior, The Didsbury |





4

5

4. Typical interior,
Romford Road

5. Romford Road



Making Newham home – a look ahead

Pier Road, North Woolwich

Over the next 2 years we anticipate a spend of c.£10m on the Pier Road project. This is projected to secure c.350 new dwellings, of which 50% are proposed to be affordable at London Living Rent. We are also exploring opportunities with the Council to enhance the local area as part of a wider vision for North Woolwich.



Cyprus site, Beckton

Cyprus is projected to deliver c.255 homes, 33% affordable. The number of affordable homes that we can deliver is reduced due to extra costs associated with ground remediation, and the lower rents achievable in the Beckton area. Over the next 2 years we anticipate a spend of c.£15m on the Cyprus project, subject to progressing land remediation during this period. The site presents a great opportunity to provide regeneration benefits to the immediate area. While currently a contaminated, overgrown and hoarded off site, Populo is proposing a largely landscape led development open to existing residents and contributing to the placemaking and economic regeneration in the area.





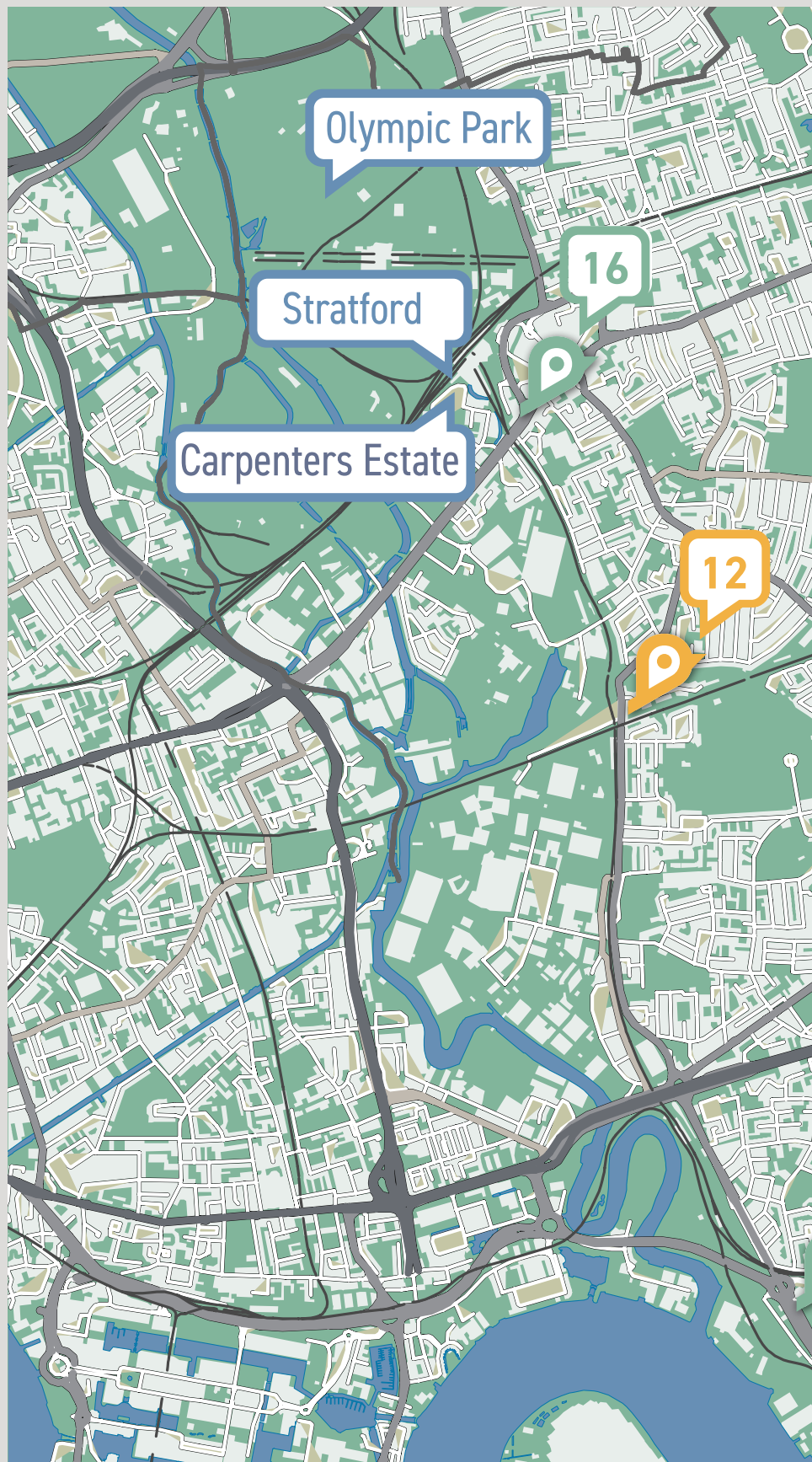
The Rex, Stratford

The Rex scheme will contribute to the regeneration of Stratford High Street by sensitively redeveloping the site of a former theatre building and developing a further parcel of brownfield land next to Stratford High Street DLR station. The scheme will provide up to 139 PRS units and 89 affordable units in addition to commercial space on the High Street. Sensitive landscaping will improve links from the site to the rest of the town centre. The affordable provision sits at c.40% social rent because of the site constraints. The anticipated spend over the next 2 years is approximately £4.3m.

