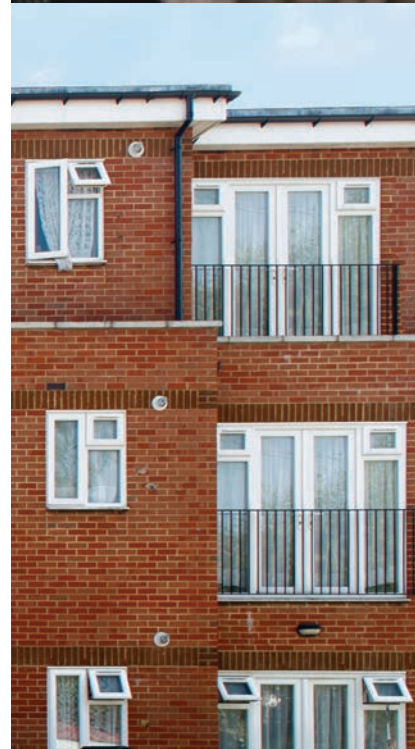




ANNUAL REPORT

2014



A photograph of a brick building with a white dormer window and a television antenna against a blue sky. The building is made of brown bricks and has white window frames. A television antenna is mounted on the roof. The sky is blue with some white clouds.

OUR MISSION

Local Space is
dedicated to delivering
affordable and quality
social housing in
East London.



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INTRODUCTION

Our annual report is a snapshot of some of the main activities undertaken by Local Space throughout 2013/14 and offers a glance at our upcoming plans.



Each year we create an annual report to let our residents, partners and other interested people know what we have been doing over the last year and why. In this report we provide updates on some of the main areas we have focused on, report back on our performance and overall satisfaction with our services, as well as outline how we are planning for the future.





JOHN LAYTON

Chair

This report highlights great progress in many areas. The successes have only been possible with the commitment and leadership of our corporate management team, our motivated and enthusiastic staff, supported by the vision of our Board. I would like to thank them all and our local authority partners for their hard work. There is tremendous opportunity for us to contribute to alleviating the housing shortage facing London. In the year ahead we will demonstrate even more strongly our role in this.



RICHARD CLARK, OBE

Chief Executive Officer

In 2013 we made a series of promises about our performance. I am very pleased to report great progress to date and increasing customer satisfaction with our services (p9), this tells us we are focusing on the areas that make a difference. We are also happy to have set out our first programme of investment to our properties (p13); a 20% improvement in our financial surplus (p19); and progression with our long term strategic review in partnership with Newham Council.



ABOUT US

Local Space was created in 2006 through a partnership between the London Borough of Newham and a group of housing professionals.

The gifting of 450 properties from Newham Council to Local Space enabled us to raise £200 million to buy and improve more than 1000 homes across East London within two years of establishment; the majority of these are in Newham. We deliver housing through a purchase and repair approach to provide homes for families in need of accommodation, for use by our partner Local Authorities in Newham, Hackney, Waltham Forest and City of London.

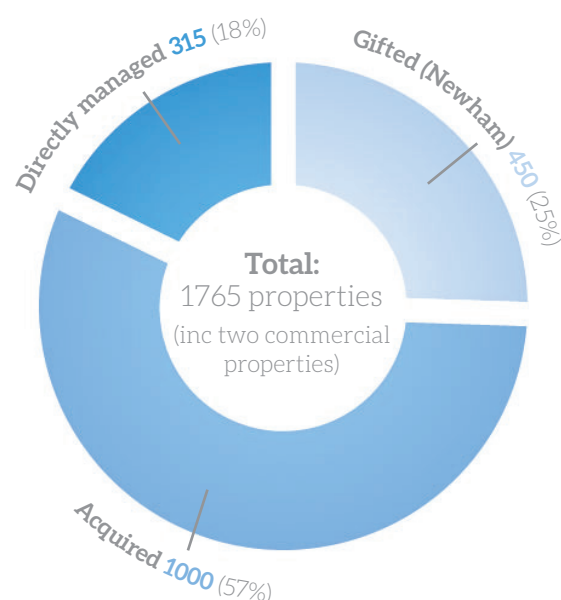
Through this approach we have:

- Implemented a business model, accumulating assets worth £326 million
- Acquired, improved and leased more than 1000 homes for the homeless in Newham
- Acquired, improved and now manage 110 homes for Hackney, 50 homes for Waltham Forest, 10 homes for the City of London, and five in Hastings.
- Merged with Passmore Urban Renewal in 2007 and taken over the ownership and management of 132 key worker homes
- Built seven four bedroom eco-friendly homes

At Local Space we don't make money for shareholders. Everything we earn is re-invested in improving residents' homes, buying more properties, providing facilities for the community or running activities designed to help people improve their lives.

