



CORPORATE PLAN 2017/20

Delivering affordable and quality social housing to people on low incomes
helping lives and communities change for the better.



FOREWARD

Local Space is a young organisation at only 11 years old in 2017. However, it is a dynamic and growing organisation using its financial strength and partnership working to provide homes for those in greatest need. We have a unique business plan predicated on partnership, using our resources as well as we can and working in partnership to be as efficient as possible. We embrace innovation and know that in this fast moving world we need to keep pace with new ideas to thrive.

In 2015 we agreed an ambitious growth plan to increase the number of homes we own by a further 800. To support this we entered into new loan agreements with our funders. Our partnership model and our willingness to collaborate, shows a mature approach to providing accommodation in a challenging economic world.

This Corporate Plan 2017-2020 outlines our plans for the next 3 years and how we are supporting the various areas of our business to make this a success.

Local Space aims to be a long term, financially sustainable provider of affordable accommodation and services. Local Space has grown from small beginnings and has acquired more than 1950 homes in a short space of time. Like many businesses, it is our ambition to be a long term success and we want to exceed our past successes and our planned growth targets so that we can reach more individuals and households in housing need.

This Corporate Plan will be reviewed every year with ongoing rigorous assessments and updated and tested targets to ensure that we stay true to this aim.

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INTRODUCTION WELCOME

Welcome to the Local Space Corporate Plan 2017/20

Welcome to the updated Local Space Corporate Plan 2017-20. This document provides an update to our Corporate Plan first published in 2016 and shows how we are progressing. We are a social business providing homes for those in need and operating in a commercial environment. Over the last year we have seen the Government negotiating an exit from Europe, the first house price drop in London for 8 years and the country has had a General Election. Amidst this economic and political uncertainty we continue in our efforts to provide accommodation for those most in need in our communities. Since April 2016 Local Space has purchased over 190 properties since it started the new growth strategy and secured a private placement of £75m from a leading investor. We have also commissioned a full scale governance review which has considered the best structure for us for the future, the skills required of our non-

executives and how we can be in the best possible shape to meet the challenges of the current business environment.

Our strategic objectives capture our social aims as well as our drive to be business efficient. Our corporate goals are specifically targeted to deliver these objectives and have been updated now that we have completed the first year of the Growth Strategy. The Board provides the strategic direction and the Executive Team is tasked to deliver. The staff at Local Space is one of our greatest resources and we develop their skills to make the most of their talents.

The Local Space Corporate Plan draws upon the many connected elements within Local Space to illustrate how we will ensure that the organisation is supported to succeed.



RICHARD REYNOLDS
Chair Local Space



JITINDER TAKHAR
Chief Executive





OUR MISSION

Our mission is simple and straightforward

“

Delivering affordable and quality social housing to people on low incomes helping lives and communities change for the better.

”

We have grown our asset base in the last 11 years through careful stewardship of the association allowing us to raise funds to invest in more affordable housing. As London house prices have soared we have moved further afield to secure affordable homes for tenants. Our growth strategy has seen us acquire homes in Newham and surrounding London Boroughs as well as extending into Essex. We have now acquired over 190 properties and in the next 3 years we will work in these areas to deliver the remaining 610 homes of our growth strategy agreed with the London Borough of Newham.

During this last year we have opened up discussions with our other London Borough partners in Hackney and Waltham Forest. In Hackney we are piloting a re-provision programme which will see us acquire less expensive accommodation and be able to offer lower rent levels in other parts of London. With Waltham Forest we are hoping to provide an additional 50 homes using Right To Buy (RTB) receipts. Newham has also agreed to support an additional 50 homes with RTB receipts. All of these arrangements have been subjected to thorough financial modelling to ensure that the business remains viable so that it continues to provide homes for those most in need. Our model of partnership working is one where we see that together we are greater than the sum of our parts and can provide even more effective and efficient services. Our stakeholders comprise our partners, funders, residents of our homes and our Regulator, the Homes and Communities Agency.

OBJECTIVES & GOALS

Our strategic objectives are centred by the Board around being a successful social housing business.

