At home with LOCAL SPACE

Report and financial statements

for the year ended

31 March 2022

Registered Co-operative and Community Benefit Society No 29840R

Registered Social Housing Provider No LH4454

Index to the Financial Statements

Corporate information

Board Members

Victor Da Cunha	(Chair)	
Martin Bellinger		
Paul Edwards		
Conor McAuley		
Tim Mulvenna		
Richard Stevens		
Josephine Parsons		
Alwyn Lewis		
Pamela Leonce		
Sheron Carter	(Senior independent Board Member)	

Audit and Risk Committee

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

Nominations and Remuneration Committee

Tim Mulvenna	(Chair)	
Paul Edwards		
Pamela Leonce		
Sheron Carter		

Executive Management Team

Josephine Parsons	Chief Executive	
Mark Kent	Operations Director	
Philip Sargeaunt	Finance Director	
Stephen Kirrage	Development Director	*(to 4th March 2022)*
Catherine Diamond	Corporate Services Director	
Kirsty Semple	Company Secretary	*(to 10th December 2021)*
Deirdre LaBassiere	Company Secretary	*(from 15th December 2021)*

Main Banker

Lloyds Bank plc 25 Gresham Street, London EC2V 7HN

Auditor

Devonshires Solicitors LLP 30 Finsbury Circus, London EC2M 7DT

Solicitors

Beever and Struthers 15 Bunhill Row, London EC1Y 8LP

Chair's Message

The past year, my second as Chair of Local Space, has seen us emerge successfully from the worst of the significant challenges posed to our customers and colleagues by the Covid pandemic. Looking forward we are now reaping the benefits of improved technology to enable more flexible and efficient working practices, but we very much welcome now being able to meet colleagues and customers face to face.

Post pandemic we face a new set of challenges including the impact of the cost of living crisis on our customers, staff, and key partners. Demand for affordable housing in London remains high as are the number of families in East London needing temporary accommodation. The emphasis of our strategy over the next few years is to continue the focus on quality of homes and services for our existing customers and to further develop and implement our Beyond Bricks strategy to help customers sustain their tenancies during these challenging times. We continue to work actively with our strategic partners to explore how we might achieve further growth in the medium term too.

In February the Regulator of Social Housing commenced their periodic In Depth Assessment of Local Space which concluded in July 2022 and we are pleased to have retained the highest regulator rating of G1 V1.

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 throughout. 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 top priority is all about delivering great services to customers and to that end, we saw – disappointingly – a decline in overall satisfaction which stood at 68% at year end Directly Managed (stock owned and managed by Local Space) 71% and Growth Plan A (Growth portfolio stock owned by Local Space but managed by London Borough of Newham on our behalf) 66% against our target of 81%. This is a decrease from the 74% we reported last year. Increasing the overall level of customer satisfaction will be an area of continued focus over the coming year as we return to a more normal operating environment. Other key activities planned include:

- Bringing back 'in-house' day to day maintenance of a significant number of properties previously managed by London Borough of Newham
- Implementing our new Tenant Engagement Strategy
- Embedding the cultural elements of our new customer service training programme
- Further developing and rolling out customer digital self-service channels
- Re-invigorating our Tenants Panel scrutiny activity

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 an equivalent way.

During the last year our portfolio grew slightly less than we had initially envisaged due to ongoing pandemic and subsequent lack of availability of suitable properties on the market, but we still nonetheless delivered 2 homes in Newham (GPA), 35 homes in Waltham Forest (GPB) and 44 in our new partner, Tower Hamlets (GPC). As ever, our fully refurbished homes generate very high levels of customer satisfaction, with satisfaction remaining high at 94% compared to target 93%.

We have £10m set aside in our financial plan for decarbonisation of our homes so we can ensure that they all achieve 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 Local Space's properties was 78% for our Growth Plan A properties and 72% for our directly managed stock

Being a successful, well managed business

Our third and final priority is to be a well-managed and successful business. It is pleasing to report that we secured another strong net surplus of £8.7m (2020/21: £6.2m) and grew our asset base further to £602m (2020/21: £585m). Our operating margin was also maintained at an extremely healthy 64% (before the contracted Newham Sum), 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 immensely 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 addition to £61m of new funding with a private placement with Metlife, agreed last year, we secured a further £25m of fixed rate funding for 5 years with Lloyds Bank in March 2022. These transactions have helped us fix a substantial proportion of our debt going forward at extremely low competitive rates, reflecting our sector best credit rating.

