

Local Space Corporate Plan 2020-2025

58 Romford Road,
London, E15

Local Space is a charitable registered society
(Reg. Number: 29840R)
Registered Social Landlord
(Reg. Number: LH4454)



**Working together to provide
Quality and Safe home for
Those in need**



Corporate Plan 2020-25 Summary

Mission	<u>Working together to provide quality & safe homes for those in need</u>			
Values	PEOPLE FIRST - INTEGRITY – ENCOURAGING CREATIVITY- PARTNERSHIP			
Strategic Objectives	Homes that people want to live in	Services that our customers are happy with	Being a successful and well-managed social business	Beyond Bricks
2019-24 Corporate Goals	We will continue to provide as many more sustainable and affordable homes as we can afford to. We will secure the most and best new home options we can.	We will establish different ways for our customers to access our services directly	We will be well run and maintain our current high ratings. We will remain compliant with our lender covenants and regulatory standards	We will improve support for residents who have multiple needs - assessing those needs and working in partnership with others to provide a network of support
	We will complete all of our current growth contracts by 2024.	Service delivery will be customer focussed, and we will adapt our business processes to support this, whilst ensuring we keep all data safe and secure.	We will manage our money well, keeping our current operating margin as we plan, and re-investing any efficiency savings into our work.	We will find ways of supporting our customers more – by working proactively and with partners to provide services.
	Our customers will be satisfied with their homes. We will deliver our investment program in our homes and will refresh our specification for homes using feedback from our customers.	Customers in the homes we manage will be satisfied with our services. Our complaints process will be simple and transparent with staff empowered to solve issues	We will be a great place to work, evidenced by the Great Places Survey and Investors in People Platinum status	We will help customers to live more sustainably, implementing energy savings, fuel efficiency and artificial intelligence enabled services.
	We will explore ways of helping more people, by considering new partnerships to provide other types of accommodation for those in most need.	We will provide customers with flexible and affordable housing/rental options.	We will promote our customer first approach (and our business and partnership working models) with a pro-active Public Relations strategy	We will establish different ways for our customers to be involved enabling residents to help shape the services that they want

This 5-year plan will be more fully explored twice a year on Board away days. Annual plans, setting out team targets and individual objectives are produced for approval in March each year as part of the business planning process. Annual targets will work incrementally to meet these outcomes at the end of the 5-year period.



Table of Contents

	Page
Corporate Plan 2020-25	2
1. Introduction	4
2. Mission	5
3. Our Values	6
4. The Local Space Customer	6
5. Technology for Better Service	7
6. Our people	8
7. Partnership and Collaboration	8
8. Involving our Customer	10
9. Development and Growth	11
10. Governance	12
11. Managing risk	13
12. Value for Money	14
13. Business Plan Summary	18





1. Introduction



Caitlin Farrow
Chair



Josie Parsons
Chief Executive

Welcome to the Local Space 2020-2025 Corporate Plan. At Local Space we believe in making our resources work for us. Our last corporate plan was focussed on delivering 800 additional homes over 4 years. We are now nearing the end of this delivery period with over 834 homes bought at the 31 March 2020, we are reviewing our direction and business strategy for the next 5 years. We are proud of the quality of the homes that we provide, and we want to match this with the service experience we offer to our customers.

The housing world remains on high alert following the tragic events at Grenfell Tower in Kensington where so many lost their lives. Grenfell has ensured that the health and safety of our residents remains a key focus of our work and that we listen to our customers as we provide a respectful level of service. We expect that customers and improved service standards will be the focus of new regulation (by the RSH) and our trade body (the NHF). Boards will be required to demonstrate their accountability to residents and our performance and service levels are likely to be measured in future.

This is an ideal opportunity to upgrade our service level offer and to introduce more efficient methods to deliver services. Our customer focus journey will be complemented by technological innovation. Where we can make savings, we will re-invest them to ensure that our customers receive the best service experience we can provide. We will improve services to the highest achievable levels within our available resources.

We want our customers to enjoy safe and secure homes and feel valued and well served whenever they interact with Local Space. We will provide good customer service to all of our partners including tenants, local authorities, other services and each other. We are a people first business, operating with fairness, honesty and transparency. Our 2020-25 Corporate Plan has the customer at the centre of strategy, operations and processes. This plan has been compiled in consultation with our customers, the Board and the staff at Local Space.



2. Mission

Our mission is simple and straightforward:

Working together to provide quality & safe homes for those in need

We provide safe, secure, good quality homes for those who need them most. We help local authorities by offering an alternative to the poor quality, expensive private sector accommodation often used for temporary accommodation. In the past three years, from 1 April 2017, we have delivered 775 additional homes for those most in need of them, for our local authority partners, saving the taxpayer on average £5,436 per 2-bed property per year.

Our customers are often families and individuals who have needs other than just housing. To help them to maintain their tenancies successfully we want to ensure that they can easily access all the support they need. We will assess the value of forging new partnerships with other services which work alongside housing such as health, care, support and education because we recognise that our resources are likely to be more effective when they are joined up.

Our customers' health and safety is at the forefront of our new strategic direction. We provide good quality and safe housing, investing in both our new and existing homes. We will reduce our carbon footprint wherever we can in the investment in our homes. Our tenants are our customers: by respecting their views, wishes, needs and feedback we will deliver a service that meets their needs and continuously improves. We want our tenants to feel valued and we will provide as wide a service as possible to support our customers to have sustainable and successful tenancies.

3. Our Values

Our work is based on our values of putting people first, working with integrity, being open to innovation and working in partnership with like-minded organisations. Our values are the foundation of our organisation and shape how we deliver services. This is what our values mean to us: -

People First

This is a people focussed business – services to people from people. We invest in our staff so that they can provide the best experience possible to those who use our services. We treat people as people – warmly, politely and honestly.



Integrity

It matters that we act with integrity in all our dealings. We treat people with fairness, respect and in a trustworthy manner. Treating our residents as customers is part of our respectful approach and helps us maintain the highest levels of service.

Encouraging Creativity

Our staff are our greatest resource and are our ambassadors. Together, drawing on our collective skills, qualities and experience, we deliver the best possible service to our customers. Our staff know they are making a difference to people's lives.

Partnership

We recognise that partnership working is about joining forces with others to stretch our resources further and achieve more than we could have done alone.

4. The Local Space Customer

Our customers are those most in need of housing assistance and the keyworkers of East London. This includes families and individuals nominated to us by Local Authority Homelessness Teams. It includes NHS staff, police and other emergency services; teachers and public servants; those in low paid work experience; those in so-called in-work-poverty and those looking for work or unable to work as a result of illness. We house some of the most vulnerable in our community and we take our responsibility to provide them with a safe, high quality home and good services seriously. That is why our people (including our customers) are at the heart of our plans.

We are investing heavily in the quality of our homes through the replacement of kitchens, bathrooms and other major improvements to over 800 homes over the next 5 years. This will improve the carbon footprint and sustainability of our homes and ensure we reduce fuel poverty wherever we can. Some of our homes and those who live in them are managed by other agencies such as the local authority partner for whom we provide the homes.

In 2018 74% of customers were satisfied with the services they received overall from Local Space and its partner organisations. In homes that Local Space manages directly 85% of customers were satisfied, compared with 68% in homes managed by our partner organisations.

Our plan prioritises improving the quality of service delivered to all customers and in particular those in homes managed by others so that those customers experience at least the same level of services as those we manage ourselves. We have set our 5 year target for satisfaction with how services are delivered at across all our homes at 85%. Satisfaction with the quality of our homes is set at a target of 95%.



We will improve our service to customers by focusing on:

Our repairs service – We know that what our customers want most from their landlord is a reliable, quality and easy to use repairs service. We will improve communication and coordination of repairs reporting, appointment bookings and maximise the number of repairs we resolve with one visit.

Improvement work in our older homes – We know that the condition of our customers home has a significant impact on their quality of life and their satisfaction with their landlord. We will fit new kitchens bathrooms and deliver other major improvements in over 800 homes over the next 5 years to ensure all our homes are of a good standard and have the lowest carbon footprint possible.

Customer communication channels – We know that ease of access to our services matters to our customers. We want to make reporting issues to us and managing a tenancy as effortless as possible. We want our customers to benefit from the same kinds of convenience they experience with retailers, utilities, suppliers and banking. To do this we will launch Local Space digital services, including the Local Space app to customers so that they may report repairs, book appointments, track progress of their enquiries and manage their rent account online 24 hours a day 365 days a year and without having to speak with a member of staff if they don't want to. We will launch web chat, and social media enquiry channels alongside our digital services. We will continue to offer a face to face service and telephone service.

Tenancy sustainment and support services – We understand that our homes are more than just a new address to our customers, they are a safe haven, a base from which they can put down roots and grow as a member of the community. In the coming years we will undertake a support needs audit and with other organisations - including local authorities, education and health - establishing a network of support for our residents who may have multiple needs.

5. Technology for better service

Local Space began its planned technology programme in 2018 by addressing essential systems improvement and making us cyber safe - demonstrated by achieving Cyber Essential status. In 2019, the focus is on making existing systems work better to capacity. From 2020 we will introduce labour saving applications that will enable our staff to better use their time to help support customers for more successful and sustainable tenancies.

We will require support partners (such as maintenance service providers) to provide digital channels for tenant use to ensure ease of service. Improving our processes and operations to expand our service offering may also involve employing other digital tools such as information channels or apps. The technological world moves at a pace and we want to keep abreast of new developments and innovations.



Improvements will be made in the repairs service, in information management, and in recording customer and property data to help better target resources. Systems will be developed to better manage arrears, voids, lettings and allocations. Improvements are also planned in supporting infrastructure such as payment systems enabling staff to work smarter. Data management is key to delivering services in this modern age.

6. Our People

Local Space believes in putting people first and this is reflected in the value we put on our staff and customers. We are a small organisation with a dedicated and skilled workforce. In 2019 we were re-accredited with IIP Silver status under the new, more rigorous 6th generation regime. This affirms our commitment to continuous improvement. We are working with staff to continually improve our customer offer; up-skilling staff in how we work with our tenants to provide the best solutions and technical skills.

By 2025 the organisation will have completed and cascaded customer focused training. Systems and processes will have been refined with the customer at the heart of review and improvements. Our use of technology is solely to make processes easier, quicker and more predictable. Staff surveys are conducted annually with resulting data informing training plans and staff engagement. Diversity training has been implemented at both staff and board level and we recognise that we work in a diverse area of London for a diverse group of customers. Understanding their needs is essential in providing a responsive service.

The culture of the organisation is positive - with current survey data evidencing this and we will build on this in directing our energies to providing a customer-focused service. Local Space is confident that it will achieve IIP 6th Generation Platinum status in the lifetime of this corporate plan. We also aim to be listed as an employer of choice in the UK Best Workplace annual survey, recognising that investment in staff is an investment in the organisation's success.

7. Partnership and Collaboration

Local Space has a long history of successful partnership working since its inception. We have developed partnerships with several local authorities, and we continue to recognise that partnership working means that our resources can go further. Partnership working can enable us to provide even more homes, and to support our customers' other needs as well.



There have been several studies documenting the importance of good housing in an individual's health, safety and well-being. We want to take that a step further by joining forces with complementary agencies and services. We will explore what additional services would benefit our customers and how these can be accessed – working with social services, health and education providers.

We will make these links and provide a joined-up service to our residents. We will audit what may be needed and employ technology to help us free staff time to work on this. This may involve signposting to other agencies or setting up new collaborations to provide a seamless service.

Our ideas include:

one stop shop surgeries so that our customers can access services more easily.

linking with adult social care to ensure that older, vulnerable tenants are being appropriately supported.

Working in Partnership





8. Involving our Customer

Our customers are at the centre of our corporate plan. We involve our customers so that they can shape services and contribute to our work and the plans we make, including this one.

The Social Housing Green paper was drafted to address the shortfall in customer service and empowerment highlighted by the events at Grenfell Tower where so many had struggled to have their voices heard. Regulation is being enhanced and new metrics are anticipated to ensure that service levels are at required levels. Our trade body (the National Housing Federation) has taken up the challenge and has captured this in its Together with Tenants charter, which seeks to introduce greater accountability at board level to those who live in our homes. Regulation will be strengthened with a revised NHF Code of Governance, as well as with new consumer standards and metrics developed by the RSH.

Local Space is an early adopter of the Charter and will ensure that any identified gaps in service provision as compared to the Charter are fully met as soon as possible. Our customers' health, safety and well-being is at the centre of our service offer.

We will use technology to communicate with our customer and receive feedback more frequently and in as many ways as possible. Communication needs to be easy and we will respond receiving frequent feedback on our service by adapting service to address those issues most important to our customers.

Our Tenants' Panel is an important forum for us. It is the first place that we turn to when we wish to consult with customer representatives. Tenant panel members also receive a standing invitation to Board meetings. The panel will be supported to evolve and to also embrace technology to work remotely and virtually. Over time we expect that representation will grow by utilising virtual attendance. Growth in representation will mean that the influence of our customers will become stronger, shaping our services and making them more appropriate, targeted and proportionate.



9. Development and Growth

Since our start, a number of partnerships have been created and grown to meet the needs of homeless individuals and families across East London. As property prices have soared so has our stock value. This growth in capital values underpins the reason for some of the housing crisis in the country, which is especially felt in the capital. Whilst we make our own assets work hard, we also encourage our partners to lend their financial support. This has led to rent guarantees with annual increases. At a time when the sector has generally endured rent reductions, this has helped funders to view us more favourably. We have also received 'Right to Buy' grant support from some of our partners and this valuable addition of up to 30% towards the cost of providing homes means that we are able to stretch our funds to provide even more.

In the face of the housing crisis Local Space has worked hard to use its assets to access as much funding as possible to spend on the provision of additional homes. The partnerships with local authorities have meant that hundreds of families have been allocated a warm, safe and secure home near local support networks.

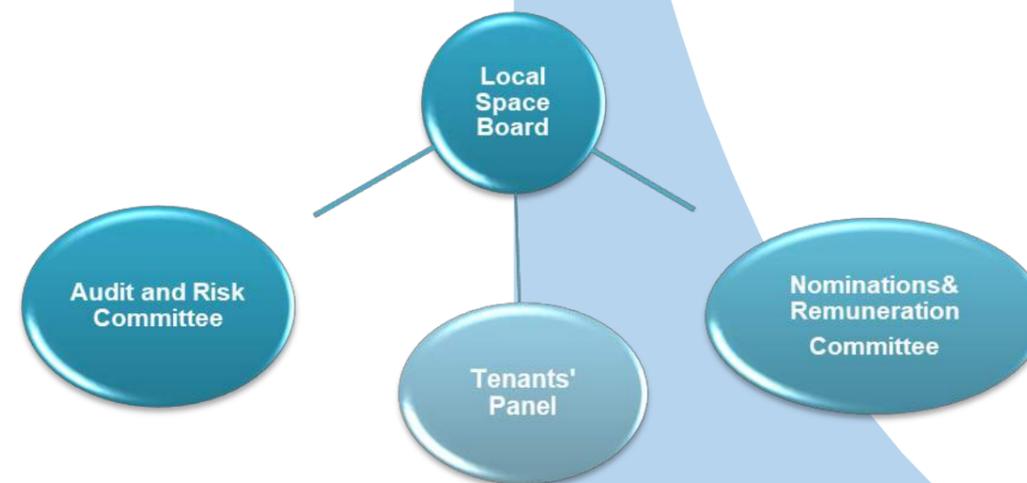
The level of provision since our creation, and the pace of our growth in additional homes over the past few years, means that Local Space will deliver a lower level of growth in 2023/24 providing approximately 50 homes per year.