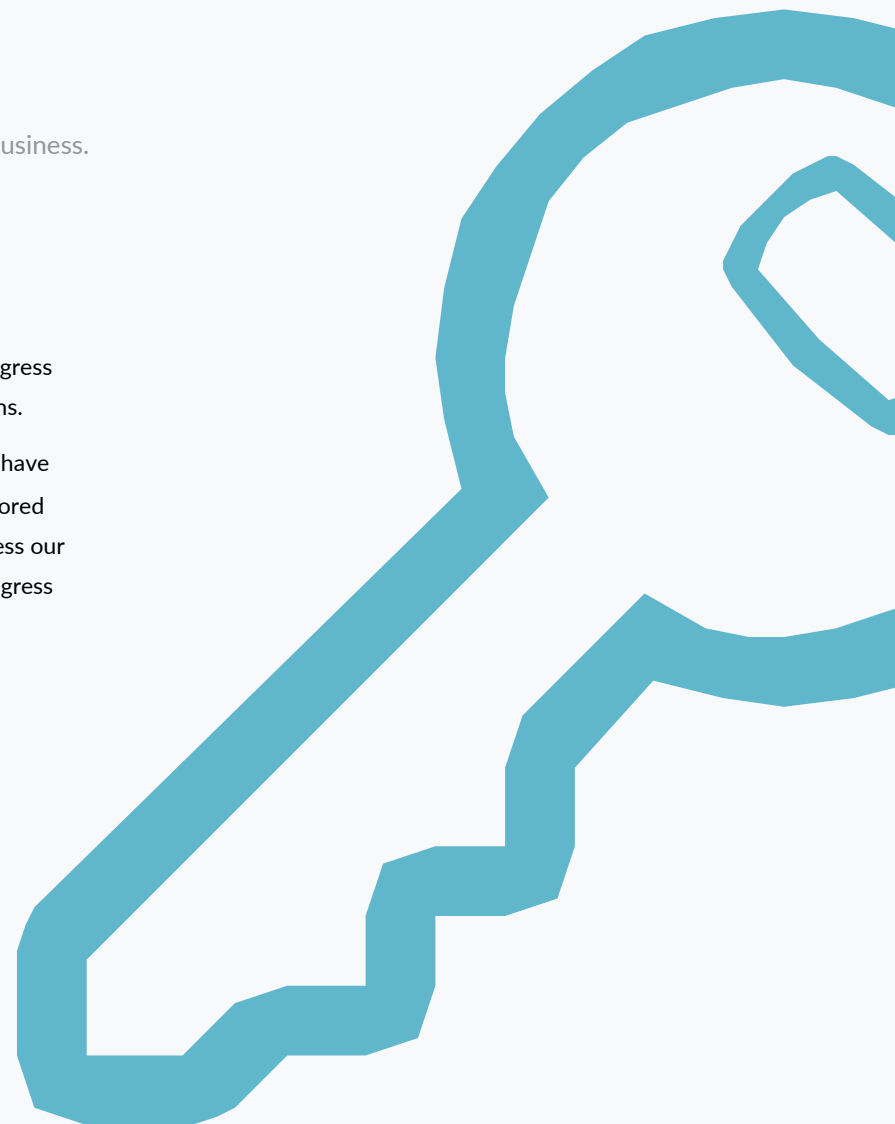
To do this we aim to provide quality homes and services and manage our affairs so that we are a long term and thriving organisation. Our objectives are summarised as:

- ▶ Homes that people want to live in
- ▶ Services that our customers are happy with
- ▶ Being a successful business
- ▶ Being a well-managed organisation

In the current economic climate for housing associations we have to manage to increasingly tight budgets and account for how we spend our money. This means that our actions need to be able to pass the value for money test of being economic, effective and efficient in the use of our resources. Our strategic objectives are supported by corporate goals set out over the next 3 year period to 2020.

These corporate goals clearly identify the progress that we need to make to achieve our ambitions.

Each part of the business and each individual have set targets to meet and performance is monitored regularly to ensure that it is on track. We assess our performance annually, regularly reporting progress against targets to the Board.



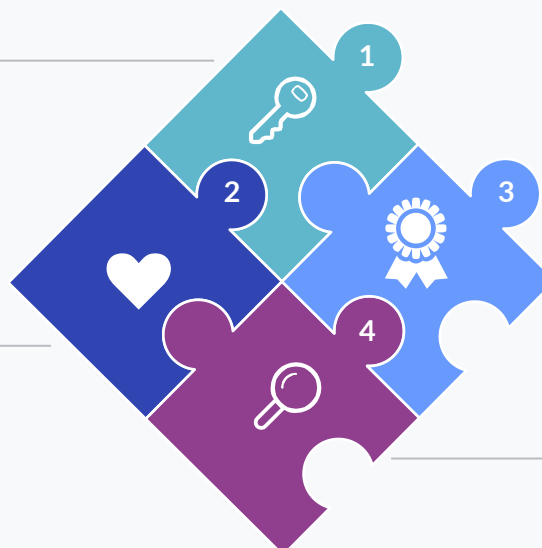
OUR OBJECTIVES

HOMES PEOPLE WANT TO LIVE IN

- 610 additional homes by 2020
- Tenant satisfaction with product
- Acquire and maintain homes to LS standards
- Work with tenants to define LS quality standards

