

Registered Co-operative and Community Benefit Society No 29840R

Registered Social Housing Provider No LH4454

Local Space

**Report and financial statements
for the year ended 31 March 2021**

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LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

Board Members

Victor Da Cunha (from 17th March 2020 and Chair from 28th April 2020)
Martin Bellinger
Paul Edwards
Conor McAuley
Tim Mulvenna
Shaban Mohammed (27th July to 9th November 2020)
Richard Stevens
Caitlin Farrow (Chair from 22nd October 2019 - 28th April 2020) ; (Senior Independent Board Member to 31st December 2020)
Josephine Parsons (from 28th April 2020)
Alwyn Lewis (from 15th December 2020)
Elizabeth Sipiery (to 15th March 2021)
Sharon Carter (Senior independent Board Member) (from 16th March 2021)
Pamela Leonce (from 16th March 2021)

Audit and Risk Committee

Richards Stevens (Chair)
Paul Edwards
Conor McAuley
Alwyn Lewis
Nilesh Patel (Independent)
Jane Freeman (Independent) (appointed 8th April 2021)

Nominations and Remuneration Committee

Tim Mulvenna (Chair)
Pamela Leonce
Paul Edwards
Sharon Carter

Executive Management Team

Chief Executive	Josephine Parsons
Operations Director	Mark Kent
Finance Director	Philip Sargeant
Development Director	Stephen Kirrage
Corporate Services Director	Catherine Diamond
Company Secretary	Kirsty Semple

Main Banker

Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Auditor

Beever and Struthers
15 Bunhill Row
London EC1Y 8LP

CHAIR'S MESSAGE

The past year was my first as Chair of Local Space and in common with all other housing associations Local Space faced the unprecedented challenge of delivering our social purpose throughout a global pandemic. Few would have envisaged we would still be largely working remotely and over video conferencing, with social restrictions still playing a daily part of business and everyday lives, more than a year on. Indeed, well into the following year too.

The impact of the pandemic has been wide, not least because it added further pressure to affordable housing demand in London and to the number of families in East London needing temporary accommodation.

Whilst our work has always been important, the pandemic reminds us of how important a home is and how critical our role will continue to be into the future. Whilst it has not been an easy year, I am pleased to say Local Space met these challenges well, with ambition, energy and kindness.

We also made sure that our governance continued to be refined and remained uninterrupted, delivered entirely digitally and via video conferencing. All this meant that we continued to make steady progress against our strategy, growing our portfolio, securing new funding and delivering solid financial and operational performance too.

Services that our customers are happy with

Our first priority is all about delivering great services to customers and to that end, we secured 74% customer satisfaction (80% target) over the year which is an increase from the 69% we reported last year. Increasing the overall level of customer satisfaction will be an area of continued focus over the coming year, with other activities planned, such as:

- a corporate training programme for leaders and staff across the business.
- the introduction of digital self-service channels
- Tenants Panel scrutiny and feedback
- the development of a refreshed Tenant Engagement Strategy

Homes that people want to live in

Our second area of priority is to have homes that people want to live in. During the pandemic, some of our planned works were not possible because of social distancing and self-isolating measures. Our focus therefore was to ensure that all urgent repairs were completed promptly and safely and that all landlord safety servicing and inspections were conducted in a similar way.

For the same reasons our portfolio grew slightly less than we had initially envisaged too, but we still nonetheless delivered 49 homes in Newham and 29 Homes in Waltham Forest. We will recover these delayed homes in the coming year with 138 additional homes planned across Newham, Waltham Forest and our new partner, Tower Hamlets. As ever, our fully refurbished homes generate very high levels of customer satisfaction, with satisfaction remaining high at 95%.

In the year we conducted proactive analysis on the environmental performance of our homes to support our decarbonisation plans. As a result, we have now included £10m in our financial plan so we can ensure that all our homes will be at least EPC Grade C by 2032. Doing so will be important for the planet as well as our customers, because it will help reduce their running costs. Customer satisfaction with the quality of their home increased by 6% this year, to 79%.

CHAIR'S MESSAGE (CONTINUED)

Being a successful, well managed business

Our third and final priority is to be a well-managed and successful business. Financially we can demonstrate this through yet another strong net surplus of £6.2m (2019/20: £5.2m) and by the growth in our asset base – now up to £585m (2019/20: £570m). Our operating margin was also maintained at a very healthy 53%, consistent to our previously reported position.

Our performance has allowed Local Space to retain its sector leading AA- rating with Standard & Poor's, which we are very proud of. Our funding strategy will now be focused on refinancing debt over the next five years. We are looking to reduce our exposure to future interest rate fluctuations by fixing more debt taking advantage of historically low borrowing costs.

With this in mind, I am pleased to say that in May 2021 Local Space secured £61m of new funding with a private placement with MetLife. This transaction will fix a substantial proportion of our debt at very low competitive rates, reflecting our sector best credit rating, for the next 20 to 30 years.

Now that Local Space has been re-designated as a large provider, we have secured a V1G1 regulatory judgement and expect an in-depth inspection to take place in the coming year.

In support of good governance, we conducted a governance review, adopted the National Housing Federation's 2020 Code of Governance and refreshed a number of positions.

We said a fond farewell to three Board Members over the year, Caitlin Farrow, Shaban Mohammed and Elizabeth Sipiery and also welcomed the talents of three new Board Members - Alwyn Lewis, Sheron Carter and Pamela Leonce. As we refresh the Board in the future, we will work hard to ensure that it reflects the communities that we serve and the diversity of London overall.

As we look forward, I want to thank all of the staff and members of the Executive team for all of the tremendous efforts they made in helping customers stay safe and in helping more homeless families find a place to call home. Equally I want to recognise and thank our local authority partners, the GLA and other strategic partners for supporting us to deliver our social purpose of *'delivering affordable and quality social housing to people on low incomes, helping lives and communities to change for the better'*. You are important to us and, as always, we look forward to working with you in the coming year ahead.

Finally, I wish to thank my fellow Board members and also the members of our Tenants' Panel who have kindly given their time and wisdom to support our continued endeavours. I feel sure that working alongside our residents we can continue to build on the excellent foundations we have set and deliver our strategy in partnership.

Victor da Cunha
Chair



LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

BOARD REPORT

The Board of Local Space is pleased to present its report and the audited financial statements for the year ended 31 March 2021.

Objectives and Strategy to achieve objectives

Local Space is a specialist provider of social housing. Its focus is on the provision of temporary accommodation and key worker homes in partnership with several key local authority partners. Local Space works in East London and Essex, and partners with local authorities through contracts and nominations agreements which govern the way in which the homes are allocated. In general, the focus is to provide homes for families and individuals from local authority homeless waiting lists.