Partnerships that will increase our buying power will be prioritised as this helps us meet more need than we could do alone. One area that we intend to explore further is that of a product for local authorities to use as nightly temporary accommodation. Should this prove beneficial, then we would look to offer this product to our partners



10. Governance

Local Space is committed to providing the best possible leadership for the organisation, in the most efficient way. We have a relatively lean structure with only 10 Board members, and two committees. That being said – our Board members have the skills that we need – across treasury, finance, housing, development, policy and regeneration. As well as our two formal committees, we also work closely with our Tenants Panel – this is our consultative group on policy development and it also acts as our scrutiny service. It is important that we maintain our good governance standards to support the work that we do. In 2018 Local Space retained its G1 V1 ratings, and it also retained the credit rating of AA- in 2019. We will ensure that we retain these current high ratings and remain compliant with both our lender covenants and regulatory standards





11. Managing Risk

All active businesses contain risks. The tolerated level of risk is related to the appetite for risk and how well it is managed. We have a straightforward mission to provide homes for those in greatest need. We work closely with local authority partners to provide homes they can allocate to those who need them most. In the last 4 years we have accelerated our growth by aiming to acquire an additional 800 homes. This level of activity is significant for a small organisation and there are risks involved including:

- Acquiring properties
- Organising appropriate funding at the right cost
- Managing a growing asset base with tenant safety and satisfaction at the forefront

This has been achieved against an uncertain economic backdrop associated with Brexit. Local Space's appetite for growth means that we accept that there will be risks in the work that we undertake and a mark of good governance is how well we manage those risks. Our Board and senior staff have been recruited to bring appropriate skills and experience to identify and manage risks. We do this by scoping the area, testing our ability to manage it under stressed conditions and understanding what our constraints are. By understanding our risks to this degree, we can devise and put in place mitigating strategies that work.

Risks are scoped with staff, the Board and the Audit and Risk Committee (ARC) with deep dives into specific areas to ensure that risks are appropriately scoped. The organisation's risk register is examined monthly by the Executive Team, reported to every ARC meeting and twice yearly to the Board. Our internal audit programme is set with both regular items such as Gas Safety along with more recent entrants such as GDPR. Bi-annually the organisation's approach to risk is revisited with a longer session on the organisation's approach to risk appetite and management.

Local Space recognises that a dynamic business such as ours will have a dynamic risk profile. Our approach of continuous engagement with risk processes reflects our understanding of the importance of keeping a watching brief that is regularly tested, updated, monitored and reported.



12. Value for Money

We recognise that the temporary accommodation we provide to our partners offers better value for money than they can achieve in the private rental or B&B market. Our customers value a safe, good quality home as close as possible to family networks. Local Space will provide as much accommodation as possible within our financial and business constraints. We will provide a service that meets our customers' expectations.

We are using our financial capacity to provide more homes for rent. Our financial strategy is to make the value of the properties we own work as hard as possible and access the cheapest finance possible. Local Space is financially strong organisation and achieves excellent financial results.

Our VFM metrics compare well with the median in the sector – table 1 below:

Table 1 RSH VFM Metrics

Value for Money metrics	2019/20 Plan	2020/21 Plan	2021/22 Plan	2022/23 Plan	2023/24 Plan	2024/25 Plan	Median for sector 2017/18
Operating Margin	54.7%	55.3%	49.2%	50.3%	48.1%	47.5%	27.9%
EBITDA-MRI Interest cover	149%	138%	128%	135%	145%	166%	213.6%
Gearing	65%	68%	67%	66%	63%	60%	35.1%
Return on capital employed (ROCE)	4%	4%	4%	4%	4%	4%	3.7%
New supply delivered	8.4%	8.4%	2%	2%	2%	2%	1.5%
Headline social housing costs per unit	£4,420	£4,523	£4,000	£4,000	£4,000	£4,000	£3,450
Total number of homes	2,578	2,795	2,795	2,795	2,795	2,795	N/A
Investment in existing homes	£3.4m	£3.3m	£3.4m	£3.4m	£3.5m	£2.1m	N/A



Our headline social housing costs are higher as we are a relatively small organisation operating in London. However, we are reviewing how our services are offered and will be returning approximately 25% of our stock into our own management from 2021 onwards showing an expected fall in overall costs.

Our gearing levels are higher than the sector generally as we are making our resources work to produce more affordable housing. This is evidenced by the higher than average new supply figures. We anticipate that the current rate of growth will reduce to a more moderate level from 2022 onwards. We expect growth capacity to return to the organisation as our homes rise in value and rental income grows.

Value for Money is integral to our core business and is captured in our strategic objectives. By making our assets, staff and wider resources work at optimum levels we will continue to meet our overall mission to provide as many homes as possible to those in greatest need. This means that we focus on maximising income and keeping costs down. Customer satisfaction measures help us to understand how well we are meeting our customers' needs and expectations. Investing in our homes helps keep our customers happy with the quality of their homes and maintains the value of them where they are used to secure borrowings.

Our staff are our ambassadors and we want to enable them to perform to their best levels with enthusiasm and passion for what they do. Staff satisfaction is important to us. We make sure our staff are aware of their value to us and in the work they perform for Local Space. We invest in our staff with training and appropriate rewards and give them a voice to shape how we improve. Our team own their work and provide an efficient and professional service that is welcomed by our customers.

The organisation's performance indicators are monitored by the board and illustrated in the table below.

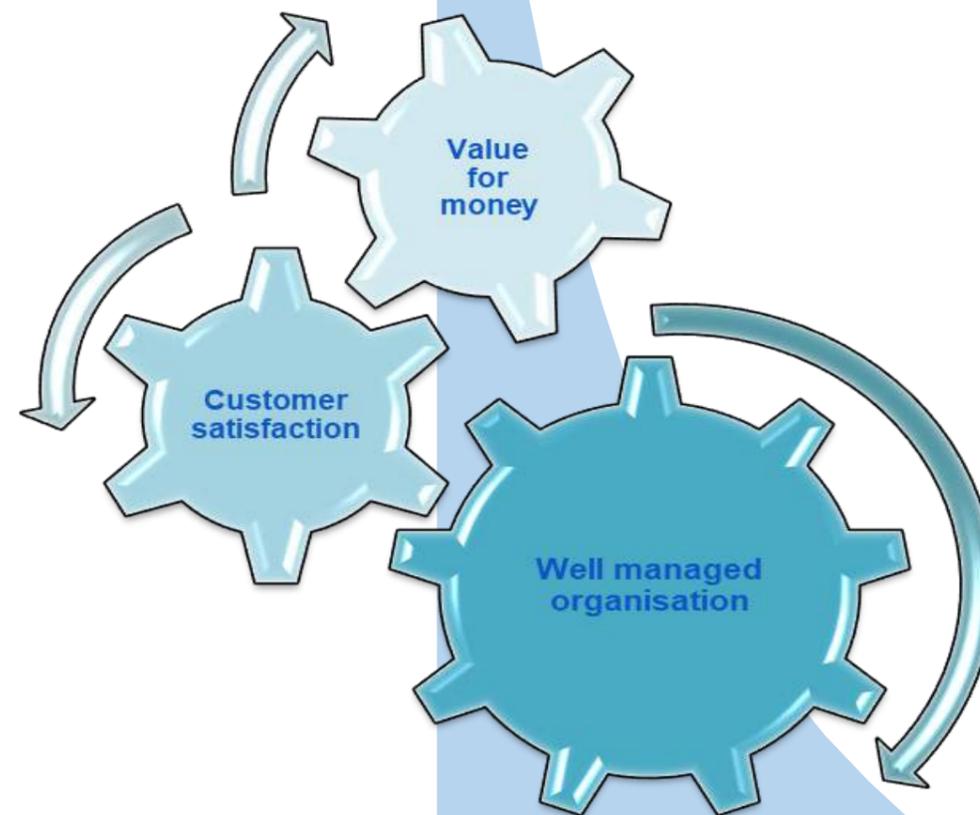


Table 2 Local Space KPIs and VFM Impact

Strategic Link	Objectives 2019-20	Target	VFM Impact
Homes that people want to live in	Homes Let	> 275	Investment in social business mission
		> 254	Creating revenue stream to support borrowing
		< 254	
	Satisfaction with product	> 90%	Fewer defects leading to fewer complaints
		> 85%	
		< 85%	
Homes meeting DHS	> 100%	Assets maintained providing security cover	
	< 100%		
Services that our customers are happy with	Satisfaction with service	> 85%	Efficient and effective service to customers
		> 80%	Meeting customer expectation
		< 80%	
	Satisfaction with repairs completed	> 95%	'Right first time' efficiency
		> 93%	
		< 93%	
Complaints received at stage 1	> 90%	Listening to customers	
	> 85%	Meeting expectations	
	< 85%		
Being a successful business	Rent arrears (%age of annual rent roll)	< 2%	Income maximisation
		< 2.5%	
		> 2.5%	
	Void loss (%age of annual rent roll)	< 2.5%	Losses minimised
		< 2.8%	
		> 2.8%	
WACC	< 4%	Adding to capacity to invest	
	< 4.2%		
	> 4.2%		
Being a well-managed organisation	12 months rolling av sick days	< 8	Efficient use of resources. Maximising staff engagement for better customer service
		< 10	
		> 10	
	Staff satisfaction with LS	> 95%	Continuous improvement of systems and processes
		> 90%	
		< 90%	
%age IA actions completed	100%	Well managed business with less vulnerability	
	< 100%		



Our targets are set at both achievable and at stretch levels encouraging us to extract as much value as possible from the work we do. Defining our strategic objectives with value for money impacts means we can be clear to our staff why it is important that they achieve great performance. Our focus on the customer is translated into value for money - providing the right level of service first time reduces cost and promotes greater satisfaction. This 'smart' work approach – supported by technology and automation - allows us to target our services where they are most needed. A successful tenancy is likely to mean greater satisfaction and less officer intervention.





13. Business case summary

£'000	2019/20 Budget	2020/21 BP	2021/22 BP	2022/23 BP	2023/24 BP	2024/25 BP
Turnover	£34,477	£38,707	£35,831	£36,367	£35,398	£35,611
Operating Surplus	£18,857	£21,404	£17,636	£18,308	£17,021	£16,928
Gain/Loss on FA	263	-	-	-	£9,166	-
Finance Costs	(£13,824)	(£17,457)	(£16,329)	(£16,051)	(£14,152)	(£13,142)
Net Surplus	£5,277	£3,938	£1,283	£2,230	£12,008	£3,759
Covenants						
Interest cover	149%	138%	128%	135%	145%	166%
Gearing	65%	68%	67%	66%	63%	60%
Asset cover	156%	153%	156%	157%	165%	167%

The Business Plan approved by Board in March 2019 allows for the completion of the current growth strategy by the end of 2020/21, and the investment in existing homes of £13.5m over the first five years of the plan.

One of our contracts is currently due to end in 2023 which results in an unusual pattern of results in a single year as the contract ends. However, we are negotiating with our partner to provide a different end to the contact and this will be incorporated into future versions of the financial plan once the way forward has been agreed.

The plan assumes that the end of our management agreement in 2021 results in an additional 800 properties being managed in house, and our resourcing requirements would increase to accommodate this change, but it would result in reduced management costs per unit.

Financing costs are the largest single cost to the business, and the plan assumes that refinancing is possible at similar rates to our average cost of capital over the medium term. There is an ongoing requirement for refinancing of around £50m per year over the first five years of the plan. The growth plan that is included is fully funded using existing facilities.



Local Space

Local Space Equality and Diversity Policy

Document title	Local Space Equality and Diversity Policy
Lead Officer	Catherine Diamond
Staff Affected	All staff
Drafted by	Up-date review DWC Global
Date Approved	10th December 2019
Approved by	Board
Next Review Date	December 2022



Local Space Equality and Diversity Policy

1. Policy Statement

Local Space (LS) views the diversity of the UK, London and our local communities as an asset which provides great potential for LS in relation to the work we do. As such we are committed to ensuring equality of opportunity within our powers and to tackling discrimination, harassment and disadvantage. We are also committed to achieving the highest standards in service delivery, decision making and employment practice. Equality of opportunity for all those we work with, including our tenants, is an integral part of this commitment.

Notwithstanding the above, LS acknowledges that in society, certain groups and individuals are unfairly and unlawfully discriminated against. We will ensure that no one is treated less favorably on the grounds of their gender, age, disability, race, colour, nationality, ethnic or national origin, sexual orientation, gender reassignment, pregnancy, marital status or any other reason which cannot be shown to be justified. Further, LS is committed to helping redress the effects of unfair discrimination and disadvantage and to ensuring that equality of opportunity and diversity become integral features of all its activities. LS will always ensure that it does not discriminate unlawfully.

The purpose of this policy statement is to set out the commitment of LS to eliminating discrimination from all aspects of its work and to outline policy priorities.

2. Scope of the policy

The main aim of this Policy is to eliminate unfair discrimination and, where appropriate, take positive action to redress the effects of discrimination. Given the nature of our business, attention will be given to:

- Recruitment and selection procedures and ensuring equality of opportunity for all job applicants and prospective applicants.
- Staff management and support, and provision of training and development opportunities on an equitable basis so all employees are treated fairly based on their relevant merits and abilities. This includes the protection of the rights of staff in relation to racial and other forms of harassment.
- Provide an equitable service to all its customers to ensure that all our tenants and stakeholders are treated fairly and provided support dependent on their needs and rights under the Equalities legislation.
- Our approach to development / maintenance of LS homes and the procurement strategies utilised.



- Opportunities for individuals from diverse backgrounds to become board members to enable more inclusive and effective strategic / business critical thinking and decision making.
- The selection, employment and practices of LS's other general suppliers including contractors and consultants.

3. Legislative responsibilities

LS commits to fulfilling both the letter and the spirit of our legal obligations under the Equality Act 2010 and any other subsequent legislation relating to equality. We will also place this requirement (where legally possible) on our contractors and other suppliers to abide by all the equality legislation that applies to them.

LS will also work in line with good practice guidelines on Equality and Diversity that relates to the social housing and wider public, private and not for profit sectors where relevant.

4. Responsibility for implementation

LS's board is responsible for the implementation and monitoring of this Policy to ensure that it is up to date, relevant and effective. The Board will receive an annual report outlining any current key issues and future objectives alongside details of the diversity demographics of employees.

Day-to-day responsibility for implementation rests with the chief executive and members of the executive team. It is also the responsibility of all employees to ensure the positive application of this policy within the spheres of their roles.

In driving the policy forward, LS will:

- Annually review and evaluate the impact of our policies and relevant functions; and make changes to them where they impact unfairly or adversely on any group/s.
- Seek to ensure that our workforce as far as possible reflects the diverse communities we serve and that every employee is treated fairly.
- Set equality objectives where necessary in relation to employment and the delivery of our services to ensure that our equality and diversity principles and commitments are maintained.
- Take action to eradicate discrimination and inequality when delivering services and when employing others to deliver on our behalf.
- Considers establishing positive action programmes where deemed appropriate and necessary in pursuance of our overall organisational aims.



5. Resources

LS will allocate appropriate resources, to ensure full and effective implementation of this policy.

6. Monitoring

The Executive Team will report to the Board at least annually on the performance of LS on meeting its equalities objectives.

The report will include:

- Outcomes of recruitment showing race, gender and disability
- Summary details of grievances and disciplinarys by race, gender and disability
- Details of any known breaches of the Equality and Diversity Policy

In promoting this policy, LS affirms its commitment to being a learning organisation relating to equality, diversity and inclusion, always ready to improve our practice and to address new issues as they arise. If we make mistakes, we will put things right and learn from our experience.

