



# Local Space Limited



## Value for money self-assessment

2017



## 1. Value for money at Local Space

- 1.1 Local Space is pleased to present its value for money (Vfm) self-assessment for 2017. Although we are small, we are seen as being innovative and we are growing. We are now very well placed to take the organisation forward; our finances continue to be very strong.
- 1.2 We are delighted that Local Space has been reaffirmed as the top credit rating of AA- by Standard & Poor, matched only by one other housing association. We also recently secured £75m from a single UK investor, with a final maturity of 40 years. The facility is made up of two tranches: the first drawn in July 2017 carries an annual interest rate of 3.17%; the second will be drawn in June 2018 and carries a rate of 3.28%. Together they represent one of the cheapest long dated private placements made by a Housing Association in 2017, which is a reflection of Local Space's unusually attractive credit rating and robust business model.
- 1.3 Our successes are attributable to strong governance from our skilled and experienced Board and the work of our executive team and our employees. Our financial strength is made possible through the surplus we generate from renting homes, together with the increases in the value of our housing stock, and the assurance we have for our future income from the London Borough of Newham (LBN). Our continued financial strength will enable Local Space to continue with our ambitious growth strategy, using new funds to purchase or develop more homes to house more people in need.
- 1.4 Our vision for the next five years remains to deliver a substantial increase in the number of homes we rent out to tenants. During those five years, we will increase our investment into our existing properties to ensure that our residents live in warm, safe and environmentally friendly homes. We published our corporate plan for 2016/20 in December 2016, which focuses on implementing our growth strategy of another 800 properties to be acquired or developed by 2020. We delivered 91 of these properties in 2016/17. In addition we have agreed to deliver a further 100 homes part funded with Right to Buy (RTB) receipts from LBN and the London Borough of Waltham Forest.
- 1.5 We strive to ensure that value for money is considered in all that we do, and that every pound spent is made to work as hard as possible. We have looked at new ways to deliver services, including investment in our core IT systems. We have recently developed a new Procurement strategy and are looking to use procurement frameworks more effectively. We have also involved our residents in the process. The Board and the Executive Management Team at Local Space has also carefully considered investment decisions for the future, and we are constantly reviewing property prices to ensure that we continue to purchase properties at competitive prices, as well as achieving the optimum mix of properties to deliver our growth strategy. This includes regular monitoring of our performance, to make sure that we both protect and grow our assets and outputs. We continue to provide good quality homes and services to our residents.
- 1.6 All of this is against the back drop of huge change in the housing sector, and considerable political and economic uncertainty caused by the result of the 2017 General Election, and the vote by the UK to leave the EU. At Local Space we have remained focused on reducing cost, spending our money wisely and maximising the return on our assets. Our commitment to grow the number of homes, without significant increase in expenditure or headcount means that our cost per property will reduce.
- 1.7 We continue to measure our performance using a range of key performance indicators (KPIs). We also continue to use Housemark to benchmark our performance, and have taken part in the recent sector scorecard pilot exercise. Although data from Housemark for 2016/17 is not yet available, we have included some of the results from Housemark from



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2015/16 in this report, as the results for 2016/17 won't be available until after the deadline for publication of the annual self assessment statement. Our approach in using Housemark data from 2015/16 is consistent across the sector.

Below is a summary in key areas of how we have performed over the year, and how we look against previous years.

Income and expenditure account £000	2017**	2016*,**	2015**	2014	2013
	£'000	£'000	£'000	£'000	£'000
Total turnover	25,632	25,576	24,777	24,491	24,248
Operating surplus before Newham Surplus	17,907	17,181	16,931	16,435	15,259
<b>Surplus for the year</b>	<b>5,582</b>	<b>(1,842)</b>	<b>6,783</b>	<b>7,241</b>	<b>6,056</b>

\* Includes £9m one-off agreement extension fee paid to LBN in 2016

\*\* The values for 2015, 2016 and 2017 are based on FRS102 accounting principles

In 2016/17 Local Space continued to keep a downward pressure on costs. An illustration of the cost savings that we have achieved between 2015/16 and 2016/17 can be seen in the following table:

## Income and Expenditure from Social Housing Lettings

	LS Accounts 2015/16 (£'000)		LS Accounts 2016/17 (£'000)		Difference
		%		%	
<b>Income</b>					
Rents	25,205	98.4%	25,584	99.9%	1.5%
Service income	19	0.1%	18	0.1%	0.0%
Net rental income	25,224	98.5%	25,602	100.0%	1.5%
Other	311	1.2%		0.0%	-1.2%
Total turnover	25,535	99.7%	25,602	100.0%	0.3%
<b>Expenditure</b>					
Management costs	3,074	12.0%	2,502	9.8%	-2.2%
Service costs	579	2.3%	396	1.5%	-0.7%
Routine maintenance	339	1.3%	475	1.9%	0.5%
Planned maintenance	453	1.8%	349	1.4%	-0.4%
Major repairs (expensed)	70	0.3%	44	0.2%	-0.1%
Bad debts	14	0.1%	93	0.4%	0.3%
Depreciation of housing properties	3,544	13.8%	3,632	14.2%	0.3%
Impairment of housing properties		0.0%	0	0.0%	0.0%
Other	318	1.2%	223	0.9%	-0.4%
Total expenditure	8,391	32.8%	7,714	30.1%	-2.6%
<b>Surplus on SHL</b>	<b>17,144</b>	<b>67.0%</b>	<b>17,888</b>	<b>69.9%</b>	<b>2.9%</b>
<b>EBITDA</b>	<b>20,688</b>		<b>21,520</b>		

The reduction in expenditure from the previous year reflects the restructure in the Operations team, and the focus on reducing management costs. A very slight increase in the overall costs of routine, planned maintenance and major repairs reflects the higher investment made in our properties. We have worked on developing a repairs matrix, which has made it much clearer as to who is responsible for what to ensure that our tenants receive the service they can expect. Some serious damp issues at a small number of our properties also means that we are having to invest more repairing them, which is likely to impact on the figures for 2017/18 as well.