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

Our corporate objectives for 2020/21 were as below and performance against these objectives is reported on Page 7 of these statements:

Strategic Objectives:	Primary Performance Goals:
Homes that people want to live in	<ul style="list-style-type: none">• Deliver the last part of the LBN growth program, delivering 95 homes by 31/3/2021• Deliver 40 or more additional homes for London Borough of Waltham Forest• Deliver year 2 of our 5-year stock investment program• Tenant satisfaction with new product 90% or better• Tenant satisfaction with condition of home 75% or better
Services that our customers are happy with	<ul style="list-style-type: none">• Relaunch our customer complaints service• Tenant satisfaction with complaints outcomes 80% or better• Satisfaction with the complaints process of 90% or better• Develop infrastructure to support our digital offer• Ensure no notifiable data breaches in the year• Tenants' satisfaction with service 85% or better across all of our homes• Make the transition to LAR (London Affordable Rent) for the Newham growth contract
Being a successful business	<ul style="list-style-type: none">• Maintain our S&P AA- credit rating• Regain G1V1 regulatory ratings• Demonstrate full covenant compliance with all covenants and regulatory standards• Keep our operating margin in line with our plans and deliver on budget

LOCAL SPACE

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BOARD REPORT (CONTINUED)

Being a well-managed organisation	<ul style="list-style-type: none">• Review our pay and benefits framework and increase staff satisfaction compared to our 2019/20 base year• Tell our distinctive story in our local area and in the sector
Beyond Bricks	<ul style="list-style-type: none">• Plan our network of support including identifying suitable partners to work with• Plan our carbon neutral program, including how we can improve fuel efficiency in our homes• Work with our residents' panel to plan our resident involvement program

Local Space Business Model

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

Up to 87% of our rental income is guaranteed through our local authority partnerships (80% by London Borough of Newham and 7% by London Borough of Waltham Forest). This means that there is a very stable income stream which contributes to our high credit rating (AA- Standard & Poors) and allows our lenders to offer us the best possible rates for our debt finance. Our debt finance is secured on the value of the property portfolio which further protects our funders and allows them to offer us finance at good rates.

Local Space began a growth programme in 2016, the delivery of which was expected over 5 years. This programme aimed to add a minimum of 969 additional homes to our 2016 portfolio of 1,817 social housing units. This was possible through leveraging the value inherent in the original Acquisition and Equity portfolio of 1,450 homes to acquire more homes in the early part of the growth programme. This in turn enabled the value of subsequently newly acquired homes to be used to help fund the later growth. 2020/21 was the fifth year of the growth programme. The impact of the global pandemic, severely impacted on Local Space's ability to deliver its programmed growth in 2020/21 and as such the majority of the year's delivery programme has been put back by a year to enable the targeted number of properties required to be delivered.

Our business model has some differences when compared to most registered providers of social housing. We tend to achieve higher operating margins than most other providers, 2020/21: 53% (2019/20: 54%) as calculated after deducting the Newham Sum compared with median operating margins of 25.7% in our sector (2019/20). Our net margin in 2020/21 was 17% (2019/20: 15%). We have been able to retain the highest credit rating with Standard and Poors of any registered provider, AA-, and we remain fully compliant with our regulator's highest standards, G1V1.

Future Prospects

The growth program for the London Borough of Newham is continuing in 2021/22. Local Space is also extending the delivery program for the London Borough of Waltham Forest for the next two financial years, subject to the availability of Right to Buy (RTB) receipts. Following board approval, a new strategic partnership has now also been formed with the London Borough of Tower Hamlets, to provide them with up to 100 homes to assist with their families in need of accommodation.

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BOARD REPORT (CONTINUED)

We have successfully now completed 2 years of our 5-year accelerated reinvestment programme and plan to spend a further £8.5m over the next 3 years. We will also continue to prioritise the health and safety of our customers (post Grenfell) and further develop investment plans to help make our homes more energy efficient to improve affordability to our customers and meet carbon neutrality targets. We have carried out initial work to assess the work required for our properties to meet a minimum EPC C standard and have set aside £10m in our financial plan over 10 years.

In May 2021 Local Space successfully negotiated additional funding of £61m private placement funding with Met Life. This was secured at very competitive fixed rates reflecting Local Space's sector best credit rating and significantly reduces our exposure to impact of future interest rate increases.

49 new properties were acquired during the year and a total of 78 properties were let during the year to provide much needed new homes for families and individuals. At 31st March 2021 the cumulative number of properties handed over for lettings since the commencement of the growth programme was 858 (including 145 GPB (Growth Plan B Programme) in partnership with London Borough of Waltham Forest). The average time taken during the year from acquisition to let was 13.4 weeks (2019/20: 12.6 weeks) compared to our target of 16 weeks.

The Covid 19 pandemic has had a widespread effect on the UK economy and the social housing sector. Local Space has responded to this by implementing measures to ensure the ongoing health and safety of our customers, staff and contractors have been maintained. This includes safe access to homes to ensure important safety checks and component replacements are carried out safely. As lockdown eases, the housing market is gradually returning to normal operation. Local Space continues in its delivery programme, albeit within the limitations of the Government's gradual lifting of lockdown measures, and impact on housing supply with the extended stamp duty holiday. We remain on course to meet the growth target for 2021/22. Local Space's unique business model means that we do not currently expect any significant impact on our financial plans going forward but we will continue to monitor and stress test in response to any further changes in the operating environment.

Planned performance for future years and a comparison of actual performance against the plan for 2020/21 is provided in the table below:

Local Space Performance in 2020/21

Financial performance has been satisfactory in the year with an operating surplus of £22.6m before the Newham Sum (2019/20: £21.3m), and a net surplus of £6.2m (2019/20: £5.2m).

Value for Money metrics	2020/21 Actual	2020/21 ¹ Plan	2021/22 ² Plan	2022/23 ² Plan	Median for sector 2019/20 ³
Operating Margin	53.4%	53.5%	52.5%	52.1%	23.7%
EBITDA-MRI Interest cover	162.6%	166.8%	166.5%	156.0%	121.0%
Gearing	63.8%	63.5%	59.7%	59.2%	38.7%
Return on capital employed (ROCE)	3.7%	3.5%	3.2%	3.3%	2.4%

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BOARD REPORT (CONTINUED)

Value for Money metrics	2020/21 Actual	2020/21 ¹ Plan	2021/22 ² Plan	2022/23 ² Plan	Median for sector 2019/20 ³
New supply delivered	1.8%	3.6%	4.2%	1.1%	1.3%
Headline social housing costs per unit ⁴	£4,506	£4,464	£4,710	£4,999	£6,200
Total number of homes	2,692	2,782	2,804	2,836	N/A
Investment in existing homes	£3.9m	£2.7m	£3.1m	£3.7m	N/A

¹2020/21 based on plan agreed by Board in April 2020.

²2021/22 and 2022/23 based on plan agreed by Board in April 2021.

³Median based on Value for money report annex to Global Accounts 2020 for Providers owning/managing more than 1,000 homes in London region.

⁴Headline social housing cost per unit based on all management and repair costs (including capitalised major works) before Newham Sum payment, divided by total number of social housing units owned.

The variance between actual and planned results for 2020/21 is largely due to:

- (i) Fewer properties purchased and handed over due to the pandemic. This impacted adversely on the operating surplus but favourably on borrowing costs.
- (ii) Acceleration of stock renewal programme utilising financial capacity freed by reduced capital programme. This also impacted Headline Social Costs being higher than target as these costs are included in the metric.
- (iii) The 2020/21 Financial Plan assumed a significant grant receipt from GLA (Greater London Authority) (£37m) in return for a reduction of rents to LAR (London Affordable Rent) on 500 Growth Plan properties. This transaction did not take place during 2020/21 as expected so less grant and more borrowing impacted on EBITDA-MRI Interest cover.