Residents have shaped the management and development of Local Space as well as contributed to investigating how we can widen our role to support residents on the journey from homelessness to employment and security.

LOCAL SPACE HOUSING STOCK



Governance standards

Local Space gives a high priority to good governance and probity. The Board contains a range of skills and the work of the association is spread across three committees with clear responsibilities. We review the major risks facing us on a regular basis and ensure that all the key areas of the association are audited regularly and that the business is conducted in an ethical manner at all times, in line with the values of the organisation. As a result the association meets the Governance and Viability standard of our regulatory body, Homes and Communities Agency.



OUR VALUES

Acting with integrity

We commit to our promises and will remain open and ethical in our dealings and relationships with others.

Creative and innovative solutions

Learning from our mistakes, we always look for original solutions to our problems and value-added answers to our clients' needs.

Including everybody in the business

Within an atmosphere of fairness and equality of opportunity, we will foster teamwork, welcome feedback, celebrate uniqueness and value the listening ear.

Putting customers first

Our goal is to act as partners to our customers (and each other), fully understanding others' situation, actively caring about them and attempting to exceed their expectations by providing value-for-money support and service.

Realising everyone's potential

The personal growth and technical capability of all our people is important to us - we are determined to invest in them and will provide effective, ongoing learning and development opportunities and regular, constructive feedback.

Striving for excellence

Our leaders are dedicated to role-modelling our values; and we all strive for business excellence by being relentless in our quest to deliver quality services and, in consequence, quality homes, nurturing communities and work opportunities for our customers and our people.

OUR OBJECTIVES

- Providing High Quality Accommodation
- Providing Customer Orientated Services
- Being A Well Managed Organisation
- Being A Successful Business

OUR PEOPLE

At Local Space we have 25 employees working at our office based in Stratford. We're delighted that staff satisfaction is 75% and annual turnover is low at 8%. This year our employees had an average of two days sickness.



I feel like I am contributing positively towards the smooth running of Local Space and that makes me feel like part of the Local Space family. I couldn't think of a better bunch of people to come and spend the day with!

Teoni Hyde, 25, is our Business Administrator Apprentice. Since joining in May 2013 she has completed her Level 2 NVQ in Business Administration, and was also nominated for Newham College Apprentice of the year.



The best things about my job are being able to help tenants, helping my colleagues with new projects and by going out on viewings so I can understand what a tenancy officer does.



Daniella Jacobs-O'Boyle, 24, is our Customer Service Apprentice. Since joining in June 2013 Daniella has learned about housing and developed skills working in reception.





OUR CUSTOMERS

Capturing feedback from our tenants is a great way to measure how we are doing with our services so we can understand where we are doing well and where we need to improve. An independent company carried out our survey in July 2014.

2012	2014		
66%	78%	^{+12%}	Overall satisfaction with services provided by Local Space
70%	78%	^{+8%}	Satisfaction with overall quality of home
77%	82%	^{+5%}	Satisfaction with area as place to live
61%	68%	^{+8%}	Satisfaction with the way Local Space deals with repairs and maintenance
64%	88%	^{+24%}	Satisfaction that Local Space keeps residents informed of things that may affect them
53%	68%	^{+16%}	Satisfaction that Local Space listens to residents' views and acts upon them

THE YEAR IN REVIEW SPOTLIGHT ON...

Supporting people: welfare reform

Welfare Reform came into effect in April 2013 signalling a year of change for organisations like Local Space. We have taken a proactive approach in responding to the challenges and supporting our residents.