The following table shows that the management cost per unit has reduced, due to the reduction in cost and the increase in the number of properties from the previous year.

<b>Costs per unit</b>	<b>Number of properties</b>	<b>LS Accounts 2015/16</b>	<b>Number of properties</b>	<b>LS Accounts 2016/17</b>
Number of properties				
Management cost/unit £	1,821	£1,688	1,912	£1,309
Routine and planned maintenance costs/	1,817	£436	1,818	£453
Total major repairs costs / unit £		£606		£463
Major repair costs / unit (expensed) £	1,817	£39	1,818	£24
Component costs / unit (capitalised) £	1,817	£567	1,818	£438

Note – Four properties are excluded from all calculations except for Management cost/ unit. These are commercial retail units.

- 1.8 In conclusion, Local Space recognises that as a small organisation we have exceeded sector performance in some areas, particularly financial strength and capacity. The board took this into account in its important investment decision to set out on a period of significant growth of an additional 800 homes over four years.

At the same time, as a small organisation we are aware of the costs of providing a service with limited space for overheads. Whilst the increase in size will help we will keep the focus of cost management on this area and continue to use technology and innovation to help us be as cost effective as possible. Our commitment to our tenants and residents is to provide safe and quality housing in a sustainable environment and we will continue to work with residents to achieve this.

## 2 Value for money in context

- 2.1 Value for money has been a key priority for housing associations over recent years. With reduced grant funding and reduced rental streams it is essential that our social businesses are run as efficiently as possible both to provide cost efficient services to our residents, as well as to make our resources work harder. This area is now one where we are scrutinised by our stakeholders including residents, the regulator (HCA) and our funders, and we work hard to ensure that the organisation is using its resources as well and as openly as possible.
- 2.2 The HCA's Regulatory Framework includes a specific value for money standard, which was introduced in 2012. This sets out the need for registered providers to articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting the organisation's objectives. Boards must maintain a robust assessment of the performance of all their assets and resources. This is intended to take account of the



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interests of and commitments to stakeholders, and to be available to them in a way that is transparent and accessible. The HCA expects us to have a strategy for optimising Vfm, and systems to ensure that the strategy is achieved. The HCA also requires us to prepare an annual self assessment report for our residents and stakeholders, setting out how we currently comply with the Vfm standard and our plans and priorities for the future.

- 2.3 Local Space has a significant record in the delivery of financial results and in achieving true value for money. This document sets out our Self-Assessment Statement for 2016/17 and it records our recent achievements, making comparisons with others and providing as much detail as is possible for a balanced view of the organisation’s progress.
- 2.4 We are committed to continuous improvement, and will ensure that our good results and robust financial position keep us well placed to provide great value for our existing and new customers, as well as ensuring a sustainable future for what continues to be a successful social business.

### 3 Value for money strategy and corporate objectives

- 3.1 Our Vfm Strategy was first approved by the Board of Local Space in 2013/14 and it has been reviewed annually ever since. In 2017/18, rather than simply reviewing the strategy and updating it for another year, we are aligning it with the Corporate Plan (agreed in November 2016) which takes the organization through to 2020. The new strategy will be presented to the Board for approval in October 2017.

The diagram below helps to illustrate how we deliver Vfm at Local Space and how it is now embedded into our work both at strategic and operational levels:





## 3.2 Value for money strategy

3.3 The current Vfm strategy states that the Board will ensure that a robust assessment into the performance of all our assets and resources (including financial, social and environmental returns) is undertaken on an annual basis. In particular, the Board commits to:

- Deliver the regulatory requirements of the Homes and Communities Agency (HCA) in relation to Vfm;
- Make decisions on how resources are used to deliver objectives and it will consider the trade-offs and the opportunity costs of such decisions;
- Instill an understanding of the return on our assets and have a strategy for optimising the future return on assets. This includes a rigorous appraisal of the potential options for improving Vfm, including the potential benefits of alternative delivery and procurement models;
- Have a process of scrutinising performance management. The process will be effective in driving and delivering improved Vfm performance;
- Have a process for understanding costs and outcomes of delivering specific services, to understand, why and how, the underlying factors influence these costs.

3.4 In delivering the regulatory requirement the Board will:

- Approve any changes to the Vfm strategy;
- Approve an annual self-assessment statement outlining the delivery of Vfm initiatives and compliance with the Vfm Standard;
- Consult and ask the Tenants' Policy and Scrutiny Panel (TPSP) to comment and contribute to the Vfm self-assessment statement.
- Promote the role of a Vfm Board Champion to work with the Executive Management Team to drive the achievement of value for money;
- Ensure that sufficient resources are deployed in the delivery of the Vfm strategy;
- Ensure that there is adequate monitoring and scrutiny in the delivery of Vfm.

3.5 With particular reference to the annual statement to stakeholders, the association will demonstrate how the Vfm standard has been met. The annual self-assessment will include how the return on assets is measured against the association's objectives, report absolute and comparative costs for delivering specific services, and how Vfm gains have been and will be made and how they have/will be realised (reinvested). This demonstrates that the Board has carefully considered the organisation's performance and investment decisions made.

*The full Vfm Strategy can be found on our website at:*

<http://www.localspace.co.uk/about>



### 3.6 Corporate plan and objectives

In 2016 we published a new corporate plan for 2016 to 2020, which outlines our plans and how we are supporting the various areas of our business to make this a success.

Our mission is simple and straightforward.