Key results for 2020/21 are as follows:

Homes That People Want to Live In

- Although severely limited by the global pandemic 49 properties were acquired with 78 properties handed over to our partners to house families in need.
- Satisfaction with our new homes remained at 95%. All but 3 of our homes met the Decent Homes Standard at the end of 2020/21. This shortfall is because access to these properties was constrained due to Covid 19 concerns. The outstanding works will be undertaken in 2021/22 as soon as the work can be undertaken safely.
- Our portfolio grew slightly less than we had initially envisaged. We will recover these delayed homes in the coming year with 138 additional homes planned across Newham, Waltham Forest and Tower Hamlets

Services that Our Customers Are Happy With

- 74% of our customers are satisfied with our services.
- 98% Fire Risk Assessments were completed on time as at 31st March 2021. There were no overdue actions of more than 12 months.

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Report and financial statements for the year ended 31 March 2021

BOARD REPORT (CONTINUED)

- 99.2% of Gas Safety certification was achieved at 31st March 2021. Shortfall due to issues regarding access to properties.
- 100% Lift certification was achieved in 2020/21.
- Local Space is progressing its programme of Electrical Safety testing in all properties and was at 68% at 31st March 2021.
- Tenant panel continued to meet and the chair of the panel attended board meetings making representations on behalf of the panel.

Being A Successful Business

- Overall arrears remained at 2.0% (v target of 2.5%) at the end of 2020/21.
- Void losses remain low at 0.34% versus target of 0.28%.
- Net margin increased marginally to 17% compared to 15% in 2019/20.
- Operating margin after Newham Sum payment was 53.4%.

Being A Well Managed Business

- Work underway to review pay and benefits framework.
- Our regulatory rating of G1 V1 was confirmed by the regulator in November 2020. We have taken steps to ensure that Local Space continues to be well governed. We had an externally led Governance Review in 2020, and we are implementing the small number of actions that came from this.
- We undertake a twice-yearly review on our compliance with the regulatory standards and report on this to the Board. We maintained full compliance during the year. We ask lead staff to provide certifications of this, along with a schedule of evidence to support this.
- Six-monthly staff surveys are undertaken. During the pandemic, the working from home satisfaction rates have risen to 86.10%. The Nominations and Remuneration committee have agreed that the PRP scheme end and a job evaluation scheme should be implemented. This has now happened with all posts successfully evaluated.
- The Covid 19 pandemic led to an acceleration in Local Space's digitalisation programme to successfully facilitate effective working from home. Whilst working from home the internal digital support function has allowed the progress and development of business-critical software systems in 2020/21 e.g., P2P, housing and asset management software.
- The Board approved the budget for a new role of Systems Administrator. The Digital Development and Support Officer will lead the team as IT Manager.
- Local Space's Learning and Development Plan was fully delivered in 2020/21. This included project and contract management, unconscious bias and cyber awareness training for new staff and the delivery of the recruitment training that did not take place in 2019/20.
- Phase 1 of the People First programme commenced in 2020/21 for all senior managers. This is nearing completion ready for Phase 2 to be delivered in 2021/22.

On average 24 homes were re-let in the year (2019/20: 25) with an average turnaround time of 78 days. Arrears management has undergone significant review and improvement during the year. As a consequence, arrears remains static 2.0%. Investment in existing homes was £3.9m in the year (2019/20: £3.0m) and 525 homes (2019/20: 479) received some capital investment during the year. Health and Safety has remained a key focus in the business, both in terms of compliance and investment in our homes.

Key financial and non-financial indicators

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

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BOARD REPORT (CONTINUED)

Performance Measures	2020/21	2019/20	Median for sector 2019/20 ¹	2018/19	2017/18
Reinvestment %	6.3%	11.1%	6.0%	16.8%	15.7%
New supply delivered	1.8%	10.1%	1.3%	9.9%	10.9%
Number of new homes acquired	49	268	N/A	235	231
Number of new homes let	119	263	N/A	345	88
Investment in new homes	£33m	£87m	N/A	£80m	£63m
Investment in existing homes	£3.9m	£3.0m	N/A	£1.1m	£0.7m
Gearing	63.8%	64.7%	38.7%	59.4%	55.4%
Liquidity	93.4%	126.0%	211.6%	173.1%	128.7%
EBITDA-MRI Interest cover	162.6%	148.8%	121.0%	170.0%	193.2%
Headline social housing cost per unit ²	£4,506	£4,118	£6,200	£3,197	£2,846
Rent losses (void and bad debts as % rent and service charges receivable)	0.6%	0.3%	2.2%	0.7%	0.2%
Rent arrears (gross arrears as % rent and service charges receivable)	2.2%	2.0%	N/A	2.0%	2.9%
Operating margin (social housing)	53.2%	55.2%	23.7%	54.6%	54.8%
Operating Margin (all)	53.4%	54.4%	18.6%	54.6%	54.7%
Net surplus	£6.2m	£5.2m	£7.9m	£4.3m	£5.9m
Surplus for the year (as % income from lettings)	16.9%	15.2%	22.6%	14.7%	22.3%
Return on capital employed (ROCE)	3.7%	3.2%	2.4%	3.4%	3.7%

¹Median based on Value for money report annex to Global Accounts 2020 for Providers owning/managing more than 1,000 homes in London region.

²Headline social housing cost per unit based on all management and repair costs (including capitalised major works) before Newham Sum payment, divided by total number of social housing units owned.

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BOARD REPORT (CONTINUED)

Value for Money

Local Space demonstrates significant investment in the supply of new temporary accommodation compared with the sector median. This is the result of the growth programme which has been underway since 2016. The amount of funds invested in 2020/21 was £33m (2019/20: £87.0m). We made net drawdowns of £4m from our existing loan facilities to facilitate the development programme.

One of the results of the investment in new homes is the gearing level in the business rising to 63.8% (2019/20: 64.7%). However, this is well within our tightest lender's covenant for gearing which is 75% and was planned as part of the growth strategy. Sector median levels of gearing are lower at 38.7% demonstrating both differing loan covenants and also the lower investment levels in many other registered providers. In future years gearing reduces as we consolidate and repay debt after the conclusion of our substantive growth programme.

Headline social housing costs per unit have increased in 2020/21 to £4,506 (2019/20: £4,118), but this still compares favourably to the sector median for providers in the London region of £6,200 per unit. Capitalised repairs are included in this calculation and the increased investment in existing stock accounts for the increase in average cost compared to 2019/20. This outturn is consistent with our corporate strategy of investing more in our existing customers and their homes. Future investment includes £1m per annum factored into our financial plan for ten years from 2022 to improve the energy efficiency of our homes (to minimum EPC (Energy Performance Certificate) C). This investment will help improve the affordability of our homes by reducing energy costs incurred by our customers and will help us also meet carbon neutrality targets.

Interest cover has generally been reducing over the term of the growth strategy as the loan portfolio grows to fund the growth programme. However in 2020/21 Interest cover actually improved to 162.6% (2019/20: 148.8%) due to improved surplus, lower borrowing due to pandemic and very low interest rates. The sector median is 121.0%. Local Space's performance reflects its ambitious growth programme which is largely funded by new borrowing. Local Space has benefitted from its sector best credit rating to secure funding at competitive rates including £61m private placement funding agreed in May 2021 which provides fixed rate funding at very low rates for the next 25 to 30 years. Looking ahead we are confident that we will continue to be able to secure further funding (for re financing) at competitive rates.