7. Other relevant documents

- i. Equalities and Diversity Strategy
- ii. Recruitment & Selection Policy and Procedural Guidance
- iii. HR Strategy
- iv. Equality Impact Assessment
- v. Code of Conduct

**Registered Co-operative and Community Benefit Society No 29840R
Registered Social Housing Provider No LH4454**

Local Space
**Report and financial statements
for the year ended 31 March 2020**

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

GENERAL INFORMATION

Co-operative and Community Benefit Society Registration Number

29840R

Regulator of Social Housing Registration Number

LH4454

Registered Office

58 Romford Road, Stratford, London E15 4BZ

Board

Victor Da Cunha (from 17th March 2020 and Chair from 28th April 2020)
Richard Reynolds (to 21st October 2019)
Martin Bellinger
Paul Edwards (from 22nd October 2019)
Callin Farrow (Senior Independent Board Member) (Chair from 22nd October 2019 - 28th April 2020)
Manu Nair (to 31st October 2019)
Conor McAuley
Tim Mulvenna
Josephine Parsons (from 28th April 2020)
Elizabeth Spiere (from 26th November 2019)
Richard Stevens
Jinder Takhar (to 31st August 2019)
Clive Turner (to 31st March 2020)

Executive Management Team

Chief Executive
Chief Executive
Operations Director
Finance Director

Josephine Parsons (from 1st October 2019)
Jinder Takhar (to 31st August 2019)
Mark Kent
Philip Sargeant (Acting from 1st October 2019, appointed on 1st April 2020)
Josephine Parsons (to 30th September 2019)
Stephen Kyrage
Catherine Diamond
Kirsty Semple

Finance Director
Development Director
Corporate Services Director
Company Secretary

Main Banker

Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Main Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Auditor

Beever and Struthers
15 Bunhill Row
London EC1Y 8LP

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

INDEX TO THE FINANCIAL STATEMENTS

	<u>Pages</u>
Chair's Message	3-4
Board Report	5-14
Statement of Responsibilities of the Board	15
Independent Auditor's Report	16-18
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Reserves	21
Statement of Cash Flows	22
Notes to the Financial Statements	23-50

CHAIR'S MESSAGE

I was delighted to become Chair of Local Space in April, just after the end of the financial year being reported. It is a wonderful organisation which works in partnership with local authorities to provide essential, affordable, good quality homes for both homeless families and the keyworkers of London.

Just as I took up my role, these households took centre stage, as the UK responded to the unprecedented challenges created by the global pandemic – Covid19. Homeless people urgently needed to be taken off the streets and keyworkers, including bus drivers, care workers and shop assistants, kept the economy going.

The work of Local Space has always been important, but social distancing and restrictions of public movement have underscored the importance of 'home' and our work. It has further highlighted we have still much to do, in order to address the inequalities of the London housing market. More than ever, homeless families need a safe, affordable, good quality home and a wider range of 'keyworkers' need a home near their place of work: both for their sake and the wellbeing and effective functioning of the capital.

During the year we developed a new five-year corporate strategy to take Local Space forward beyond its initial growth phase. Our new focus is on providing good quality customer services whilst developing a range of 'wrap around' services to support customers to lead successful, independent lives - we call this 'Beyond Bricks'. No doubt, our strategy will need further reviews and possibly refinement as we consider and respond to the economic and social consequences of Covid19.

It's against this unusual context that I am pleased to say that Local Space has been hugely successful and delivered yet another good set of results this year, in terms of customer service, growth and finances.

Services that our customers are happy with

Our new corporate strategy renews our focus on providing high quality services to our customers. We met our customer satisfaction target of 80% for our directly managed homes but we are keen to improve this further. We have an action plan to be delivered in 2020/21 to further improve satisfaction levels for directly managed services and the services managed by London Borough of Newham on our behalf. We continue to value input from our customers and the Tenants Panel has provided helpful scrutiny and feedback on Estate Inspections and Arrears Management. We have maintained key services during Covid 19 to ensure the health and safety of our customers and more routine services, subject to safe working, are now being resumed as lockdown eases.

Homes that people want to live in

Our target is to deliver 969 homes (800 for London Borough of Newham and 169 for London Borough of Wallham Forest) by March 2021. The supply and refurbishment process have worked well during the year and is now delivering around 30 homes per month with an average refurbishment time of 12.6 weeks. Customer satisfaction with our new homes remains very high at 96%.

Being a successful, well managed business

Financially, we ended the year with a net surplus of £5.2m (£4.3m 2018/19) and our fixed assets stood at £570m (2018/19 £484m), an increase of 17.8% in the year. Operating margins have remained strong at 54%, (2018/19 54%) and all financial covenants were complied with.

CHAIR'S MESSAGE (CONTINUED)

Impressively, Local Space also retained its sector leading AA- rating with Standard & Poor's, demonstrating the inherent strength of the business and its stable and predictable cashflows which are supported by rent guarantees from our key partners

Changes to the way our regulator – The Regulator for Social Housing (RSH) – assess the numbers of homes owned meant that we were assessed as a small registered provider during 2019/20 reporting period. This meant that we have no published regulatory judgement this year. However, our growth profile means that we will again require a regulatory judgement in the coming financial year and expect to retain our original G1V1 judgement.

Our funding strategy for growth required an extension of one of our revolving credit facilities through to 2025. We have also worked to renew another facility for five years, although this work concluded in June 2020. Together both facilities add to Local Space's longer-term liquidity. In a time of historically low interest rates the risk in this area is low but work will be undertaken in 2020/21 to look at how this risk might be mitigated in the medium to long term by means of hedging or other fixed interest rate deals with our funders.

Our team

Over the past year, there has been some renewal on the Board and the Executive teams.

The former Chair, Richard Reynolds, stood down from the Board in October 2019 and I would like to extend the Board's thanks to him for his work over the preceding few years. Caitlin Farrow, one of our existing Board Directors and Senior Independent Board Member, helpfully stood in as interim Chair until my appointment in April 2020. Caitlin did a wonderful job and we are all grateful to her for providing the stability needed during the period. As well as my appointment, the Board also appointed two other new Board Members during the year, increasing our Treasury and ICT capability at non-executive level.

Board changes were complimented by changes in two key posts within our Executive Team: First, we appointed our new Chief Executive, Josephine Parsons in October 2019 and in April 2020 we appointed our Finance Director, Philip Sargeaunt; both had been with the business before their appointment and were promoted internally. In common with many other registered providers, we took the decision last year that the Chief Executive should also be a member of the Board and I am pleased to say that in April 2020, Josephine took up that role formally.

These were all excellent appointments and I feel that collectively we have the right blend of skills and experience on the Board as well as the executive to provide both the strategic oversight needed as well as the operational excellence required to fulfil our social purpose and navigate the challenging operating environment. As ever, we remain fully compliant with the 2015 NHF Code of Governance and keen to continue to evolve our governance in line with best practice.

My thanks go out to my fellow Board Members, the executive team as well as the rest of the Local Space team for their fabulous contribution over the past year

Equally I want to recognise and thank our local authority partners, the GLA and other strategic partners for supporting us to deliver our social purpose of *'delivering affordable and quality social housing to people on low incomes helping lives and communities to change for the better'*. We look forward to working with you in the coming year ahead.

Victor Da Cunha
Chair

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT

The Board of Local Space is pleased to present its report and the audited financial statements for the year ended 31 March 2020.

Objectives and Strategy to achieve objectives

Local Space is a specialist provider of social housing and in preparing these accounts we have paid due regard to guidance on reporting on public benefit as a public benefit entity. Its focus is on the provision of temporary accommodation and key worker homes in partnership with several key local authority partners. Local Space works in East London and Essex, and partners with local authorities through contracts and nominations agreements which govern the way in which the homes are allocated. In general, the focus is to provide homes for families and individuals from local authority homeless waiting lists.

The homes Local Space provides offer our partners a more cost-effective alternative to renting properties on the open market, in which to house homeless families and individuals. In addition, key worker accommodation offers a way to house workers in key public services who would not be able to afford accommodation on the open market, but who might not otherwise qualify for social housing.

Our corporate objectives for 2019/20 were as below and performance against these objectives is reported on Page 7 of these statements:

Strategic Objectives:	Primary Performance Goals:
Homes that people want to live in	<ul style="list-style-type: none">• Acquire 200 homes in-year• 254 homes to be let in-year (including 65 Right to Buy funded homes for London Borough of Waltham Forest)• Fully informed planned maintenance programmes for 5 and 30 years and new maintenance contract tendered and operational• Tenant satisfaction with condition of home > 85%• Tenants satisfaction with new product > 90%
Services that our customers are happy with	<ul style="list-style-type: none">• Tenants scrutiny and involvement in two areas to be agreed with the Tenants' Panel,• Develop customer interaction through digitalisation with ability to make rent payments and order/track repairs. Tenant satisfaction with ease of access service > 80%• 100% FRAs < 12 months old• 100% FRA actions completed on time• 100% Gas Safe certification• 100% Lift certification compliance completed• 100% Electrical safety certification• Tenants satisfaction with service > 80%
Being a successful business	<ul style="list-style-type: none">• Operating Margin (net of Newham Sum): > 53%• Net Margin > 24%• EBITDA > 187%• Full covenant compliance and robust business plan (V1) and maintain AA- credit rating• Funding strategy with additional £50m to ensure liquidity and covenant compliance

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

	<ul style="list-style-type: none">• Decrease arrears on directly managed homes to 4.5% of annual passing rents
Being a well-managed organisation	<ul style="list-style-type: none">• Organisational Development plan implementation• Executive & Leadership Teams training programme implemented• Staff satisfaction with LS > 85%; Staff conference, Performance Related Pay fully implemented• Phase 2 IT strategy implemented; including digital development and fully compliant IT audit to evidence sustainability• Full Board; planned observation of board operation and culture; Board remuneration updated

Local Space Business Model

The business model balances the rent received from the occupation of our homes with the costs to manage the properties and tenancies, as well as servicing the debt accumulated during the acquisition and development of our property portfolio.

Over 90% of our rental income is guaranteed through one of our local authority partnerships. This means that there is a very stable income stream which contributes to our high credit rating (AA- Standard & Poors) and allows our lenders to offer us the best possible rates for our debt finance. Our debt finance is mostly secured on the value of the property portfolio which further protects our funders and allows them to offer us finance at good rates.

Local Space began a growth program in 2016 which was expected to last 4 to 5 years in total. This program aimed to add 969 additional homes to our 2016 portfolio of 1,817 social housing units. This was possible through leveraging the value inherent in the original Acquisition and Equity portfolio of 1,450 homes to acquire more homes in the early part of the growth program, and in turn using the value of subsequently newly acquired homes to help fund the later growth. 2019/20 was the fourth year of the growth program.

Our business model has some differences when compared to most registered providers of social housing. We tend to achieve higher operating margins than most other providers, 2019/20 54% (2018/19 54%) as calculated after deducting the Newham Sum compared with median operating margins of 26% in our sector (2018/19). Our net margin in 2019/20 was 15% (2018/19 15%). We have been able to retain the highest credit rating with Standard and Poor's of any registered provider, AA-, and we expect to remain fully compliant with our regulator's highest standards, G1V1.

Future Prospects

The growth program for the London Borough of Newham is continuing in 2020/21. Local Space is extending the delivery program for the London Borough of Waltham Forest for the next two financial years, subject to the availability of Right to Buy (RTB) receipts.

Having completed extensive stock condition surveys in our homes we are continuing to prioritise investment in our homes with over £9 million set aside for the next three years. This will improve the quality of homes for the residents who reside in them. We will also continue to prioritise the health and safety of our customers (post Grenfell) and further develop investment plans to help make our homes more energy efficient to improve affordability for our customers and meet carbon neutrality targets.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT (CONTINUED)

In June 2020 Local Space successfully renewed the Lloyds Tranche D facility of £50 million, due for repayment in March 2021, for a further 5 years. This provides continued liquidity to the business. Both the banking and capital funding markets continue to view the social housing sector as a relatively low risk area to invest in and we are confident that Local Space will be able access new funding at competitive rates as required.

268 new properties were acquired during the year and a total of 314 properties were let during the year to provide much needed new homes for families and individuals. At 31st March 2020 the cumulative number of properties handed over for lettings since the commencement of the growth programme was 749 (including 99 GPB (Growth Plan B Programme in partnership with London Borough of Waltham Forest)). The average time taken during the year from acquisition to let was 12.6 weeks.

The Covid 19 pandemic has had a widespread effect on the UK economy and the social housing sector. Local Space has responded to this by implementing measures to ensure the ongoing health and safety of our customers, staff and partners. Local Space is working with our partners to ensure that key services to our customers have been maintained. This includes safe access to homes to ensure important safety checks and component replacements are carried out safely. As lockdown eases the housing market is also now operating so Local Space remains on course to meet its 2020/21 Growth Target. Local Space's unique business model means that we do not currently expect any significant impact on our financial plans going forward but we will continue to monitor and stress test in response to any further changes in the operating environment.

Planned performance for future years and a comparison of actual performance against the plan for 2019/20 is provided in the table below:

Local Space Performance in 2019/20

Financial performance has been satisfactory in the year with an operating surplus of £21.3m before the Newham Sum (2018/19 £18.5m), and a net surplus of £5.2m (2018/19 £4.3m).

Value for Money metrics	2019/20 Actual	2019/20 Plan	2020/21 Plan	2021/22 Plan	Median for sector 2018/19
Operating Margin	54.4%	54.7%	55.0%	49.0%	25.8%
EBITDA-MRI Interest cover	149%	149%	140%	132%	184%
Gearing	65%	65%	65%	57%	43.4%
Return on capital employed (ROCE)	3.2%	4%	3.4%	3.0%	3.8%
New supply delivered	10.0%	8.4%	4%	0%	1.5%
Headline social housing costs per unit ¹	£4,118	£4,420	£4,464	£4,212	£3,690
Total number of homes	2,647	2,578	2,782	2,786	N/A

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

Investment in existing homes	£3.0m	£3.4m	£3.7m	£2.2m	N/A
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1. **Headline social housing cost per unit based on all management and repair costs (including capitalised major works) before Newham Sum payment, divided by total number of social housing units owned**

The variance between actual and planned results for 2019/20 is largely due to:

- (i) More property acquisitions than planned.
- (ii) More properties coming into rent than planned.

Key results for 2019/20 are as follows:-

Homes That People Want To Live In

- The Board agreed to an acceleration in growth programme in 2019/20 and 268 new properties were purchased and 314 new lettings made, against a target of 254 for the year.
- 96% of customers surveyed are happy with the new homes provided. This is significantly above our target.
- All but 3 of our homes met the Decent Homes Standard at the end of 2019/20. This shortfall is because access to these properties was constrained due to Covid 19. The outstanding works will be undertaken in 2020/21 as soon as social distancing rules permit the work to be undertaken safely.
- £3 million was invested in our properties during 2019/20 compared to £1.1 million in 2018/19.

Services that Our Customers Are Happy With

- 80% of our customers in our owned and directly managed homes are satisfied with our services.
- 68% of our customers in (Growth Plan A) homes managed by London Borough of Newham are satisfied with the services received.
- 69% of our customers in (Equity & Acquired) homes managed by London Borough of Newham are satisfied with the services received.
- Overall satisfaction level for all homes is at 69%.
- Satisfaction on Repairs is at 85% compared to target of 93%. This will be addressed with the service provider in the contract renewal that is taking place early in 2020/21.
- 100% of Fire Risk Assessments were completed for customer homes managed by Local Space at 31st March 2020. There were no overdue actions of more than 12 months.
- 99.5% of Gas Safety certification was achieved at 31 March 2020. Shortfall due to issues regarding access to properties.
- 100% Lift certification was achieved in 2019/20.
- Local Space is progressing its programme of Electrical Safety testing in all properties and was at 67.8% at 31st March 2020.
- Tenant scrutiny and involvement in Estate Inspections and Arrears Management.