SERVICES THAT OUR CUSTOMERS ARE HAPPY WITH

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



BEING A SUCCESSFUL BUSINESS

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

BEING A WELL MANAGED ORGANISATION

- IIP 6th Generation rating
- Staff satisfaction with LS
- Robust business systems
- Robust governance(G1)

OUR VALUES

At Local Space it's not just what we do but also *how* we do it that is important. Our business is supported by our core values which shape how we deliver our services. Our services are supported by our staff where we invest training and development and reward for good performance and behaviour. Our values are:



ACTING WITH INTEGRITY

We commit to our promises and are open in our dealings with others.



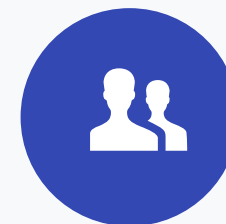
CREATIVE & INNOVATIVE SOLUTIONS

We look for solutions to our problems and welcome new ideas and ways of working.



PUTTING CUSTOMERS FIRST

We work with our tenants to understand their situation and meet their expectations by providing value-for-money services.



WORKING WITH PARTNERS

We work with our partners to achieve more for our tenants and make our resources go further.

OUR PEOPLE

Local Space is a small organisation with a dedicated and skilled workforce.

Local Space is a small organisation with a dedicated and skilled workforce. Recently, we were re-accredited with IIP Silver status confirming our ability to lead and support our people to achieve the best performance possible as well as seeking to improve how we can structure the organisation to achieve yet higher results. In 2016 the organisation underwent a significant staff re-structuring and recruitment drive to help us organise ourselves to meet the challenges of our growth ambitions. In 2017 the organisation has continued to refine how it uses its resources in the most cost effective way. Alongside this we have developed our performance and reward structures. We encourage staff to be more involved in the business to make decisions and to be able to act on them. We are fortunate to have a strong foundation of a staff group that is passionate about social housing and who are also skilled and motivated to deliver the quality service that our tenants want.

These behaviours work alongside our values to ensure that our services are delivered to the highest standard and with respect to our tenant.

Our aim in 2018 is to reach for the new advanced accreditation level of IIP 6th Generation. This award is made to those organisations where policies, procedures and people are aligned to achieve organisational excellence. Over the next year we will embed the performance measurement structure that will incorporate our values, involving our people.

We are establishing, in partnership with our suppliers, a programme that will offer two young people the opportunity to learn about the work environment equipping them better to meet the challenges of the workplace when they move on to find employment.



NATIONAL & LOCAL CONTEXT

Housing Associations are part of a changing world and have come a long way over the last 50 years to provide accommodation of all types. In recent years the economic climate has been a challenge to many with the reductions in grant funding and the reduced rent formula introduced in 2015. Welfare reform is now a feature of our sector with benefit cuts extended into the supported housing area from 2017 and with Universal Credit rolled out more widely.

The housing sector has reacted in a number of ways, with some associations having entered the areas of market sale to make up the shortfall in revenue. We now also see significant merger activity amongst some of the larger associations who are coming together to be able to make further efficiencies and to be able to support bigger development programmes.

House prices have been rising since the recession eased in 2010 and especially in London. Locally, in our area of operation in East London, we see that local authorities are struggling with the ever deepening housing crisis. One of the legacies of the enormously successful Olympic Games 2012 is the renewal of areas which have become less affordable to their traditional communities. House prices in the London Borough of Newham experienced one of the largest spikes in the country with an increase in value of 22% recorded in 2015. This has meant that the demand for rented accommodation has increased as people are unable to buy expensive property. The demand for subsidised rental property has also increased as people are unable to afford private rent levels.. Both have contributed to increased levels of homelessness. The unexpected referendum result of Brexit in June 2016 has had an impact on house prices and the first house price fall in 8

years is seen as a potential turning point in the fortunes of the London housing market.