In 2020 Local Space reviewed and updated its Value for Money Strategy for 2020-25 linked to our 5 Year Corporate Strategy and the Regulatory Value for Money Standard 2018. This sets out our approach to how we will further develop targets and measures especially with regard to ESG (Environmental, Social (including Beyond Bricks as per our Corporate Plan), Governance).

Our future financial plan does not factor in net cost reductions as efficiency savings. It is our intention that savings achieved from ongoing efficiencies derived from process improvement, economies of scale, and reduced financing costs will all be reinvested into further improving the quality of our homes and the services we provide to our customers. This is consistent with our corporate strategy.

Principal risks and uncertainties

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

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BOARD REPORT (CONTINUED)

Risk:	Main mitigating actions:
Gas Safety failure resulting in injury or death	<ul style="list-style-type: none"> • Careful data management and regular audit. • Use of court procedure where necessary. • Programme of safety checks starting at 10 months. • KPI (Key Performance Indicators) monitored monthly. • Internal audit which provided substantial assurance of the control system.
House price movement impacting growth strategy	<ul style="list-style-type: none"> • Control limits approved by Board for each area of operation. • Regular monitoring of progress against targets. • Several agents used to source properties. • Current growth plan being fully funded. • Financial Plan stress testing movements in house prices.
Withdrawal of UK from EU resulting in lack of funding availability or key contractor staff in maintenance and refurbishment programme	<ul style="list-style-type: none"> • Professional advisors in place to assist with funding plans. • Current growth plan being fully funded. • Current business plan stress tested for movements in funding costs and house prices. • No exposure to market sales. • Regular liaison with key contractors to assess resilience. • Regular credit checks on key contractors.
Property refurbishment takes longer than planned, slowing delivery of new homes for letting resulting in income loss	<ul style="list-style-type: none"> • Access to frameworks for VFM (Value for Money) procurement. • Delivery programme closely monitored. • Work allocated to 4 contractors with loss of work penalties for non-performance. • Performance maintained in year at an average re let time of 13.4 weeks.
Poor customer satisfaction resulting in reputational damage	<ul style="list-style-type: none"> • Good housing management policies reviewed in-year. • Significant increases in investment in our stock. • New service arrangements in place with repairs contractor • Increased focus on customer service training. • Working with our partners to look at options around. facilitating reductions in rents accessing capital funding. • Professional staff appointed to key posts. • Independent monitoring of customer satisfaction. • New KPI framework agreed with key Local Authority Partner.

BOARD REPORT (CONTINUED)

Risk:	Main mitigating actions:
Fraud	<ul style="list-style-type: none"> • Governance procedures clearly define and delegate authorities and ensure appropriate segregation of duties. • Carrying out regular reviews and analysis of buying trends and orders. • Utilising external consultancies to procure and supervise contract works where appropriate. • Regular review meetings, internal sign off procedures. • Independent external validation of fair market prices. • Use of validated frameworks for procurement of services. • Policies, processes and procedures in place including new policy adopted in May 2019. • Prioritising options to make use of excess loan security positions as part of funding strategy. • Regular ongoing cyber awareness training provided to staff. • Insurance cover including increased cover for cyber fraud loss. • Internal Audit.
Major Health & Safety (H&S) Incident causing injury or even death	<ul style="list-style-type: none"> • Development and repairs - CDM (Construction Design & Management) regulations kept up to date in internal and issued documents. • Fire risk assessments are checked and site inspections carried out. • Information on website on fire safety. • Site safety policies for staff. • Regular papers and briefing note to Board on health and safety. Including the areas of fire, legionella, asbestos, gas and electrics • Operations Director has lead responsibility for H&S. • Corporate H&S Policy in place. • Disaster Recovery Plan completed April 2019. Successful test undertaken in November 2019 of staff head office. • Mitigating actions identified around risk of Covid 19 affecting key management practices and availability of contractors.
Data Protection Act Breaches	<ul style="list-style-type: none"> • GDPR compliant Data Protection Policy • Staff and Board training • Departmental compliance statements reviewed bi- annually. • Signed data sharing agreements. • Privacy and notices and consent forms used. • Internal Audit. • Data Sharing procedure. • Extensive use of two factor authentication across our systems and software to keep data secure. • Data Retention Schedule reflects Data Protection Act 2018 with additional procedures for Home Working. • Data Owners training

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BOARD REPORT (CONTINUED)

Risk:	Main mitigating actions:
Effect of lockdown due to Covid 19.	<ul style="list-style-type: none">• Additional support to vulnerable customers.• Digital remote lettings sign ups.• Ongoing external component replacements.• Socially distanced internal component replacements.• Staff able to work remotely from home.• Regular staff surveys• Working from Home during Covid procedure agreed and distributed to all staff.• Close monitoring of government advice.• Welfare of staff working from home ensured.• Preparation ongoing of the office for new working arrangements when lockdown over.• Sufficient PPE for front line staff provided as required.

Governance

Local Space has maintained its high standards of governance, ensuring that it retains its G1 status. During the year, there was an externally led governance review and its results showed that Local Space continues to be well governed. We are always keen to improve further and so are implementing the small number of recommendations that came from the review. The Board also undertook some development work alongside this review, looking at ways to strengthen how it works as a team. It has met virtually during the year, but this has gone well, with a high level of engagement from Board members. The Board has also used recent Board recruitment to add to its skills and competencies.

Local Space had adopted the NHF Code of Governance 2015 and it followed this Code in this year. In January 2021 it adopted the NHF Code of Governance 2020 and it will report against this Code in future years. It reviews its compliance with its Code annually and is fully compliant with the 2015 Code. It has an action plan in place to implement the 2020 Code and envisages that it will be fully compliant with this Code from the end of 2021. It also reviews its compliance with the UK Corporate Governance Code and the Charity Governance Code, and the Board is satisfied that Local Space is also compliant with the applicable principles contained in both Codes. Local Space reviews its compliance with all the relevant RSH (Regulator of Social Housing) standards twice a year. We can certify that there has been full compliance with the RSH Governance and Viability standard.

Review of internal controls

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

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

BOARD REPORT (CONTINUED)

Board approved committee terms of reference and delegated authorities;

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

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

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

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

Area:	Key Findings:
Data Protection	Advisory
Payroll and Expenses	Substantial Assurance
Fraud Healthcheck	Advisory
Purchase to Pay (P2P)	Reasonable Assurance
Reactive Maintenance	Partial Assurance
Tenant H&S (EICR and Asbestos)	Partial Assurance
Follow up earlier recommendations	Reasonable Progress

Management have responded on a positive and timely basis to the recommendations and agreed them with the Audit & Risk Committee. Implementation of all audit recommendations is verified on a regular basis by the Internal Auditors. The main outstanding medium priority actions on the Follow Up audit related to Rent Collection Arrears and Gas Safety audits. These are in progress and will be completed in 2021/22.

The internal auditors have indicated in their annual report an overall positive opinion having concluded that Local Space has an adequate and effective framework for risk management, governance and internal control. They have however highlighted further enhancements required in the areas where Partial Assurance has been given and management have identified and agreed actions in 2021/22 to address these.