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

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

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  
Creative and innovative solutions  
Putting customers first  
Working with partners

## 4 Our approach to value for money

4.1 Local Space’s Board ensures that Vfm is integral to the way in which we operate as a business. This can be seen in our objectives and values.

4.2 We are committed to being effective in the management of our resources so that we can continue to invest and re-invest in cost effective, quality services to our customers whilst creating the financial capacity to provide new homes and additional services which benefit the communities that we serve. We have adopted a range of practices to embed Vfm across the business:

- Achieving Vfm has always been at the core of our business, but now we are more structured in our approach to planning, monitoring and reporting our achievements. We ensure that our key stakeholders are able to gain a transparent view of our outputs so that a comparison can be made with alternative providers.
- Our Vfm Strategy action plan describes how we translate our Vfm strategy aims into action. Our budgets, performance indicators and dashboards provide us with a framework which allows us to understand, challenge and act on key costs and drivers. The framework includes a business plan and regularly updated risk register and acts as an overall barometer of our Vfm health.



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- Regular reporting to the Board and committees of performance against our plans enables us to secure effective governance and oversight of our performance on Vfm and the achievement of our business objectives.
- A Vfm action plan is in place documenting efficiency improvements which provide financial as well as social returns.
- Budgets and business plans include efficiency targets and improvements in services based on action plans. We engage in rigorous sensitivity testing and assess all our risks, developing measures to manage and mitigate these as far as possible. In addition to routine sensitivity testing we have a robust approach to stress testing the business plan. We have also recently migrated our business plan onto Brixx, which is software which is used across the sector, and which will be easier and more cost effective to maintain than the previous model. We are also implementing an improved methodology for assessing and managing risks, which will be presented to the Board in October 2017. This helps our Board and senior team ensure that investment decisions are made in the light of all the latest information possible.
- The executive management team takes the lead on the implementation of strategy and it drives the achievement of Vfm, ensuring that a culture which seeks to maximise achievement of our aims is embedded into policy and practice and with a permanent reference to Vfm on all board report cover sheets. We have set up a new Vfm group, which consists of the Executive Management Team and Caitlin Farrow, who is the Board's Vfm Champion.
- We ensure that residents have transparent access to our achievements as well as every opportunity to express their views and requirements regarding service priorities.
- We have created effective processes and structures which enable residents to examine our performance and we actively invite scrutiny of this through surveys and other opportunities which allow views to be expressed openly.
- We are committed to ensure that our tenants fully understand our aims and performance on value for money. To help us accomplish this we established our TPSP in 2014/15. This has helped us to involve our tenants in identifying our corporate priorities. The Panel has also enabled us to secure more effective scrutiny of our performance and it has involved tenants in service review work which has been invaluable in enhancing our knowledge of customer needs. We also implemented a new tenant involvement strategy in 2016.
- A very obvious outcome from our focus on Vfm has been our consistently robust financial performance. This is a very transparent output from our dedicated efforts to provide cost effective services, whilst also striving to manage the main parts of our business with financial care.
- An area which requires further improvement and on which we are focussed on is the management of costs and income through controlling arrears, minimising the



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incidence of void stock, reducing re-let times and keeping downward pressure on operating costs. This will help us to enjoy better financial health and this provides the Board with choices for targeted investment in those priorities that have been highlighted by our customers.

- It is important for stakeholders to be able to measure our performance against others, and whilst it is difficult to find organisations that are similar to ours, we have undertaken useful benchmarking with Housemark, which enables us to compare ourselves against others, and helps us to learn and to improve.

#### Vfm in action – Vfm Group

A new Vfm group consisting of the Executive Management Team (EMT) and the Board Vfm champion, Caitlin Farrow, now meet every three to four months. Caitlin's role as Head of Strategy, Planning, Policy and Insight at Peabody means that she and the members of EMT are able to bring knowledge and experience from other organisations to Local Space. When the group last met in June 2017, they discussed a range of topics including the new "sector scorecard", how to engage more effectively with staff and residents on Vfm, and the need for a longer term Vfm Strategy .

## 5 Vfm Achievements

5.1 The association makes effective use of its financial strength and capacity to support its business objectives and spending priorities. This is achieved through the delivery of consistent and excellent financial results.

5.2 Our strong financial record of achievement is illustrated in the following table:

Income and expenditure account £000	2017**	2016*,**	2015**	2014	2013
	£'000	£'000	£'000	£'000	£'000
Total turnover	25,632	25,576	24,777	24,491	24,248
Operating surplus before Newham Surplus	17,907	17,181	16,931	16,435	15,259
<b>Surplus for the year</b>	<b>5,582</b>	<b>(1,842)</b>	<b>6,783</b>	<b>7,241</b>	<b>6,056</b>

Balance sheet £000	2017**	2016*,**	2015**	2014	2013
Fixed assets	346,689	331,944	330,410	327,473	301,830
Net current assets/(liabilities)	10,959	11,333	15,733	12,105	2,036
<b>Total assets less current liabilities</b>	<b>357,648</b>	<b>343,277</b>	<b>346,143</b>	<b>339,578</b>	<b>303,866</b>
Loans and provision (due over one year)	179,806	171,017	172,065	172,001	172,000
Total reserves	177,842	172,260	174,078	167,577	131,866
<b>Total long term loans and reserves</b>	<b>357,648</b>	<b>343,277</b>	<b>346,143</b>	<b>339,578</b>	<b>303,866</b>