27 HOUSEHOLDS

*affected by benefit cap - £35.60
average benefit reduction per week*

15 HOUSEHOLDS *affected*

*by spare room subsidy - £84.49 average
benefit reduction per week*

Total **£146,396**

*to be collected annually
from those affected*

The background

In 2013 the government introduced the Welfare Reform including the benefit cap (limits total benefits that working age people can receive) and housing support based on household size (spare room subsidy, also known as 'bedroom tax').

In advance of these changes, Local Space visited all tenants to gain a better understanding of their financial, health and social situations. This helped us to gain insight into our tenants' needs and offer tailored support and advice. Around three-quarters of those affected by the changes under welfare reform felt they would not be able to afford their rent payments, and more than half wanted to find work to help them to pay the shortfall. During 2013/14, all affected tenants were awarded

the Discretionary Housing Payment to cover the shortfall. However, this is not a long-term solution.

Within our service, we reviewed our approach to give greater emphasis on supporting tenants with money management to prevent them falling behind with rent payments. We have also worked with local authorities, Job Centre Plus and Housing Options to assist tenants through the process.

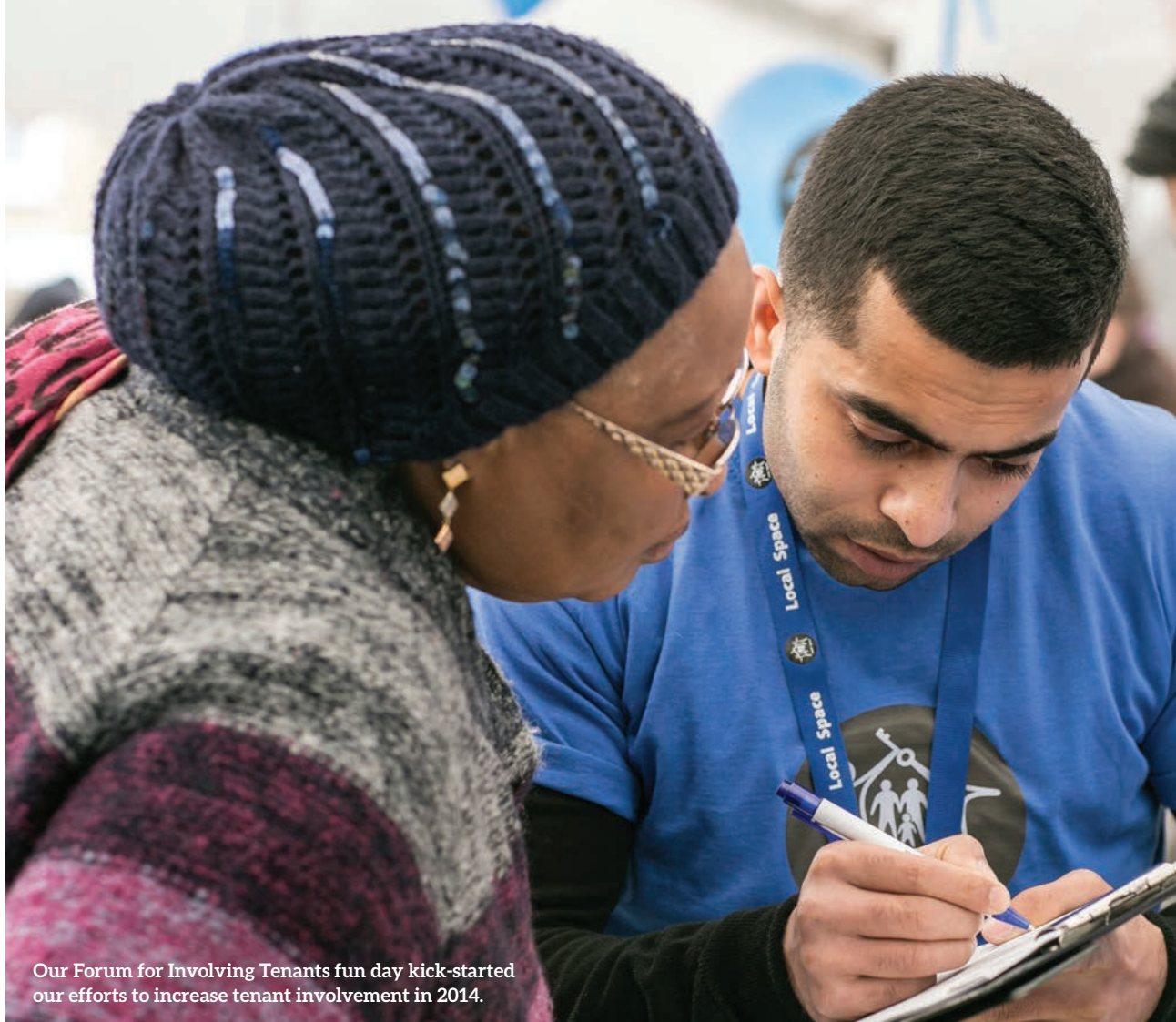
Great news!