Being A Successful Business

- Overall arrears are at 2.0% (v target of 2.5%) at the end of 2019/20 compared to 2.0% at 31st March 2019.
- Void losses remain very low at 0.17% versus target of 0.28%.
- Net margin was maintained as per 2018/19 at 15%.
- Operating Margin after Newham Sum payment was 54%.

Being A Well Managed Business

- Board and committee meeting were independently observed, and a report made in October 2019. All recommendations listed in the report have been fully implemented. A fuller governance review is scheduled for September 2020. We recruited new Board members to replace those who left during the year. An external review of Board member remuneration was undertaken in February 2020 and no changes were made.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT (CONTINUED)

- Quarterly surveys of staff satisfaction have been implemented during 2019/20. At year end this showed that 85% of staff were satisfied with Local Space as an employer. The PRP (Performance Related Pay) scheme was successfully implemented and reported to the Nominations & Remuneration committee
- The Covid 19 pandemic led to an acceleration in Local Space's digitalisation programme to successfully facilitate effective working from home.
- The Board approved the budget for a new role of Digital Support & Development Officer.
- Local Space's Development Plan was fully delivered in 2019/20.
- The programme of management & leadership training was fully delivered in 2019/20 with the exception of Recruitment Training which was delayed to 2020/21 due to Covid 19.

On average 25 homes were re-let in the year (2018/19 26 homes) with an average turnaround time of 20 days. Arrears management has undergone significant review and improvement during the year. As a consequence, arrears remain static at 2.0%. Investment in existing homes was £3.0m in the year (2018/19 £1.1m) and 479 homes (2018/19 260 homes) received some capital investment during the year. Health and Safety has remained a key focus in the business, both in terms of compliance and investment in our homes.

Key financial and non-financial indicators

Our key performance indicators are set out below and include the VFM indicators set by the Regulator for Social Housing.

Performance Measures	2019/20	2018/19	Median for sector 2018/19	2017/18	2016/17
Reinvestment %	11.1%	16.8%	6.2%	15.7%	6.4%
New supply delivered	10.1%	9.9%	1.4%	10.9%	4.8%
Number of new homes acquired	268	235	N/A	231	-
Number of new homes let	263	345	N/A	88	-
Investment in new homes	£87m	£80m	N/A	£63m	-
Investment in existing homes	£3.0m	£1.1m	N/A	£0.7m	£0.8m
Gearing	64.7%	59.4%	43.4%	55.4%	52.1%
Liquidity	126.0%	173.1%	223.0%	128.7%	269.2%
EBITDA-MRI Interest cover	148.8%	170.0%	184.0%	193.2%	221.6%
Headline social housing cost per unit ²	£4,118	£3,197	£3,690	£2,846	£2,508

LOCAL SPACE

Rent losses (void and bad debts as % rent and service charges receivable)	0.3%	0.7%	1.0%	0.2%	1.0%
Rent arrears (gross arrears as % rent and service charges receivable)	2.0%	2.0%	4.4%	2.9%	2.1%
Operating margin (social housing)	55.2%	54.6%	29.2%	54.8%	60.2%
Operating Margin (all)	54.4%	54.6%	25.8%	54.7%	60.1%
Net surplus	£5.2m	£4.3m	£4.7m	£5.9m	£5.6m
Surplus for the year (as % income from lettings)	15.2%	14.7%	18.1%	22.3%	21.8%
Return on capital employed (ROCE)	3.2%	3.3%	3.8%	3.7%	4.2%

† Headline social housing cost per unit based on all management and repair costs (including capitalised major works) before Newham Sum payment, divided by total number of social housing units owned.

Value for Money

Local Space demonstrates significant investment in the supply of new temporary accommodation compared with the sector median. This is the result of the growth program which has been underway since 2016. The amount of funds invested was £87.0m in 2019/20 (£80.0m 2018/19). In addition, £3.0m was invested in improvements to existing homes (£1.1m 2018/19).

This was possible because of both available lending, including some from new sources, and from the core business which returned a net surplus of £5.2m (2018/19 £4.3m). Additional borrowing totalling £72m was made to facilitate the development programme.

One of the results of the investment in new homes is the gearing level in the business rising to 64.7% (59.4% 2018/19). However, this is well within the tightest lenders' covenant for gearing which is 75% and was planned as part of the growth strategy. Sector median levels of gearing are lower at 43.4% demonstrating both differing loan covenants and also the lower investment levels in many other registered providers.

Headline social housing costs per unit have increased in 2019/20 to £4,118 (2018/19 £3,197). This compares with the sector median of £3,690 per unit. Capitalised repairs are included in this calculation and the increased investment in existing stock accounts for the increase in average cost compared to 2018/19. This outcome is consistent with our corporate strategy of investing more in our existing customers and their homes. The actual cost per unit for 2019/20 is lower than plan (£4,420) as a result of doing more for the same cost as the number of units managed has increased with very little additional overheads being added.

Interest cover is also reducing over the term of the growth strategy as expected, as the loan portfolio grows to fund the growth program, to 148.8% (2018/19 170%). The sector median is 184.0%. Local Space's performance reflects its ambitious growth program which is largely funded by new borrowing.

Local Space will review its value for money strategy during 2020/21 and prepare a new plan with measures and targets for the years ahead. This will be linked to our new 5 Year Corporate Strategy for 2020-2025 and will demonstrate how we meet the expectations of the regulator as set out in the Value for Money Standard and the accompanying guidance published in 2018.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT (CONTINUED)

Principal risks and uncertainties

The top eight risks we are monitoring within the business this year are shown in table below:

Risk:	Main mitigating actions:
Gas Safety failure resulting in injury or death	<ul style="list-style-type: none"> • Careful data management and regular audit. • Use of court procedure where necessary. • Program of safety checks starting at 10 months. • KPI (Key Performance Indicators) monitored monthly. • Internal audit which provided substantial assurance of the control system.
House price movement impacting growth strategy	<ul style="list-style-type: none"> • Control limits approved by Board for each area of operation. • Regular monitoring of progress against targets. • Several agents used to source properties. • Current growth plan being fully funded.
Withdrawal of UK from EU resulting in lack of funding availability or key contractor staff in maintenance and refurbishment program	<ul style="list-style-type: none"> • Professional advisors in place to assist with funding plans. • Current growth plan being fully funded. • Current business plan stress tested for movements in funding costs and house prices. • No exposure to market sales. • Regular liaison with key contractors to assess resilience.
Property refurbishment takes longer than planned, slowing delivery of new homes for letting resulting in income loss	<ul style="list-style-type: none"> • Access to frameworks for VFM (Value for Money) procurement. • Delivery program closely monitored. • Performance maintained in year at an average re let time of 12.6 weeks
Poor customer satisfaction resulting in reputational damage	<ul style="list-style-type: none"> • Good housing management policies reviewed in-year. • Professional staff appointed to key posts. • Independent monitoring of customer satisfaction. • New KPI framework agreed with key Local Authority Partner.
Fraud	<ul style="list-style-type: none"> • Governance procedures clearly define and delegate authorities and ensure appropriate segregation of duties. • Carrying out regular reviews and analysis of buying trends and orders. • Utilising external consultancies to procure and supervise contract works where appropriate. • Regular review meetings, internal sign-off procedures. • Independent external validation of fair market prices. • Use of validated frameworks for procurement of services. • Policies, processes and procedures in place including new policy adopted in May 2019.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

	<ul style="list-style-type: none"> ◆ Prioritising options to make use of excess loan security positions as part of funding strategy.
Major H & S (Health & Safety) Incident causing injury or even death	<ul style="list-style-type: none"> • Development and repairs - CDM (Construction Design & Management) regulations kept up to date in internal and issued documents. • Fire risk assessments were checked and site inspections carried out. • Information on website on fire safety. • Site safety policies for staff. • Regular papers and briefing note to Board on health and safety. Including the areas of fire, legionella, asbestos, gas and electrics • Operations Director has lead responsibility for H&S. • Corporate H&S Policy in place • Disaster Recovery Plan completed April 2019. Successful test undertaken in November 2019 of staff head office.
Effect of lockdown due to Covid 19.	<ul style="list-style-type: none"> • Additional support to vulnerable customers. • Digital remote lettings sign ups. ◆ Ongoing external component replacements. • Socially distanced internal component replacements. • Staff able to work remotely from home. • Close monitoring of government advice. • Welfare of staff working from home ensured • Preparation ongoing of the office for new working arrangements when lockdown over. • Increased no access instances due to customer caution in relation to operatives visiting re gas safety now being mitigated by revised contractor working arrangements including PPE as required. • Sufficient PPE for front line staff provided as required • No impact on Fire Safety inspections at March 2020.

Governance

Local Space has maintained its high standards of governance, to ensure that it can retain its G1 status. During the year the Board skills matrix was reviewed to ensure that any skill gaps were identified and addressed. This skills matrix was utilised in the recruitment of the new Board members. The Board was subjected to external observation and undertook an annual review of its performance. Local Space has adopted the NHF Code of Governance 2015. It reviews its compliance annually, and it is fully compliant with this Code. It also reviews its compliance with the UK Corporate Governance Code and the Charity Governance Code and the Board is satisfied that Local Space is also compliant with the applicable principles contained in both of these Codes. Local Space reviews its compliance with all of the relevant RSH (Regulator of Social Housing) standards twice a year. We are able to certify that there has been full compliance with the RSH Governance and Viability standard.

Review of internal controls

The Board acknowledges its overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT (CONTINUED)

eliminate, the risk of failure to achieve business objectives; and to provide reasonable, and not absolute, assurance against material misstatement or loss. The Board periodically reviews the scheme of delegations to ensure that they are in line with changes in the organisation and the operating environment.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the report and financial statements. Key elements of the control framework include:

- Board approved committee terms of reference and delegated authorities;
- Management responsibilities for the identification, evaluation, and control; of significant risks and regular reviews by external specialists;
- Risk register reviewed by Audit and Risk Committee & Board;
- Asset and Liability Register maintained and updated every month with regular reporting to Audit and Risk Committee and Board;
- Strategic and business planning processes, with detailed financial budgets and forecasts;
- Formal recruitment, retention, learning and development policies for all staff;
- Established authorisation and appraisal procedures for all significant new initiatives and commitments;
- Treasury management which is subject to external review as required;
- Regular reporting to the Board on key business objectives, targets and outcomes and;
- Board approved anti-fraud and corruption policy and whistle-blowing policy.

A comprehensive program of internal audit assessment took place in the year.

The overall findings were that *Local Space has an adequate and effective framework for risk management, governance and internal controls, although further enhancements are required to the framework to ensure that it remains adequate and effective.*

The audit program was developed to assess key risk areas within the business and included:

Area:	Key Findings:
Fire safety	Substantial assurance
Development	Substantial assurance
Rent collection	Reasonable assurance
Risk management	Substantial assurance
Gas safety	Reasonable assurance
IT Audit	Advisory
Follow up earlier recommendations	Little progress

Management have responded on a positive and timely basis to the recommendations and agreed them with the Audit & Risk Committee. Implementation of all audit recommendations is verified on a regular basis by the Internal Auditors. The main outstanding actions on the Follow Up audit related to asbestos and our housing management system CX. It has been agreed with Internal audit that the action on asbestos has been superseded and the actions on CX will be undertaken in 2020/21 in conjunction with the CX system upgrade.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

BOARD REPORT (CONTINUED)

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives regular reports from the Audit and Risk Committee including an annual report on the effectiveness of the systems of internal control.



Victor Da Cunha
Chair

21 July 2020



Josephine Parsons
Chief Executive

21 July 2020

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

STATEMENT OF RESPONSIBILITIES OF THE BOARD

Statement of Responsibilities of the Board for the Report and Financial Statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the Income and Expenditure for the period of account.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to The Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above, confirm so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware, and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board Report was approved on 21st July 2020 and signed on its behalf by:

Victor Da Cunha

Chair

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LOCAL SPACE

Opinion

We have audited the financial statements of Local Space "the Association" for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies in notes 1 and 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information

The other information comprises the information included in the Board Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board for the Report and Financial Statements set out on page 15, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.



Beever and Struthers
Statutory Auditor, Chartered Accountants
15 Bunhill Row
London EC1Y 8LP

Date: 21 August 2020

STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 £'000	2019 £'000
Turnover	3	34,449	29,129
Operating expenditure	3	(12,834)	(10,952)
Gain / (Loss) on disposal of property, plant and equipment fixed assets	6	(293)	289
Operating surplus	8	21,322	18,466
Newham Sum	33	(2,576)	(2,550)
		18,746	15,916
Interest receivable	7	46	40
Interest and financing costs	7	(13,885)	(11,082)
Unrealised surplus on revaluation of investment properties	16	180	-
Movement in fair value of financial derivatives	32	(403)	(134)
Surplus/(deficit) before taxation		4,884	4,740
Taxation	9	-	-
Surplus/(deficit) after taxation		4,884	4,740
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	12	-	(397)
Actuarial (loss)/gain in respect of pension schemes	12	341	(72)
Total Comprehensive Income for the Year		5,225	4,271

The financial statements and accompanying notes on pages 19 to 50 were approved and authorised for issue by the Board on 21st July 2020 and signed on its behalf by



Victor Da Cunha
Chair



Josephine Parsons
Board Member



Kirsty Semple
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 23 to 50 form an integral part of these financial statements

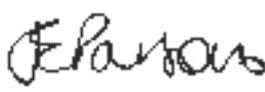
LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

STATEMENT OF FINANCIAL POSITION

		2020 £'000	2019 £'000
Tangible Fixed assets	Note		
Housing properties	14	566,632	480,481
Other fixed assets	15	1,779	1,655
Investment properties	16	1,090	910
Investments	18	855	855
		<u>570,356</u>	<u>483,901</u>
Current assets			
Trade and other debtors	17	2,419	4,076
Cash and cash equivalents		9,394	10,137
		<u>11,813</u>	<u>14,213</u>
Creditors: amounts falling due within one year	19	<u>(57,419)</u>	<u>(8,210)</u>
Net current assets		<u>(45,606)</u>	<u>6,003</u>
Total assets less current liabilities		<u>524,750</u>	<u>489,904</u>
Creditors: amounts falling due after more than one year	20	(333,597)	(302,506)
Provisions for liabilities			
Pension – defined benefit liability	12	(360)	(632)
		<u>190,793</u>	<u>186,766</u>
Total net assets		<u>190,793</u>	<u>186,766</u>
Reserves			
Income and expenditure reserve		61,540	56,530
Revaluation reserve		129,253	130,236
Total reserves		<u>190,793</u>	<u>186,766</u>


Victor Da Cunha
Chair


Josephine Parsons
Board Member


Kirsty Semple
Secretary

The notes on pages 23 to 50 form an integral part of these financial statements.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2018	52,259	131,102	183,361
Total Comprehensive Income for the year	4,271	-	4,271
Unrealised surplus / (deficit) on revaluation of investment properties	-	(40)	(40)
Released on disposal of properties	-	(826)	(826)
Balance at 31 March 2019	56,530	130,236	186,766
Total Comprehensive Income for the year	5,225	-	5,225
Unrealised surplus / (deficit) on revaluation of investment properties	(180)	180	-
Released on disposal of properties	(35)	(1,163)	(1,198)
Balance at 31 March 2020	61,540	129,253	190,793

The notes on pages 23 to 50 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	2020 £'000	2019 £'000
Net cash generated from operating activities	27,497	17,826
Cash flow from investing activities		
Purchase of tangible fixed assets	(93,567)	(84,004)
Investments	-	(855)
Sale Proceeds	439	1,575
Grants received	6,658	5,698
Interest received	46	40
	<u>(86,424)</u>	<u>(77,546)</u>
Cash flow from financing activities		
Interest paid	(13,669)	(10,882)
Loan arrangement fee	(147)	(635)
Loan drawn down	72,000	165,500
Loan repayment	-	(93,000)
	<u>58,184</u>	<u>60,983</u>
Net change in cash and cash equivalents	(743)	1,063
Cash and cash equivalents at beginning of the year	<u>10,137</u>	<u>9,074</u>
Cash and cash equivalents at end of the year	<u>9,394</u>	<u>10,137</u>

	2020 £'000	2019 £'000
Cash flow from operating activities		
Total Comprehensive Income for the year	5,225	4,271
Adjustments for non-cash & non-operating activity items:		
Depreciation of tangible fixed assets	4,867	4,530
(Increase)/Decrease in trade and other debtors	1,681	(1,498)
Increase/(Decrease) in trade and other creditors	1,132	(1,050)
Pension Provision	274	558
Carrying amount of tangible fixed asset disposals	(439)	(642)
Disposals	760	352
Movement in fair value of financial derivatives	403	134
Amortisation of loan arrangement fee	255	200
Grant amortisation	(284)	(71)
Interest payable	13,669	10,882
Interest receivable	(46)	(40)
Net cash generated from operating activities	<u>27,497</u>	<u>17,826</u>

The notes on pages 23 to 50 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Local Space (the association) is registered under the Co-operative and Community Benefit Society Act 2014 and is a registered provider of social housing. It is an exempt charity.