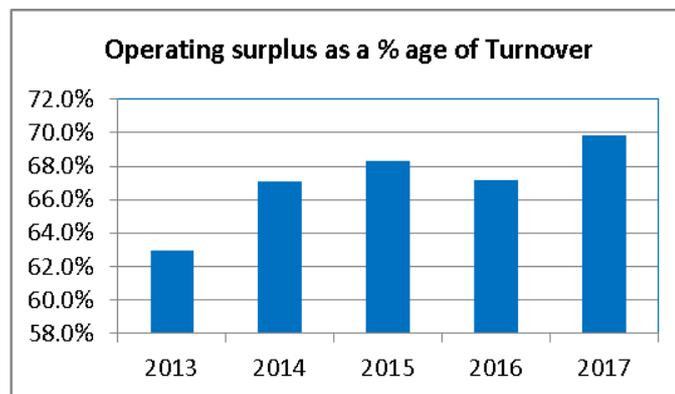
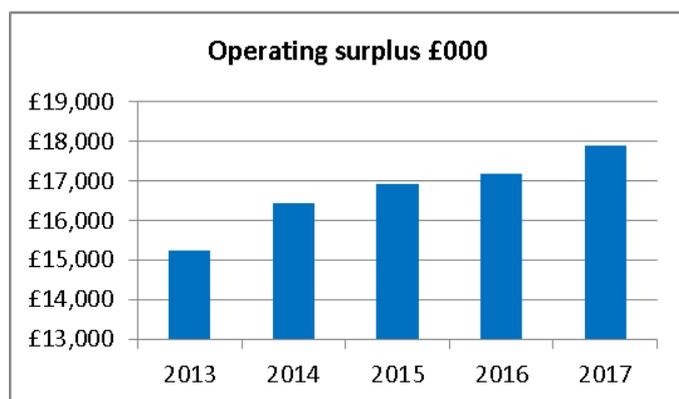
\* Includes £9m one-off agreement extension fee paid to LBN in 2016



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\*\* The values for 2015, 2016 and 2017 are based on FRS102 accounting principles

The following charts usefully illustrate the steady and positive improvement in our financial results. This compares favourably with the results of our peers and of the sector as a whole. (We understand that some of the types of metrics which we currently use will form the basis of a new understanding and methodology to assess Vfm from 2018 onwards.)



The operating surplus for 2016 and the operating surplus as a % of turnover for 2016 are shown excluding the £9m one-off agreement extension fee paid to LBN in 2016.

For the year ended 31 March	**2017	**2016	**2015	2014	2013
Operating surplus as %age of turnover	69.9%	67.2%	68.3%	67.1%	62.9%
Surplus for the year as %age of income from lettings	21.8%	(7.2%)*	27.4%	29.6%	25.0%
Rent losses (voids and bad debts as %age of rent and service charges receivable)	1.0%	0.3%	0.8%	0.5%	1.2%
Rent arrears (gross arrears as %age of rent and service charges receivable)	2.1%	1.8%	1.9%	2.1%	2.2%
Liquidity (current assets divided by current liabilities)	269.2%	244.7%	329.2%	283.6%	131.8%

\* Includes £9m one-off agreement extension fee paid to LBN.

\*\*The values for 2015, 2016 and 2017 are based on FRS102 accounting principles.

The last 12 months have once again been very successful in terms of our financial performance and our forward projections also look positive. The net surplus shows an improved bottom line when compared to the previous year.

Looking at some of the key results outlined in the table above we can see the following:

- Turnover has grown year by year and in 2017 we maintained a positive profile for this with an increase of £56,000 rental income.



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- The values for 2015, 2016 and 2017 are based on FRS102 accounting principles.
- Operating margin stands at 69.9% which, whilst a moderate increase compared with last year (67.2%), continues to compare extremely favorably with the sector average.
- Net margin stands at 21.8% for 2016/17. This performance is clearly a very positive result which compares well with the previous year and is well above sector average.
- The liquidity of the association continues to provide significant comfort with our results at 2017 showing a position of 269.2%. This is a very sound result which is well above the sector norms.
- Funding position is stable with loans increasing from £171.6m to £179.7m, with undrawn facilities of £42.5m.
- Rent losses and rent arrears have increased compared with the previous year, but the year end position reflected a delay in the re-imburement of some of our arrears under the rent guarantee arrangements we have. We are working hard to improve performance in this area, and this is a key area of focus for the Operations Director. We have also redefined our approach to rent collection, and get paid much earlier under our rent guarantee arrangements.

Net debt per unit, which has increased very slightly in 2017 compared to the previous year, is shown in the table below:

For the year ended 31 March	2017	2016	2015	2014	2013
Net debt per unit (£'000)	94.0	93.9	95.5	97.5	97.5

The net debt position (relative to some others in the sector) reflects the fact that Local Space is only 11 years old with assets procured at relatively high costs compared with those associations that acquired or developed their stock much earlier. It also demonstrates that Local Space is using this asset base and financial strength to borrow additional funds for new affordable housing to meet ever growing housing need. Individuals and households are either priced out of the private market and/or face homelessness, and the board has made the strategic investment decision to be an active provider of homes contributing to affordable housing stock in London.

#### Vfm in action – New funding

Local Space was reaffirmed with AA- credit rating prior to seeking new funding in late 2016. This, combined with the strong long term financial performance, meant that in June 2017, Local Space was able to secure £75m from a single UK investor over a maximum term of 40 years at an average rate of 3.225%. This represents one of the cheapest long dated private placements made by a Housing Association in 2017. It delivers an annual saving in interest costs of £760k per annum (£23m over 30 years) when compared with the original rate of interest assumed in the business plan. This will enable Local Space to develop or acquire more new homes for those in need, and to invest in services for our residents. In real terms this level of saving could buy 3 new properties per annum, but when looked at in terms of the additional borrowing capacity this creates, this could fund a further 90 homes.

