

Registered Cooperative and Community Benefit Society No 29840R

Registered Social Landlord No LH4454



Local Space Limited

**Report and financial statements
for the year ended 31 March 2015**



LOCAL SPACE LIMITED

Year ended 31 March 2015

ASSOCIATION INFORMATION

**Co-operative and Community Benefit
Society (formerly Industrial and Provident
Society) Registration Number**

29840R

**Homes and Communities Agency
Registration Number**

LH4454

Registered Office

58 Romford Road, Stratford, London E15 4BZ

Board

John Layton (Chair)
Sarah Ebanja (Vice Chair)
Cllr Andrew Baikie
Elaine Bowes
Michael Clarke (to 31 July 2015)
Cllr Ian Corbett
Cllr Richard Crawford
Kene Ibezi
Janet Marsh
Cllr Nilavra Mukerji
Chris Pope (to 13 October 2014)
Donford Vardon
Jackie Belton (from 27 January 2015
to 13 April 2015)
Douglas Trainer (from 27 July 2015)

Executive Management Team

Chief Executive
Head of Housing Services
Resources Director
Head of New Business

Richard Clark
Linmora Blair
Joel Inbakumar
Peter Wright

Secretary

Kirsty Semple

Bankers

Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Solicitors

Winckworth Sherwood Solicitors LLP
Minerva House
5 Montague Close
London SE1 9BB

Auditors

Grant Thornton UK LLP
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes
Buckinghamshire, MK9 1LW

LOCAL SPACE LIMITED

Year ended 31 March 2015

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CHAIR'S STATEMENT

Local Space was set up in 2006 with the primary objective of providing settled accommodation for homeless households. Properties are acquired, refurbished and leased to Local Authorities for 10 - 15 years for homeless families. The total number of properties owned and managed by the Association at 31 March 2015 was 1802.

Our commitment in developing new homes resulted in adding 37 homes during the past year. The total cost of our investment in the new homes was £6.3 million. All of this is made possible through the surplus we generate from renting homes. As a result of our asset management strategy fifty Local Space residents are enjoying new kitchens and forty-four more new bathrooms. Our aim is to ensure that all our services are customer focused and efficiently delivered.

Last year, we made a surplus of £7.1 million, compared to £7.2 million in 2013/14. Our surplus over the past five years is almost £31 million. We have invested over £1.2 million in order to bring our homes to decent home standard which in turn boosted resident satisfaction to 80.9%. Local Space is clear about our goal and how we will respond to the growing demand for homes in East London. Our progress over the last five years has been impressive. Our vision for the next ten years is to deliver a substantial increase in the number of homes we rent out to tenants. During those ten years, we will also increase our investment into our existing properties to ensure that our residents live in warm, safe and environmentally friendly homes. To that end, we have earmarked £13.1 million to replace housing components, maintain our homes and lead the way into environmentally friendly homes. These will be for all income groups.

It is a difficult time for our residents; life is getting harder through changes to benefits. Our residents therefore need greater support and we plan to improve our services in the coming year. We are committed to carrying out more planned maintenance and component replacements as part of our service plan.

As we look ahead to the future, our choices will be based on our residents' requirements and social commitments, funded by our relative financial strength. Our combination of social business combined with realistic commercial activities ensures that in the years ahead we will provide decent and eco-friendly homes and services for the increasing numbers of people who need us. We are committed to continuous improvement in all that we do and our Tenant Involvement Forum has been key to our progress in this area. The regular reporting to the Board of our performance enables us to perform effective governance and take a realistic approach to value for money.

I would like to thank my fellow Board members for their contributions during the year. Finally, I would like to thank our staff for their commitment to the Local Space values. Our achievements are only possible through their hard work, knowledge and motivation and the support of our partners and stakeholders.



John Layton
Chair

LOCAL SPACE LIMITED
Year ended 31 March 2015

OPERATING & FINANCIAL REVIEW

The Board of Management sets out below its report on activities together with the audited financial statements for the year ended 31 March 2015.

Five-year income and expenditure account and balance sheet are summarised below:

Table 1: Local Space Highlights - five year summary

For the year ended 31 March	2015	2014	2013	2012	2011
Income and Expenditure account (£'000)					
Total turnover	24,777	24,491	24,248	23,955	22,896
Operating surplus before Newham Surplus Sum	16,699	16,435	15,259	15,395	14,448
Surplus for the year transferred to reserves	7,112	7,241	6,056	6,003	4,752
Balance Sheet (£'000)					
Housing properties	347,403	325,887	300,195	295,795	321,195
Other fixed assets	1,541	1,586	1,635	1,701	1,746
Fixed assets	348,944	327,473	301,830	297,496	322,941
Net Current assets/ (liabilities)	15,734	12,105	2,036	5,607	(563)
Total assets less current liabilities	364,678	339,578	303,866	303,103	322,378
Loans (due over one year)	172,001	172,001	172,000	184,000	185,750
Reserves					
Designated	0	0	4,848	4,848	4,848
Revenue	43,115	35,833	23,673	17,714	11,853
Revaluation	149,562	131,744	103,345	96,541	119,927
Total reserves	192,677	167,577	131,866	119,103	136,628
Total long term loans and reserves	364,678	339,578	303,866	303,103	322,378
Housing properties owned at year end:					
	No.	No.	No.	No.	No.
Social housing	1,800	1,763	1,763	1,763	1,620
Non-social housing	2	2	2	2	2
Statistics:					
Operating surplus as % of turnover	67.4%	67.1%	62.9%	64.3%	63.1%