Against this background the major political parties are feeling the weight of public pressure about the state of housing. The Government has called our housing market 'broken' and has introduced measures to help local authorities better quantify how much new supply is needed in their areas. There have also been announcements of funding of approximately £12b with £10b of this for more Help to Buy loans and £2b for affordable housing. However, there has also been some recognition that there will need to be a supply of social rented housing in those areas where rent levels are very high. In addition, the Government has also agreed that housing associations can return to a rent formula that will allow rents to be increased by Consumer Price Index (an inflation indicator) + 1% from 2020 for 5 years.

Local Space's business model has provided some insulation from some of these issues. At Local Space's inception, the London Borough of Newham entered into a 15 year partnership and gifted 450 properties and this arrangement allowed Local Space to acquire an additional 1000 homes. In 2016 Newham and Local Space entered into a new 15 year relationship. The discussions with Hackney and Waltham Forest are also looking at extending the terms of those arrangements beyond their current expiry dates of 2023 and 2025 respectively, as well as potentially increasing provision.

VALUE FOR MONEY

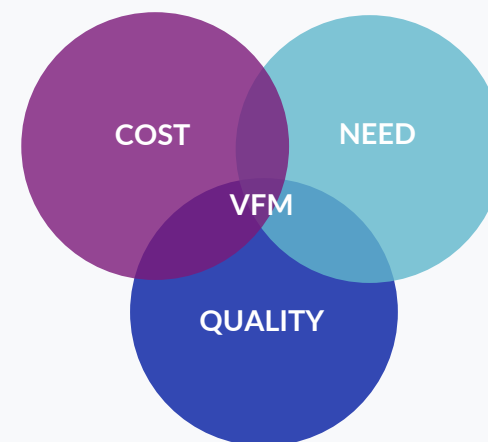
Local Space is a financially strong organisation with a dynamic future ahead.

Local Space is a financially strong organisation with a dynamic future ahead. Our growth strategy means that we will see an increase in the number of homes we own along with the costs of providing, managing and maintaining those homes. With significant growth comes the opportunity to procure more efficiently. Our development and capital works programmes offer us the chance to look at how we are procuring products and services. These programmes amount to significant spend and we are now accessing EU compliant frameworks from other organisations saving us considerable procurement costs as well as being able to secure competitively priced and quality assessed services. We have also been offered framework matched prices from a leading legal firm and will take advantage of these going forward.

Our development team has introduced a new way of working with suppliers that sees us using external resources much more widely – taking advantage of specialists to provide specific services such as conveyancing and surveying.

In an environment with approximately 20 property purchases every month we have had to find a much more efficient way of operating. The use of external and experienced property agents, surveyors and legal advisors has enabled us to deliver efficiently and economically. We have captured good practice in procurement with a new policy and procedure approved by the Board in 2017.

Our Value for Money Strategy for 2017-20 will see us continue to apply pressure to our operational costs which are a particular focus. We will also use the new VfM metrics likely to be adopted by the sector and which will illustrate return on assets, investment levels in new provision as well as housing costs and social return. We have already established our targets for the coming year against the proposed metrics which are listed in the table below.



VALUE FOR MONEY TARGETS

	Sector Scorecard Median Scores				
	2016/17	2016/17	2017/18	2018/19	2019/20
Reinvestment %	n/a	5%	15%	12%	16%
New supply delivered % (social housing)	1.10%	5%	12%	9%	13%
Gearing %	41.60%	50%	56%	60%	65%
EBITDA MRI Interest cover %	227%	224%	183%	178%	165%
Headline social housing cost per unit £	£3306	£2,509	£3,010	£3,182	£3,132
Operating Margin %	31.30%	70%	64%	61%	60%
Return on capital employed %	4%	5%	4%	4%	4%

Local Space is an organisation that has used its financial strength to continue to provide homes to those most in need. Our financial metrics show that we are able to do this comfortably but we will continue to drive even more efficiency and benefits from our work. In 2016 the board appointed a member to be the Value for Money Champion working alongside the Executive to ensure that the message is cascaded to and embedded with all staff.