*Our audited annual report and financial statements for 2016/17 can be found on our website at: <http://www.localspace.co.uk/about>*



## Vfm – delivery against our strategy

The table below shows our performance against the specific Vfm targets set in the 2016/17 Vfm Strategy. Also shown are the actuals for 2015/16 to demonstrate that although we haven't achieved the targets in some areas, e.g. Directly Managed Housing Costs, performance has improved compared with the previous year. Arrears and bad debts performance is a current area of focus, as mentioned earlier in this report. Total overhead costs were very close to target which is good, but we know we need to do more.

<b>VFM Target Area</b>	<b>Actual 2016/17</b>	<b>Target 2016/17</b>	<b>Actual 2015/16</b>
Directly Managed Housing Costs	£983	£862	£989
1 Bad debts - Directly Managed	£251	£211	£39
2 Current Tenant Arrears	6.04%	4.50%	7.12%
Customer Satisfaction	88%	80%	77%
Gross Rental Income - Directly Managed	£12,783	£12,857	£12,231
Service Charges Income - Key workers	£134	£159	£143
Voids - LBN	£139	£105	£28
3 Voids - Directly Managed	£11	£129	£76
4 Total Asset Management (Excluding Growth)	£541	£815	£642
Major Works Capitalised	£438	£735	£567
Components Disposal	£311	£237	£441
Dwellings with a valid gas safety certificate	100%	100%	100%
5 Total Overhead Costs	£1,231	£1,230	£1,630

1 Bad debts – budgeted in 2016/17 on the same basis as the board approved business plan accommodating growth.

2 Current Tenant Arrears is overstated due to amounts due from Local Authorities. Adjusted figure would be circa 4.5%

3 Voids – budgeted in 2016/17 on the same basis as the board approved 30 year business plan accommodating growth.

4 Total asset management costs – budget for 2016/17 reflects the new organizational structure.

5 Total overhead costs – budget for 2016/17 includes the staffing and related costs of the enlarged Development Department.

## 6 Benchmarking performance

6.1 We recognise that it is important for stakeholders to be able to measure our performance against others. The sector is working to develop a standard approach to value for money benchmarking, with the development of a new “sector scorecard” which adopts a common set of efficiency measures. We have taken part in the pilot exercise with Housemark, and look forward to seeing the results of this work. Our own data is being validated along with data from other organisations, and the results are expected in the Autumn. The “sector scorecard” will allow analysis and comparison of Business Health, Development Capacity and Supply, Outcomes delivered, Effective Asset Management and Operating Efficiencies. Last year the HCA also published its unit cost analysis, which allowed a new way of comparing performance across the sector. Changes are also expected in the Value for Money standard.



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Although it is difficult to find organisations that are similar to ours we have undertaken useful benchmarking work using Housemark, which sets our performance in a useful context and helps us to learn and to improve. The data for 2016/17 is not yet available, but key outputs from the 2015/16 data from Housemark is shown below. The table below explains how to interpret the symbols used in the subsequent tables. Where CPP is stated, this means Cost Per Property, or Cost Per Unit.

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

Rent Arrears & Collection Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Direct CPP of Rent Arrears & Collection	11	75.59	95.73	135.16	48.84	1	
Total CPP of Rent Arrears & Collection	11	171.34	189.71	197.60	190.68	7	
Percentage of rent collected (excluding current arrears brought forward)	11	100.35	100.08	99.86	100.10	5	
Current tenant rent arrears as % of rent due (excluding voids)	11	3.13	3.60	4.44	1.14	1	
Former tenant rent arrears as % of rent due (excluding voids)	11	0.65	0.83	1.30	0.63	3	
Gross arrears written off as % of rent due	11	0.19	0.34	0.54	0.05	2	
Percentage of rent debit not collected due to rent arrears	11	-0.35	-0.08	0.14	-0.10	5	

This shows that arrears performance was generally very good with a couple of areas for improvement. As mentioned earlier, improving arrears performance and the recovery of funds under Local Space's rent guarantee arrangements is a key area of focus for the Operations Director.

Lettings Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Direct CPP of Lettings	11	29.83	48.53	61.00	19.65	1	
Total CPP of Lettings	11	65.94	97.00	104.16	90.32	5	
Average re-let time in days (standard re-lets)	10	18.25	25.18	26.75	13.00	2	
Rent loss due to empty properties (voids) as a percentage of rent due	9	0.51	0.82	0.98	NoData	N/A	

Lettings performance was again very good, but we are looking to reduce the total cost per property on lettings. The increase in the number of properties owned by Local Space, as a result of the growth programme, is expected to deliver a reduction in the cost per property.



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Housing Management - Cost Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Total CPP of Housing Management	11	586.06	621.80	655.72	676.82	10	
Direct CPP of Housing Management	11	288.45	350.68	407.80	179.11	1	
Direct CPP of Rent Arrears & Collection	11	75.59	95.73	135.16	48.84	1	
Direct CPP of Resident Involvement	11	25.11	52.98	60.55	25.15	4	
Direct CPP of Anti-Social Behaviour	11	33.27	41.54	49.53	12.18	1	
Direct CPP of Lettings	11	29.83	48.53	61.00	19.65	1	
Direct CPP of Tenancy Management	11	85.14	98.93	112.43	73.31	1	

Performance on this set of measures is very good, but the total cost per property of Housing Management is very high compared with our peer group. Currently, due to our young age and arrangements with managing agents we have too few properties for economies of scale. Again the increase in the number of properties through the delivery of the growth programme is expected to reduce the cost per property over time.