In our July 2014 survey **81% OF
RESIDENTS WERE SATISFIED**
with the support and advice given for claiming benefits

CASE STUDY HACKNEY

We carried out a home visit and assessment with a single mum of two children under five. She was affected by the benefit cap and the single room subsidy and was facing a weekly increase of £109.62.

We helped the tenant to register for alternative accommodation and reviewed her circumstances alongside the Job Centre Plus team. She was awarded the Discretionary Housing payment to cover the shortfall on a temporary basis and allocated a new home to move into in April 2014.



Our Forum for Involving Tenants fun day kick-started our efforts to increase tenant involvement in 2014.

A NEW APPROACH TO INVOLVING TENANTS

At Local Space we want to give our tenants the opportunity to get involved and influence services so that we can evolve and improve the way we do things. We value feedback on the way we run our organisation and recognise that some tenants may not wish to be involved in formal structures. To make it as simple as possible to give your views we will offer a range of ways to feedback and influence our services. We will:

- Set up a new tenants' policy and scrutiny panel with at least three-quarters of members living in homes we manage directly
- Introduce Local Area Groups to focus on customer experience and service issues that affect tenants in particular geographical areas
- Provide a range of ways tenants can contribute their views including via email, text message and online

A THANK YOU

The Local Space Tenants and Residents Association (TARA) was set up in 2008 to involve all residents in what we do. The group has made a positive contribution, helping us shape services and strengthen the community. We have consulted TARA as part of the development of our new Tenant Involvement Strategy. Members will be invited to take part in our new structure for involvement activities. We'd like to thank all members for their contributions.



THE YEAR IN REVIEW IN NUMBERS...



71%

of residents are
satisfied with
value for money
of service charge



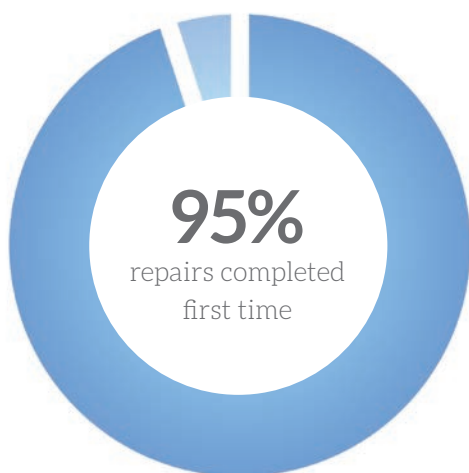
1400 REPAIRS
COMPLETED

100% within
target timescale



2063

gas safety checks
carried out and
100% gas safe



COMPLAINTS

100% responded to on time,
22 complaints across the year

69%

of residents
are satisfied that rent
provides value for money



Collected
99.8%
rent

OUR CAPITAL SPEND PROGRAMME HAS INCREASED YEAR ON YEAR AND IN 2013/14 WE DELIVERED £750,000 WORKS

We have a **£1.1 million capital expenditure programme** lined up for 2014/15 - our biggest investment to date.

- 30** windows and doors replaced
- 25** roof coverings
- 46** new kitchens
- 44** new bathrooms
- 100** boilers and heating systems installed

35
HOMES
LET

(directly managed)



1 IN 5 TENANTS

now pay their rent
by Direct Debit

WHAT'S NEXT



New direction

In our 2013 report we shared our plans to form a new focus and strategic direction. This is an exciting time for us as we build on our success and plan how we can best contribute to the widespread demand and need for affordable housing.