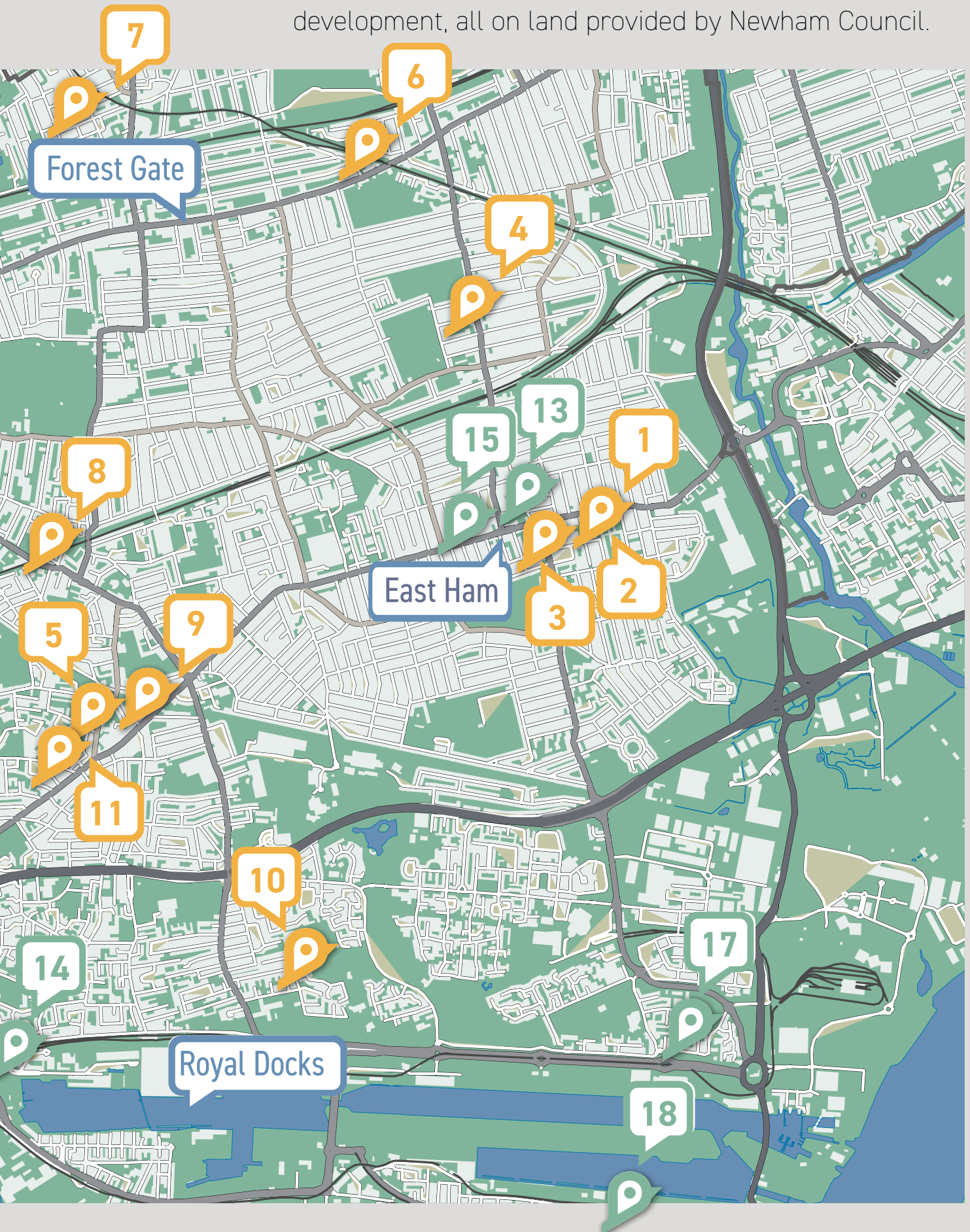


Our Developments

The Didsbury	1
Old Fire Station	2
Fireman's Reach	3
Wordsworth Avenue	4
Doherty Road	5
Romford Road	6
Stracey Road	7
Plaistow Hub	8
Grange Road	9
Baxter Road	10
Chargeable Lane	11
The Eves	12
Brickyard	13
The Triangle	14
Hartley	15
The Rex	16
Cyprus	17
Pier Road	18
Under Construction	
Pre-construction	



We have over a dozen sites across Newham earmarked for development, all on land provided by Newham Council.





Operating context

3. Operating context

Populo remains an integral element of the Council's wider delivery mechanisms for building homes in the Borough. It enables the Council to tackle market failures by delivering the new homes that Newham needs, but which are not being delivered by the market.

The case for long term investment in the private rented sector (PRS) remains strong. London's growing population, combined with a shortage of housing delivery, continues to create a supply and demand imbalance which needs to be addressed.

Notwithstanding this, the context in which we are currently operating remains as challenging as last year. The ongoing impact of COVID-19 coupled with Brexit related issues is resulting in supply chain pressure both in material and labour, which is pushing up construction costs and causing on site delays. How long this will continue is uncertain: however, given the scale of UK government ambition around construction and infrastructure investment across the UK, we should expect it to persist across the Business Plan period.

On the demand side, we have seen a modest bounce back in rental market demand in Newham as London has opened up again following COVID-19 restrictions being lifted. Demand is coming from tenants looking for 2 and 3 bedroom homes - which provide them with additional space for home working - more so than 1 bedroom homes. This is something that we continue to monitor and consider when deciding on our target mix for future developments.