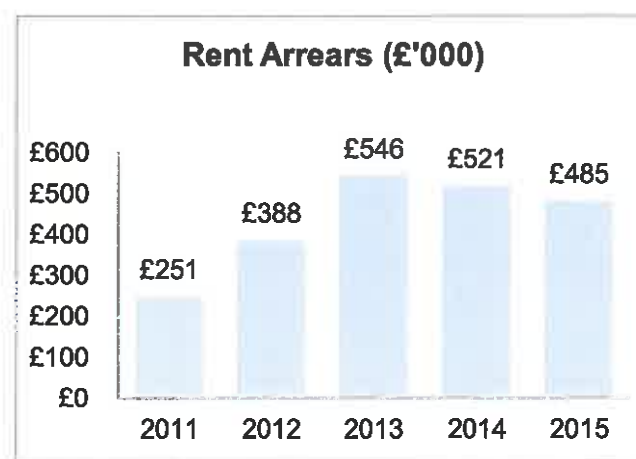
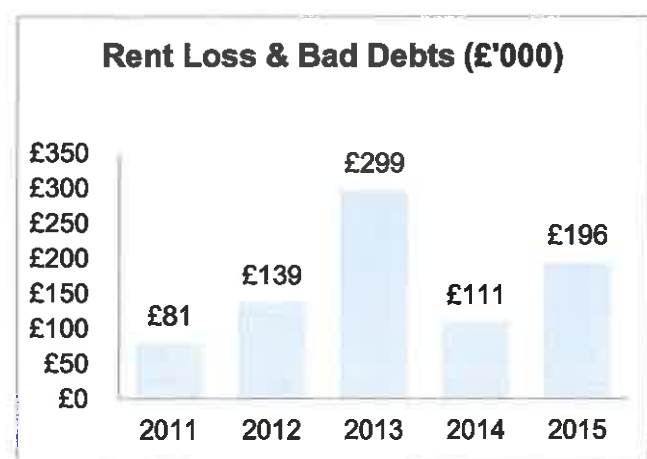
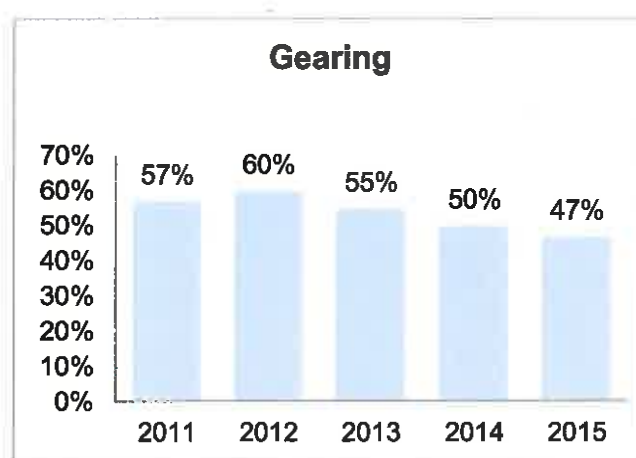
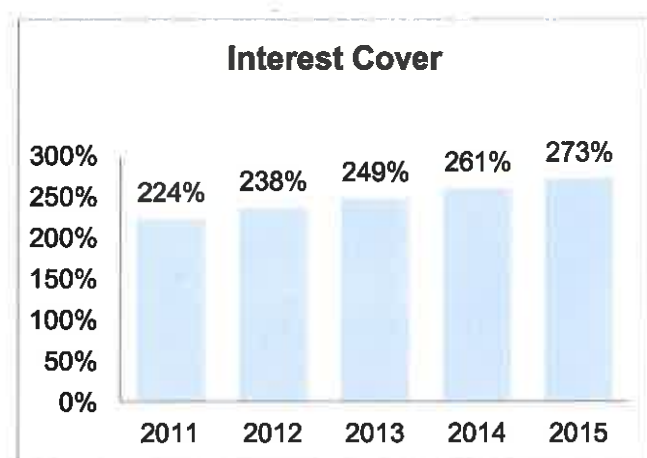
LOCAL SPACE LIMITED
Year ended 31 March 2015

OPERATING & FINANCIAL REVIEW (continued)

Table 1: Local Space Highlights - five year summary (continued)

For the year ended 31 March	2015	2014	2013	2012	2011
Surplus for year as % of income from lettings	28.7%	29.6%	25.0%	25.1%	20.8%
Rent losses (voids and bad debts as % of rent and service charges receivable)	0.8%	0.5%	1.2%	0.6%	0.4%
Rent arrears(gross arrears as % of rent and service charges receivable)	1.9%	2.1%	2.2%	1.6%	1.1%
Liquidity (current assets divided by current liabilities)	329.2%	283.6%	131.8%	236.6%	89.1%

Highlights



LOCAL SPACE LIMITED

Year ended 31 March 2015

REPORT OF THE BOARD

The Board of Local Space is pleased to present its report and the audited financial statements for the year ended 31 March 2015 (2014/15).

The Association's financial performance during 2014/15 was excellent. The income was higher due to better management of voids and bad debts. The expenses were proportionately lower due to the focus on costs and the value for money strategies pursued. Overall, the surplus was £7.11m (2014: £7.24m) after the Newham Surplus Sum, payable to the London Borough of Newham, of £2.92m (2014: £2.42m).

Objectives

The Association's objectives remain unchanged with the following aims:

- Services that our customers are happy with
- Homes people want to live in
- A successful business
- Lives and communities changed for the better

The Board and Management team are currently formulating a new strategic direction and the following principles have been agreed:

- Growth must be organic and based on an expansion of our existing relationships and geography
- Successful growth will be achieved through an effective working relationship with our major partner – London Borough of Newham
- There is a commitment to the older/traditional communities of East London and there is a need and demand to work in those areas
- The primary customer group for which Local Space caters is comprised of the local authorities based in East London. This unique relationship is to be maintained in our new strategy.

Performance

The key performance indicators used by the executive and the Board during 2014/15 are set out below:

- Repairs – tenant and resident satisfaction, right first time and cost
- Tenant and resident satisfaction levels
- Percentage of rent collected
- Percentage of vacant properties and duration of vacancy
- Gas safety inspections
- Staff sickness levels
- Overall performance against annual budget and Value for Money monitoring.

Risks & Uncertainties

After transfer of the surplus for the year of £7.11m (2014: £7.24m), at the year-end, the Association's reserves amounted to £192.68m (2014: £167.58m), including an accumulated revaluation surplus on housing properties of £149.56m (2014: £131.74m).

REPORT OF THE BOARD (continued)

Risks & Uncertainties (continued)

The UK property market has experienced growth but London and South East have outperformed other areas of the country. For Local Space, open market values subject to tenancies have risen reflecting primarily the value of the remaining length of the lease agreement with the London Boroughs of Newham, Hackney and Waltham Forest. Details of changes to the Association's fixed assets are shown in notes on the financial statements.

Short term interest rates remained low throughout 2014 and into 2015; this benefited Local Space significantly. The details of the Association's loans are shown in note 23 to the financial statements.

The setting of Local Housing Allowances (LHAs) to the 30th percentile of market rents (previously based on median market rents when Local Space was formed), has reduced LHA's. This adds more risk and makes it more difficult to deliver viable purchase and refurbishment schemes.

The introduction of Welfare Benefit Reform poses an increased risk of additional bad debts through higher tenant rent arrears. The greatest risks are with the benefit cap and universal credit. The Association has identified and engaged with the most affected tenants from our directly managed stock with a number of initiatives to mitigate the effect of the reforms. Additionally the Association is working with London Boroughs of Newham, Hackney and Waltham Forest to help to lessen the impact of the reforms.

The Chancellor of the Exchequer presented the first budget of the new Government on 8 July 2015. The budget contains changes to the social rents and local housing allowances which negatively impact the rental streams of housing associations, including Local Space. Having considered the impact of these changes, the Board is of the view that they only have a minor impact on the Association's finances in the foreseeable future and there will be no breach of the loan covenants.