Even though house prices in Newham are lower than other surrounding areas, housing affordability is still a significant issue for local people on average incomes. Consequently, affordable housing demand is even more intense than housing demand generally. We have been looking at how we can maximise the use of our assets to deliver more affordable housing in East London. We intend to deliver additional affordable homes within Newham and adjoining East London housing authorities and are exploring how we approach this.

Our strategy will be completed in 2014/15.

Introducing... Local Space Essex

We are in the process of buying 60 properties in Essex with the first nine now complete at Sandy Lane. The property market is busy with activity and asking prices are high, this means we need to consider any offers we make carefully in line with our strategy and budget. Newham Council will allocate these homes to families.

Housing context: East London

Queen Elizabeth Olympic Park will be at the heart of a new urban district in East London. It is estimated that the development potential across the Lower Lea Valley and Stratford will total

32,000 NEW HOMES and **50,000 JOBS**

80% OF GLA LAND IDENTIFIED *within the strategy is in Newham and East London*

Planning for the future

£85 MILLION

to be invested over the next 30 years

We have planned how we will maintain and invest in tenants' homes over the next 30 years. We have based our strategy on spending more money on homes through a planned cyclical programme to ensure that kitchens and bathrooms are modern and durable, and reduce costs for repairs over time.

Using information from a comprehensive stock condition survey and our newly launched software system, we are able to model future investment plans accurately and make sure tenants' homes remain great places to live.

£2,468,000

Our 2014 investment budget (includes repairs, cyclical works, major works and affordable warmth)

We re-tendered our

£2 MILLION REPAIRS

and maintenance contract in 2014

Keeping homes warm all year round

In our 2012 satisfaction survey residents told us they'd like to see an energy advisory service introduced.

If prices continue to rise,

ONE IN THREE HOUSEHOLDS

will find energy costs unaffordable by 2015 -

SOURCE: uSwitch

Affordable Warmth Program:



£800,000

programme over 10 years

Local Space will invest £35,000 in improving the energy efficiency of residents' homes in 2014/15 kicking off an £800,000 programme over the next 10 years. This includes carrying out energy-saving home improvements to help keep homes warm all year round, and reduce heating bills.

This work includes:

- Cavity wall insulation
- Double glazed windows
- Central heating
- Boiler upgrades
- Upgraded heating controls
- Hot water cylinder insulation
- Loft insulation

We have identified the least energy efficient homes to be prioritised in our programme. We recognise that while we cannot influence energy tariffs directly we can help reduce consumption and increase residents' income opportunities and wellbeing. To do this we will invest to:

- Improve the thermal efficiency of residents' homes
- Reduce energy consumption in the home
- Increase disposable income for our residents by reducing their fuel bills
- Ensure our residents have access to energy advice

THE BOARD



John Layton (Chair)

John is a chartered accountant and a former director of PriceWaterhouse Coopers. He helped to set up Local Space and was our first chair. He became chair again in October 2012.



Cllr Andrew Baikie

Andrew has been a Newham councillor since 1992. He has held many different roles on the council and is currently the executive member for housing and customer service.



Elaine Bowes

Elaine is a specialist in equality, diversity and inclusion. She has worked mainly in public sector roles and has a strong track record of bringing in improvements in these areas.



Mic Clarke

Mic was on the board of Passmore Urban Renewal and is especially interested in the regeneration of Forest Gate and Plaistow. He also teaches English as a second language.



Cllr Ian Corbett

Ian has lived in Newham for over 27 years. He was elected to Newham Council in 1992 and is currently the executive member for infrastructure and environment.



Cllr Richard Crawford

Richard has been a Newham councillor since 1998. He was chair of scrutiny before becoming executive member for community affairs. He also worked for local MP Tony Banks.



Sarah Ebanja

Sarah is chair of Newlon Homes. She's been deputy chief executive of the London Development Authority and Islington Council, and chair at the Stephen Lawrence Charitable Trust.



Kene Ibezi

Kene is the managing director of an international affordable and sustainable housing development company, and has worked in Europe, Africa and North America.



Janet Marsh

Janet has been a resident of Local Space since 2006, and was chair of our tenants' association for three years. Her work has included our maintenance and scrutiny committees.