We recognise the potential for an increase in unemployment given the uncertain economic outlook, as well as the increase in energy bills and living costs. This will put pressure on peoples' ability to pay their bills, so we remain in close contact with residents to mitigate the impact.

There are also potential opportunities. The faster-than-planned recovery from COVID-19 that seems to be playing out, as well as increased confidence in future economic recovery, is resulting in higher inflation. As long as rents remain affordable, there is potential for increased revenue. The Bank of England's decision to hold interest rates at 0.1% in the short term is encouraging for Populo's short-term investment opportunities, particularly as other cost increases are putting pressure on our scheme viability.

A benefit for Populo is the fixed cost of debt once we enter the development phase. This provides certainty and allows the business to plan for sustainable growth in the long term.

What our tenants say

"The staff are nice and professional."

"This has by far been my best experience with a letting agency in London! (The team have) been extremely professional, friendly and quick to respond."

"Great service."

“I have been very satisfied with the service I have been offered! Incredibly friendly team and for certain the quickest responses to issues I have ever experienced, Thank you for the great service!”

“What I like best is the incredibly friendly team and their fast response.”

“Efficient and always someone to help”

A woman wearing a blue hijab and a white top is looking down at a smartphone in her hands. The background is a blurred outdoor setting. A large white number '4' is overlaid on the image, enclosed in a white rectangular box.