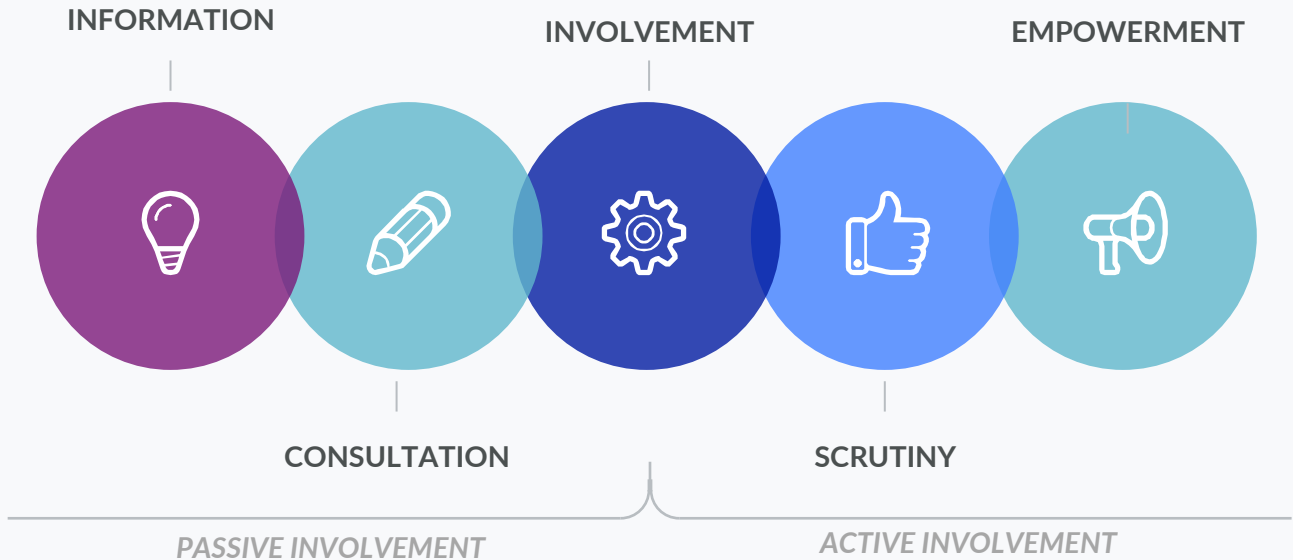
TENANT INVOLVEMENT & OUR CUSTOMERS

At Local Space we believe that being able to shape the services our customers receive is one of the best ways to improve their experience.

At Local Space we believe that being able to shape the services our tenants receive is one of the best ways to improve their experience. We have an established Tenants forum in the Tenants' Policy and Scrutiny Panel (the Panel) and will build on this foundation to engage more with our tenants, seeking views and shaping our offer. A new Tenant Involvement Strategy was agreed by the Board in 2016 and the Panel.

It sets out the approach Local Space will take to build on the engagement work previously undertaken. To date the Panel has been actively involved in scrutinising recent policies that have been approved by the Board and have also compiled a report on observations made in specific areas of the business. Engagement with the Board is now becoming more established with a standing invitation to the panel to

send representatives to observe and present any reports. Our tenants' expectations will change over time. We want to provide housing services that evolve and improve to meet their needs and to ensure that our performance continues to improve compared to our peers and in line with the enhanced Tenant Involvement and Empowerment Standard as published in July 2017.



SOCIAL VALUE

Many of our tenants and communities are facing challenging times that look set to continue for some time.

Many of our tenants and communities are facing challenging times that look set to continue for some time. Understanding the impact social value can have and providing additional services to facilitate this can make a difference for our tenants and recognise that providing quality homes is just the start for a thriving future. The term 'social value' is defined by Local Space as:-

'a process where we meet the needs for goods, services, works and utilities in a way that achieves a positive impact and the wellbeing of our tenants or individuals in the communities we work in.'

This shifts the focus from looking at more than just the bottom-line price or cost of a service towards the overall value of the outcomes delivered. It also assists Local Space to achieve its key objectives of:-