Employees

The strength of Local Space lies in the quality of all of its employees. In particular, our ability to meet our objectives, and our commitments to our partners depends on their contribution. The Association shares information on its objectives, progress and activities through regular meetings involving Board members; the senior management team; and staff. We are committed to equality and diversity principles in our recruitment and retention of employees, including those who are disabled or become disabled whilst in the employment of the Association.

Providing Value for Money (VfM)

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.

Our full VfM self-assessment can be found on our website at www.localspace.co.uk/about. The following is only an extract of that document.

LOCAL SPACE LIMITED

Year ended 31 March 2015

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

Value for Money Strategy and Corporate Objectives

Our VfM Strategy was first approved by the board of Local Space in November 2012 and it is reviewed annually. Local Space's Value for Money Strategy is based around six aims, which are:

1. To understand the relationship between our costs and the value that we offer customers and to use this information to make decisions about spending money
2. To focus on making significant improvement in VfM in our core services
3. To understand the drivers behind central costs and to take action to control them to ensure that they reduce as a proportion of overall costs as the business grows
4. To maximise the return on our assets
5. To develop and implement a value for money measurement framework that provides an objective, -- robust view of our success in driving improved VfM
6. To promote a value for money culture in all that we do.

Value for Money – Our Approach

Local Space's approach to VfM has been to ensure that this is integral to the way in which we operate as a business. We reflect this in our values and particularly through our value of 'striving for excellence'. We are committed to being effective in the management of 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.

VfM Gains - Financial Performance

The association makes effective use of its financial strength and capacity to support its business objectives and spending priorities, but this is only possible through the consistent delivery of excellent financial results.

Our steadily improving financial record of achievement is illustrated in the table on page 2 as part of the operating and financial review. Looking at some of the key results outlined in the table above we can see the following:

- Turnover has grown steadily year by year and in 2015 we maintained a positive profile for this with an increase of £286,000.
- Operating margin stands at 67.4% which compares extremely favourably with the sector average. The trend in this ratio has seen steady growth and it is now close to the 2010 high point.

LOCAL SPACE LIMITED
Year ended 31 March 2015

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

Net margin stands at 28.7% which is also very positive when compared to the sector average. As with operating margin our results have shown steady improvement every year, now standing almost at the levels enjoyed in 2010.

Cash flow position shows that we have had increase in cash amounting to £3,551,000 after taking account of housing loans drawn and repaid but prior to purchase of properties for £6,291,000. In terms of liquidity the association has significant comfort with our results at 2015 showing a position of 329.2%. This is very much above the sector norms and is the strongest result in the past five years.

Funding position is stable with loans remaining at £172m.

Net debt per unit is shown in the table below:

Financial year ended @ 31 March	2011	2012	2013	2014	2015
Net debt per unit (£'000)	114.5	104.3	97.5	97.5	95.5

Our loan covenant performance is extremely robust with significant headroom on all measures. This is also reflected in our projections for these key ratios as shown below:

Financial Year Ended @ 31 March	2016	2017	2018	2019	2020	2021	2022
Interest cover (more than 105% required)	274%	262%	264%	264%	263%	266%	248%
Gearing (less than 80% required)	47%	45%	43%	42%	42%	39%	32%
Asset Cover (more than 110% required)	173%	183%	194%	198%	203%	207%	281%

VfM Gains - How We Re-Invest

The re-investment of our savings is determined by the board using a combination of methods:

- Through seeking and listening to feedback from residents;
- Through targeted board discussions to align actions with corporate objectives and agree where we should invest, e.g. in the development of new homes;
- Through the use of the annual budget process which enables us to reflect and acknowledge agreed priorities and targets.

LOCAL SPACE LIMITED
Year ended 31 March 2015

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

Re-investment choices during 2014/15 form part of an ongoing programme addressing all our corporate goals, as follows:

Re-investment area	2012/13 £'000	2013/14 £'000	2014/15 £'000	Budget 2015/16 £'000	Total £'000
Roof	105	96	267	160	628
Kitchen	140	140	223	170	673
Bathroom	55	39	147	130	371
Boiler/Central Heating	382	308	266	300	1,256
Windows	100	100	223	230	653
Electric	52	18	91	62	223
Total	834	701	1,217	1,052	3,804

Whenever we secure savings against our VfM targets we re-invest these into projects and we report this to our stakeholders. The savings that we have generated have helped us to embark on a growth programme in 2014/15 and to invest £10m in the purchase of 57 new homes in the Thurrock area and we have completed purchase of 37 homes by 31 March 2015. The remaining properties will be purchased in 2015/16.

Monitoring and Benchmarking Performance

We recognise that 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 some useful benchmarking work which has set our own performance in a useful context and will help us to learn and improve.

Amongst the many useful outcomes generated by this approach is data and results that we have been able to secure from the use of HouseMark. We have used this widely used benchmarking tool to develop performance score cards and we have used small project groups to implement our plans.

LOCAL SPACE LIMITED
Year ended 31 March 2015

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

The following table provides a summary of Local Space's results compared with the Southern Region peer group on the most commonly used measures:

		Upper Quartile			
		Middle Quartile			
		Lower Quartile			
HouseMark Comparison			Peer Group		
			Southern Region		
	LS	LS	Upper	Median	Lower
Total cost per property of housing management		£640.0	£452.7	£566.2	£624.4
Total cost per property of repairs & voids works		£457.4	£778.7	£884.8	£957.4
Total cost per property of major works		£755.0	£655.9	£792.0	£1,077.2
Total overhead cost as a % of adjusted turnover		6.2%	10.2%	12.0%	14.1%
Rent loss due to voids as a % of rent due		0.3%	0.5%	0.8%	1.0%
Current tenant rent arrears as a % of the rent due		1.4%	2.7%	3.8%	4.4%
Gross arrears written off as a % of rent due		1.1%	0.2%	0.2%	0.9%
Average re-let time in days		11.5	18.0	25.9	31.0
No of tenancies terminated as % properties managed		1.4%	3.5%	4.7%	7.1%
% of dwellings with a valid gas safety certificate		100.0%	100.0%	100.0%	99.9%

Local Space continues to strive to reduce its management costs and improve its performance, particularly where our results do not measure up favourably with those that we use as a benchmark.

Return on Assets

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. This information helps us to:

- Monitor operating margins;
- Future investment and maintenance decisions;
- Identifying non-performing assets within each asset class and location; and
- Supporting decisions to retain, convert or dispose of stock.