4

2021-22

4. 2021-22

2021-22 has been a year of consolidation and delivery across the business. Like many other organisations, we have sought to adapt and thrive in the face of unprecedented challenges and uncertainty. This has meant finding new ways to work with the Council and Newham's communities to shape and deliver the housing Newham residents need and deserve. In doing this, Populo has started the year very well and expects to meet most of the targets it sets itself in last year's plan.

The objectives we set ourselves in last year's plan for the 2021-22 financial year and the indicators that demonstrate performance against those objectives, are summarised in the table below.

1	To have completed 289 more homes, of which 212 (73%) will be affordable.	✓	We are on track to deliver all homes planned for completion within the 2021-22 Business Plan period.
2	To have started construction of 450 new homes (91% affordable).	↓	We are on track to start at least 250 new homes, of which 84% will be genuinely affordable. We hope to also start more as part of the Airspace programme.
3	To have begun our acquisitions programme and completed the purchase of at least 211 homes from Future NewHome.	✓	We have acquired 19 homes at Barking Road and also expect to complete the purchase of Future New Homes from the Council.
4	To have submitted a Planning Application for regeneration of the Carpenters Estate including a detailed application for Phase 1.	✓	We are on track to submit a Planning Application for the Carpenters Estate subject to successful resident Ballot and Council Cabinet approvals.
5	To have run the business within the approved operational and capital budgets.	↓	Due to continued issues at Cheviot House, and shared ownership sales at Manor Road slipping into the next financial year, we expect to see unfavourable variances to our operational budget.
6	To have managed working capital spend and stayed within the approved limit.	✓	We have managed working capital spend and expect to stay within the approved limit.
7	To have maintained forecast loan compliance performance on our existing portfolio and developed a long-term strategy for Cheviot House.	↓	We have maintained forecast loan compliance for our schemes in management, but continue to require waivers for Cheviot House. Hard work by our Customer Services team has resulted in issues at Cheviot House being minimised, and the scheme is now fully let.
8	To have a motivated and well-performing team that continue to deliver strategic and operational objectives.	✓	We have continued to grow our teams and maintain high levels of performance as demonstrated by the homes delivered in the period.
9	To have a strong working relationship with our Shareholder and funder, Newham Council, that enables Populo to continue delivering our strategic objectives. <i>continued overleaf...</i>	✓	We continue to be a trusted delivery partner of the Council which has invested £190m to date in Populo, with a further £125m committed by mid-2023.

4.1 2021-22 KPIs summary *continued...*

10	To maintain an average occupancy rate of not less than 97%.	↓	We currently have an occupancy rate of 84% due to issues at Cheviot House in the first part of the year. Now Cheviot is fully let, this is expected to improve but it is likely we'll miss the target.
11	To maintain a maximum of 6% for combined voids/ arrears, allowing for difficult market conditions.	↓	We are currently running at a rate of 8% due to significant voids at Cheviot House. We expect to come back in line with the target by the year end.
12	To have delivered £1m of net financial return to the Council for the homes we have in management.	↓	Due to delays in our development programme, we will fall short of this target for the year.
13	To demonstrate a positive contribution to Community Wealth Building by way of the 'triple dividend' of economic, social and environmental sustainability.	✓	We are building new homes, new affordable homes and creating jobs and inward investment across Newham. By the end of the year, we will bring a strategy to the Board and Shareholder that aligns closely with the Council's Towards a Better Newham.

A photograph of two men pushing strollers with sleeping children in a park setting. The man on the left is wearing a brown jacket and the man on the right is wearing a dark green jacket and a brown beanie. The children are wearing winter hats and are sleeping peacefully in their strollers. A large white number '5' is overlaid on the image.

5

2022-25
Objectives & Performance

2022-23 Objectives

To have completed **40** more homes.

To have started construction of **190** new homes (13% affordable).

To have completed the purchase of at least **50** homes under the TA Acquisition Programme.

To have run the business within the approved **operational and capital budgets**.

To have managed working capital spend and stayed **within the approved limit**.

To have maintained forecast **loan compliance performance** on our existing portfolio.

To have a motivated and **well-performing team** that continue to deliver strategic and operational objectives.