2. Accounting policies

Basis of accounting

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. Local Space is a public benefit entity for the purposes of reporting under FRS 102.

The financial statements are presented in Sterling (£).

The financial statements have been prepared under the historic cost convention as modified by investment properties and financial derivatives held at fair value or deemed cost for assets held at date of transition to FRS 102.

Going concern

The association's business activities, its current financial position and factors likely to affect its future development are set out within the Board Report. The association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include valuation of property plant and equipment (tangible fixed assets), recoverable amount of trade debtors and other trade receivables

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the association that have the most significant effect on the financial statements.

- Replacement of components
- Depreciation rates

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

Turnover

Turnover comprises rental income receivable in the year, amortised capital grant, income from investment properties, other services included at the invoiced value of goods and services supplied in the year and from open market property sales. Rental income is recognised from the point when the properties under development reach legal practical completion or otherwise become available for letting, net of any voids. Turnover is recognised on an accruals basis.

Sale of Housing Properties

Outright sales of properties are treated as sales of fixed assets and not as properties developed for sale.

Interest Payable and Taxation

The interest payable is charged to the Statement of Comprehensive Income in the year to which it is incurred.

Current and Deferred Taxation By virtue of s.478 Corporation Tax Act 2010, the association has charitable status and is not subject to corporation tax on surpluses as a result of, or earned in furtherance of, its charitable objectives.

Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide a social benefit. The association has adopted the Deemed Cost transition relief option and recorded all its Pre March 2014 housing properties at Deemed Cost less depreciation and impairment losses and post March 2014 housing properties at costs less depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Work to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

The association separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

Completed properties and properties under construction are recognised at the lower of cost and net realisable value. Costs comprise of materials and direct overheads attributable to the development. Net realisable value is assessed using publicly available information and internal forecasts on future sales price after allowing for all further costs of completion and disposal.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

The association depreciates the major components of its housing properties at the following annual rates:

Structure	100 Years
Roofs	60 Years
Kitchens	15 Years
Bathrooms	15 Years
Gas and boilers	15 Years
Windows and doors	30 Years
Electrics	30 Years

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Investment Properties

Investment properties consist of commercial properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income.

Investment properties were valued at market value as at 31 March 2020. The association's investment properties have been valued by Savills LLP, Chartered Surveyors, and professional external valuers. The full valuation of properties was undertaken in accordance with Royal Institution of Chartered Surveyors ("RICS") Valuation-Global Standards 2017 (incorporating the IVSC International Valuation Standards) and the RICS Valuation – Global standards 2017 – UK national supplement, together the "Red Book". In arriving at their opinion of Market Value the valuers have adopted the following assumptions:

Gross Annual Rent (Current)	£65,000
Voids	5% of Rent Debit pa
Management Costs	8% of Rent Debit pa
Maintenance	2% of Rent Debit pa
Net Yield Applied	6.5% - 7.75%

Other Fixed Assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold buildings	2% on cost
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	Straight-line over 3 years
Computers and office equipment	Straight-line over 3 years
Furniture in properties	Straight-line over 5 years

NOTES TO THE FINANCIAL STATEMENTS

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Lease

Rentals payable under operating leases and any lease incentives are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

We have analysed all our current debtors and did not identify any debtor adjustments.

Bad and Doubtful Debts

The provision for bad and doubtful debts is based upon the age of arrears. Percentages are applied on a specific basis to the relevant age of arrears based upon our experience in collecting similar balances. All outstanding arrears balances are reviewed on an individual basis with the relevant provision applied if required.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Creditors

Short term trade creditors are measured at the transaction price.

The association recognises an accrual for untaken annual leave for employees as a result of contracted services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The accrual is measured at the salary cost payable for the period of absence.

Government Grants

Government grants include grants receivable from the Homes England, local authorities, and other government organisations. Government grants received for housing properties are written off to the reserves account on the transition date by adopting Deemed Cost transition relief.

The association has taken advantage of the transition relief to use the performance model of grant recognition up to the date of transition. Therefore, there are no grant accruals recognised on the books of the association at transition. Local Space has subsequently applied the accrual method of grant recognition from April 2018 for new grant received from London Borough of Waltham Forest.

NOTES TO THE FINANCIAL STATEMENTS

Where individual components are disposed of this does not create a relevant event for recycling purposes.

Employee Benefits

Short term employee benefits are recognised as an expense in the period in which they are incurred.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over periods benefiting from the employees' services.

The association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS (Financial Reporting Standard) 102 paragraphs 28.11 and 28.11A and Housing SORP (Statement of Recommended Practice) paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRED71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans,') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. Further disclosures in this area are included in Note 12.

Revaluation Reserve

The association has chosen to take advantage of the Deemed Cost transitional relief, applying the historical cost basis prospectively whilst using the previous GAAP revaluation as Deemed Cost at 1 April 2014. Therefore, applying the depreciation model prospectively and freezing the revaluation reserve until disposal.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Instruments held by the association are as follows:

- Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest rate method.
- Cash is classified as a financial asset and is held in the financial statements at cost.
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

The association entered into two standalone swap agreements on 31 March 2016 to avoid mark to market break costs of two loan tranches of the previous Royal of Bank Canada's syndicated loan facility. One swap covers the exposure for just over one year from 2026-2027 and the other from 2026-32. These swaps are non-basic financial instruments. At each Statement of Financial Position date, they are remeasured at fair value. Any movement in the measurement in fair value is recognised in the Statement of Comprehensive Income.

Financial instruments liabilities such as bonds and loans are held at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transactions costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The association has identified four external loans from Lloyds, Barclays, Santander, MORhomes and a private placement bond with M&G to be financial instruments and analysed all loans and bonds according to Sections 11 & 12 of the Financial Reporting Standard 102 and concluded that they are basic financial instruments.

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- (a) All equity instruments regardless of significance; and
- (b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics. An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- (c) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- (d) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.

Impairment of Non-financial Assets

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on a similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated cost model or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the association as the existing property.

The association has reviewed the carrying value of all assets and the appropriate levels of assessment for impairment based on the cash generating units and concluded that there are no indicators of impairment.

The association considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and the Housing SORP 2018.

NOTES TO THE FINANCIAL STATEMENTS

3. Particulars of turnover, cost of sales, operating costs and operating surplus
- Continuing activities

	2020		
	Turnover	Operating expenditure	Operating Surplus
	£'000	£'000	£'000
Social housing letting	34,350	(12,804)	21,546
Non-social housing activities	99	(30)	69
	<hr/> 34,449	<hr/> (12,834)	<hr/> 21,615
	<hr/>	<hr/>	<hr/>
	2019		
	Turnover	Operating expenditure	Operating Surplus
	£'000	£'000	£'000
Social housing letting	29,061	(10,920)	18,141
Non-social housing activities	68	(32)	36
	<hr/> 29,129	<hr/> (10,952)	<hr/> 18,177
	<hr/>	<hr/>	<hr/>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

Note 3 (Continued)

Particulars of income and expenditure from social housing lettings

	2020		2019	
	Temporary Social housing £'000	Key worker housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	32,625	1,426	34,051	28,970
Service charge income	-	15	15	20
Grant amortisation	282	2	284	71
Turnover from social housing lettings	32,907	1,443	34,350	29,061
Management	(3,777)	(181)	(3,958)	(3,556)
Service charge costs	(1,399)	(21)	(1,420)	(942)
Routine maintenance	(1,416)	(142)	(1,558)	(1,080)
Planned maintenance	(647)	(57)	(704)	(668)
Major repairs expenditure	-	-	-	-
Bad debts	(48)	(12)	(60)	(80)
Depreciation of housing properties	(4,648)	(218)	(4,866)	(4,354)
Other costs	(218)	(20)	(238)	(220)
Operating costs on social housing lettings	(12,153)	(851)	(12,804)	(10,919)
Operating surplus on social housing lettings	20,754	792	21,546	18,141
Void losses	(32)	(14)	(46)	(120)

Particulars of turnover from non-social housing lettings

	2020 £'000	2019 £'000
Investment Property Income	70	34
Other Income	29	34
	99	68

NOTES TO THE FINANCIAL STATEMENTS

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2020 No of Properties	2019 No of Properties
Social housing		
Temporary social housing	2,509	2,241
Key worker housing	134	134
Total owned	<u>2,643</u>	<u>2,375</u>
Non-social housing		
Investment properties	3	3
Total owned	<u><u>2,646</u></u>	<u><u>2,378</u></u>

5. Accommodation managed by others

The association owns property managed by other bodies

	2020 No of Properties	2019 No of Properties
Temporary Housing	2,146 ¹	1,937 ¹

¹ Includes 698 GPA (489 2018/19) (Growth Plan A) units which count as owned and managed for purposes of regulatory returns as Local Space is landlord.

6. Gain / (Loss) on disposal of fixed assets

	2020 £'000	2019 £'000
Disposal proceeds	439	1,622
Cost of Disposals	-	(980)
Carrying value of fixed assets	(732)	(353)
Surplus/(Loss)	<u>(293)</u>	<u>289</u>
Capital Grant recyclable/repayable (Note 22)	-	-
Disposals proceeds fund (Note 23)	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Net Interest

	2020 £'000	2019 £'000
Interest Receivable and similar Income		
On financial assets measured at cost:		
Interest receivable from current accounts	46	40
Interest receivable from short term deposits	-	-
Interest on fixed asset investments	-	-
On financial assets measured at fair value:		
Fair value gain on derivative financial instruments	-	-
Total Interest Receivable	<u>46</u>	<u>40</u>
	2020 £'000	2019 £'000
Interest Payable and financing costs		
On financial liabilities measured at amortised cost:		
On loans repayable within 5 years	6,836	6,864
On loans wholly or partly repayable in more than 5 years	6,307	4,002
Interest on Pension scheme liabilities	16	-
Costs associated with financing	526	216
On financial liabilities measured at fair value:		
Fair value loss on derivative financial instruments	268	134
Less: Interest capitalised on housing properties under construction	-	-
Total Interest Payable and Financing Costs	<u>13,953</u>	<u>11,216</u>
Net Interest Payable	<u>13,907</u>	<u>11,176</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

8. Operating surplus

The operating surplus is arrived at after charging/ (crediting):

	2020 £'000	2019 £'000
Depreciation of housing properties	4,966	4,354
Depreciation of other tangible fixed assets	186	176
Operating lease rentals		
- office equipment and computers	4	4
Auditors' remuneration (excluding VAT)		
- Fees payable to the association's auditors for the audit of the financial statements	28	34
- Fees payable to the association's auditors for other Services:	-	-
Total audit services	28	34
All other services	-	-
Total non-audit services	-	-

9. Tax on Surplus on ordinary activities

Local Space has not incurred any tax liability in 2019/20

10. Employees

	2020 No	2019 No
Administration	11	10
Development	6	5
Housing, support and care	11	10
	28	25

Average number of employees expressed as full-time equivalents (calculated based on a standard working week of 35hrs):

The full-time equivalent number of staff who received remuneration in excess of £60,000 was as follows:

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

Note 10 Continued

	2020 No	2019 No
£60,001 to £70,000	4	3
£70,001 to £80,000	-	-
£80,001 to £90,000	1	-
£90,001 to £100,000	1	2
£100,001 to £110,000	2	1
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	1

Employee costs:

Wages and salaries		
Social security costs		
Other pension costs		

The association's employees are members of the Social Housing Pension Scheme (SHPS). Further information on the scheme is given in Note 12.

11. Board members, committee members and executive directors

Executive directors

	Basic Salary £'000	Pension contributions £'000	2020 Total £'000	2019 Total £'000
Chief Executive				
Jilinder Takhar (to 31 August 2019)	58	5	63	152
Josephine Parsons	128	14	142	
Key Management personnel	450	38	488	465
	<u>636</u>	<u>57</u>	<u>693</u>	<u>617</u>

Key Management Personnel consist of:

- | | |
|----------------------|---|
| 1) Josephine Parsons | Finance Director (to 30 September 2019) |
| 2) Josephine Parsons | Chief Executive (from 1 October 2019) |
| 3) Philip Sargeant | Finance Director (from 1 October 2019) |
| 4) Stephen Kimage | Development Director |
| 5) Mark Kent | Operations Director |
| 6) Catherine Diamond | Corporate Services Director |
| 7) Kirsty Semple | Company Secretary |

NOTES TO THE FINANCIAL STATEMENTS-**Note 11 Continued**

The emoluments of the highest paid executive director, Josephine Parsons, excluding pension contributions were £128,000 from 1 April 2019 to 31 March 2020 (2019: £141,000 Jibnder Takhar).

Board and committee members

The association had 14 people who were serving Board and committee members in 2019/20 (2018/19:13). Twelve of these Board members and Committee members received emoluments of £48,437 during the year (2019: £45,667). The other two are the chief executives who details are given above. Victor Da Cunha's first payment was made in April 2020.

	2020	2019
	£	£
Victor Da Cunha (from 17 March 2020)	-	-
Caitlin Farrow	7,667	6,000
Clive Turner	5,604	7,500
Manu Nair	3,167	4,000
Martin Bellinger	4,000	3,667
Richard Stevens	6,000	6,000
Richard Reynolds	5,833	10,000
Paul Edwards	2,833	2,000
Tim Mulvenna	6,000	6,000
Conor McAuley	4,000	-
Beatrice Adusei (3 July 2018 to 16 th October 2018)	-	500
Elizabeth Sipiari (from 26 November 2019)	1,333	-
Nilesh Patel	2,000	-
	<u>48,437</u>	<u>45,667</u>

12. Social Housing Pension Scheme

The association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme. The accounting policy in relation to SHPS is set out on Page 27.