Based on the analytical work that has been done by ARK Consultancy the association has been able to evaluate poor performing assets. Going forward, stock rationalisation will be carried-out with input from our major stakeholders such as the London Borough of Newham and our maintenance contractors. The operating returns for the year ended 31 March 2015 have been analysed and the results reveal that:

- Both property portfolios (those managed by Local Space and those managed by London Borough of Newham) generate sufficient gross yields. The latest results show a combined yield of 7.1%, compared with 7.5% in the previous year. The gross yield is a measure that shows the level of income received in relation to the underlying asset value. It is calculated by dividing the turnover by the market value of the properties. The main reason for the drop in gross yield is the substantial increase in the value of our properties. The turnover increased by 1.1% but the value of the properties increased by 6.6%. An increase in asset value therefore that can be lost if not captured in the reporting.

LOCAL SPACE LIMITED
Year ended 31 March 2015

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

- Operating surpluses in total as well by portfolio have increased year on year. These results have been driven by the VfM initiatives that have been undertaken by the association, many of which have resulted in considerable cost savings for the association. The total increase in rental income was £286,000, but our total surpluses have increased by £264,000. The year on year increase in operating surplus of 3.8%, which is equivalent to circa £147 per property.

The table below shows analysis of our Return on Assets:

Portfolio	Number of Properties	2014/15					
		Market Value	Turnover	Gross Yield %	Operating Surplus	Operating Surplus %	Operating Surplus/Property
		£'000	£'000		£'000		£'000
LB Newham	1,450	264,285	20,532	7.8%	14,290	69.6%	9.86
Directly Managed	352	83,118	4,245	5.1%	2,409	56.7%	6.84
Total	1,802	347,403	24,777	7.1%	16,699	67.4%	9.27

Portfolio	Number of Properties	2013/14					
		Market Value	Turnover	Gross Yield %	Operating Surplus	Operating Surplus %	Operating Surplus/Property
		£'000	£'000		£'000		£'000
LB Newham	1,450	258,849	20,334	7.9%	13,887	68.3%	9.58
Directly Managed	315	67,038	4,157	6.2%	2,548	61.3%	8.09
Total	1,765	325,887	24,491	7.5%	16,435	67.1%	9.31

Portfolio	Number of Properties	Movement					
		Market Value	Turnover	Gross Yield %	Operating Surplus	Operating Surplus %	Operating Surplus/Property
		£'000	£'000		£'000		£'000
LB Newham	0	5,436	198	-0.1%	403	1.3%	0.28
Directly Managed	37	16,080	88	-1.1%	-139	-4.5%	-1.25
Total	37	21,516	286	-0.4%	264	0.3%	-0.04

Capital Growth

LB Newham	2.1%
Directly Managed	24.0%
Total	6.6%

REPORT OF THE BOARD (continued)

Providing Value for Money (continued)

Asset Management Strategy

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.

We have invested in Keystone Workbench, which is a leading form of asset management software. This software helps us to collect stock condition data about our properties in a structured way and it allows us to manipulate this to plan our capital expenditure more efficiently and economically. Our target is to complete the stock condition survey of all the properties in five years with a completion rate of 20% in each year. We obtain an independent valuation of our properties each year and these are incorporated into our audited financial statements. We are one of the few associations in the country to do this.

The Social Return and Environmental Impact

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.

For example, in 2013/14 we started the Local Space apprentice scheme and we recruited two bright young people. In 2014/15 we recruited two more apprentices. Our apprentices are paid the London living wage which is higher pay than apprentice schemes run by many other organisations. Other initiatives that we have invested in to deliver a social return include affordable warmth, welfare reform, financial inclusion and social credit, efficiency and innovations in development reducing the need for public subsidy and key worker provision.

Following completion of the first phase of our affordable warmth programme we received a report from the Energy Saving Trust (EST) at the end of March 2015. We approached EST to help us to understand the impact for our residents of installing wall insulation. Based on the available data from gas and electricity meter readings taken prior to the install, on the date of install, and following the install (for all properties), as well as historic billing records, the majority of properties show a decrease in their energy consumption following insulation improvements.

Our Overall Self-Assessment

How the board has gained assurance that we have complied with the VfM standard

The board has gained assurance that the association has complied with the Regulator's VfM standard by following a structured process of assessment. As well as comprehensive performance reporting and management accounts the board receives a monthly update on key performance indicators and actual performance against budgets. This information enables the board to perform an effective scrutiny role whilst also positively influencing and providing leadership in the delivery of its VfM strategy.

REPORT OF THE BOARD (continued)

Our Overall Self-Assessment (continued)

The following table sets out the areas of the standard that the board has explored and it explains how the board has gained assurance:

Requirements of the Vfm Standard	How Local Space believes that it demonstrates compliance for 2015/16	Location in the Vfm Statement
Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions.	<p>Regular reports are presented to the board on the performance and use of resources enabling a thorough documented approach to decision making to be made. Reports include:</p> <ul style="list-style-type: none"> • The Financial Plan and the projections therein. • The annual budget process which clearly links the use of resources with meeting key objectives. • Actual performance against the Asset Management Strategy. • Stock rationalisation reports. • KPI reports. • The Corporate Plan, which details the organisation's objectives and the resources required and identified to deliver those over a 3 year period. <p>Our most significant resource investments are incurred in the delivery of stock re-investment and in the building of new homes. The association, therefore, has specific tools and mechanisms which enable opportunity costs to be considered and decision making to be documented based on evidenced financial performance. These include:</p> <p>An appraisal model for new developments and re-modelling of existing schemes.</p> <p>Our asset management assessments which assess performance of all rented stock at a scheme level and on a unit basis going forward, enabling decisions to be made which maximise returns on stock.</p> <p>The Vfm Strategy which is reviewed annually.</p>	<p>Section 3, paragraph 3.2.</p> <p>Section 4 deals with operational and financial performance.</p> <p>Section 6, paragraph 6.9 deals with the asset management strategy.</p> <p>Section 2 covers the Vfm Strategy.</p>
Have performance management and scrutiny functions which are effective at driving and delivering improved Vfm performance.	Our engagement and scrutiny processes are effective and are robust. These have been set out within the self-assessment statement.	Section 7 outlines our engagement with our customers and it provides graphics and supporting narrative of our recent survey.