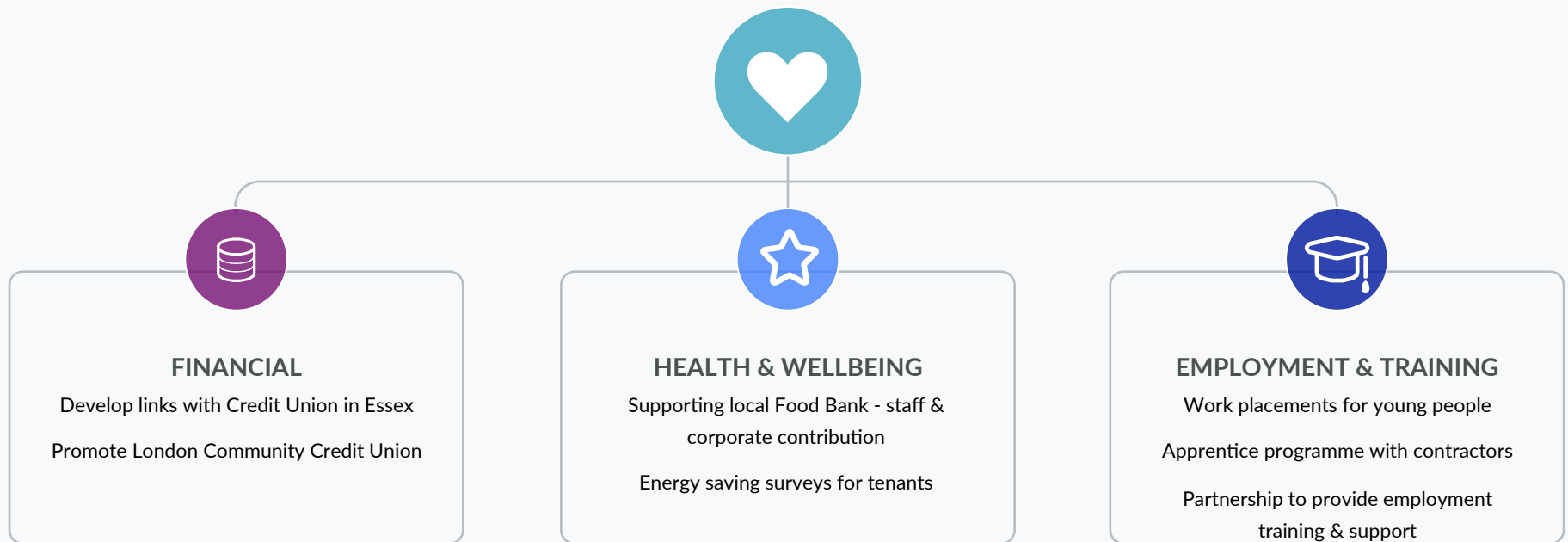
- ▶ Providing services that our customers are happy with; and
- ▶ Being a well-managed organisation

It is not always easy to measure social value but the achieved and expected measured outcomes form our social value objective are:-

- ▶ An increase in numbers of people joining a credit union
- ▶ By the end of 2019 aim for all direct managed tenants received a visit and advice from an energy saving contractor.
- ▶ In 2017/18 over 150 householders have received energy advice for potential savings and water saving devices; by 2018/19 our aim is for all directly managed tenancies to be visited.
- ▶ That at least 25% of tenants each year receiving energy advice will make a household saving of at least £150 going forward on their energy bills.

- ▶ At least 2 young people per annum receive work experience placements at Local Space or through one of our suppliers.
- ▶ At least 5% of our tenants per annum attend an employment training programme.

SOCIAL VALUE



DEVELOPMENT & GROWTH

2016 saw the refresh of our agreement with the London Borough of Newham and a new deal to provide 800 additional homes. A new funding strategy was negotiated to support this ambitious growth plan. By November 2017, we have been able to buy 190 homes. We have a challenging 2 and a half year programme ahead to provide the additional 610 Growth Strategy homes and are using a number of methods to secure these homes to budget and to target dates. At present, we have another 200 homes where we have agreed the price and are ready to purchase. After the spike in property prices in 2015 there has been much slower house price inflation and we are keeping a keen eye on prices as we approach the economic uncertainty of the Brexit negotiations. Earlier in 2017 Local Space secured the first of its private placement investment of £75m. This was secured at a competitive price and makes our business planning more robust. Future growth and new funding is dependent on the success of our current programme of property acquisitions: current property purchases will contribute to the security needed for future funding. However, we will purchase only those properties with a good supporting business case to ensure that our financial foundation remains secure. This careful stewardship of the organisation is adopted at all levels. The Board oversees all strategic investment decisions guiding the organisation through its growth stage. Supporting this, our development and finance teams work closely together to ensure that the business undertakes sustainable growth at a manageable pace.

Late in 2016 and in early 2017 the Board assessed the business plan capacity and approved an additional 100 homes to the programme to take advantage of available grant funding from RTB receipts.

This will generate additional affordable homes to use as temporary accommodation. Grant funding supports 30% of the total scheme costs of new growth and this is a financially sustainable way forward.

With a small team, the development department has introduced smarter working using property agents, lawyers and surveyors as their external workforce. Properties are sourced, surveyed for works needed and acquired by external resources. This is a much more cost effective and best value approach to procurement. We have also used the frameworks already established by other housing associations and for a small fee can take advantage of competitively tendered and EU compliant services.