BOARD REPORT (CONTINUED)

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



Victor Da Cunha
Chair

20th July 2021



Josephine Parsons
Chief Executive

20th July 2021

STATEMENT OF RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

Disclosure of Information to The Auditors

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

The Board Report was approved on 20th July 2021 and signed on its behalf by:

Victor Da Cunha



REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of Local Space “the Association” for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies in notes 1 and 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association’s affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board for the Report and Financial Statements set out on page 17, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Use of our report

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



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

Date: 29 July 2021

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

STATEMENT OF COMPREHENSIVE INCOME

	Note	2021 £'000	2020 £'000
Turnover	3	37,488	34,449
Operating expenditure	3	(14,887)	(12,834)
Gain / (Loss) on disposal of property, plant and equipment fixed assets	6	14	(293)
Operating surplus	8	22,615	21,322
Newham Sum	33	(2,602)	(2,576)
		20,013	18,746
Interest receivable	7	8	46
Interest and financing costs	7	(13,636)	(13,685)
Unrealised (loss) / surplus on revaluation of investment properties	16	(30)	180
Movement in fair value of financial derivatives	32	307	(403)
Surplus / (deficit) before taxation		6,662	4,884
Taxation	9	-	-
Surplus / (deficit) after taxation		6,662	4,884
Other Comprehensive Income			
Actuarial (loss) / gain in respect of pension schemes	12	(444)	341
Total Comprehensive Income for the Year		6,218	5,225

The financial statements and accompanying notes on pages 22 to 53 were approved and authorised for issue by the Board on 20th July 2021 and signed on its behalf by


Victor Da Cunha
Chair


Josephine Parsons
Chief Executive and Board Member


Kirsty Semple
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 26 to 53 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		2021 £'000	2020 £'000
Tangible Fixed assets	Note		
Housing properties	14	581,088	566,632
Other fixed assets	15	1,777	1,779
Investment properties	16	1,060	1,090
Investments	18	855	855
		<u>584,780</u>	<u>570,356</u>
Current assets			
Trade and other debtors	17	755	2,419
Cash and cash equivalents		6,829	9,394
		<u>7,584</u>	<u>11,813</u>
Creditors: amounts falling due within one year	19	(57,099)	(57,419)
Net current liabilities		<u>(49,515)</u>	<u>(45,606)</u>
Total assets less current liabilities		535,265	524,750
Creditors: amounts falling due after more than one year	20	(338,497)	(333,597)
Provisions for liabilities			
Pension – defined benefit liability	12	(806)	(360)
		<u>195,962</u>	<u>190,793</u>
Total net assets		195,962	190,793
Reserves			
Income and expenditure reserve		67,788	61,540
Revaluation reserve		128,174	129,253
		<u>195,962</u>	<u>190,793</u>
Total reserves		195,962	190,793

The financial statements and accompanying notes on pages 22 to 53 were approved and authorised for issue by the Board on 20th July 2021 and signed on its behalf by


Victor Da Cunha
Chair


Josephine Parsons
Chief Executive and Board Member


Kirsty Semple
Secretary

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2019	56,530	130,236	186,766
Total Comprehensive Income for the year	5,225	-	5,225
Unrealised surplus / (deficit) on revaluation of investment properties	(180)	180	-
Released on disposal of properties	(35)	(1,163)	(1,198)
Balance at 31 March 2020	61,540	129,253	190,793
Total Comprehensive Income for the year	6,218	-	6,218
Unrealised surplus / (deficit) on revaluation of investment properties	30	(30)	-
Released on disposal of properties	-	(1,049)	(1,049)
Balance at 31 March 2021	67,788	128,174	195,962

The notes on pages 26 to 53 form an integral part of these financial statements.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

STATEMENT OF CASH FLOWS

	2021	2020
	£'000	£'000
Net cash generated from operating activities	26,517	27,994
Cash flow from investing activities		
Purchase of tangible fixed assets	(22,216)	(93,881)
Sale Proceeds	-	-
Grants received	2,750	6,659
Interest received	8	46
	<u>(19,458)</u>	<u>(87,176)</u>
Cash flow from financing activities		
Interest paid	(13,324)	(13,414)
Loan arrangement fee	(300)	(147)
Loan drawn down	11,000	72,000
Loan repayment	(7,000)	-
	<u>(9,624)</u>	<u>58,439</u>
Net change in cash and cash equivalents	(2,565)	(743)
Cash and cash equivalents at beginning of the year	<u>9,394</u>	<u>10,137</u>
Cash and cash equivalents at end of the year	<u>6,829</u>	<u>9,394</u>
Cash flow from operating activities	2021	2020
	£'000	£'000
Total Comprehensive Income for the year	6,218	5,225
Adjustments for non-cash & non-operating activity items:		
Depreciation of tangible fixed assets	6,713	6,350
Decrease in trade and other debtors	1,664	1,657
(Decrease)/Increase in trade and other creditors	(1,365)	1,472
Pension Provision	446	(272)
Movement in fair value of financial derivatives	(307)	403
Amortisation of loan arrangement fee	312	255
Grant amortisation	(510)	(284)
Unrealised deficit on revaluation of investment properties	30	(180)
Interest payable	13,324	13,414
Interest receivable	(8)	(46)
Net cash generated from operating activities	<u>26,517</u>	<u>27,994</u>

The notes on pages 26 to 53 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

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

2. Accounting policies

Basis of accounting

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

The financial statements are presented in Sterling (£).

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

The association is not a qualifying entity, so no disclosure exemptions are available.

Going concern

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

The board's assessment of going concern involves a number of subjective judgements including, but not limited to; increased rent arrears, delayed rent collections, increased voids, reduction in property prices and delays in property sales. In making their assessment the board have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity.

A wide-ranging multivariate stress test has been run on the business plan including the normal suite of scenarios that are tested regularly. The multivariate stress test includes the impact of sensitivities on the association's cash flow requirements, compliance with debt facilities, as well as covenant compliance. Mitigating actions, for instance, delays in non-essential expenditure, staff reductions or government support, have been identified for all scenarios. This stress testing found that the business plan is robust and does not affect the association's ability to meet its obligations.

The association has not suffered significant negative financial impact as a result of COVID-19 to date. As part of the going concern assessment and conclusion, the continuing effects of COVID-19 and post Brexit transition have been considered in the association's forecasts and factored into the stress tests carried out, including any mitigation actions that may be required.

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

Significant judgements and estimates

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

Significant management judgements

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

- Replacement of components
- Depreciation rates

Turnover

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

Sale of Housing Properties

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

Interest Payable

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

Current and Deferred Taxation.

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

Housing Properties

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

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

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

Freehold land is not depreciated.

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

Investment Properties

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

Investment properties were valued at market value as at 31 March 2021. The association's investment properties have been valued by Savills LLP, Chartered Surveyors, and professional external valuers. The full valuation of properties was undertaken in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation - Global Standards 2017 (incorporating the IVSC International Valuation Standards) and the RICS Valuation – Global standards 2017 – UK national supplement, together the "Red Book".