In support of good governance, we conducted an internally led governance review, achieved full compliance with the National Housing Federation's 2020 Code of Governance and have strengthened our group-risk escalation and assurance processes ensuring that the Board is sighted on the right risks at the right time. To further augment the knowledge, skills and behaviours of Board members to serve the communities of Local Space and the diversity of London overall, Board Members undertook a skills audit, including consideration of skills related to the economic environment.

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 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

Board Report

The Board of Local Space is pleased to present its report and the audited financial statements for the year ended 31 March 2022.

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 2021/22 were as below and performance against these objectives is reported on Page 8 of these statements:

Strategic Objectives:	Primary Performance Goals:
Homes that people want to live in	• Deliver the last part of the LBN growth programme • Deliver more additional homes for London Borough of Waltham Forest • Deliver start of London Borough of Tower Hamlets programme • Start delivery of the London Borough of Hackney reprovision programme • Deliver year 3 of our 7-year stock investment programme • Customer satisfaction with new product 93% or better • Customer satisfaction with condition of home 77% or better
Services that our customers are happy with	• Our relaunched customer complaints service will be working well • Customer satisfaction with complaints outcomes will be 82% or better • Customer satisfaction with the complaints process is 92% or higher • Customer satisfaction with services is 81% or better across all our homes • Further develop our infrastructure to support our digital offer and plan our App • No notifiable data breaches in year • Complete renegotiation of LBWF agreement
Being a successful business	• 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
Being a well-managed organisation	• Staff satisfaction will increase compared to 2020/21 • We will tell our distinctive story in our local area, and in our sector • We will complete an options appraisal for managing GPA homes
Beyond Bricks	• We will plan our network of support including identifying suitable partners to work with • We will plan delivery of our carbon neutral programme to include improved fuel efficiency in homes • We will work with our residents panel to design and plan our revised resident involvement programme