The association currently operates career average revalued earnings (CARE) with a 1/80th accrual rate benefit structure for active members.

During the accounting period, the association paid contributions at the rate of 7.7% from 1 April 2019 to 30 June 2019 and 11.8% from 1 July 2019 to 31 March 2020 (2019:7.7%). Member contributions were 4.9% (2018:4.9%).

As at the Statement of Financial Position date, there were 25 active members of the scheme employed by the association. The total annual pensionable payroll in respect of all members on the scheme during 2019/20 was £1,316,421 (2019: £1,236,184). Local Space continues to offer membership of the scheme to its employees.

NOTES TO THE FINANCIAL STATEMENTS

Note 12 Continued

The TPT valuation at 31st March 2020 shows the fair value of plan assets to be £1,960k compared to £1,574k at 31st March 2019. The defined benefit obligation valuation at 31st March 2020 was £2,320k compared to £2,208k at 31st March 2019. The overall deficit recognised in the financial statements is £360k at 31st March 2020 compared to £632k at 31st March 2019.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

At 31st March 2018 the association agreed to make additional deficit payments to SHPS at the rate of £9,174 per year for 10 years. This arrangement remains in place until such time as any revised contribution is agreed.

Principle Actuarial Assumptions

	2020	2019
Rate of increase in Salaries	2.55%	3.24%
Rate of increase for pensions in payment / inflation	-	-
Discount Rate	2.35%	2.36%
Inflation Assumptions CPI	1.55%	2.24%
Allowance for commutation of pension for cash at retirement (% of max allowance)	75%	75%

The current mortality rates assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2020	2019
	Years	Years
Retiring in 2020		
Males	21.5	21.8
Females	23.3	23.5
Retiring in 2040		
Males	22.9	23.2
Females	24.5	24.7

NOTES TO THE FINANCIAL STATEMENTS**Note 12 Continued****Analysis of Amount Charged to Operating Expenditure**

	2020	2019
	£000	£000
Statement of Comprehensive Income (SOI)		
Employers Costs net of Employees Contributions	228	170
Scheme Expenses	5	3
Interest	16	14
Total SOI	<u>249</u>	<u>187</u>
Other Comprehensive Income (OCI)		
Initial recognition of multi employer defined benefit scheme	-	(397)
Actuarial (losses)/Gains	341	(72)
Total OCI	<u>341</u>	<u>(469)</u>

Movement in surplus/(deficit) during year

	2020	2019
	£000	£000
Scheme Deficit at start of year	632	481
Employers Service Costs	(180)	170
Employers Contributions	228	(108)
Expenses	5	3
Net Interest	16	14
Remeasurements	(341)	72
Scheme Deficit at 31 March 2020	<u>360</u>	<u>632</u>

Asset & Liability Reconciliation

	2020	2019
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	2,208	1,804
Service Costs	228	170
Expenses	5	3
Interest Costs	56	50
Employee Contributions	65	59
Remeasurements	(231)	134
Benefits Paid	(11)	(12)
Liabilities at end of period	<u>2,320</u>	<u>2,208</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

Note 12 Continued

Reconciliation of Assets	2020	2019
	£000	£000
Fair value at start of period	1,574	1,321
Employer contributions	182	108
Employee Contributions	85	59
Interest	40	36
Remeasurements	110	62
Benefits Paid	(11)	(12)
Assets at end of Period	1,960	1,574

The assets at the end of the period are as follows:-

	2020	2019
	£'000	£'000
Global Equity	287	265
Absolute Return	102	136
Distressed Opportunities	38	29
Credit Relative Value	54	29
Alternative Risk Premia	137	91
Fund of Hedge Funds	1	7
Emerging Markets Debt	59	54
Risk Sharing	66	48
Insurance-Linked Securities	60	45
Property	43	35
Infrastructure	146	83
Private Debt	40	21
Opportunistic Illiquid Credit	47	-
Corporate Bond Fund	112	73
Liquid Credit	1	-
Long Lease Property	34	23
Secured Income	74	56
Over 15 Year Gilts -	-	-
Index Linked All Stock Gilts -	-	-
Liability Driven Investment	651	576
Net Current Assets	8	3
Total assets	1,960	1,574

13. Intangible Assets & Goodwill

The association did not have any intangibles assets at 31st March 2019 or 31st March 2020.

NOTES TO THE FINANCIAL STATEMENTS

14. Fixed assets – Housing Properties

	Social Housing Properties held for Letting £'000	Housing properties for letting under construction £'000	Total housing properties £'000
Cost			
At 1 April 2019	495,256	3,532	498,788
Additions to existing properties	3,006	-	3,006
Properties acquired	55,936	34,625	90,561
Schemes Completed	4,100	(4,100)	-
Aborted Costs	-	(58)	(58)
Disposals	(3,095)	-	(3,095)
At 31 March 2020	<u>555,203</u>	<u>33,999</u>	<u>589,202</u>
Depreciation and Impairment			
At 1 April 2019	16,307	-	16,307
Depreciation charged in year	4,966	-	4,966
Disposals	(703)	-	(703)
At 31 March 2020	<u>22,570</u>	<u>-</u>	<u>22,570</u>
NBV At 31 March 2020	<u>532,633</u>	<u>33,999</u>	<u>566,632</u>
NBV At 31 March 2019	<u>476,949</u>	<u>3,532</u>	<u>480,481</u>

Expenditure on works to existing properties

	2020 £000	2019 £000
Components Capitalised	3,006	1,107
Amounts charged to Income & Expenditure	-	-
	<u>3,006</u>	<u>1,107</u>

The Net Book Value of assets charged as security on loans was £436,079k at 31st March 2020.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

Note 14 Continued

Impairment

The association considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2018.

During the current year, Local Space has not recognised any impairment loss in respect of housing stock.

15. Tangible fixed assets – other

	Freehold offices	Computers and office equipment	Furniture, fixtures and fittings	Furniture in properties	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	1,779	490	92	392	2,753
Additions	182	121	5	6	314
At 31 March 2020	<u>1,961</u>	<u>611</u>	<u>97</u>	<u>398</u>	<u>3,067</u>
Depreciation					
At 1 April 2019	324	377	83	314	1,098
Charged in the year	48	103	6	35	190
At 31 March 2020	<u>370</u>	<u>480</u>	<u>89</u>	<u>349</u>	<u>1,288</u>
Net book value					
At 31 March 2020	<u>1,591</u>	<u>131</u>	<u>8</u>	<u>49</u>	<u>1,779</u>
At 31 March 2019	<u>1,455</u>	<u>113</u>	<u>9</u>	<u>78</u>	<u>1,655</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Investment properties - non-social housing properties held for letting

	2020	2019
	£'000	£'000
At 1 April	910	950
Additions	-	-
Disposal	-	-
Increase/(decrease) in value	180	(40)
At 31 March	<u>1,090</u>	<u>910</u>

The association's investment properties have been valued by Savills LLP, Chartered Surveyors, and professional external valuers. The full valuation of properties was undertaken in accordance with Royal Institution of Chartered Surveyors' ("RICS") Global Standards 2017 (incorporating the IVSC International Valuation Standards) and the RICS Valuation – Global standards 2017 – UK national supplement, together the "Red Book".

The commercial units have been assessed on an investment basis by reference to their lease term, Valuation Office Agency floor areas, their current passing rent, their indicative market rent and rental and investment comparable evidence.

Key assumptions used are as follows:

Gross Annual Rent (Current)	£65,000
Voids	5% of Rent Debit pa
Management Costs	8% of Rent Debit pa
Maintenance	2% of Rent Debit pa
Net Yield Applied	6.5% - 7.75%

17. Debtors

	2020	2019
	£'000	£'000
Due within one year		
Rent and service charges receivable	641	576
Less: provision for bad and doubtful debts	(406)	(367)
	<u>235</u>	<u>209</u>
Other debtors	1,800	2,983
Prepayments and accrued income	384	884
	<u>2,419</u>	<u>4,076</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Investments

	2020	2019
	£'000	£'000
MORhomes - Investment Equity	280	280
MORhomes - Contingent Convertible Loan	575	575
	<u>855</u>	<u>855</u>

19. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	409	25
Rent and service charges received in advance	1,914	1,957
Key worker tenant deposit	100	93
Other taxation and social security	51	69
Amounts due to property providers	174	516
Grant (Note 21 & Note 22)	470	245
Holiday Pay	29	31
Accrued loan interest	1,474	1,330
Bank loans	48,000	
Newham Sum	2,576	2,550
Accruals and deferred income	2,222	1,394
	<u>57,419</u>	<u>8,210</u>

20. Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Debt (Note 32)	319,984	295,380
Grant	13,613	7,126
Pension	-	-
Total	<u>333,597</u>	<u>302,506</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

21. Grant

	2020	2019
	£'000	£'000
At the start of the Year	7,371	1,488
Grants Received during the year:		
Housing properties	6,602	5,698
Grant Recyclable/Repayable on Disposals	-	256
Disposal Proceeds Fund	-	-
Grants recycled during the year:		
Housing properties	-	-
Amortised Grant	(284)	(71)
At the end of the Year	13,689	7,371
Due within one year	456	245
Due in more than one year	13,233	7,126
	13,689	7,371

22. Recyclable/Repayable Capital Grant

	2020	2019
	£'000	£'000
At the start of the Year	491	235
Inputs to fund:		
Grant repayable/recyclable on disposals	57	256
Grants recycled during the year:		
Housing purchases	(150)	-
Major Repairs	-	-
Transfers to other private Registered Providers	-	-
Repayment of Grant	-	-
At the end of the Year	398	491
Due within one year	13	16
Due in more than one year	385	475
	398	491

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

23. Disposal Proceeds Fund

The disposal Proceeds Fund was ceased by regulation in 2018.

24. Obligations under finance leases

The association does not have any finance lease arrangements.

25. Analysis of Change in Debt

	At 31.03.2019	Cashflows	Other Changes	At 31.03.2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	10,137	(743)		9,394
Overdrafts	-	-	-	-
Total	10,137	(743)		9,394
Debt due within one year	19,000	29,000	-	48,000
Debt due after one year	277,077	43,000	-	320,077
Current asset investments	-	-	-	-
Total	296,077	72,000		368,077

26. Share capital

Local Space (The association) is a Registered Society under Co-operative and Community Benefit Society Act 2014.

	2020 No	2019 No
Shares of £1 each issued and fully paid		
At 1 April	8	8
Joining during the year	3	-
Leaving during the year	(3)	-
At 31 March	<u>8</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 26 continued

The shares provide all shareholders, with the exception of London Borough of Newham, with a right to vote at general meetings, but do not provide any rights to dividends or distributions on winding up.

27. Capital commitments

	2020 £'000	2019 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements:		
Expenditure on property purchases where contract has been exchanged	642	2,035
Capital expenditure which has been authorised by the Board but has not yet been contracted for:		
Expenditure on property purchases where contracts not exchanged	7,343	10,366
	<u>7,985</u>	<u>12,401</u>

The above commitments will be financed primarily through internal funds. Commitments at 31st March 2020 include 3 properties where contracts have been exchanged awaiting completion (31st March 2019 – 8 properties).

28. Contingent assets/liabilities

The association had no contingent assets or liabilities at 31 March 2020 (2019: nil).

29. Operating leases

The association's future minimum operating lease payments are as follows:

	2020 £'000	2019 £'000
Within one year	7	7
Between one and five years	<u>13</u>	<u>20</u>

The lease agreements relate to office equipment.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS

30. Grant and financial assistance

	2020 £000
Total accumulated Government Grant and financial assistance received or receivable at 31 st March 2020	13,404
Held as deferred capital grant	13,689
Recognised as income in statement of Comprehensive Income in the current period	284

31. Related parties

There are no related party transactions, other than both Jitinder Takhar (to 31 August 2019) and Josephine Parsons from 1 October 2019) serving as Chief Executive of Local Space.

Disclosures in relation to key management personnel are included in Note 11.

32. Financial Instruments and risk management

Debt analysis

	2020 £'000	2019 £'000
Bank loans	195,077	171,077
Bond	75,000	75,000
MORhomes	50,000	50,000
Fair value of the Interest rate swap	1,920	1,516
Arrangement Fee	(2,013)	(2,213)
Total	319,984	295,380

Liquidity

The association actively maintains a mixture of long term and short-term debt finance as well as maintaining a minimum cash level amount of £5m that is designed to ensure it has sufficient available funds for operations and planned expansion. Local Space monitors its levels of working capital to ensure it can meet its operational liabilities and debt repayments as they fall due. The Lloyds Tranche D revolving facility of £50m which would have become due by March 2021 was renewed in June 2020.

The association's financial liabilities comprise trade creditors and bank borrowings which are measured at amortised cost. The contractual maturity of the bank borrowings are shown below. The trade creditors are all payable within their credit terms.

Security

The bank loans are secured by a fixed charge over the properties owned by Local Space.

NOTES TO THE FINANCIAL STATEMENTS

Note 32 continued

Terms of repayment and arrangement fee

The loan from Lloyds (£129m) is repayable commencing 2021. The loan from Santander (£81m) is repayable commencing 2021. The loan from Barclays (£33m) is repayable commencing 2024. The M&G Bond of £37.5m is repayable commencing 2048. The MORhomes (£50m) funding is repayable commencing 2038.

At 31 March 2020 the association had undrawn loan facilities of £25m (2019: £97m). All debts are secured by a first charge over properties owned by the association

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2020 £'000	2019 £'000
Within one year or on demand	48,000	-
Between one and two years	37,025	19,000
Two years or more but less than five years	105,926	124,125
Five years or more	177,126	152,952
	<u>368,077</u>	<u>296,077</u>

Derivative Financial Instruments - Interest Rate Swap

The association has entered into two standalone interest rate swap arrangements on 31 March 2016. The swaps are based on a notional amount of £5m each. The fair value of the interest rate swaps at March 2019 is £1.9m (2018: £1.5m) on the Statement of Financial Position date.

Financial Instruments

The association's financial instruments comprise cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise from its operations. The main purpose of these financial instruments is to provide finance for Local Space's operations.

The association's operations expose it to a variety of financial risks, including credit risk, liquidity risk and interest rate risk.

Credit risk

The association's credit risk is primarily attributable to its rental arrears. The association has implemented policies that requires appropriate pre-tenancy checks on potential new tenants before a property is let. The carrying amount of financial assets represents the maximum credit exposure.

Interest rate risk

The association has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. Local Space has a policy of maintaining debt at fixed and floating rates to manage future interest costs effectively.

NOTES TO THE FINANCIAL STATEMENTS

Note 32 continued

Categories of financial assets and financial liabilities

Financial liabilities measured at amortised cost
Total

--	--

Financial assets

Other than short-term debtors, financial assets held are equity instruments, cash deposits placed on money markets at call, seven-day and monthly rates and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2020 £'000	2019 £'000
Floating rate on money market deposits	9,328	10,064
Financial assets on which no interest is earned	66	72
Total	9,394	10,136

The financial assets are floating rate, attracting interest at rates that vary with bank rates.

The association's cash and cash equivalents earned interest at a variable rate of 0.47% during the year 2019/20.