To continue our **strong working relationship** with our Shareholder and funder, Newham Council, that enables Populo to continue delivering our strategic objectives.

To maintain an average **occupancy rate** of not less than **97%**.

To maintain an maximum of **6%** for combined voids/arrears, allowing for difficult market conditions.

To develop, implement and measure impacts against a **Towards a Better Newham** Joint Delivery Plan in partnership with the Council, and deliver on Populo's 'triple dividend' **of economic, social and environmental sustainability**.

5. 2022-25 Objectives & Performance

The business has evolved significantly under the current management team and continues to make strides under its new business model. While most of this evolution has happened over a number of years, this year's Business Plan better demonstrates the changes.

There are two fundamental variations in this Business Plan compared to last year; the growth of our development management services ("DMS") business; and the inception of a significant acquisitions programme to help the Council alleviate its Temporary Accommodation ("TA") pressures. Both of these changes will yield significant financial benefits for Populo and the Council, as they both relieve pressure on the growing working capital loan. This sees Populo become financially self-sufficient sooner, which in turn reduces Populo's (and the Council's) risk profile. It also means Populo can deliver financial returns to Council sooner than previously forecast.

To recognise the different phases that the business will go through over the next 50 years, Populo will monitor the delivery of its business plan against different KPIs depending on what phase of the plan we are monitoring. The KPIs we use will break down performance monitoring into three phases:

Short-term (1-3 years): to March 2025, we are in a period of significant growth and importantly, we are not financially self-sufficient and rely on financial support from the Council. The objectives for the business in the short term are clear: we must remain within the agreed limit on our working capital loan and deliver our programme to time and budget. Doing this will lay the foundations for delivering on our medium-long term objectives.

Medium-term (3-20 years): by the end of year 20, we will have expected to have completed all of the 7,400 homes we have in our delivery pipeline; become financially self-sufficient; have positive cumulative profits; and have

started to deliver significant financial returns back to the Council. Therefore, KPIs for this period will focus on these areas.

Long-term (20-50 years): from year 20, Populo will have a significant property portfolio and will be delivering significant financial returns to the Council as sole shareholder and funder. Importantly, our assumption in the plan is that we stop building new homes by 2035, which means the business essentially becomes a cash-generating investment vehicle for the Council to use to fund key services. We will use more investor-focused KPIs to monitor performance during this phase of the business' life.

In order to achieve our overall objectives, we have developed three key business streams for delivery:

Direct Development: while still important, this Business Plan sees direct development scaled back somewhat, in favour of more delivery through DMS and acquisitions.

Development Management Services (DMS): this business stream has expanded considerably within this Business Plan. This includes delivering infill and brownfield sites on behalf of the Council (Hartley, Cyprus), and also big strategic projects like the Carpenters and Airspace. Whatever the project, our assumption is to deliver these under DMS agreements to practical completion, with the majority of the completed homes to come under Populo's management. This approach ensures that every ounce of value is retained within the Council – and not lost to the private sector – which not only controls delivery strategy, but also maximises the number of genuinely affordable homes we can deliver.

Acquisitions: there has been a significant increase in the number of homes we assume to come under

Populo's management through various acquisition routes. This not only helps get Populo to scale sooner – which means financial efficiency - but also alleviates the Council's significant temporary accommodation ("TA") pressures. The first of these acquisitions was completed in November 2021 and will mean quality, well-managed, safe and secure homes for 19 local families. This acquisition will also see around £100k per annum saved for the Council in TA rents paid to the private sector.

In addition to the delivery of our homes, the Populo Group will have a significant portfolio of residential property to manage in the next 3 years. We have further strengthened our talented in-house team to manage our existing portfolio, and the same team has been working hard to prepare for the imminent increase in homes.

Growth Targets

A summary of our KPIs to March 2025 is provided overleaf, alongside our forecast performance for the current period.

2021/22 will see a 300% increase in the number of homes under Populo's management – from 174 at the start of the year to 686 by March 2022.

The three years to March 2025 will see Populo grow even further. We target the delivery of around 1,700 homes in total, either through DMS, acquisitions, or direct development. It is expected that almost 1,300 of these will come into Populo management, taking total homes managed to just under 2,000. More than 70% of the homes under management will be affordable.