The street property programme is a quick way to bring a property into use. The housing crisis is sharply felt in London and this approach allows us to provide accommodation for use as temporary accommodation much faster than the traditional new build development method. It is likely that we will continue this approach for the next year. New build opportunities are still being pursued and we have one project in the planning process with another being prepared to be submitted in the near future.

Local Space has partnership arrangements with the London Boroughs of Hackney and Waltham Forest and we are exploring the potential for growing these partnerships to provide more accommodation for those in housing need.

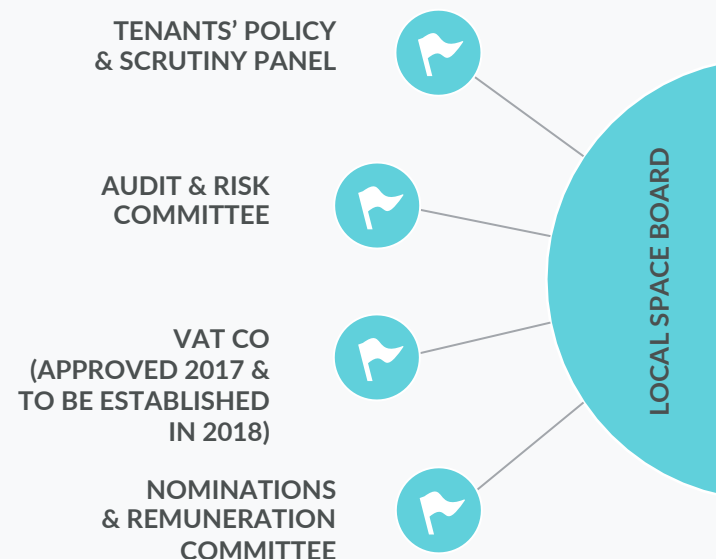
GOVERNANCE

Local Space is directed by a board of ten members who set the strategic direction and provide stewardship of the organisation ensuring its long term viability and success. Since 2006 when the organisation was first established the Board has worked with the executive to grow the organisation, fulfil its promises to its stakeholders and provide the best possible tenants service and experience. The organisation has grown steadily in that period and recently has agreed to deliver more homes for our Local Authority partners.

This ambitious growth strategy is significant for an organisation of our size and we want to ensure that we manage our responsibility fully. Board members have been recruited against a skills matrix reflecting the needs of the organisation to function effectively in this challenging economic environment and to meet our ambitious targets for growth. The board includes places for individuals from the London Borough of Newham who also use the skills matrix to ensure the Local Space Board members meet as many of the required competencies as possible. In 2016 the Board invited a wholesale review of governance in the organisation.

This resulted in changes made to the structure of sub-committees, board size, board recruitment and skills management and succession planning. We recognise that Local Space is an organisation with a challenging and exciting task ahead and our board membership is made up of individuals who have a passion to ensure that it succeeds. The Board possesses a wide range of skills and experience that match the requirements of our business as it continues along this ambitious growth direction.

Our regulator – the HCA – has clear expectations of levels of good governance and we offer full compliance with the HCA's Governance and Viability Standards. Local Space has undergone a further governance exercise in 2017. This has assisted the planned Board member recruitment process as well as look at Board culture. This resulted in valuable learning on how the Board can work together to maximise its full potential to run the business. We fully appreciate that good governance not only protects our existing assets but also helps us become stronger and better able to compete and thrive in this challenging environment.



RISK MANAGEMENT

At Local Space managing the business well means managing risk. Austerity, rent cuts and welfare reform have all impacted on the sector to varying degrees. For some housing associations the loss in income has been hugely challenging. For other housing associations this has meant a shift in direction. In all cases this has meant a careful re-examination of business areas to assess areas of weakness that have become exposed or areas which will be vulnerable in the future.

The harsher economic climate has impacted on many associations, with a loss of revenue from the cuts made to the rent formula as well as from welfare reform and tenants' ability to pay. However, at Local Space most of our stock is shielded from this through the use of rent guarantees from our local authority partners, providing a steady income stream. This is particularly important to us as it has helped us retain a credit rating of AA- which has helped us secure funding at competitive rates from the market. Our financial viability and strength is important to us as a developing organisation, giving confidence to our funders and the regulator. However, we remain alive to financial risks arising from Brexit, a downturn in

the housing market, changes affecting rent guarantees from our partners and the costs of funds. Risk management is not limited to financial areas but also, especially after the tragic events at Grenfell Tower, considers other relevant health and safety issues.