Cllr Nilavra Mukerji

Nilavra is a Westminster councillor with many years of housing experience, most recently as MD of Partners Islington, a housing PFI. He's interested in green issues and sustainability.



Chris Pope OBE

Chris joined in Newham Council as executive director of resources in 2011. His past jobs also include working for Laing O'Rourke, Europe's largest private construction company.



Donford Vardon

Donford became a Local Space tenant in 2005 and joined the board in 2008. He works for the London Borough of Newham and is very interested in improving customer service.



VALUE FOR MONEY

Local Space is ensuring that VFM is built into all our activities. The Board adopted a VFM target for overheads at a meeting in November and this target represents a significant reduction in our costs against our performance three years ago.

OUR COMMITMENT

*In 2014/15 we will reduce our operating expenses by **12%***

*We will reinvest **£10 MILLION** to buy more homes in Essex from our surplus and reserves*

The emphasis of our work programme over the last 18 months has been on strategic rebuilding and review. Local Space has had a major strategic review undertaken by Savills to examine how the association can maximise the use of its assets and deliver the highest output of homes. An Asset Management Strategy has been approved and is in its first year of full implementation.

We will continue to challenge ourselves by looking at our costs and the value we offer customers, and use this information to make decisions about spending money. We have a plan which sets out our focus for this area. As part of this we will provide opportunities for residents to have a say and scrutinise our performance.

To provide more affordable homes we need to be smart about using our assets and increase efficiency of our day-to-day business. To do this we have considered the sale and replacement of 40-60 properties requiring high investment.

This summary is not intended to give a detailed analysis of our financial performance. This information is available on our website at www.localspace.co.uk.

Five year summary of financial highlights

For the year ended 31 March		2014	2013	2012	2011	2010
Income and Expenditure account						
Turnover	£'000	24,491	24,248	23,955	22,896	21,811
Operating surplus	£'000	14,020	12,056	13,572	12,683	14,740
Surplus for the year	£'000	7,241	6,056	6,003	4,752	6,491
Balance Sheet						
Tangible Assets	£'000	339,578	303,867	303,103	322,378	312,408
Loans repayable after more than one year	£'000	172,001	172,001	184,000	185,750	185,750
Reserves	£'000	167,577	131,866	119,103	136,628	126,658
Accommodation figures						
Total Housing stock, owned and managed	Units	1765	1765	1765	1622	1564
Key ratios						
Voids and bad debts (as % of rent and service charges receivable)	%	1.4	5.2	3.5	2.6	3.7
*Rent arrears (gross arrears as % of rent and service charges receivable)	%	12.6	13.3	9.8	8.0	3.7
*Rent arrears (gross arrears divided by rent and service charges receivable multiplied by 365 days)	Days	46.1	48.6	35.7	29.3	13.6
Interest Cover (Operating surplus and property depreciation divided by net interest payable)	%	259.1	228.0	223.6	202.8	196.6
Gearing (Loans as % of capital employed)	%	50.7	56.6	60.7	57.6	59.5

*These figures only relate to directly managed stocks excluding properties that are leased to London Borough of Newham. All figures have been extracted from current and prior years' audited financial statements.

Balance sheet

	2014 £ '000	2013 £ '000
Housing properties	361,643	336,059
Social Housing Grant	(35,756)	(35,864)
	325,887	300,195
Other tangible fixed assets	1,586	1,635
	327,473	301,830
Current assets		
Debtors	768	1,948
Investments	15,000	6,400
Cash at bank and in hand	2,913	91
	18,681	8,439
Creditors: Amounts falling due within one year	(6,576)	(6,403)
Net current assets	12,105	2,036
Total assets less current liabilities	339,578	303,866
Creditors: Amounts falling due after more than one year	172,001	172,000
	172,001	172,000
Capital and reserves		
Non-equity share capital	-	-
Revaluation reserve	131,744	103,345
Designated reserve – for major repairs	-	4,848
Revenue reserve	35,833	23,673
Total funds	167,577	131,866
	339,578	303,866



CONTACT US

58 Romford Road
Stratford
E15 4BZ

0208 221 4000

www.localspace.co.uk