In order to deliver this growth, we obviously need to ensure we keep to our targeted programme. We aim to start the construction of more than 1,600 homes by 2025, with 45% being genuinely affordable. As we scale up our delivery programme, we expect to have more

than 700 homes under construction during 2022/23. This will gradually increase to almost 1,200 homes by 2025.

Managing our working capital loan is extremely important. To 2025, we expect the loan to peak at £38m - within the limit of £40m. Delivering our targets will see the loan reduce to around £15m by the end of the period. This is despite making larger allowances for overheads as the business grows in size and complexity.

Underpinning the plan is Populo's ability to generate fee income, both from DMS and management services delivered to the Council. This must be closely monitored throughout the business plan period.

Development Management Services (DMS)

Populo continues to establish itself as an effective delivery partner to the Council for the delivery of new homes. This is particularly pertinent in the expansion of our DMS business.

This approach allows the Council to make efficient use of Populo and benefit from the knowledge and expertise within the company. It enables the Council to support our aspirations for long-term, sustainable delivery and retains any profit generated on these services.

The business has made considerable progress in the largest, most significant project under its management, the Carpenters Estate. The masterplan and detailed phases 1a & 1b have emerged from the co-design work with residents and stakeholders over the past 18 months. place in November-December 2021 and resulted in a majority vote in favour of the proposals. We expect the Council to approve submission of the masterplan by March 2022.

We have also continued to work with Council officers around developing the Resident Offer for our Airspace programme. This has taken longer than expected due to legal complexities. However, we now have an agreed basis for moving forward. The justification of Airspace and retrofit projects has been strengthened by the need to upgrade significant numbers of existing Council properties to improve their carbon performance. In this regard the Airspace programme presents synergies that could save the Council millions of pounds.

	2021/22		Target		
Short-term KPIs	Target	Forecast	2022/23	2023/24	2024/25
Financial (£m)					
Peak total working capital	38	38	34	37	15
Underlying overhead	2.1	2.1	3.5	4.5	5.5
Delivery					
Starts					
Total new homes	450	451	190	861	612
% affordable homes	91%	91%	13%	49%	49%
Completions					
Total new homes	289	289	40	555	166
% affordable homes	73%	73%	0%	55%	100%
Average number of homes in construction	684	622	731	921	1187
Acquisitions					
FNH/Other Acquisitions	461	211			
TA Direct Acquisitions		99	50	50	50
TA Acquisitions - Management Only			105	239	463
% affordable homes	46%	100%	100%	100%	100%
Pre-construction period	24-months maximum				



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Beyond 2025

6. Beyond 2025

Beyond the first three years of the plan, we first look to year 20 where we target the completion of our growth phase. The table overleaf shows the KPIs we will use to measure performance over this period.

Financial Performance

To complete our growth strategy, estimated peak Council investment stands at £1.22bn (last year's plan: £1.48bn). The decrease is expected due to our shift away from direct development, into more DMS and management services.

The expected peak working capital has decreased by £4m since last year. This is driven by less direct development, and faster income generation due to DMS and management fee income, as well as acquisitions. We expect the loan to be repaid by 2032 (last year's plan: 2036).

Shareholder Value

We are targeting the delivery of 7,400 homes in this year's plan (last year: 6,300). Including those acquired or delivered on behalf of the Council under DMS, we are targeting the delivery of more than 5,300 (72%) genuinely affordable homes in the Borough.

The faster delivery of homes, increased DMS and management fee income, and planned acquisitions have a positive impact on the time at which we will generate cumulative retained profit and are able to make a dividend payment to the Council (2036 versus 2039).

Potential dividend returns in the first 20 years have increased (from £66m to £114m), as would be expected if the first dividend paid comes sooner. Conversely, Interest margin return over the same period is expected to drop (£155m versus £191m), due to a lower requirement for debt.

Equity return - the metric by which the Council measures its share investment in Populo - remains flat at 0% over the first 20 years. This is due to the level of equity the Council will invest in our growth phase compared to the relatively small dividend returns it will receive in the same period, which is expected.