LOCAL SPACE LIMITED
Year ended 31 March 2015

Requirements of the VfM Standard	How Local Space believes that it demonstrates compliance for 2015/16	Location in the VfM Statement
Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving VfM including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives.	The association has a methodology for the calculation of return on assets used by it. As a social landlord 'return' we recognise that is not just about financial return. Social returns have been covered in the full self-assessment statement. There is a robust Stock Condition Survey, which has led to the publishing of a five year plan for maintenance on a scheme by scheme basis for all residents.	Section 6, paragraphs 6.4 to 6.8 cover the Return on Assets. Paragraphs 6.21 to 6.47 cover the Social Return on Investment.
Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.	Our financial results and the analysis of these have been reported upon within this assessment. The work we will do to improve areas of weak performance has been noted in the section on future plans.	Section 4 and Section 5 look at how our costs are built up and what we spend our resources on. Section 5 looks at how we compare with our peers on a range of indicators.
Annually publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving VfM in delivering their purpose and objectives.	Local Space's self-assessment which will show how the organisation believes it meets the HCA's VfM standard will be published on the association's website by 30 September 2016. A separate summary specifically drawn up for residents will also be additionally available on our website by 30 September 2016.	Section 9 outlines how the board as governing body makes it self-assessment and it also sets out our commitment to stakeholders.

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. 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 2015/16 and beyond.

NHF Code of Governance

Local Space complies with the principal recommendations of the NHF Code of Governance.

Donations

Local Space made no political donations in the year. (2014: £NIL)

REPORT OF THE BOARD (continued)

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives; and to provide reasonable, and not absolute, assurance against material misstatement or loss. The Board periodically reviews the scheme of delegations to ensure that they are in line with changes in the organisation and operating environment.

The process for identifying, evaluating and managing the significant risks faced by the Association is on-going and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the report and financial statements. Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Audit Committee, the Operations Committee; New Business Committee; and the Equality, Diversity & Remuneration Committee;
- management responsibilities for the identification, evaluation and control; of significant risks and regular reviews by external specialists;
- risk register review by Audit Committee & Board;
- strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, learning and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- treasury management which is subject to external review as required;
- regular reporting to the Board on key business objectives, targets and outcomes and;
- Board approved anti-fraud and corruption policy and whistle-blowing policy;

Based on assessments by the Executive and the Audit Committee, the following areas were examined by our internal auditors and, where necessary, action was taken during the year:

- Service charges
- Acquisitions
- Anti-bribery
- Budgetary control process
- General review of internal controls
- Procurement to payment
- Repairs and maintenance
- Risk management

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives reports from the Audit Committee together with minutes of Audit Committee meetings.

Going Concern

After making enquiries, the Board is confident that Local Space has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

REPORT OF THE BOARD (continued)

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

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

Co-operative and Community Benefit Society Act and registered social landlord legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

Under the Co-operative and Community Benefit Society legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2010), have been followed, subject to any material departures disclosed and explained in the financial statements.

Disclosure of Information to Auditor

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Cooperative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction 2012. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (2010).

The board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website.

At the date of making this report each of the Board members and executive directors, as set out on the financial statement, confirm the following:

- so far as each Board member and executive director is aware, there is no relevant information needed by the Association's auditor in connection with preparing their report of which the Association's auditor is unaware;
- each Board member and executive director has taken all the steps that he ought to have taken as a Board member and executive director in order to make himself aware of any relevant information needed by the Association's auditor in connection with preparing their report and to establish that the Association's auditor is aware of that information.

LOCAL SPACE LIMITED
Year ended 31 March 2015

REPORT OF THE BOARD (continued)

External Auditor

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on 22 September 2015.

The report of the Board was approved by the Board on the 1 September 2015 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'John Layton', is positioned above the printed name and title.

John Layton
Chair

LOCAL SPACE LIMITED
Year ended 31 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS LOCAL SPACE LIMITED

We have audited the financial statements of Local Space Limited for the year ended 31 March 2015 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the note of historical cost surpluses and deficits, the reconciliation of movements in funds, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of Responsibilities of the Board set out on page 15, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

3 SEPTEMBER 2015

LOCAL SPACE LIMITED
Year ended 31 March 2015

INCOME AND EXPENDITURE ACCOUNT

	Note	2015 £ '000	2014 £ '000
Turnover: continuing activities	3	24,777	24,491
Operating costs	3	(8,078)	(8,056)
Operating surplus before Newham Surplus Sum	3	16,699	16,435
Newham Surplus Sum	25	(2,925)	(2,415)
Operating surplus: continuing activities	4	13,774	14,020
Surplus on ordinary activities before Interest		13,774	14,020
Interest receivable and other income	5	186	67
Interest payable and similar charges	6	(6,848)	(6,846)
Surplus on ordinary activities before taxation		7,112	7,241
Tax on surplus on ordinary activities	26	-	-
Surplus for the financial year	17	7,112	7,241

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 1 September 2015.



John Layton
Chair



Janet Marsh
Board Member



Kirsty Semple
Secretary

LOCAL SPACE LIMITED
Year ended 31 March 2015

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	2015 £ '000	2014 £ '000
Surplus for the financial year	7,112	7,241
Unrealised surplus on revaluation of housing properties	17,988	28,470
Total recognised surplus relating to the year	<u>25,100</u>	<u>35,711</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

	2015 £ '000	2014 £ '000
Reported surplus on ordinary activities before taxation	7,112	7,241
Excess of actual depreciation charge over historical cost depreciation	170	71
Historical cost retained surplus	<u>7,282</u>	<u>7,312</u>

RECONCILIATION OF MOVEMENTS IN FUNDS

	2015 £ '000	2014 £ '000
Opening funds	167,577	131,866
Total recognised Surplus relating to the year	25,100	35,711
Closing total funds	<u>192,677</u>	<u>167,577</u>

LOCAL SPACE LIMITED
Year ended 31 March 2015

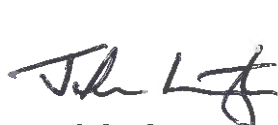
BALANCE SHEET

	Note	2015 £ '000	2014 (restated) £ '000
Tangible fixed assets			
Housing properties at valuation	2,9	347,403	325,887
Other tangible fixed assets	10	1,541	1,586
		348,944	327,473
Current assets			
Debtors	11	927	768
Investments	12	21,500	15,000
Cash at bank and in hand		173	2,913
		22,600	18,681
Creditors: Amounts falling due within one year	13	(6,866)	(6,576)
Net current assets		15,734	12,105
Total assets less current liabilities		364,678	339,578
Creditors: Amounts falling due after more than one year	14	172,001	172,001
		172,001	172,001
Capital and reserves			
Non-equity share capital	16	-	-
Revaluation reserve	17	149,562	131,744
Revenue reserve	17	43,115	35,833
Total funds	17	192,677	167,577
		364,678	339,578

The accompanying notes form part of these financial statements.

The prior year has been restated to more appropriately treat the disclosure of social housing grant within housing properties.