In arriving at their opinion of Market Value the valuers have adopted the following assumptions:

Gross Annual Rent (Current)	£82,000
Voids	5% of Rent Debit pa
Management Costs	8% of Rent Debit pa
Maintenance	2% of Rent Debit pa
Net Yield Applied	6.5% - 7.75%

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Other Fixed Assets

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

The principal annual rates used for other assets are:

Freehold buildings	2% on cost
Long leasehold property	Over life of lease or their estimated useful economic lives if shorter
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

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

Lease

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

Debtors

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

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

Bad and Doubtful Debts

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Creditors

Short term trade creditors are measured at the transaction price.

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

NOTES TO THE FINANCIAL STATEMENTS

Government Grants

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

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

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

Employee Benefits

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

Retirement benefits

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

The association participates in the Social Housing Pension Scheme (SHPS), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions (TPT). In accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP 2018 paragraphs 15.9 to 15.12, SHPS had been accounted for as a defined contribution scheme and a liability recognised for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT however, sufficient information is now available for SHPS. The association has been able to identify its share of the scheme assets and scheme liabilities and has applied defined benefit accounting from 2019. In May 2019, the Financial Reporting Council (FRC) issued amendments to FRS 102: Multi-employer defined benefit plans. The amendments require that the impact of transition from defined contribution accounting to defined benefit accounting be presented in other comprehensive income.

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

Revaluation Reserve

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

NOTES TO THE FINANCIAL STATEMENTS

Financial Instruments

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

Financial Instruments held by the Association are as follows:

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

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

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

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

Impairment of Financial Assets

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

The following financial instruments are assessed individually for impairment:

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

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

NOTES TO THE FINANCIAL STATEMENTS

(c) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(d) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

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

Impairment of Non-financial Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note 3 (Continued)

Particulars of income and expenditure from social housing lettings

	2021		2020	
	Temporary Social housing £'000	Key worker housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	35,442	1,414	36,856	34,051
Service charge income	-	17	17	15
Grant amortisation	508	2	510	284
Turnover from social housing lettings	35,950	1,433	37,383	34,350
Management	(3,761)	(197)	(3,958)	(3,958)
Service charge costs	(1,434)	(11)	(1,445)	(1,420)
Routine maintenance	(2,048)	(136)	(2,184)	(1,558)
Planned maintenance	(494)	(18)	(512)	(704)
Major repairs expenditure	-	-	-	-
Bad debts	(51)	(39)	(90)	(60)
Depreciation of housing properties	(6,293)	(240)	(6,533)	(4,866)
Other costs	(153)	(12)	(165)	(238)
Operating costs on social housing lettings	(14,234)	(653)	(14,887)	(12,804)
Operating surplus on social housing lettings	21,716	780	22,496	21,546
Void losses	(61)	(62)	(123)	(46)

Particulars of turnover from non-social housing lettings

	2021 £'000	2020 £'000
Investment Property Income	76	70
Other Income	29	29
	105	99

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

4. Accommodation in management and development

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

	2021 No of Properties	2020 No of Properties
Social housing		
Temporary social housing	2,558	2,509
Key worker housing	134	134
Total owned	<u>2,692</u>	<u>2,643</u>
Non-social housing		
Investment properties	3	3
Total owned	<u>2,695</u>	<u>2,646</u>

5. Accommodation managed by others

The association owns property managed by other bodies

	2021 No of Properties	2020 No of Properties
Temporary Housing	2,158 ¹	2,146 ¹

¹ Includes 710 GPA (2019/20: 698) (Growth Plan A) units which count as owned and managed for purposes of regulatory returns as Local Space is landlord.

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

	2021 £'000	2020 £'000
Disposal proceeds	14	439
Cost of Disposals	-	-
Carrying value of fixed assets	-	(732)
Surplus / (Deficit)	<u>14</u>	<u>(293)</u>
Capital Grant recyclable/repayable (Note 22)	-	-
Disposals proceeds fund (Note 23)	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. Net Interest

	2021 £'000	2020 £'000
Interest Receivable and similar income		
On financial assets measured at cost:		
Interest receivable from current accounts	8	46
Interest receivable from short term deposits	-	-
Interest on fixed asset investments	-	-
On financial assets measured at fair value:		
Fair value gain on derivative financial instruments	-	-
Total Interest Receivable	8	46
	2021	2020
	£'000	£'000
Interest Payable and financing costs		
On financial liabilities measured at amortised cost:		
On loans repayable within 5 years	8,402	6,836
On loans wholly or partly repayable in more than 5 years	4,893	6,307
Interest on Pension scheme liabilities	9	16
Costs associated with financing	332	526
On financial liabilities measured at fair value:		
Fair value loss on derivative financial instruments	(307)	268
Less: Interest capitalised on housing properties under construction	-	-
Total Interest Payable and Financing Costs	13,329	13,953
Net Interest Payable	13,321	13,907

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

8. Operating surplus

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

	2021	2020
	£'000	£'000
Depreciation of housing properties	6,533	4,966
Depreciation of other tangible fixed assets	179	186
Operating lease rentals		
- office equipment and computers	<u>7</u>	<u>7</u>
Auditors' remuneration (excluding VAT)		
-Fees payable to the association's auditors for the audit of the financial statements	29	28
-Fees payable to the association's auditors for other services:	1	-
Total audit services	<u>30</u>	<u>28</u>
All other services	-	-
Total non-audit services	<u>-</u>	<u>-</u>

9. Tax on Surplus on ordinary activities

Local Space is exempt from tax due to its charitable status so has not incurred any tax liability in 2020/21.

10. Employees

	2021	2020
	No	No
Administration	15	11
Development	6	6
Housing, support and care	19	11
	<u>40</u>	<u>28</u>

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

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

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Note 10 Continued

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

Employee costs:

	2021 £'000	2020 £'000
Wages and salaries	1,757	1,551
Social security costs	205	181
Other pension costs	227	256
	2,189	1,988

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

11. Board members, committee members and executive directors

Executive directors

	Basic Salary £'000	Pension contributions £'000	2021 Total £'000	2020 Total £'000
Chief Executive				
Jitinder Takhar (to 31 August 2019)	-	-	-	63
Josephine Parsons	149	18	167	142
Key Management personnel	552	53	605	488
	701	71	772	693

Key Management Personnel consist of:

- | | |
|----------------------|-----------------------------|
| 1) Philip Sargeaunt | Finance Director |
| 2) Stephen Kirage | Development Director |
| 3) Mark Kent | Operations Director |
| 4) Catherine Diamond | Corporate Services Director |
| 5) Kirsty Semple | Company Secretary |

The Chief Executive is a member of Social Housing Pension Scheme. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS

Note 11 Continued

The emoluments of the highest paid executive director, Josephine Parsons, excluding pension contributions were £149,000 from 1 April 2020 to 31 March 2021 (2019/20: £128,000).

Board and committee members

The association had 15 people who were serving Board and committee members in 2020/21 (2019/20:14). Thirteen of these Board members and Committee members received emoluments of £47,417 during the year (2019/20: £48,437). One member was not entitled to receive emoluments and the second is the Chief Executive whose details are shown above.