Return on Capital Employed ("ROCE") is 4% in the first 20 years (last year's plan: 4%) for similar reasons to equity return; the substantial losses we make in the growth phase restrict profits being generated, and these losses are funded by additional debt (the overhead working capital loan). Again, this is expected.

Longer Term

Looking beyond the completion of our growth phase to the 50-year investment phase, estimated dividend payments across the plan are £1.8bn (last year's plan: £2.6bn). Despite delivering more homes overall compared to last year's plan, the number of homes owned by Populo is expected to be almost 25% less (4,000 versus 5,200), due to our change in strategy.

As a result of the lower debt required to deliver the plan, interest margin returns are reduced compared to last year's plan (£0.6bn versus £0.7bn).

The full investment equity return for the Council is estimated to be around 7% per annum on average (last year's plan: 8%). ROCE is estimated to be around 10% over the 50-year period (last year's plan: 11%). Once the growth phase is complete, the business essentially acts as an income-generating vehicle for the Council, generating significant profits from which dividends can be paid.

The other key measure for the Council as investor is the value of the property we build. Bringing property prices back to today's values, Populo expects to own property to the value of £1.6bn (£395k per home).

Over the longer-term horizon, we will have established a legacy of positive and measurable social and economic impacts for Newham's communities. This is via our sustained commitment to delivering against the Council's Towards a Better Newham ambitions through our Joint Delivery Plan with the Council.

Beyond 2024, we will continue to build on and further this legacy as a long-term commitment, as we aim

to establish Populo as the benchmark for socially conscious development in Newham and beyond. Over the long term, delivery will continue to be underpinned by effective partnership working with the Council in order to secure opportunities for residents throughout our approach to planning, delivering, and managing new housing in Newham.

Medium-term KPIs (3-20 years)	Unit	New BP	Old BP
Financial Performance:			
Peak investment (debt & equity)	£'bn	1.22	1.48
Time of peak investment (debt & equity)	Year	2033	2035
Peak working capital loan	£'m	38	42
Working capital loan paid down	Year	2032	2036
First operational profit	Year	2029	2029
First cumulative retained profit	Year	2036	2039
Shareholder Value:			
Total new homes delivered	Homes	7,402	6,282
Total affordable homes delivered	Homes	5,312	3,062
% affordable homes delivered	Homes	72%	49%
First dividend paid	Year	2036	2039
Years 1-20 dividend	£'m	114	66
Years 1-20 interest margin	£'m	155	191
Years 1-20 equity return (excluding asset value)	%	0%	0%
Years 1-20 ROCE (average over 20 years)	%	4%	4%
Year 20 inflation adjusted value of property assets	£'bn	1.58	1.63
Long-term KPIs (1-50 years)	Unit	New BP	OLD BP
Shareholder Value:			
Years 1-50 dividend	£'bn	1.8	2.6
Years 1-50 interest margin	£'bn	0.6	0.7
Years 1-50 equity return (excluding asset value)	%	7%	8%
Years 1-50 ROCE (average over 50 years)	%	10%	11%
Year 50 inflation adjusted value of property assets	£'bn	1.58	1.63



Risk Management

7. Risk Management

Approach to Risk Management

The respective Populo Boards individually and collectively maintain risk registers to support them in monitoring and managing the risks associated with all business activities proposed within this Business Plan. There is a Group Audit & Risk Committee that scrutinises the registers and makes a recommendation to the respective Boards to approve, and this is supported by an independent Internal Audit function.

We have a culture that encourages the identification and assessment of risks on a programme level and identifies and assigns ownership of those risks for mitigation. Monthly risk reporting is currently operating across the teams.

In recommending this Business Plan to the Council's Cabinet for approval, the Populo Board wishes to bring to the Council's attention (in its capacity as sole Shareholder and funder) to the key risks associated with this Business Plan.