Customer satisfaction at Local Space is an important reputational area and we have increased our targets for customer satisfaction from 80% to 90%, pushing our teams further to meet expected levels of service. Finally, we also recognise that this is a challenging economic environment and that we need the right resources at Board and staff levels. At Board level our succession planning programme has brought in valuable and much needed skills that enable us to appropriately guide the organisation. At staff level we are conscious that the London employment market is competitive and that we need to retain the very best people to provide the very best service. Our HR function is tasked to help us put in place the infrastructure to ensure that we attract and retain our people.

Risk is discussed regularly at team meetings and in 2017, the Executive introduced a risk clinic system which sees key members of staff invited to discuss risk areas in more detail.

The Audit and Risk Committee has also invited staff to present three key risks in more detail at each of their meetings. This is in addition to the stress testing that is presented to the Board along with the wider risk register. Stress testing at Local Space has seen us bring together a number of worst case scenarios and well as particular themes relevant to Local Space such as property cost increases and delays in our growth programme. At Local Space risk management is a key part of how we run the business and is an active subject with participation across the organisation and at all levels.

OUR TOP RATED RISKS & CONTROLS

Risk	Strategic objective	Risk	Gross score	Mitigations	Net score
1	1,3	House price inflation impacting on growth strategy	20	Increased buying limits, strategic alliances with agents & enhanced reports	12
5	1,3	Brexit	20	Daily market updates, business plan review & stress testing	15
7	1,3 & 4	Refinancing (new)	15	Maintain positive lender relations, stress testing of business plan, Treasury Policy	10
15	1,2,3 & 4	Properties without gas safety certificate	15	Dedicated compliance officer, monitor at 10 month trigger, forced entry	15
16	1,2,3 & 4	Major H&S incident causing injury or even death to tenants	15	Fire risk assessments checked and site inspections carried out; regular checks and updates on safety across areas of fire, legionella, asbestos, gas and electrical; updated CDM regulations where applied	5
17	3,4	Governance failure	15	Regular governance reviews; external validation of processes and systems; skills audit; succession planning; training & appraisals	10
19	1,3 & 4	Breach of equality and diversity	15	Appropriate policies and procedures; embedded cultural approach; equalities strategy approved by Board	12
23	2,3	Poor customer satisfaction leading to dissatisfaction with service provided	15	Good housing management practice with annual surveys and focus groups; Tenants' Panel and scrutiny; independent monitoring of customer satisfaction	12

BUSINESS PLAN SUMMARY

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Total income	28,330	31,154	34,567	36,598
Total costs	-20,486	-23,974	-27,945	-28,914
Newham Surplus Sum	-2,525	-2,550	-2,576	-2,602
Surplus	5,319	4,630	4,046	5,082
Total value of assets	404,239	454,575	536,653	531,312
Current assets	15,844	15,825	15,857	15,839
Total assets	420,083	470,400	552,510	547,151
Current liabilities	-4,540	-4,540	-4,540	-4,540
Long term liabilities	-232,383	-278,070	-356,133	-345,692
Total Net Assets	183,160	187,790	191,837	196,919
Total Capital & Reserves	183,161	187,790	191,837	196,919
Interest Cover %	183%	178%	165%	172%
Debt to Assets Ratio %	56%	60%	65%	64%

CORPORATE PLAN 2017/20 SUMMARY

Mission	<i>Delivering affordable and quality social housing to people on low incomes helping lives and communities change for the better.</i>			
Values	<i>Acting with integrity - Creative & Innovative Solutions - Putting tenants first - Working with partners</i>			
Strategic Objectives	Homes that people want to live in	Services that our customers are happy with	Being a successful business	Being a well managed organisation
Corporate Goals	610 homes by 2020	Tenants scrutiny and involvement	Operating margin >50% by 2020	IIP 6 th generation rating
	Tenants satisfaction with product >90%	Tenants satisfaction with service >90%	Full covenant compliance and robust business plan (V1) and maintain AA- credit rating	Staff satisfaction with LS >90%
	Maintain homes to LS standard	Minimum 2 nd quartile benchmark	VFM Asset Management with maximum return on assets	Robust Business System IT, Audit, Risk, Staff structure
	Work with tenants to define LS quality standards	Social value returns	Reducing operational And capital costs from 2017 by 3% pa	Robust governance (G1)



CORPORATE

PLAN 2017/20

Local Space Limited is a charitable registered society, registration number 29840R.
Homes and Community Agency registration number LH4454.