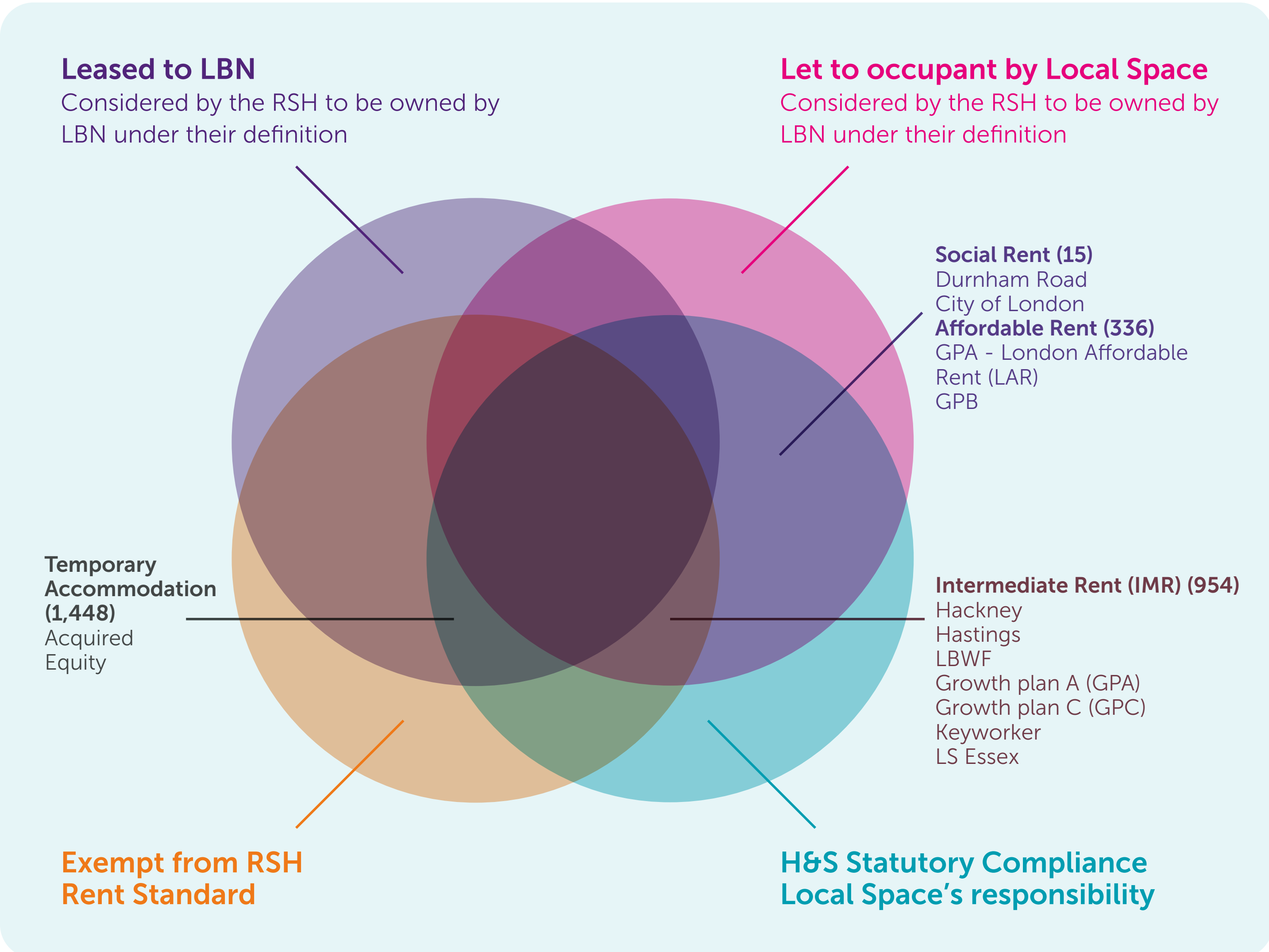
Local Space Business Model

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.

The Diagram below summarises our stock in terms of ownership and regulatory obligations.

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. 2021/22 was the sixth year of the growth programme. The ongoing impact of the global pandemic, adversely impacted on Local Space's ability to deliver its programmed growth in both 2020/21 and 2021/22 but as at 31st March 2022 we have acquired a total of 968 properties across our portfolios. Going forward we will continue to look to achieve modest growth, and our plan assumes a total of 210 further acquisitions, including 50 for Hackney reprovision) in the 3 years commencing 1st April 2022.



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, 2021/22: 55% (2020/21: 60%) as calculated after deducting the Newham Sum compared with median operating margins of 23.9% (England) and 19.4% (London) in our sector (2020/21). Our net margin in 2021/22 was 23% (2020/21: 17%). Our credit rating with Standard and Poors has been maintained at AA- and outlook updated to Negative which reflects the current economic conditions. Our rating is still strong and our financial plan is prudently robust and able to withstand any future significant adverse changes in economic conditions going forward. Further to the recent IDA we remain fully compliant with our regulator's highest standards, G1V1.

Future Prospects

The growth programme for 2022/23 assumes a total of 40 acquisitions across Waltham Forest and our new partners, Tower Hamlets, and a further 10 for our Hackney reprovision programme. Subsequent years to 2024-25 show 80 acquisitions per annum split 20 each on Newham, Waltham Forest, Tower Hamlets and Hackney Reprovision. Acquisitions for Waltham Forest are limited to 20 acquisitions per annum due to a change in the use of RTB capital receipts from April 2022 limiting grant availability.

We have successfully now completed 3 years of our 7-year accelerated reinvestment programme and plan to spend a further £8.7m (including £1.4m on carbon neutrality) over the next 2 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 continue to assess work and the costs 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. A further £25m additional bank funding was secured in March 2022 for 5 years at competitive rates.

85 new properties were acquired and a total of 81 properties were handed over for letting during the year to provide much needed new homes for families and individuals. At 31st March 2022 the cumulative number of properties acquired since the commencement of the growth programme was 967 (including 199 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 14 weeks (2020/21: 13.4 weeks) compared to our target of 16 weeks.