The risks that are set out below represent the main risks that have been identified by the Board as those which could hinder delivery of the proposed development programme, or represent future financial risks to the Council as funder and guarantor of any funding of the development programme (and thereafter the new housing stock under management):

- Unforeseen delays to property and legal transactions that extend our programme durations and increase holding costs
- Not delivering homes quickly enough to manage our working capital position, either through development or acquisitions
- A reduction or delay in the projects delivered under Development Management Services on behalf of the Council

- Construction market cost inflation
- Continued pressure on residential rental values in the current market
- Increases in interest rates that will impact negatively on scheme viability and our ability to deliver affordable homes
- Changes in the grant environment that will affect our ability to directly deliver affordable homes
- Further restrictions imposed to deal with COVID-19 and the economic fallout of the pandemic.

Risk Context

In its direct development pipeline, Populo is already maximising the level of affordable homes it is providing within its schemes and remains close to the breakeven point at day one of the investment. Therefore, assuming everything else remains equal, any downward pressure on income or upward pressure on costs will likely result in fewer affordable homes being delivered or pressure on viability.

The Council, as sole Shareholder and funder, must decide what is most important to them in terms of "shareholder value" i.e. the type of return they take from Populo. At the time when Populo repurposed, the Council approved to forgo financial dividends in return for more affordable homes. Therefore, at that point, the shareholder value most important to the Council comes in the form of:

- Genuinely affordable homes (target 50%)
- Interest margin

When faced with falling revenues and rising costs, Populo cannot deliver 50% affordable homes through its direct developments without additional financial support. The Council then has a choice to either:

- Reduce its requirement for 50% affordable homes on the basis of viability; and/or

7. Risk Management

- Reduce, where possible, its interest margin requirement and lend to Populo at cheaper rates.

In order to assess key financial risks that reflect the current environment, a series of sensitivities are run on the Business Plan, with the results measured against our KPIs. The key messages from this analysis are summarised below/overleaf.

Key Financial Risks

Given the shift from significant levels of direct development to a focus on more DMS and management fee income, our potential to reach financial self-sufficiency and deliver financial returns to the Council sooner has increased. However, as a result of this change in strategy, our risk profile has changed, too.

Whereas last year the most sensitive and impactful negative scenario we assessed was a delay in our direct development projects, the key financial risks for the business are now centred around our ability to generate fee income as we grow, as well as bring homes into management quickly. This is largely achieved through the delivery of the Carpenters Estate under a DMS agreement to completion, and then acquiring the completed homes. Also important is both Populo and the Council acquiring homes to ease pressure on the Council's Temporary Accommodation needs.

On the Carpenters, the business has made considerable progress in what is the largest, most significant project under its management. The residents have confirmed in their ballot that they wish to move ahead with the co-created master plan for the estate. Populo have bolstered the team working with the Carpenters residents and will continue to do so now this milestone has been passed. Populo are delighted in the trust and confidence shown in Populo by the residents and the Council.

On our acquisitions programme, the purchase of 19 homes at Barking Road saw a huge effort from various people both within Populo and the Council, particularly given the short space of time available to complete the process. It also highlighted areas of improvement that will aid both parties in the expansion of this acquisition programme over the next 6-12 months, and all parties will be putting into place an action plan to address these areas of improvement. Further, the Council is expanding its resource to deliver this programme and Populo had made provisions within this plan to do the same.

COVID-19

While we have largely become accustomed to living with COVID-19, it has had a profound and lasting impact on our business. With the pace at which things change in our new world, we cannot be sure of the environment we will be operating in over the next year. Another lockdown would impact on the progress we can make on individual projects as sites may have to close or operate at reduced capacity. Our team has adopted a hybrid working pattern, with a mix of office and home working, and this is likely to be the case for the foreseeable future. This has worked well so far, and productivity has been extremely good, but extra effort must be made to keep staff motivated and happy. We will continue to keep abreast with policy developments and adapt accordingly, but we feel we are in a strong position given the experience we have gained in the last 18 months.

In our dealings with tenants and Newham residents we have introduced new measures to enable us to continue to engage with our communities in safe, but effective ways - for example, by taking some elements of engagement online so that vital projects could continue to be progressed - and we are committed to working closely with the Council to deliver on its inclusive recovery ambitions set out in Towards a Better Newham.

Further information

For more information on any aspects of the Populo Living Business Plan please contact victor.chamberlain@populoliving.co.uk



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