Financial liabilities excluding trade creditors – interest rate risk profile

The association's financial liabilities are sterling denominated. The interest rate profile of the association's financial liabilities at 31 March was:

	2020 £'000	2019 £'000
Fixed rate	257,000	257,000
Floating rate	111,077	39,077
	368,077	296,077

The weighted average cost of borrowing at 31st March 2020 was 3.79%

NOTES TO THE FINANCIAL STATEMENTS**Note 32 continued****Borrowing facilities**

The association has undrawn agreed committed borrowing facilities of £25m. A further £15m is agreed but awaiting security. The repayment profile for undrawn facilities is shown as follows:

	2020 £'000	2019 £'000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	25,000	31,000
Expiring in more than two years	-	66,000
	<u>25,000</u>	<u>97,000</u>

Financial liabilities at fair value through the statement of comprehensive income

	2020 £'000	2019 £'000	Movement £'000
Movement in fair value of financial derivatives	1,919	1,516	403

33. Newham Sum (NS)

The Newham Sum is calculated according to the Master Agreement between the association and the London Borough of Newham (LBN). The Newham Sum for 2019/20 is £2.576m (2018/19: £2.550m).

34. Transition to Housing SORP: 2018 update

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP 2014 for the comparative year to 31 March 2019.

35. Events after the End of the Reporting Period

Note 32 shows that at 31st March 2020 a loan was due for payment within one year. This relates to drawn loan (£48m) on the Lloyds Tranche D facility (£50m) due for repayment on 31st March 2021. On 29th May 2020 Local Space and Lloyds Bank agreed the renewal of this facility for 5 years with repayment now due in May 2025.

Data Protection

Privacy notice for candidates



Local Space is a “data controller”. This means that we are responsible for deciding how we hold and use personal information about you. You are being sent a copy of this privacy notice because you are applying for work with us (whether as an employee, worker or contractor).

It makes you aware of how and why your personal data will be used, namely for the purposes of the recruitment exercise, and how long it will usually be retained for. It provides you with certain information that must be provided under the General Data Protection Regulation ((EU) 2016/679) (GDPR).

Data protection principles

We will comply with data protection law and principles, which means that your data will be:

- Used lawfully, fairly and in a transparent way.
- Collected only for valid purposes that we have clearly explained to you and not used in any way that is incompatible with those purposes.
- Relevant to the purposes we have told you about and limited only to those purposes.
- Accurate and kept up to date.
- Kept only as long as necessary for the purposes we have told you about.
- Kept securely.

The kind of information we hold about you

In connection with your application for work with us, we will collect, store, and use the following

categories of personal information about you:

- The information you have provided to us in your curriculum vitae and covering letter and as requested on our Recruitment Information Sheet. This includes name, title, address, telephone number, personal email address, employment history, notice period, reference details and qualifications. The Information Sheet also asks for information on any employment restrictions and existing links to Local Space.
- Any information you provide to us during an interview.
- Results of any tests carried out.

We may also collect, store and use the following “special categories” of more sensitive personal information:

- Information about your race or ethnicity, religious beliefs, sexual orientation, gender and age profile.
- Information about your health, including any medical condition, health and sickness records.
- Information relating to any disability; pregnancy and marital or civil partnerships.
- Information about criminal convictions and offences. (The Information Form asks you to declare any criminal convictions excluding any spent convictions under Section 4(2) of the Rehabilitation of Offenders Act 1974.)

How is your personal information collected?

We collect personal information about candidates from the following sources:

- You, the candidate.
- Recruitment agencies, from which we collect curriculum vitae.
- Background check providers and credit reference agencies, which we may use to verify the information that you have given to us .
- Disclosure and Barring Service in respect of criminal convictions.
- Your named referees, from whom we collect confirmation of past employment details, including job title, start and finish date; information on timekeeping and amount of absence from work in the last 12 months. We also ask for comments on your ability to do the job that you have applied for as per the job description provided.

How we will use information about you

We will use the personal information we collect about you to:

- Assess your skills, qualifications, and suitability for the work or role.
- Carry out background and reference checks, where applicable.
- Communicate with you about the recruitment process.
- Keep records related to our hiring processes.
- Comply with legal or regulatory requirements.

It is in our legitimate interests to decide whether to appoint you to the role since it would be beneficial to our business to appoint someone to that role.

We also need to process your personal information to decide whether to enter into a contract of employment with you.

Having received your CV, supporting statement and information sheet and covering letter, we will then process that information to decide whether you meet the basic requirements to be shortlisted for the role. If you do, we will decide whether your application is strong enough to invite you for an interview. If we decide to call you for an interview, we will use the information you provide to us at the

interview to decide whether to offer you the role. If we decide to offer you the role, we will then take up references before confirming your appointment.

If you fail to provide personal information

If you fail to provide information when requested, which is necessary for us to consider your application (such as evidence of qualifications or work history), we will not be able to process your application successfully. For example, if we require a credit check or references for this role and you fail to provide us with relevant details, we will not be able to take your application further.

How we use particularly sensitive personal information

We will use your particularly sensitive personal information in the following ways:

- We will use information about your disability status to consider whether we need to provide appropriate adjustments during the recruitment process, for example whether adjustments need to be made during a test or interview.
- We will use information about your race or national or ethnic origin, religious, beliefs, or your sexual life or sexual orientation, to ensure meaningful equal opportunity monitoring and reporting.

Information about criminal convictions

We envisage that we will process information about criminal convictions.

We may need to collect information about your criminal convictions history if we would like to offer you the work (conditional on checks and any other conditions, such as references, being satisfactory). We are entitled to carry out a criminal records check (using the Disclosure and Barring Service) in order to satisfy ourselves that there is nothing in your criminal convictions history which makes you unsuitable for the role. We will only conduct these checks if we are legally required to carry out criminal record checks for that role; or the role is eligible for a standard or enhanced check from the Disclosure and Barring Service; or the role requires a high degree of trust and integrity and so we would like to ask you to seek a basic disclosure of your criminal records history.

We have in place an appropriate policy document and safeguards which we are required by law to maintain when processing such data.

Automated decision making

You will not be subject to decisions that will have a significant impact on you based solely on automated decision-making.

Data sharing

Why might you share my personal information with third parties?

We will only share your personal information with third parties, such as a search consultancy, for the purposes of processing your application. All our third-party service providers and other entities in the group are required to take appropriate security measures to protect your personal information in line with our policies. We do not allow our third-party service providers to use your personal data for their own purposes. We only permit them to process your personal data for specified purposes and in accordance with our instructions.

Data security

We have put in place appropriate security measures to prevent your personal information from being accidentally lost, used or accessed in an unauthorised way, altered or disclosed. In addition, we limit access to your personal information to those employees, agents, contractors and other third parties who have a business need-to-know. They will only process your personal information on our instructions and they are subject to a duty of confidentiality.

We have put in place procedures to deal with any suspected data security breach and will notify you and any applicable regulator of a suspected breach where we are legally required to do so.

Data retention

How long will you use my information for?

We will retain your personal information for a period of 6 months after we have communicated to you our decision about whether to appoint you to role. We retain your personal information for that period so that we can show, in the event of a legal claim, that we have not discriminated against candidates on prohibited grounds and that we have

conducted the recruitment exercise in a fair and transparent way. After this period, we will securely destroy your personal information in accordance with our data retention procedure and applicable laws and regulations.

If we wish to retain your personal information on file, on the basis that a further opportunity may arise in future and we may wish to consider you for that, we will write to you separately, seeking your explicit consent to retain your personal information for a fixed period on that basis.

Rights of access, correction, erasure, and restriction

Your rights in connection with personal information

Under certain circumstances, by law you have the right to:

- **Request access** to your personal information (commonly known as a “data subject access request”). This enables you to receive a copy of the personal information we hold about you and to check that we are lawfully processing it.
- **Request correction** of the personal information that we hold about you. This enables you to have any incomplete or inaccurate information we hold about you corrected.
- **Request erasure** of your personal information. This enables you to ask us to delete or remove personal information where there is no good reason for us continuing to process it. You also have the right to ask us to delete or remove your personal information where you have exercised your right to object to processing (see below).
- **Object to processing** of your personal information where we are relying on a legitimate interest (or those of a third party) and there is something about your particular situation which makes you want to object to processing on this ground. You also have the right to object where we are processing your personal information for equal opportunities monitoring or direct marketing purposes.
- **Request the restriction of processing** of your personal information. This enables you to ask us to suspend the processing of personal information about you, for example if you want us to establish its accuracy or the reason for processing it.
- **Request the transfer** of your personal information to another party.

If you want to review, verify, correct or request erasure of your personal information, object to the processing of your personal data, or request that we transfer a copy of your personal information to another party, please contact the Data Protection Officer, email [**DPO@localspace.co.uk**](mailto:DPO@localspace.co.uk).

Data Protection Officer

We have appointed the Company Secretary as the Data Protection Officer and s/he is responsible for overseeing compliance with this privacy notice. If you have any questions about this privacy notice or how we handle your personal information, please contact the Data Protection Officer. You have the right to make a complaint at any time to the Information Commissioner's Office (ICO), the UK supervisory authority for data protection issues.



RESIDENTS' REPORT 2020 

CONTENTS



A Word From Our Chair & CEO	3
Our Objectives	4
Our Values	5
What's Next?	6
Cyprus Place Beckton Newham	7
New Beginnings / Social Value	8
Tenants' Panel	9
Our Performance	10
Our People	12
Executive Directors	13
Governance And Our Board	15
Financial Report	17





A WORD FROM OUR CHAIR & CEO

Welcome to our Residents' Review for the year ended 31st March 2020.

I was appointed as Chief Executive of Local Space in October 2019 having previously been the Finance Director for 18 months. It is a great privilege to lead Local Space in its mission to provide as many good quality homes for people who need them in our operating areas in East London. This remains our focus. We have developed a new longer-term corporate plan for 2020-2025 which also focuses on making sure we provide the best customer service to you, our residents, as we possibly can. We will be working with you to shape services in the future, and make sure that the elements we prioritise are the ones that make the most difference to you.

During the year we have been improving our IT systems so that we can launch a much more substantial digital service for those residents who

would prefer this way of dealing with Local Space day-to-day.

Throughout the year we have continued to buy and refurbish homes. These were let with help from our local authority partners to 301 families in need of housing. The feedback we have received about the standard of the homes we provide is very positive, so we will continue to use the same standards of work for any more new homes we buy and refurbish.

We started a new 5-year programme of investing in our residents' homes in 2019/2020-1. We have always had an investment programme but this year we tripled the size of the plan to £3m. In total the 5-year programme will see an investment of more than £313m in our residents' homes. We

have also continued to pay attention to health and safety as a business. The safety of residents and staff remain a top priority for us.

It would be difficult to speak about 2020 without mentioning the global pandemic. This started to have an impact in March 2020 as the country was locked down. By this point most of our year's planned work had been completed so the impact will be felt more in 2020/21. It has enabled us to speed up some of our work developing our IT systems so that our digital services will come on stream sooner. We are hoping to catch up on the areas of work we couldn't do in lockdown as the measures start to ease and life returns to a more normal state.

Josie Parsons, CEO

"I joined Local Space as Chair in March 2020 and feel a strong personal connection with its core purpose – to provide good quality, affordable accommodation for people in housing need. I have a background in social housing and am Chief Executive at another Housing Association, so what drives me is a desire to ensure that everyone in society has a right to somewhere safe, healthy, affordable and warm to live."

"I have lived in east London for more than 30 years and consider this my neighbourhood. I'm keen to see Local Space succeed and play my part in the continuing transformation of the area, whilst not losing sight of the needs of local people, especially those in desperate need of affordable housing."

Victor da Cunha, Chair



OUR OBJECTIVES

Our Corporate Plan objectives for 2017-2020 are:



1.

Homes that people want to live in

- 610 additional homes by 2020
- Tenant satisfaction with our homes
- Acquire and maintain home to Local Space standards
- Work with tenants to define quality standards

2.

Services that our customers are happy with

- Tenancy scrutiny and involvement
- Tenant satisfaction with service
- Minimum 2nd quartile benchmark
- Social value returns

3.

Being a successful business

- Target operating margins
- Full covenant compliance and robust business plan and credit rating (V1)
- Value for money asset management with maximum return on assets
- Reducing operational and capital procurement costs

4.

Being a well-managed organisation

- IIP Sixth Generation rating
- Staff satisfaction with Local Space
- Robust business systems
- Robust governance (G1)

OUR VALUES

Our work is based on our values of putting people first, working with integrity, being open to innovation and working in partnership with like-minded organisations. Our values are the foundation of our organisation and shape how we deliver services. This is what our values mean to us:



1. People First

This is a people focused business – services to people from people. We invest in our staff so that they can provide the best experience possible to those who use our services. We treat people as people – warmly, politely and honestly.



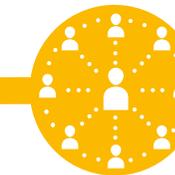
2. Integrity

It matters that we act with integrity in all our dealings. We treat people with fairness, respect and in a trustworthy manner. Treating our residents as customers is part of our respectful approach and helps us maintain the highest levels of service.



3. Encouraging Creativity

Our staff are our greatest resource and are our ambassadors. Together, drawing on our collective skills, qualities and experience, we deliver the best possible service to our customers. Our staff know they are making a difference to people's lives.



4. Partnership

We recognise that partnership working is about joining forces with others to stretch our resources further and achieve more than we could have done alone.

WHAT'S NEXT?

Development Growth Strategy 2019/2020

Local Space continues to provide families in need with new homes. In the financial year 2019/2020, Local Space made exceptional progress with both property purchases and refurbishing those newly acquired homes for families in housing need in the London Boroughs of Newham and Waltham Forest. By March 2020 we had refurbished and handed over for let more homes than originally anticipated. We exceeded our target to deliver 800 homes under our Growth Programme. Working in close partnership with the London Borough of Newham in 2019-2020, we focused on delivering more homes in the East London Boroughs. This has enabled families to stay living nearer to each other and keeping the family support networks in place.

The London Borough of Waltham Forest has also agreed for Local Space to deliver circa 100 additional homes, with the support of their Right To Buy funds.

Local Space continue to remain financially strong, retaining our AA- credit rating and G1 and V1 rating from our Regulator.



100 additional homes within Waltham Forest

We successfully accelerated our acquisition and refurbishment programme in 2019 ahead of time, fortunately delivering it before the global Covid-19 pandemic hit, resulting in the Government's subsequent lockdown in March 2020.

Moving into the next financial year 2020/2021, the lockdown has presented some challenges in our ability to continue acquiring additional homes for residents for both the London Boroughs of Newham and Waltham Forest. We have however been able to retain some continuity with our buying and refurbishment and now with the easing of the lockdown, we have slowly started to increase our activity, whilst continuing to adhere to Government guidance.

On a positive note, we are confident we will be able to deal with the challenges ahead whilst working safely. The global pandemic has also resulted in a changing housing market, which may present some new opportunities for our residents.

Exceeded target of 800 homes delivered

Refurbishments achieved ahead of time



Development update

CYPRUS PLACE BECKTON NEWHAM

One opportunity we acquired in 2019 was a new build scheme of four flats called Cyprus Place in Beckton, Newham, comprising three x 2 bedroom flats provided to the London Borough of Newham for local residents, and one x 1 bedroom flat to rehouse a keyworker from Local Spaces' waiting list.

This was historically a former public house. Planning approval in May 2019 allowed for the redevelopment of the commercial premises to residential to provide four new homes which Local Space acquired.

Cyprus Place is in an accessible location with good local amenities, transport links, and schools. Beckton retail park is within walking distance. There are three train stations within 0.4 miles of the site, Cyprus DLR, Galleons Reach DLR and Beckton Park DLR. The purchase of these four new build homes provided high quality, ready to let, accommodation for local residents.

Operations

NEW BEGINNINGS

Tenant R lived with her husband and two children in private accommodation for five years. When the landlady decided to sell their home, the family had to apply to their local authority's homeless register.