The financial statements were approved by the Board on 1 September 2015 and signed on its behalf by:



John Layton
Chair



Janet Marsh
Board Member



Kirsty Semple
Secretary

LOCAL SPACE LIMITED
Year ended 31 March 2015

CASH FLOW STATEMENT

	Note	2015 £ '000	2014 £ '000
Net cash inflow from operating activities	20	18,031	18,968
Returns on investments and servicing of finance			
Interest received		103	67
Interest paid		(6,848)	(6,848)
		(6,745)	(6,781)
Capital expenditure			
Purchase of housing properties	9	(7,527)	(769)
Purchase of other fixed assets	9	— (52)	(49)
		(7,579)	(818)
Management of liquid resources			
Cash withdrawn in money market deposit accounts		(6,500)	(8,600)
Cash flow before financing		(2,793)	2,769
Financing			
Housing loans drawn		53	53
(Decrease)/Increase in cash	22	(2,740)	2,822

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

The Association is registered under the Co-operative and Community Benefit Society Act 2014 and is registered with the Homes and Communities Agency as a social landlord.

2. Principal accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting by registered social housing providers update 2010 (SORP 2010) and comply with the Accounting Requirements for registered social landlords Accounting Direction 2012.

Prior year adjustment to presentation: Housing properties at valuation

According to SORP 2010 where properties are shown at valuation, a single figure with narrative as 'Housing properties at valuation' should be shown on the balance sheet and the depreciated cost and the grant deduction should be disclosed in a note. Previously we have shown the grants received on the balance sheet. We have amended the balance sheet and the related note 9 in order to accommodate this change which is applied to both current period and prior period comparative amounts presented. There have been no changes to the net book value or reserves as a result of this presentational adjustment.

Turnover

Turnover comprises rental income receivable in the year, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Value added tax

The Association is not registered for VAT. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HMRC.

Interest payable

Interest payable is charged to the income and expenditure account in the year.

Pensions

The Association participates in the 1/80th multi-employer "Career Average Revalued Earnings (CARE)" scheme of the Social Housing Pension Scheme (SHPS). It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Housing properties

Housing properties are principally properties available for rent and are stated at valuation less depreciation based on the re-valued amount. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Only the direct overhead costs associated with new developments or improvements are capitalised.

LOCAL SPACE LIMITED

Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

Donated Land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the donation is from a non-public source, the value of the donation is included in income.

Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties. Under component accounting, it is allocated to the land and structure components of the associated assets in proportion to their costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties

In accordance with SORP 2010, the Association identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where SHG has been allocated to Structure; the depreciable amount is arrived at on the basis of re-valued amount, less the proportion of SHG and other grants attributable to structure, less residual value. The Structure is depreciated over 85 years.

The depreciable amount of other components is arrived at on the basis of original cost. The Association depreciates the major components of its housing properties over the following periods:

Roof	60 years
Gas and boilers	15 years
Kitchen	15 years
Bathroom	15 years
Windows and doors	30 years
Electrics	30 years

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Principal accounting policies (continued)

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus or revaluation reserve as appropriate. There were no impairment write-downs during the year.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Office Premises	2% on cost
Furniture, fixtures and fittings	Straight line over 3 years
Computers and office equipment	Straight line over 3 years
Furniture in Properties	Straight line over 5 years

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Current asset investments

Investments are stated at market value.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Revaluation reserve

The difference between the market value of Housing Properties and the historical cost carrying value is credited to the revaluation reserve. Losses arising from revaluations are charged to the revaluation reserve in the first instance.

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Turnover, cost of sales, operating costs and operating surplus
Continuing activities

	2015			
	Turnover £ '000	Cost of sales '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	24,750	-	(8,078)	16,672
Non-social housing activities				
Commercial Income	27	-	-	27
	24,777	-	(8,078)	16,699

	2014			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	24,447	-	(8,056)	16,391
Non-social housing activities				
Commercial Income	35	-	-	35
Other Income	9	-	-	9
	24,491	-	(8,056)	16,435

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Turnover, cost of sales, operating costs and operating surplus

Social Housing Lettings	Temporary social housing £'000	Key worker housing £'000	2015 Total £'000	2014 Total £'000
Rent receivable net of identifiable service charges	23,395	1,283	24,678	24,378
Service income	-	19	19	16
Net rental income	23,395	1,302	24,697	24,394
Other revenue grants	53	-	53	53
Turnover from social housing lettings	23,448	1,302	24,750	24,447
Management	(2,178)	(39)	(2,217)	(2,259)
Services	(580)	(17)	(597)	(493)
Routine maintenance	(251)	(62)	(313)	(581)
Planned maintenance	(481)	(53)	(534)	(547)
Major repairs expenditure	(154)	(16)	(170)	(444)
Bad debts	(112)	(11)	(123)	(25)
Depreciation of housing properties	(3,190)	(269)	(3,459)	(3,303)
Components replacement loss	(543)	(18)	(561)	(352)
Amortised grant	107	2	109	109
Other costs	(183)	(30)	(213)	(161)
Operating costs on social housing	(7,565)	(513)	(8,078)	(8,056)
Operating surplus on social housing lettings	15,883	789	16,672	16,391
Void losses	(51)	(21)	(72)	(86)

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating Surplus

This is arrived at after charging:

	2015 £ '000	2014 £ '000
Depreciation of housing properties	3,459	3,303
Depreciation of other tangible fixed assets	97	98
Operating lease rentals:		
- office equipment and computers	9	3
Auditors' remuneration:		
- for audit services	18	18
- for non-audit services:		
- other	3	3

5. Interest receivable and other income

	2015 £ '000	2014 £ '000
Interest receivable and similar income	186	67

6. Interest payable and similar charges

	2015 £ '000	2014 £ '000
Loans and bank overdrafts	6,848	6,846

7. Employees

Average monthly number of employees expressed in full time equivalents:

	2015 No.	2014 No.
Administration	16	11
Development/Acquisitions	1	-
Housing, support and care	10	12
	27	23

NOTES TO THE FINANCIAL STATEMENTS

7. Employees (continued)

Employee costs:

	2015 £ '000	2014 £ '000
Wages and salaries	1,082	1,107
Social security costs	91	83
Other pension costs	46	30
	<u>1,219</u>	<u>1,220</u>

The Association's employees are members of the Social Housing Pension Care Scheme (SHPS).

Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

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

During the accounting period Local Space paid contributions at the rate of 9.1% (2014:9.1%). Member contributions were 4.9% (2014:4.9%).

As at the balance sheet date there were 11 active members of the scheme employed by Local Space. The annual pensionable payroll in respect of these members was £456,273 (2014:£285,333). Local Space continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Employees (continued)

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Local Space Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. At this date the estimated employer debt for Local Space was £1,217,628.