The Covid 19 pandemic had a widespread effect on the UK economy and the social housing sector.

Local Space responded to this by implementing measures to ensure the ongoing health and safety of our customers, staff and contractors have been maintained. This included safe access to homes to ensure important safety checks and component replacements are carried out safely. Post pandemic, the housing market is now returning to normal operation and Local Space continues in its delivery. We now have much reduced growth assumptions going forward in line with our corporate objectives priorities so fully expect to meet the growth target for 2022/23. 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 2021/22 is provided in the table overleaf:

Local Space Performance in 2021/22

Financial performance has been satisfactory in the year with an operating surplus of £24.6m before the Newham Sum (2020/21: £22.6m), and a net surplus of £8.7m (2020/21: £6.2m).

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.

Value for Money metrics and Performance measures	2021/22 Actual	2020/21 Actual	2021/22[4] Plan	2022/23[5] Plan	Median for sector 2020/21[6]
Reinvestment %	5.4%	3.8%[3]	11.0%	3.6%	4.4%
New supply delivered	4.7%	3.9%[3]	4.2%	3.7%	0.7%
Gearing	60.9%	62.5%[3]	59.7%	61.5%	40.5%
EBITDA-MRI Interest cover	171.5%	181.6%[3]	166.5%	150.7%	N/A
Headline social housing cost per unit[1]	£6,216	£5,209[3]	£5,249	£6,106	£6,200
Operating Margin	54.6%	60.3%[3]	52.5%	50.0%	19.40%
Return on capital employed (ROCE)	4.4%	4.2%[3]	3.2%	3.2%	2.1%
Liquidity[2]	96.8%	93.4%	76.0%	74.0%	N/A
Total number of homes	2,753	2,692	2,804	2,803	N/A
Number of new homes acquired (net of sales)	61	49	117	50	N/A
Number of new homes let	71	119	N/A	N/A	N/A
Investment in existing homes	£3.0m	£3.9m	£3.1m	£4.6m	N/A
Investment in new homes	£17.0m	£33.0m	£64.9m	£18.4m	N/A
Rent losses (void and bad debts as % rent and service charges receivable)	0.8%	0.6%	0.5%	0.6%	N/A
Rent arrears (gross arrears as % rent and service charges receivable)	2.6%	2.2%	2.0%	2.0%	N/A
Operating margin (social housing)	31.9%	43.1%[2]	60.4%	49.9%	23.7%
Net surplus	£8.7m	£6.2m	£7.6m	£5.3m	N/A
Surplus for the year (as % income from lettings)	22.6%	16.6%	19.6%	13.4%	N/A

[1]Headline social housing cost per unit is based on all management and repair costs (including capitalised major works) before Newham Sum payment, divided by total number of social housing units owned. Calculation basis changed from 2021/22.

[2] Liquidity is calculated as current assets divided by current liabilities (excluding loan repayments)

[3] Comparatives restated based on the calculated metrics from the Regulator's guidance.

[4] 2021/22 based on plan agreed by Board in April 2021.

[5] 2022/23 and 2023/24 based on plan agreed by Board in May 2022.

[6] Median based on Value for money report annex to Global Accounts 2021 for Providers owning/managing more than 1,000 homes in London region.

The variance between actual and planned results for 2021/22 is largely due to:

(i) Fewer properties purchased and handed over due to residual impact of the pandemic's effect on the property market. This impacted 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 headline social housing cost per unit is higher due to (ii) above and also because we changed the basis of allocating actual costs to social and non-social housing units from 2021/22. Previously actual costs were allocated to the total number of units.

(iv) The plan shows reduced EBITDA (MRI) Interest Cover going forward due to increased investment set aside in plan for asset management consistent with our corporate strategy objective.

Key results for 2021/22 are as follows:

Homes That People Want to Live In

- Although still partly impacted by the global pandemic 85 properties were acquired with 81 properties handed over to our partners to house families in need.
- Satisfaction with our new homes was 94%. All but 1 of our homes met the Decent Homes Standard at the end of 2021/22. The final property not meeting standard was due to it requiring a specially made door as part of the front door entrance. This work was completed in April 2022.
- Our portfolio grew slightly less than we had initially envisaged due to residual impact of pandemic on the housing market.