	2021	2020
	£	£
Victor Da Cunha	10,417	-
Caitlin Farrow	4,833	7,667
Clive Turner	-	5,604
Manu Nair	833	3,167
Martin Bellinger	4,000	4,000
Richard Stevens	6,000	6,000
Richard Reynolds	-	5,833
Paul Edwards	4,000	2,833
Tim Mulvenna	6,000	6,000
Conor McAuley	4,000	4,000
Nilesh Patel	2,000	2,000
Elizabeth Sipiery	3,833	1,333
Pamela Leonce	167	1,333
Sheron Sadie Carter	167	-
Alywn Lewis	1,167	-
	<u>47,417</u>	<u>48,437</u>

12. Social Housing Pension Scheme

The association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme. The accounting policy in relation to SHPS is set out on Page 30.

The association currently operates career average revalued earnings (CARE) with a 1/180th accrual rate benefit structure for active members.

During the accounting period, the association paid contributions at the rate of 11.3% (2019/20: 11.8%). Member contributions were 4.6% (2019/20: 4.9%).

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Note 12 Continued

As at the Statement of Financial Position date, there were 27 active members of the scheme employed by the association. The total annual pensionable payroll in respect of all members on the scheme during 2020/21 was £1,523k (2019/20: £1,316k). Local Space continues to offer membership of the scheme to its employees.

The TPT valuation at 31st March 2021 shows the fair value of plan assets to be £2,407k (2019/20: £1,960k). The defined benefit obligation valuation at 31st March 2021 was £3,213k (2019/20: £2,320k). The overall deficit recognised in the financial statements is £806k at 31st March 2021 (2019/20: £360k).

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

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

Principle Actuarial Assumptions

	2021	2020
Rate of increase in Salaries	3.87%	2.55%
Rate of increase for pensions in payment / inflation	-	-
Discount Rate	2.21%	2.35%
Inflation Assumptions CPI	2.87%	1.55%
Allowance for commutation of pension for cash at retirement (% of max allowance)	75%	75%

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

	2021 Years	2020 Years
Retiring in 2021		
Males	21.6	21.5
Females	23.5	23.3
Retiring in 2041		
Males	22.9	22.9
Females	25.1	24.5

NOTES TO THE FINANCIAL STATEMENTS

Note 12 Continued

Analysis of Amount Charged to Operating Expenditure

	2021	2020
	£000	£000
Statement of Comprehensive Income (SOI)		
Employer's Costs net of Employees Contributions	208	228
Scheme Expenses	5	5
Interest	9	16
Total SOI	222	249
Other Comprehensive Income (OCI)		
Actuarial (losses)/gains	(444)	341
Total OCI	(444)	341

Movement in surplus/deficit during year

	2021	2020
	£000	£000
Scheme Deficit at start of year	360	632
Employer's Service Costs	208	228
Employer's Contributions	(220)	(180)
Expenses	5	5
Net interest	9	16
Remeasurements	444	(341)
Scheme Deficit at 31 March 2021	806	360

Asset & Liability Reconciliation

	2021	2020
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	2,320	2,208
Service Costs	208	228
Expenses	5	5
Interest Costs	58	56
Employee Contributions	71	65
Remeasurements	558	(231)
Benefits Paid	(7)	(11)
Liabilities at end of period	3,213	2,320

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

Note 12 Continued

Reconciliation of Assets	2021	2020
	£000	£000
Fair value at start of period	1,960	1,574
Employer contributions	220	182
Employee Contributions	71	65
Interest	49	40
Remeasurements	114	110
Benefits Paid	(7)	(11)
Assets at end of Period	<u>2,407</u>	<u>1,960</u>

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

	2021	2020
	£'000	£'000
Global Equity	384	287
Absolute Return	133	102
Distressed Opportunities	69	38
Credit Relative Value	76	54
Alternative Risk Premia	91	137
Fund of Hedge Funds	-	1
Emerging Markets Debt	97	59
Risk Sharing	88	66
Insurance-Linked Securities	58	60
Property	50	43
Infrastructure	160	146
Private Debt	57	40
Opportunistic Illiquid Credit	61	47
High Yield	72	-
Opportunistic Credit	66	-
Corporate Bond Fund	142	112
Liquid Credit	29	1
Long Lease Property	47	34
Secured Income	100	74
Liability Driven Investment	612	651
Net Current Assets	15	8
Total assets	<u>2,407</u>	<u>1,960</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

13. Intangible Assets & Goodwill

The association did not have any intangibles assets at 31st March 2021 (2019/20: Nil)

14. Fixed assets – Housing Properties

	Social Housing Properties held for Letting £'000	Housing properties for letting under construction £'000	Total housing properties £'000
Cost			
At 1 April 2020	555,203	33,999	589,202
Additions	3,867	-	3,867
Properties acquired	10,685	7,487	18,172
Schemes Completed	22,288	(22,288)	-
Aborted Costs	-	-	-
Disposals	(2,634)	-	(2,634)
At 31 March 2021	589,409	19,198	608,607
Depreciation and impairment			
At 1 April 2020	22,570	-	22,570
Depreciation charged in year	6,533	-	6,533
Disposals	(1,584)	-	(1,584)
At 31 March 2021	27,519	-	27,519
Net book value			
At 31 March 2021	561,890	19,198	581,088
At 31 March 2020	532,633	33,999	566,632

Expenditure on works to existing properties

	2021 £000	2020 £000
Components Capitalised	3,867	3,006
Amounts charged to Income & Expenditure	-	-
	3,867	1,107

The Net Book Value of assets charged as security on loans was £428,507k at 31st March 2021.

NOTES TO THE FINANCIAL STATEMENTS

Note 14 Continued

Impairment

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

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

15. Tangible fixed assets – other

	Freehold offices	Computers and office equipment	Furniture, fixtures and fittings	Furniture in properties	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	1,961	611	97	398	3,067
Additions	81	84	11	1	177
At 31 March 2021	2,042	695	108	399	3,244
Depreciation					
At 1 April 2020	370	480	89	349	1,288
Charged in the year	72	75	6	26	179
At 31 March 2021	442	555	95	375	1,467
Net book value					
At 31 March 2021	1,600	140	13	24	1,777
At 31 March 2020	1,591	131	8	49	1,779

NOTES TO THE FINANCIAL STATEMENTS

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

	2021	2020
	£'000	£'000
At 1 April	1,090	910
Additions	-	-
Disposal	-	-
Increase/(decrease) in value	(30)	180
At 31 March	<u><u>1,060</u></u>	<u><u>1,090</u></u>

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

The full valuation basis and key assumptions for the investment properties is set out on Page 28.