Major Works & Cyclical Maintenance - Cost Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Total CPP of Major Works & Cyclical Maintenance	11	1,227	1,447	2,109	1,092	2	
Total CPP of Major Works (Service Provision)	11	684	897	1,262	606	3	
Total CPP of Major Works (Management)	11	93	116	143	189	10	
Total CPP of Cyclical Maintenance (Service Provision)	11	221	421	598	249	4	
Total CPP of Cyclical Maintenance (Management)	11	45	68	148	47	4	

Performance on the cost per property measures for major works and cyclical maintenance are generally good. The total cost per property for the management of major works is high compared with our peer group. Local Space's business model means that we allow for major investment when we acquire new properties, for example installing a new bathroom or kitchen as well as ensuring our properties meet our health and safety standards for our residents. This leads to a higher cost per property than other housing associations, which tend to spread their investment in major works out over a much longer period.



## Value for money self-assessment 2017

Major Works & Cyclical Maintenance Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Direct CPP of Major Works & Cyclical Maintenance	11	1,167.79	1,339.25	2,004.52	911.23	2	★
Total CPP of Major Works & Cyclical Maintenance	11	1,227.36	1,446.53	2,109.44	1,091.56	2	★
Percentage of dwellings that are non-decent	11	0.00	0.00	0.35	0.00	1	★
Average SAP rating of self-contained dwellings	11	73.5	72.5	70.3	66.0	11	●
Percentage of dwellings with a valid gas safety certificate	11	100.00	100.00	99.97	100.00	1	★

Performance against these metrics, which include the total cost per property of major works and cyclical maintenance is very good.

The only measure where Local Space scores badly against our peer group is for the Average SAP rating of self contained dwellings. This is a measure of how well insulated and efficient our homes are. Unlike other housing associations, who have a mixture of older and new build homes, our homes are largely individual properties which we have purchased on the open market. SAP ratings for these properties are assessed at the time of purchase, and tend to be lower for these properties as they are older, and don't have as good thermal efficiency measures pre-installed. We carry out works which would improve the SAP ratings when we refurbish the properties before letting them out for the first time, but we don't then reassess the rating after the work has been completed We will carry out a sample survey of our properties to assess what impact our works have on any improvement in SAP ratings.

Responsive Repairs & Void Works - Cost Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Total CPP of Responsive Repairs & Void Works	11	881	946	1,037	423	1	★
Total CPP of Responsive Repairs (Service Provision)	11	453	558	610	281	1	★
Total CPP of Responsive Repairs (Management)	11	133	188	253	79	2	★
Total CPP of Void Works (Service Provision)	11	85	156	160	16	1	★
Total CPP of Void Works (Management)	11	39	44	53	47	7	☹

The performance against these measures for responsive repairs and void works is very good. Responsive repairs are those required for example if there is a leak in a property, or a window or boiler needs fixing.



Value for money self-assessment 2017

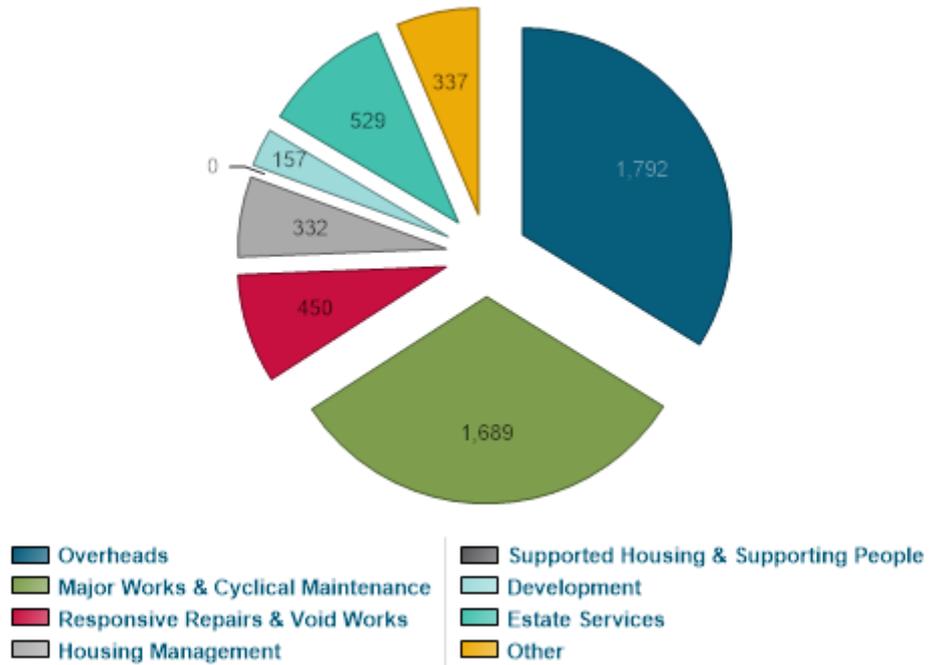
Responsive Repairs & Void Works Summary							
KPI	Sample Size	Upper	Median	Lower	Local Space Housing Association (2015/2016) Scenario Final		
					Result	Rank	Quartile
Direct CPP of Responsive Repairs & Void Works	11	782.78	834.20	921.89	242.94	1	★
Total CPP of Responsive Repairs & Void Works	11	881.29	945.82	1,037.38	423.27	1	★
Average number of calendar days taken to complete repairs	11	6.81	9.00	12.46	5.00	1	★
Average number of responsive repairs per property	11	3.2	3.7	4.3	1.3	1	★
Average cost of a responsive repair	11	137.49	144.00	170.44	209.35	11	●
Percentage of repairs completed at the first visit	9	93.87	89.84	87.70	95.63	1	★
Average cost of a void repair	11	1,810.90	2,887.80	3,408.35	2,217.06	5	★
Average re-let time in days (standard re-lets)	10	18.25	25.18	26.75	13.00	2	★

Performance against these further measures for responsive repairs and voids works is generally very good. The average cost of a responsive repair is very high compared with our peer group, and we are working to reduce these costs, reviewing our supplier arrangements etc.