8. Directors' emoluments

The Executive Directors' (senior corporate management team) emoluments were:

	2015 £ '000	2014 £ '000
Emoluments	460	296
Pension contributions	25	6
	485	302

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Directors' emoluments (continued)

The full time equivalent number of staff who received emoluments:

	2015 No	2014 No
£60,001 to £70,000	1	-
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£110,001 to £120,000	1	-

The emoluments of the highest paid executive director excluding pension contributions were £116,300 (2014: £87,153 from 11 June 2014. Full year equivalent £113,000).

The Chief Executive is not a member of the Career Average Re-valued Pension Scheme or the Social Housing Pension Scheme.

The Association's 12 (2014: 12) Board members (non-Executive Directors) received emoluments of £30,603 during the year (2014: £28,353).

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tangible fixed assets – properties

	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Total housing properties held for letting £'000	Social housing properties under construction £'000	Total £'000
Valuation					
At 1 April 2014(restated)	325,602	285	325,887	-	325,887
Additions	7,511	1	7,512	15	7,527
Disposals	(880)	(1)	(881)	-	(881)
Valuation adjustment	14,860	10	14,870	-	14,870
At 31 March 2015	347,093	295	347,388	15	347,403
Depreciation					
At 1 April 2014	-	-	-	-	-
Charged in year	3,453	6	3,459	-	3,459
Disposal	(320)	-	(320)	-	(320)
Valuation adjustment	(3,133)	(6)	(3,139)	-	(3,139)
At 31 March 2015	-	-	-	-	-
Social housing and other Grants					
At 1 April 2014 (restated)	-	-	-	-	-
Additions	88	-	88	-	88
Amortised Grant	(109)	-	(109)	-	(109)
Valuation adjustment	21	-	21	-	21
At 31 March 2015	-	-	-	-	-
Net book value					
At 31 March 2015	347,093	295	347,388	15	347,403
At 31 March 2014	325,602	285	325,887	-	325,887

The above presentation has been restated to more appropriately reflect the disclosure of social housing grant and cost/valuation. This does not affect the net book value.

The housing properties were valued as at 31 March 2015 on the basis of market value - tenanted basis (MV-T), as there are no restrictions on disposal of the properties. It is assumed that properties becoming void may be sold at the end of lease agreements at market values as opposed to re-let or sale to another registered provider and that a mortgagee in possession may increase rents on existing tenancies to market levels. It is also assumed that any Social Housing Grant released on sale of a property may be repayable but, as a going concern, is normally available to be recycled.

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tangible fixed assets – properties (continued)

The Association's housing properties have been valued by Savills LLP, Chartered Surveyors, except for the 37 properties (LSE) acquired during the course of the year which were valued by Anderson Wilde & Harris, Chartered Surveyors. The valuation of the properties has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Professional Standards January 2014 (the "RICS Red Book") published in November 2013 and effective from 1 January 2014.

The properties undergo full valuation at least once every five years and; Savills performed a full valuation as at 31 March 2015.

The aggregate market value of properties subject to the Lease Agreements with the London Boroughs of Newham, Hackney, City of London, Waltham Forest and the value of key-worker, Durham Road and Hastings properties in the opinion of Savills LLP, Chartered Surveyors, was £341.4m on 31 March 2015 (2014: £325.9m). The Value of the LSE properties in the opinion of Anderson Wilde & Harris, Chartered Surveyors was £6.05m on 31 March 2015.

At the year end, Local Space owned 1802 (2014: 1,765) properties, of which 1616 were for temporary accommodation, 132 for Keyworkers (2014: 132), 10 (2014: 10) on target rents, Hastings 5 (2014: 5), LSE 37 (2014:0) and 2 (2014: 2) were commercial properties. Local Space directly managed 350 properties (2014: 313) at the year end. London Borough of Newham managed 1,450 properties (2014:1,450) at the year end, through managing agents, Theori Investments Ltd and Finefair Ltd.

The carrying value of the housing properties that would have been included in the financial statements had the assets been stated at historical cost less SHG and depreciation is as follows:

	2015 £ '000	2014 £ '000
Historical cost	329,759	316,838
Social housing grant	(35,735)	(35,756)
Other capital grants	(63,422)	(63,422)
Depreciation	(25,467)	(22,328)
Historical cost net book value	205,135	195,332

Social housing grant

	2015 £ '000	2014 £ '000
Total accumulated SHG receivable at 31 March was:		
Capital grants	35,735	35,756
	35,735	35,756

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tangible fixed assets – properties (continued)

Housing properties' book value, net of depreciation and grants, and office's net book value comprises:

	2015 £ '000	2014 £ '000
Freehold land and buildings	175,516	159,086
Long leasehold land and buildings	171,887	166,801
	<u>347,403</u>	<u>325,887</u>

Expenditure on works to existing Properties

	2015 £ '000	2014 £ '000
Amounts capitalised		
Replacements of component	1,237	806
Amounts charged to income and expenditure account	170	444
Total	<u>1,407</u>	<u>1,250</u>

10. Tangible fixed assets – other

	Freehold Offices £'000	Furniture fixtures & fittings £'000	Computers and office equipment £'000	Furniture in Properties £'000	Total £'000
Cost					
At 1 April 2014	1,616	80	299	445	2,440
Additions	-	4	3	45	52
Disposals	-	(9)	(189)	(247)	(445)
At 31 March 2015	<u>1,616</u>	<u>75</u>	<u>113</u>	<u>243</u>	<u>2,047</u>
Depreciation					
At 1 April 2014	160	68	278	348	854
Charged in year	32	8	16	41	97
Disposals	-	(9)	(189)	(247)	(445)
At 31 March 2015	<u>192</u>	<u>67</u>	<u>105</u>	<u>142</u>	<u>506</u>
Net book value					
At 31 March 2015	<u>1,424</u>	<u>8</u>	<u>8</u>	<u>101</u>	<u>1,541</u>
At 31 March 2014	<u>1,456</u>	<u>12</u>	<u>21</u>	<u>97</u>	<u>1,586</u>

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Debtors

	2015 £ '000	2014 £ '000
Due within one year		
Rent and service charges receivable	485	521
Less: Provision for bad and doubtful debts	(269)	(339)
	216	182
Debtors	249	117
Prepayments and accrued income	462	469
Total	927	768

12. Investments

	2015 £ '000	2014 £ '000
Money market deposits	21,500	15,000

13. Creditors: amounts falling due within one year

	2015 £ '000	2014 £ '000
Trade creditors	50	125
Amount due to property providers	22	22
Key worker tenant deposit	80	76
Other taxation and social security	39	30
Other creditors	-	88
Accrued loan interest	706	706
Newham Surplus Sum	2,979	2,470
Accruals and deferred income	1,203	1,280
Rent paid in advance	1,787	1,779
Total	6,866	6,576

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2015 £ '000	2014 £ '000
Bank Loans	172,001	172,001
Unamortised fees (RBC)	(258)	(311)
Deferred income	258	311
	<u>172,001</u>	<u>172,001</u>

15. Debt analysis

	2015 £ '000	2014 £ '000
Due after more than one year		
Bank loans	172,001	172,001
	<u>172,001</u>	<u>172,001</u>

	2015 £ '000	2014 £ '000
Within one year	-	-
After five years	172,001	172,001
	<u>172,001</u>	<u>172,001</u>

The bank loans are secured by a fixed charge over the properties owned by the Association. The loan from the Royal Bank of Canada (RBC) includes loan arrangement fees of £800,000 which are being written off over 15 years. The balance remaining at the year-end is £257,781 (2014: £311,114) and this has been offset against the loan drawn down of £162.1m (2014: £162.1m). The loan drawn down from Santander is £9.9m (2014: £9.9m) giving a net loan of £172m (2014: £172m).