17. Debtors

	2021	2020
	£'000	£'000
Due within one year		
Rent and service charges receivable	757	641
Less: provision for bad and doubtful debts	(496)	(406)
	<u>261</u>	<u>235</u>
Other debtors	160	1,800
Prepayments and accrued income	334	384
	<u><u>755</u></u>	<u><u>2,419</u></u>

18. Investments

	2021	2020
	£'000	£'000
MORhomes – Investment Equity	280	280
MORhomes – Contingent Convertible Loan	575	575
	<u><u>855</u></u>	<u><u>855</u></u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

19. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	98	409
Rent and service charges received in advance	1,977	1,914
Key worker tenant deposit	102	100
Other taxation and social security	123	51
Amounts due to property providers	174	174
Grant (Notes 21 and 22)	544	470
Holiday Pay	45	29
Accrued loan interest	1,419	1,474
Bank loans	48,975	48,000
Newham Sum	2,550	2,576
Accruals and deferred income	1,092	2,222
	<u>57,099</u>	<u>57,419</u>

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

	2021	2020
	£'000	£'000
Debt (Note 32)	322,714	319,984
Grant (Notes 21 and 22)	15,783	13,613
Total	<u>338,497</u>	<u>333,597</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

21. Grant

	2021	2020
	£'000	£'000
At the start of the Year	13,689	7,371
Grants Received during the year:		
Housing properties	2,750	6,602
Grant Recyclable/Repayable on Disposals	-	-
Disposal Proceeds Fund	-	-
Grants recycled during the year:		
Housing properties	-	-
Amortised Grant	(510)	(284)
At the end of the Year	<u>15,929</u>	<u>13,689</u>
Due within one year	531	456
Due in more than one year	15,398	13,233
	<u>15,929</u>	<u>13,689</u>

22. Recyclable/Repayable Capital Grant

	2021	2020
	£'000	£'000
At the start of the Year	398	491
Inputs to fund:		
Grant repayable/recyclable on disposals	-	57
Grants recycled during the year:		
Housing purchases	-	(150)
Major Repairs	-	-
Transfers to other private Registered Providers	-	-
Repayment of Grant	-	-
At the end of the Year	<u>398</u>	<u>398</u>
Due within one year	13	13
Due in more than one year	385	385
	<u>398</u>	<u>398</u>

LOCAL SPACE

Report and financial statements for the year ended 31 March 2021

NOTES TO THE FINANCIAL STATEMENTS

23. Disposal Proceeds Fund

The disposal Proceeds Fund was ceased in 2018.

24. Obligations under finance leases

The association does not have any finance lease arrangements.

25. Analysis of Change in Debt

	At 31.03.2020 £'000	Cashflows £'000	Other Changes £'000	At 31.03.2021 £'000
Cash at bank and in hand	9,394	(2,565)	-	6,829
Overdrafts	-	-	-	-
Total	9,394	(2,565)	-	6,829
Debt due within one year	48,000 ¹	-	975	48,975
Debt due after one year	320,077	4,000	(975)	323,102
Current asset investments	-	-	-	-
Total	368,077	4,000	-	372,077

¹£48,000 Lloyds RCF facility repayable in 2020/21 subsequently extended for 5 years on 29th May 2020.

26. Share capital

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

	2021 No	2020 No
Shares of £1 each issued and fully paid		
At 1 April	8	8
Joining during the year	3	3
Leaving during the year	(2)	(3)
At 31 March	9	8

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

NOTES TO THE FINANCIAL STATEMENTS

27. Capital commitments

	2021	2020
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements:		
Expenditure on property purchases where contract has been exchanged	1,010	642
Capital expenditure which has been authorised by the Board but has not yet been contracted for:		
Expenditure on property purchases where contracts not exchanged	435	7,343
	<u>1,445</u>	<u>7,985</u>

The above commitments will be financed primarily through internal funds. Commitments at 31st March 2021 include 3 properties where contracts have been exchanged awaiting completion (31st March 2020 – 8 properties).

28. Contingent assets/liabilities

The association had no contingent assets or liabilities at 31 March 2021 (2020: Nil).

29. Operating leases

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

	2021	2020
	£'000	£'000
Within one year	7	7
Between one and five years	<u>6</u>	<u>13</u>

The lease agreements relate to office equipment.

30. Grant and financial assistance

	2021
	£000
Total accumulated Government Grant and financial assistance received or receivable at 31 st March 2021	15,419
Held as deferred capital grant	15,929
Recognised as income in statement of Comprehensive Income in the current period	510

NOTES TO THE FINANCIAL STATEMENTS

31. Related parties

Josephine Parsons, who is the Chief Executive, is also a member of the Board. Shaban Mohammed, a Board member is also a Councillor at the London Borough of Newham.

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

32. Financial Instruments and risk management

Analysis of debt repayable in more than one year

	2021	2020
	£'000	£'000
Bank loans	198,102	195,077
Bond	75,000	75,000
MORhomes	50,000	50,000
Fair value of the interest rate swap	1,613	1,920
Arrangement Fee	(2,001)	(2,013)
Total	<u>322,714</u>	<u>319,984</u>

Liquidity

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

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

Security

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

Terms of repayment and arrangement fee

The loan from Lloyds (£125m) is repayable commencing 2021. The loan from Santander (£81m) is repayable commencing 2021. The loan from Barclays (£41m) is repayable commencing 2024. The M&G Bond of £75m is repayable commencing 2048. The MORhomes (£50m) funding is repayable in 2038.

At 31 March 2021 the association had undrawn loan facilities of £21m (2020: £25m). All debts are secured by a first charge over properties owned by the association.

NOTES TO THE FINANCIAL STATEMENTS

Note 32 continued

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

	2021 £'000	2020 £'000
Within one year or on demand	48,975	48,000 ¹
Between one and two years	44,043	78,000
Two years or more but less than five years	144,059	66,077
Five years or more	135,000	176,000
	<u>372,077</u>	<u>368,077</u>

¹ £48m Lloyds RCF facility repayable in 2020/21 subsequently extended for 5 years on 29th May 2020.

Derivative Financial Instruments - Interest Rate Swap

The association has entered into two standalone interest rate swap arrangements on 31 March 2016. The swaps are based on a notional amount of £5m each. The fair value of the interest rate swaps at March 2021 is £1.6m (adverse), a favourable movement of £0.3m from £1.9m (adverse) in 2019/20.

Financial Instruments

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

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

Credit risk

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

Interest rate risk

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

Categories of financial assets and financial liabilities

	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost	372,077	368,077
Total	<u>372,077</u>	<u>368,077</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 32 continued

Financial assets

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

	2021 £'000	2020 £'000
Floating rate on money market deposits	6,763	9,328
Financial assets on which no interest is earned	65	66
Total	<u>6,828</u>	<u>9,394</u>

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

The association's cash and cash equivalents earned interest at a variable rate of 0.01% during the year 2020/21.

Financial liabilities excluding trade creditors – interest rate risk profile

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

	2021 £'000	2020 £'000
Fixed rate	272,077	257,000
Floating rate	100,000	111,077
	<u>372,077</u>	<u>368,077</u>

The weighted average cost of borrowing at 31st March 2021 was 3.67%

The association has undrawn agreed committed borrowing facilities of £21m. The repayment profile for undrawn facilities is shown as follows:

	2021 £'000	2020 £'000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	2,000	25,000
Expiring in more than two years	19,000	-
	<u>21,000</u>	<u>25,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 32 continued

Borrowing facilities

Financial liabilities at fair value through the statement of comprehensive income

	2021 £'000	2020 £'000	Movement £'000
Movement in fair value of financial derivatives	1,613	1,920	307 (Fav)

33. Newham Sum (NS)

The Newham Sum is calculated according to the Master Agreement between Local Space and the London Borough of Newham (LBN). The Newham Sum for 2020/21 is £2,602m (2019/20: £2.576m).

34. Events after the End of the Reporting Period

On 26th May 2021 Local Space agreed a new Private Placement of £61m with MetLife. £40m was received on close date with a further £21m due in September 2022. Funding has maturity dates ranging from May 2043 to September 2052.