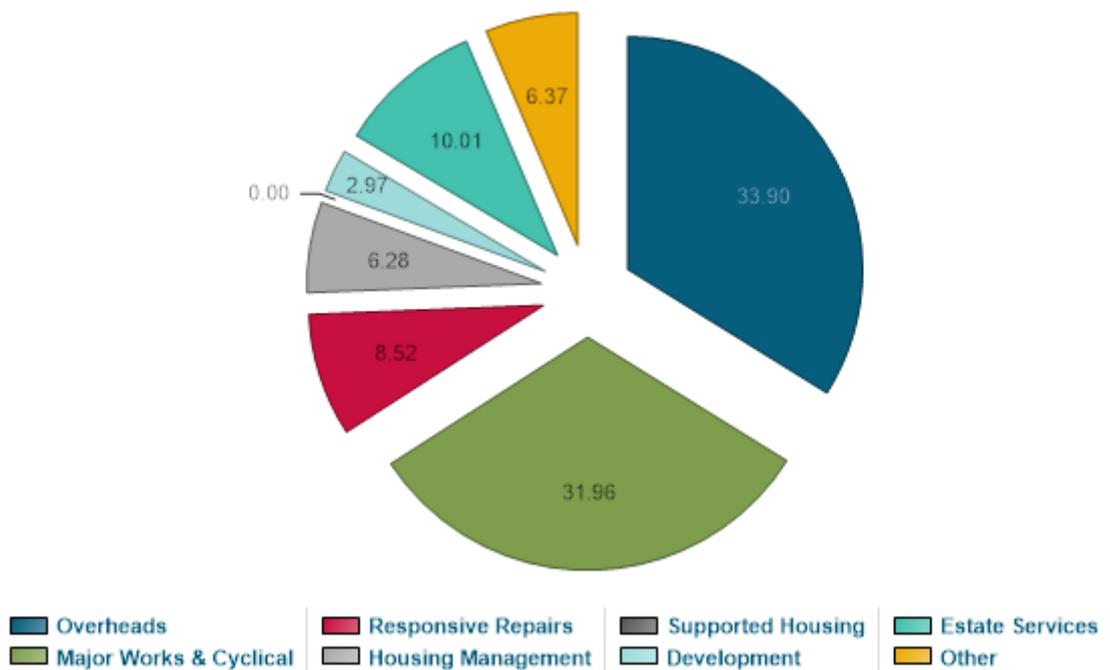


The following charts show how our operating costs are made up.

Local Space Housing Association (2015/2016)  
Adjusted Operating Cost Analysis Including Capitalised Major Repairs (£000)



Local Space Housing Association (2015/2016)  
Direct costs as % Adjusted Operating costs





## 7 Return on assets and the social return

### Return on assets

The HCA's Regulatory Framework sets out a requirement to demonstrate or provide evidence of continuous improvement in the use of our assets. This is in order that we are able to provide and publish sufficient information to enable stakeholders to assess our achievements. In this section we have set out to show:

- That we understand the value of assets including details of the financial and social return, at a detailed enough level to enable an analysis of differing values of different stock according to location or type (e.g. Net Present Values or NPVs);
- That we understand the value of our returns and that we are committed to using these to underpin all our strategic asset decisions.

The table below shows analysis of our Return on Assets, and shows that our return on assets performance has improved since 2015/16:

2016/17							
Portfolio	Number of Properties	Market Value STT £'000	Gross Rent £'000	Gross Yield %	Operating Surplus	Surplus as a % of Gross Rent	Operating Surplus/Property £'000
London Borough of Newham	1490	314,108	21,024	6.7%	12,733	60.6%	8.55
Directly Managed	422	111,070	4,751	4.3%	2,674	56.3%	6.34
<b>Total</b>	<b>1912</b>	<b>425,178</b>	<b>25,775</b>	<b>6.1%</b>	<b>15,407</b>	<b>59.8%</b>	<b>8.06</b>
2015/16							
Portfolio	Number of Properties	Market Value STT £'000	Gross Rent £'000	Gross Yield %	Operating Surplus	Surplus as a % of Gross Rent	Operating Surplus/Property £'000
London Borough of Newham	1450	272,437	20,776	7.6%	12040	58.0%	8.30
Directly Managed	371	92,457	4,534	4.9%	2495	55.0%	6.73
<b>Total</b>	<b>1821</b>	<b>364,894</b>	<b>25,310</b>	<b>6.9%</b>	<b>14,535</b>	<b>57.4%</b>	<b>7.98</b>
Movement							
Portfolio	Number of Properties	Market Value STT £'000	Gross Rent £'000	Gross Yield %	Operating Surplus	Surplus as a % of Gross Rent	Operating Surplus/Property £'000
London Borough of Newham	40	41,671	248	-0.9%	693	2.6%	0.25
Directly Managed	51	18,613	217	-0.6%	179	1.3%	-0.39
<b>Total</b>	<b>91</b>	<b>60,284</b>	<b>465</b>	<b>0.8%</b>	<b>872</b>	<b>4.2%</b>	<b>0.08</b>
<b>Capital Growth</b>							
London Borough of Newham		15.3%					
Directly Managed		20.1%					
<b>Total</b>		<b>16.5%</b>					



Notes:

- a. The market values are based on Savills valuations at 31 March each year and based on subject to tenancy basis (MV-STT).
- b. The London Borough of Newham portfolio is leased until March 2031.
- c. The operating surpluses shown are net of Newham Surplus Sums (NSS) paid to LBN.