The loan from The Royal Bank of Canada is repayable commencing 2021, of this, £134.154m is repayable in equal instalments between 2021 and 2023. The loan from Santander is repayable in equal instalments between 2017 and 2037.

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Non-equity share capital

	2015 £	2014 £
Shares of £1 each issued and fully paid		
At 1 April 2014	9	7
Shares issued during the year	-	2
At 31 March 2015	9	9

The shares provide members a right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

17. Reserves

	Revaluation Reserve - Housing Properties £ '000	Revenue Reserve £ '000	Total Reserves £ '000
At 1 April 2014	131,744	35,833	167,577
Surplus for the year	-	7,112	7,112
Surplus on revaluation of properties	17,988	-	17,988
Transfer in respect of depreciation on revalued assets	(170)	170	-
At 31 March 2015	149,562	43,115	192,677

18. Financial commitments

Capital expenditure commitments were as follows:

	2015 £ '000	2014 £ '000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	4,190	-
Expenditure authorised by the Board, but not contracted	-	-
	4,190	-

LOCAL SPACE LIMITED

Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)**19. Operating leases**

The payments which the Association is committed to make in the next year under operating leases are as follows:

	2015 £'000	2014 £'000
Office equipment and computers expiring one to five years	6	1

20. Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Operating surplus	13,774	14,020
Depreciation of tangible fixed assets	4,008	3,645
LBN grant allocation	(53)	(53)
	17,729	17,612
Working capital movements		
Debtors	(76)	1,181
Creditors	378	175
	18,031	18,968

21. Reconciliation of net cash flow to movement in net debt

	2015 £ '000	2014 (restated) £ '000
Increase in cash	(2,740)	2,822
Cash flow from change in liquid resources	6,500	8,600
Increase in net debt from cash flows and total changes in net debt for the period	3,760	11,422
Net debt at 1 April (restated)	(154,088)	(165,510)
Net debt at 31 March	(150,328)	(154,088)

Restated to more appropriately reflect the loan balance due.

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Analysis of net debt

	1 April 2014 (restated) £'000	Cash Flow £'000	Non-cash movement £'000	31 March 2015 £'000
Cash at bank and in hand	2,913	(2,740)	-	173
Changes in cash	2,913	(2,740)	-	173
Current asset investment	15,000	6,500	-	21,500
Loans due after 1 year	(172,001)	-	-	(172,001)
Changes in debt	(172,001)	-	-	(172,001)
Changes in net debt	(154,088)	3,760	-	(150,328)

Restated to more appropriately reflect the loan due after more than one year.

23. Financial assets and liabilities

Financial assets

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

	2015 £ '000	2014 £ '000
Fixed rate	21,673	17,913
	21,673	17,913

The Association's financial liabilities are sterling denominated. The Association's financial liabilities at 31 March were:

	2015 £ '000	2014 £ '000
Floating rate	40,001	40,001
Fixed rate	132,000	132,000
Total (note 14)	172,001	172,001

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Financial assets and liabilities (continued)

The fixed rate financial liabilities are as follows:

Royal Bank of Canada Loans

£100m fixed at 4.80% for 15 years until 28 February 2022.

£12m fixed at 5.12% for 15 years until 9 February 2021.

£10m fixed at 5.07% for 20 years until 27 October 2027.

£10m fixed at 5.36% for 25 years until 27 February 2032.

The Balance of £30.2m of floating rate financial liabilities comprise bank loans that bear interest at rates based on 1-month LIBOR.

Santander Bank Plc

The £9.9m of floating rate financial liabilities comprise bank loans that bear interest at rates based on 1 month LIBOR.

The debt maturity profile is shown in note 15.

Borrowing facilities

The Association has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2015 £ '000	2014 £ '000
Expiring in more than two years	12,000	12,000
Expiring in less than one year	12,000	12,000

Fair values of financial assets and liabilities

	2015		2014	
	Book value £ '000	Fair value £ '000	Book value £ '000	Fair value £ '000
Primary financial instruments held or issued to finance the association's operations				
Current asset trade investments	21,500	21,500	15,000	15,000
Long-term borrowings	(172,001)	(172,001)	(172,001)	(172,001)

LOCAL SPACE LIMITED
Year ended 31 March 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. Related parties

Councillors Andrew Baikie, Ian Corbett and Richard Crawford who are Board members, are also elected councillors of the London Borough of Newham. Chris Pope was a Board member (left on 13 October 2014) and also was an employee of the London Borough of Newham. Jackie Belton was a Board member (from 27 January 2015 to 13 April 2015) and also was an employee of the London Borough of Newham. Donford Vardon is a Board member and also a tenant of the Association. His tenancy is on normal commercial terms and he is not able to use his position to his advantage.

25. Newham Surplus Sum

The Newham Surplus Sum is a return on the investment made by the London Borough of Newham (LBN) in Local Space Limited. The Sum is payable to LBN, and they can use it for any purpose.

The Newham Surplus Sum is calculated according to Schedule 3.3 of the Master Agreement between Local Space Limited and the London Borough of Newham and represents a proportion of the surplus made in the year on activities relating to LBN.

26. Tax on Surplus on Ordinary Activities

The Association is recognised by HM Revenue and Customs as a charitable Registered Society. No provision for corporation tax has been made as the Association believes that its income for the year is covered by the exemptions given in Chapter 3, Part 11 of CTA 2010.

27. Post Balance Sheet Events

The Chancellor of the Exchequer presented the first budget of the new Government on 8 July 2015. The budget contains changes to the social rents and local housing allowances which negatively impact the rental streams of housing associations, including Local Space. Having considered the impact of these changes, the Board is of the view that they only have a minor impact on the Association's finances in the foreseeable future and there will be no breach of the loan covenants.