Services that Our Customers Are Happy With

- 68% of our customers are satisfied with our services.
- 100% Fire Risk Assessments were completed on time as at 31st March 2022. There were no overdue actions of more than 12 months.
- 99.5% of Gas Safety certification was achieved at 31st March 2022. 11 cases were overdue, all of which are at the court stage of enforcement.
- 100% Lift certification was achieved in 2021/22.
- Local Space is progressing its programme of Electrical Safety testing in all properties and was at 81% at 31st March 2022. Work is accelerating in this area with compliance at 88% at the end of April 2022 with 100% targeted by end of Q1 2022/23.
- Tenant panel were issued with digital devices to facilitate virtual meetings. The panel met to discuss a new Customer Engagement Strategy. The chair of the panel attended board meetings making representations on behalf of the panel.

Being A Successful Business

- Overall arrears were at 1.94% (v target of 2.5%) at the end of 2021/22.
- Void losses remain low at 0.39% versus target of 0.28%.
- Net margin increased to 23% compared to 17% in 2020/21.
- Operating margin after Newham Sum payment was 57.2%.

Being A Well Managed Business

- Pay and benefits framework has been reviewed. The new benefits enhanced package was reviewed in 2020/21 and communicated to all staff. The new pay framework was fully implemented at the end of the 2021/22 financial year.
- The regulator commenced its In Depth Assessment (IDA) of Local Space in February 2022 and the result of this is expected to be published in July 2022.
- 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 rose to a high of 86.10%. The Nominations and Remuneration committee agreed the end of the PRP scheme and the implementation of new job evaluation scheme. Phase 1 of the job evaluation scheme was completed in 2020/21 and Phase 2 (fully synchronised job evaluation scoring with the new pay framework) by the end of the 2021/22 financial year.
- Local Space has further strengthened cyber security during 2021/22, achieving cyber essentials accreditation for the third consecutive year, the introduction of Office 365 was fully supported by 2 factor authentication, including administration accounts and installation of up-to-date anti-virus software on all of our hardware devices.
- Additional investment has been made improving the functionality of our housing and asset management software in order to provide a better service to our customers. For example, we launched the tenant portal, My Account, so that our customers can more easily access their tenancy details, pay their rent and report repairs.

We are working closely with Civica, our software providers, on this project. We have also invested in internal resources to improve our knowledge base and ensure staff stakeholder involvement.

- Phase 2 of the People First programme for all colleagues was successfully delivered in 2021/22, alongside the introduction of project management guidelines supported by more advanced project management training. Unconscious bias training was also succeeded by cultural and micro aggression awareness training, that was supported by the up dated EDI (Equalities, Diversity Inclusion) strategy.

On average 48 homes were re-let in the year (2020/21: 24) with an average turnaround time of 113 days. Arrears management has undergone significant review and improvement during the year. As a consequence, arrears have improved slightly to 1.94%. Investment in existing homes was £3.0m in the year (2020/21: £3.9m) and 363 homes (2020/21: 525) 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.

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 2021/22 was £17m (2020/21: £33.0m). We made net drawdowns of £25m 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 remains relatively high at 60.9% (2020/21: 62.5%). 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 40.5% (London) 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.

Local Space has updated the basis allocation of costs in Note 3 between Social and Non-Social Housing activities to reflect consistency with stock definitions in the SDR (Statistical Data Return). This means that all turnover and operating costs relating to stock in the Equity and Acquired portfolios is allocated to Non-Social Housing on the basis that they are leased to London Borough of Newham and are considered owned by them for regulatory returns purposes. Social Cost Per Unit metrics have been calculated on this basis for 2021/22 with a recalculation of the metric for 2020/21.

Headline social housing costs per unit have increased in 2021/22 to £6,216 (2020/21: £5,209 restated). This is in-line with 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 2020/21. This outturn is consistent with our corporate strategy of investing more in our existing customers and their homes. Future investment includes £10m which has been 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. In 2021/22 Interest cover was 172% (2020/21: 182% restated) due to increased spend on fixed assets consistent with our strategy of increased focus on existing customers and their homes. The sector (London) median is 118.0%. 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, and a further £25m five-year fixed rate bank funding secured in March 2022. 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). An update on the Value for Money Strategy was provided to Board in December 2021.