The family were moved by the local authority to a one bed temporary accommodation property in another borough where they lived for five years. The condition of the property remained challenging due to mould and damp. To avoid disruption to the children's schooling the family decided to keep them in their original school and travel the distance daily.

When the family received a call that they were being offered a Local Space property back in their original borough it was the answer they were looking for. Tenant R was amazed from the outset of the condition of the property "It was beautiful and with a fridge freezer, stove and carpets. The living and dining room were enormous."

The family are so grateful to be settled and to not have to move anymore after living out of boxes for the last five years. Since the family have moved back their finances have improved. Tenant R's husband has been able to get a better job because they are better located. After being unable to invite friends over to their home for the last five years, Tenant R has now been 'friendship building' with the community she loves.



SOCIAL VALUE

Local Space is more than just bricks, mortar, rents, repairs and re-lets, we play an increasingly important role as we operate and contribute to local communities through invested capital and supporting our tenants to live in their homes.

By providing homes, we transform spaces into places and places into neighbourhoods. Our considered procurement of materials and services from local businesses stimulates inclusive growth in local communities.

Local Space has bought social benefits to our neighbourhoods by:

- Helping to sustain tenancies through early intervention
- Supporting our tenants to reduce their debts
- Providing long term safe and secure homes to homeless families
- Providing accommodation at lower rents than the private sector



TENANTS' PANEL

The Tenants' Panel recruited two new members this year. Both members from our Keyworker portfolio have professional roles that keep them busy and in high demand. The Tenants' Panel will benefit from their skills, knowledge and willingness to contribute to improve the service for tenants. We are grateful for their time and commitment and they are of real value to the panel.

The Panel have worked with Local Space to help us become early adopters of the National Housing Federation's Together with Tenants Charter. This charter was designed by many landlords and residents across the country in response to the findings of the Grenfell Tower enquiry. It involves six key elements; some we already deliver and others we are working towards.

1. Relationships Housing associations will treat all residents with respect in all of their interactions. Relationships between residents and housing associations will be based on openness, honesty and transparency.

2. Communication Residents will receive clear, accessible and timely information from their housing association on the issues that matter to them, including important information about their homes and local community; how the organisation is working to address problems; how the organisation is run; and information about performance on key issues.

3. Voice and influence Views from residents will be sought and valued and this information will be used to inform decisions. Every individual resident will feel listened to by their housing association on the issues that matter to them and can speak without fear.

4. Accountability Collectively, residents will work in partnership with their housing association to independently scrutinise and hold their housing association to account for the decisions that affect their homes and services and the quality of the homes and services they provide.

5. Quality Residents can expect their homes to be good quality, well maintained, safe and well managed.

6. When things go wrong Residents will have simple and accessible routes for raising issues, making complaints and seeking redress. Residents will receive timely advice and support when things go wrong.

The Panel have also carried out a review of the following key areas of our operation this year:
Estate Services including estate inspection toolkit, customer service survey and block inspections

OUR PERFORMANCE

It has been a year of change within the operations team at Local Space. We have increased the size of the team to make more staff available for you to speak to, and focus on the things that matter most to you. We doubled the number of surveys we conducted with our customers to 500 and you told us that these things mattered most to you:



100
bathrooms

175
doors and
windows

130
kitchens

150
roofs

220
boilers

1.

The condition of
our properties

2.

The speed,
effectiveness and
ease of use of our
repairs service

3.

Being treated
with respect by our
staff and the staff of
other organisations
that work on
our behalf



In 2019 we tripled our spending on replacement kitchens, bathrooms, roofs and other major repairs. We replaced 130 kitchens (35 the year before), 100 bathrooms (39 the year before), 150 roofs (48 the year before), 175 doors & windows (47 the year before) and 220 boilers (98 the year before). In total we replaced almost 800 different fixtures and fittings in our properties. This was all made possible by the stock condition surveys we completed in 2018, so thank you for letting us in to survey your home. As a result we know exactly what replacements are needed, and we plan to continue this intensive level of investment between now and 2024.

Total nearly
800
different fixtures
and fittings



Your safety is ever so important to us. In 2019 we continued our work to make sure:

- Your home has an electrical safety certificate that is 5, or fewer, years old
- Your block (if you live in an apartment block) has an up-to-date Fire Risk Assessment
- Your home (if you have any gas appliances, including boilers) has a Gas Safety certificate that is no more than 12 months old

Between April 2020 & March 2021 we are making improvements to our repairs service. We are cutting down on the number of people you need to speak to when reporting repairs. You'll be able to speak directly with the contractors who will carry out the work, which will help ensure that all the details you want passed on to the person who visits you to complete the repair are passed on accurately. We are taking back responsibility for repairing some items that are currently your responsibility to replace or repair (like toilet seats & shower hoses). We are also developing technology that will allow us to introduce digital repair reporting, appointment booking and order tracking for our customers.



Key performance headlines:

- Rent arrears across all the homes we own are the equivalent of 1.5% rent for a whole year
- 13 days on average to repair and let a property
- 80% overall satisfaction amongst customers who receive tenancy management services direct from us
- 98% satisfaction with the quality of our newly refurbished homes
- 82% satisfaction with our repairs service

OUR PEOPLE

After the success of gaining our Investors in People Silver Award in early 2019, this year has been an opportunity to take an in depth look at the feedback from our assessment and use this to develop an action plan for the year ahead. Engaging staff in decision making, strengthening communication within the organisation, and developing stronger leadership were three of our top priorities. Staff who feel supported are staff who are passionate about what they do, and motivated to deliver excellent services to you, our customers.



Our executive management team and managers took part in an intensive development programme, designed to help them learn more about themselves as managers, strengthen their leadership skills and inspire their teams. Alongside this we also ran training around absence management, recruitment and employment law.

As the eyes and ears of the organisation, the opinions of our staff are crucial in helping to shape our future. We engaged staff in a variety of focus groups to gather their thoughts on delivering excellent customer services, as well as generate ideas for our new website and a new behavioural competency framework.

We've evolved our digital staff engagement software further over the past year; news alerts, surveys, newsletters and quizzes are just a few of the new ways in which we have used

technology to engage staff in a more innovative and creative way. We have also developed the way we use our phone technology to increase customer satisfaction; with our customers' consent, some of our phone calls are now recorded so that we can identify areas in which we can improve our communication and continue to deliver excellent services.

Just before the Covid-19 outbreak hit the UK, we completed a large project to migrate our digital files over to Office365 in the cloud. Our staff were also given training and support until they felt confident with a new, cloud-based way of working. This made the big move to working from home much easier and has paved the way for greater flexible working in the future.

EXECUTIVE DIRECTORS

Our executive team, led by Chief Executive Josie Parsons, has the strong leadership needed to run a successful organisation; providing safe and secure homes to those who need them most. Local Space is evolving and our executive team continue to focus on improving the customer experience by introducing ever more efficient methods to deliver services. We also aim to be an employer of choice, attracting experienced talent who can help support our vision and ensure that our customers receive the best service experience we can provide.



Josie Parsons Chief Executive

Josie came to Local Space as Finance Director in June 2018 with extensive director experience in broad portfolio roles in the private and not-for-profit sectors. She took over the Chief Executive post in October 2019. She has lots of experience of business modelling, development and new business appraisal, and has a good track record in meeting all key targets. Her vision is to ensure that Local Space delivers its growth strategy and achieves the best possible customer experience over the coming years as well as being a great place to work by becoming a 'people first' organisation. Josie is committed to partnership, transparency, fairness and equality in every area of Local Space's operations.



Mark Kent Operations Director

Mark joined Local Space in October 2018 and is responsible for our housing, property services and asset management functions. Mark has worked in the affordable housing sector for 19 years and has experience of guiding organisations through start-up and periods of significant growth, improving performance and managing complex regeneration projects. Mark joined us from Dolphin Living in Westminster where he delivered award winning new affordable housing products such as Personalised Rents & the Home Ownership Accelerator. He previously led the start-up and management of the affordable housing provider's operations at East Village London (formerly the London 2012 Athletes' Village).

Kirsty Semple Company Secretary

Kirsty has been Company Secretary for Local Space since 2015. She is a Chartered Secretary with over 25 years' experience across the voluntary sector, including other registered providers. Kirsty's role is to provide leadership on all governance and compliance matters, supporting the Board and committees. She has oversight of Local Space's governance framework and processes and advises on statutory and regulatory compliance. Kirsty is also the Data Protection Officer for Local Space.

Catherine Diamond Corporate Services Director

As Corporate Services Director Catherine is responsible for people issues, digitisation, facilities management, employee engagement and communications. Catherine has worked in Local Government, the NHS and social housing, holding Director and Head of Service positions in HR, Corporate Services and Operational roles. Since joining Local Space Catherine has led on projects to attain IIP silver status, make systems cyber safe and improve the organisation's employment offer by investing in staff training and benefits. Catherine is also working with the operations team to develop systems for a better customer experience. Her vision for Local Space is to provide state of the art services at the highest level, to give our tenants a voice and empower them in the security of their own homes.



Phil Sargeant Finance Director

Phil is Finance Director at Local Space. Prior to joining, Phil worked in the NHS in various senior financial management positions for over 23 years before moving to the Social Housing sector in 2003 where he first worked as Financial Controller at the Hyde Group and then subsequently as Head of Financial Operations at Viridian (Optivo). Phil is a qualified ILM 5 coach and is a keen advocate of using workplace coaching as a tool to help motivate and develop colleagues. He is also passionate about process review and change to drive efficiency and deliver improved value for money and job satisfaction across the organisation.

Stephen Kirrage Development Director

Stephen joined Local Space in September 2016 and is responsible for the delivery of the organisation's new build and property acquisition programmes. Stephen has worked in public sector housing for more than 30 years, during this time he has worked for Local Authorities and Housing Associations and covered a range of responsibilities within housing and property services.

GOVERNANCE AND OUR BOARD

The Board governs Local Space and has overall responsibility for all that the organisation does. We take our governance very seriously and are proud of how well we are governed. We do a number of things to ensure that our governance remains effective. We have adopted the 2015 NHF Code of Governance and review our compliance with the Code twice each year. We were fully compliant again this year. We also review how effective our governance is annually, using questionnaires and external observation of meetings; and Board members undertake full appraisals and skills audits.

During this year, the Board met every six weeks. At the end of the year we moved over to holding our Board meetings virtually and monthly, in response to Covid-19

Our Board members are skilled and experienced, but we also ensure that they stay well informed. We hold regular training sessions for Board members, and there is a training plan in place.

The Board is supported by two committees – the Audit and Risk Committee, and the Nominations and Remuneration Committee. It also works closely with the Tenants' Panel, and the Panel's Chair attends Board meetings.

Two new members joined the Board during the year Paul Edwards and Elizabeth Sipiery. We also had a change of Chair. Richard Reynolds had to step down in October 2019, and Caitlin Farrow, our Senior Independent Board Member stepped up to the task of covering the role. Our new Chair, Victor Da Cunha joined us in March 2020.

The Board

Strategic leadership is provided by the Board which includes Newham Council appointees, ordinary members and the Chief Executive. Operational management of Local Space is led by the Chief Executive, supported by the Executive Team.

Martin Bellinger

Martin has 30 years' experience in the development sector, and co-founded build to rent developers Essential Living. He is a member of the DCLG Build to Rent sub-committee, and the London Urban Transformation Commission.



Victor da Cunha Chair

Victor has over 20 years' experience in the housing sector. He is currently Group Chief Executive with Curo Group and has also served as Director of Resident Services with East Thames Housing Group. He is currently Chair for Homes for the South West and Non-Executive Director of T3 Registered Provider. In 2019 he was awarded Property Personality of the Year by Business Insider and Lifetime Achievement Award by Vistage.



Caitlin Farrow

Senior Independent Board Member
Caitlin is a policy, strategy and research professional with 14 years experience working in a variety of sectors. She is Head of Policy and Public Affairs at Anthony Nolan and is also a trustee of Health Improvement Project Zanzibar. Prior to Anthony Nolan, she was Head of Strategy, Planning, Policy and Insight for Peabody.



Richard Stevens

Richard is a chartered accountant and spent most of his career as a partner in a major regional firm of chartered accountants based in London and the South East. He is also an experienced non-executive director serving on boards and committees in the social housing sector and other commercial enterprises.

Paul Edwards

Paul is the Deputy Chief Executive and Chief Financial Officer at CHP, a housing association operating throughout Essex. With expertise in treasury management and governance, Paul has 20 years' experience in the sector and was previously at Swan and Havebury and has held several non-executive roles. He is driven by the difference Local Space can make – not only to our customers' lives, but by being a fantastic place to work too.

Elizabeth Sipiery

Elizabeth Sipiery is a digital professional with experience gained from a career in commercial businesses. She has been a Board participant for 17 years, with private equity and public listed companies both as an executive and non-executive director. Elizabeth is on the board of Swan Housing and is Chair of South Essex College. Previous roles include COO of Brady plc and Global Head of Capital Markets at Hewlett Packard.



Tim Mulvenna

Tim has more than 20 years' experience in customer service in a number of industry sectors, including: housing, telecoms, charity and IT. He is now CEO of The Barnet Group and prior to that worked for London's largest landlord, L&Q, for 12 years.

Conor McAuley

Conor served on the London Docklands, London Thames Gateway Development Corporations Boards, and was a member of the Olympic Planning Committee. He recently retired as Newham's Executive Member for Regeneration and Strategic Development. Conor was Associate Director at Four Communications supporting development projects in East and South East London.

Local Space Chief Executive **Josie Parsons** is also on the Board. **Cllr Shaban Mohammed** joined the board in July 2020.

FINANCIAL REPORT

Statement of Comprehensive Income

Report and financial statements for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	3	34,449	29,129
Operating expenditure	3	(12,834)	(10,952)
Gain / (Loss) on disposal of property, plant and equipment fixed assets	6	(293)	289
Operating surplus	8	21,322	18,466
Newham Sum	33	(2,576)	(2,550)
		18,746	15,916
Interest receivable	7	46	40
Interest and financing costs	7	(13,685)	(11,082)
Unrealised surplus on revaluation of investment properties	16	180	-
Movement in fair value of financial derivatives	32	(403)	(134)
Surplus/(deficit) before taxation		4,884	4,740
Taxation	9	-	-
Surplus/(deficit) after taxation		4,884	4,740
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	12	-	(397)
Actuarial (loss)/gain in respect of pension schemes	12	341	(72)
Total Comprehensive Income for the Year		5,225	4,271

Statement of
Financial
Position

Report and
financial statements
for the year ended
31 March 2020

	Note	2020 £'000	2019 £'000
Tangible Fixed assets			
Housing properties	14	566,632	480,481
Other fixed assets	15	1,779	1,655
Investment properties	16	1,090	910
Investments	18	855	855
		570,356	483,901
Current assets			
Trade and other debtors	17	2,419	4,076
Cash and cash equivalents		9,394	10,137
		11,813	14,213
Creditors: amounts falling due within one year	19	(57,419)	(8,210)
Net current assets		(45,606)	6,003
Total assets less current liabilities		524,750	489,904
Creditors: amounts falling due after more than one year	20	(333,597)	(302,506)
Provisions for liabilities			
Pension – defined benefit liability	12	(360)	(632)
Total net assets		190,793	186,766
Reserves			
Income and expenditure reserve		61,540	56,530
Revaluation reserve		129,253	130,236
Total reserves		190,793	186,766

Local Space, 58 Romford Road, London, E15 4BZ

Local Space is a charitable registered society (Reg. Number: 29840R)

Registered Social Landlord (Reg. Number: LH4454)

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