**Return on Assets**

- 7.2 Utilising the asset management strategy, detailed stock condition surveys developed using Keystone and annual property valuations, we have analysed the actual returns that we are obtaining on each of our property. A new asset management strategy has been developed during 2017 with help from Savills, and we are completing further stock condition surveys to enable us to hold accurate, up to date stock condition data on all of our properties by 31 March 2018 (further details on this are below).
- 7.3 This information helps us to:
- Monitor operating margins;
  - Future investment and maintenance decisions;
  - Identify non-performing assets within each asset class and location; and
  - Support decisions to retain, convert or dispose of stock.
- 7.4 Based on the analytical work that has been carried out the association has been able to evaluate poor performing assets.
- 7.5 Going forward, stock rationalisation will be carried-out with input from our major stakeholders such as the LBN and our maintenance contractors.

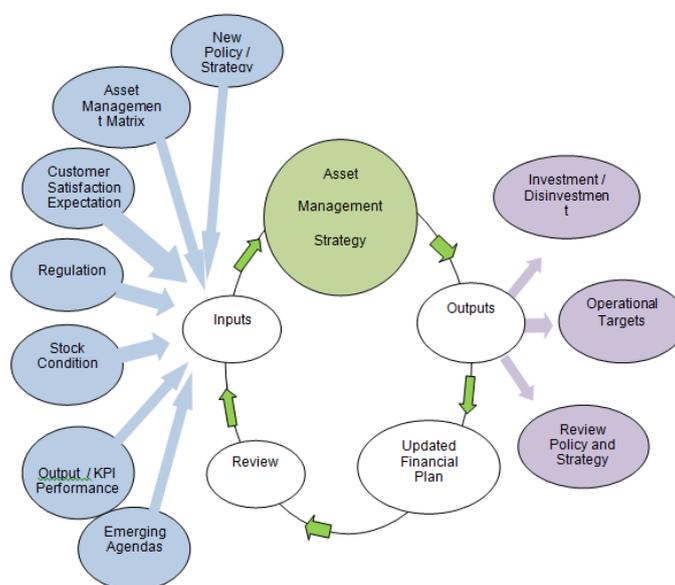
**Vfm in action – Hackney re-provision pilot**

The Board have approved a pilot project to be run with LB Hackney to sell 20 existing high rent properties in Hackney and to re-provide replacement properties outside of London, which will be let at a reduced rent. The replacement properties will be more affordable for our residents, and if successful the project will be extended further.



### Asset Management Strategy

- 7.6 We have been keen to demonstrate that we understand Returns on Assets and that we have strategies for optimising future returns. We evaluate the performance of our assets and we make better informed decisions on how we treat our existing assets and new assets under the guiding principles of our asset management strategy and growth strategies.
- 7.7 A new asset management strategy has been developed and approved during 2017.
- 7.8 This chart graphically illustrates how systems and processes worked together to inform the new asset management strategy:



### The Social Return

- 7.9 We understand that Vfm is not just about achieving increasing efficiency and Local Space remains committed to its social purpose of providing good quality temporary accommodation for homeless people in the East London region. This means that we invest in our residents and their communities and we work towards delivering business objectives which are much wider than just the improvement of surpluses.
- 7.10 We estimate that we already provide good quality safe homes to house approximately 4,300 people, and our growth programme will bring this figure to over 5,000. This demonstrates the social value that Local Space delivers, by avoiding these people being homeless, or in much more expensive temporary accommodation.
- 7.11 Continuing our 'Affordable Warmth' programme, Local Space has carried out 46 windows/door renewals to properties which were identified as the least energy efficiency. The Energy Trust estimates that households (dependent on type i.e. flat or house) can save between £35 - £60 per household per year with efficient windows and doors.

In 2016/17 we carried out 61 Health Energy Checks (HEC) on our properties with tenants. The checks included:

- Energy saving advice.



## Value for money self-assessment 2017

- Tariff advice and support with switching.
- Fuel debt advice and advocacy with energy suppliers.
- Installation of a range of small energy saving measures.

Local Space also participates in the London Community Credit Union (LCCU) membership scheme which was set up to provide benefit to staff, as well as supporting the local community. LCCU is a not-for-profit financial cooperative run for, and by, its members and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). It is at the forefront of the fight against financial exclusion, and helps to keep money invested within the community. It is a community focussed approach that provides vital services and support for individuals and neighbourhoods.

#### **Vfm in action – New Boilers**

As part of an on-going boiler renewal programme, Local Space has fitted 57 new A- Rated energy efficiency boilers with up to date heating controls. A - Rated boilers provide efficient heating and subsequently reduce fuel bills and carbon dioxide emissions. The energy Trust estimate that households (dependant on type i.e. flat or house and previous boiler rating) can save between £55 - £200 per household per year.

## **8 Our overall self assessment**

- 8.1 The HCA's Regulatory Framework includes a specific standard for Vfm. The HCA expects us to have '**a strategy for optimising Vfm and systems to ensure that this strategy is achieved**'. The HCA also requires us to prepare an annual self-assessment report to our residents and stakeholders, setting out how we currently comply with the Vfm standard and our plans and priorities for the future.
- 8.2 Transparency is a key element of the HCA's approach to assessing value for money. The value for money standard requires providers to articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives. As part of that process, providers are required to publish annually a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The value for money standard sets a specific expectation that the assessment shall:
- *Set out the absolute and comparative costs of delivering specific services*



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- *Evidence the value for money gains that have been and will be made and how they have and will be realised over time*
- *Enable stakeholders to understand the return on assets measured against the organisation's objectives.*

### **How the Board has gained assurance that we have complied with the Vfm standard**

#### **The Board's self-assessment and commitment to stakeholders**

With the narrative in this table and the evidence provided throughout this self-assessment the Board of Local Space has established its case for being compliant with the requirements of the Vfm standard. Some areas have been identified for further improvement and these have been set out under our future plans. The Board, through the publication of this statement expresses its ongoing commitment to delivering Vfm as a business working hard for its customers and to continuing to make improvements in these matters during 2017/18 and beyond.