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

During 2021/22 Local Space conducted an in-depth review and update of its Risk Management arrangements and Risk Map content. The top nine risks we are monitoring within the business this year are shown in table below:

Main mitigating actions:

Risk: Health & Safety neglect adversely impacting customers

- Fire Risk Assessments
- Gas Safety – dedicated officer, monthly reviews with contractors, use of court procedures where required.
- Health & Safety Policy
- Internal Audits
- Regular Health & Safety Reporting to Executive Management Team and Board with KPIs (Key Performance Indicators).

Risk: Exposing staff and contractors to health and safety risks

- Updated alerts on housing management system and liaison with local authorities to flag higher risk customers/properties
- Health & Safety Policy
- Health & Safety Risk Assessments reworking at office, working from home, and lone working and subsequent updates of guidance for staff.
- Regular staff surveys and consequent action plans where necessary

Risk: Ineffective governance arrangements that compromise ability to achieve objectives

- Annual Report to Board on legal and regulatory compliance with interim reports as required
- Board member appraisals, inductions, training, and succession planning
- Board work programme maintained and reviewed at Board meetings
- Code compliance review
- Compliance checklist maintained v regulatory standards
- Regular Executive Management Team review of outstanding Internal Audit actions reported to Board in KPI (Key Performance Indicators) reports
- Fraud prevention – Governance procedures, delegated authorities, anti-fraud policy, cyber fraud awareness training, financial controls and regulations.
- Governance review every 3 years
- HALA (Housing Association's Legal Alliance) framework
- NHF (National Housing Federation) Code of Governance 2020 adopted for compliance
- Policies and procedures framework
- All Board papers subject to peer review by Governance Director and Chief Executive

Risk: Financial resilience compromised by its inability to exercise effective management of Local Space's finances

- Additional headroom on lenders covenants (Triggers formerly Golden Rules). All plans and budgets set compliant with Triggers. Where actual performance below Triggers report to Board with commentary on risks and timescale for rectification
- Annual (and interim as required) report to Board on Budget and Financial Plan for review and approval. Reports supported with stress testing undertaken by independent financial advisors
- Costed Mitigation Plan maintained and reported to Board annually (and interim as required) to demonstrate actions required to recover from worst case scenarios identified Annual review of insurance cover required in current environment in advance of annual review. Process supported by external consultancy.
- Costed Mitigation Plan maintained and reported to Board annually (and interim as required) to demonstrate actions required to recover from worst case scenarios identified Annual review of insurance cover required in current environment in advance of annual review. Process supported by external consultancy.
- Anti-Fraud, Bribery and Corruption Policy
- Daily cash flow monitoring and reporting including liaison with Development Team
- External audit of annual financial statements
- Finance policies and procedures
- Financial Regulations
- Minimum of £10m undrawn facility

- Minimum of 70% of debt maintained at fixed rate
- Quarterly reporting to Board on Treasury (including forecasts and security updates) and Management Accounts. Monthly reports to Executive Management Team
- Scrutiny of audited financial statements by Audit & Risk Committee for recommendation of approval by Board

Risk: Data/information being lost and/or inaccurate

- Additional IT controls including Microsoft Intune for mobile devices and 2 factor authentication for key systems.
- Achieve cyber essential accreditation for three consecutive years, including running an annual deep dive review to identify any attempted cyber threats to our systems.
- Biannual departmental compliance statements
- Housing Management System (Civica CX) improvement programme including review of customer data in 2022/23 to gain additional assurance on accuracy and make improvements as required.
- Data retention policies, schedules and sharing agreements.
- GDPR (General Data Protection Regulation) compliant Data Protection Policy
- Independent consultant review of regulatory returns for 1 year cycle commencing 2021.
- Internal Audits of data accuracy informing Health & Safety Board reports and Regulatory Returns in 2021
- IT Policies & Procedures
- Ongoing staff and Board training

Risk: Inadequate customer service, customer engagement and communication resulting in customers' needs not being heard

- Annual customer surveys and focus groups
- Annual review of asset replacement programme
- Complaints monitoring and follow up
- Customer First Training programme for all managers with leadership roles and subsequent roll out for all staff. Other tailored training as required.
- Departmental customer loyalty plans being developed in 2022 to build on the '7 Habits of Successful People' programme
- Digital services roll out to customers
- Quarterly reporting to Board on key KPIs. Monthly reporting to Executive Management Team
- Recruitment and retention of good quality staff
- Service arrangements in place for new contract with repairs contractor Axis
- Tenant Engagement Strategy approved by Board November 2021

Risk: Inadequate and or Inefficient Financial Control

- Annual Budget setting and Quarterly forecasts to Board Asset & Liability Register detailing key assets and liabilities updated monthly
- Independent external audit of financial statements
- Independent review and stress testing of Financial Plan by financial advisors
- Internal Audit programme based on key risks
- Monthly financial reporting to Executive Management Team
- Quarterly Financial performance and Treasury Reports to Board
- Monthly reconciliation of balance sheet control accounts reviewed by Head of Finance

Risk: Unable to meet strategic growth objectives

- Daily cash flow forecasting to ensure liquidity in place to fund short term commitments
- Development and Finance regular (at least monthly) liaison meetings to review suitability of uncharged stock for allocation to future loan facilities
- Development Strategy (updated May 2022)
- Stress testing of financial plan to assess impact of property inflation
- Implementation Programme agreed by Board with updated buying limits
- Treasury reporting with medium to long term cash flow forecasts to facilitate liquidity in place to enable growth programme to be financed without undue delay

Risk: Unable to meet Beyond Bricks Corporate Objective

- Action Plan to Board Awayday in June 2022 to inform strategy update (September 2022)
- Strategy to identify key KPI measures to be used to set targets and measure performance v targets
- Application for grant from Social Housing Decarbonisation Fund. Awaiting further information regarding Wave 2.

Governance

Local Space has maintained its high standards of governance, ensuring that it retains its G1 V1 status. During the year, there was an internally led governance review with external meeting observations 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, and this has gone well, with a high level of engagement from Board members. The Board has also reviewed and refreshed its skills make-up in order to ensure that Local Space has the right combination of people with the necessary skills and competencies to maintain an effective board working towards the achievement of Local Space's strategic objectives.

In January 2021 Local Space adopted the NHF Code of Governance 2020 and it followed this Code in this year and it will report against this Code in future years. It reviews its compliance with its Code annually and is fully compliant with the 2020 Code. 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's Economic and Consumer Regulatory Standards.

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.

Board approved committee terms of reference and delegated authorities comprise the following:

- 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;
- Training plans and skills matrix for the Board to be approved by the Nominations & Remuneration Committee;
- Nominations & Remuneration Committee approves annual payments to the CEO and agrees the annual objectives of the CEO.

A comprehensive programme of independent 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 Quality Part 1	Reasonable Assurance
Staff health and safety and well being	Reasonable Assurance
Business Planning	Reasonable Assurance
Data Quality Part 2	Reasonable Assurance
Landlord health and safety (gas, electrical asbestos and fire safety)	Reasonable Assurance
Regulatory returns	Reasonable Assurance
Key financial controls	Reasonable Assurance
Follow up	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. There are 2 medium (both on reactive maintenance) and 1 low (lettings checklist) priority actions outstanding from Follow Up audit and these are due for completion by July 2022.

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.

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
19th July 2022

Josephine Parsons
Chief Executive
19th July 2022

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 2022. 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 19th July 2022 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

2022 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 2022 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 2022.

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.

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 18, 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.

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 2022, 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 noncompliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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

Beever and Struthers Statutory Auditor, Chartered Accountants 15 Bunhill Row London EC1Y 8LP
Date: 31 August 2022

Statement of Comprehensive Income

	Note	2022 £'000	2021 (Restated) £'000
Turnover	3	38,500	37,488
Operating expenditure	3	(17,488)	(14,887)
Gain / (Loss) on disposal of property, plant and equipment fixed assets	6	3,646	14
Unrealised (loss) / surplus on revaluation of investment properties	16	(15)	(30)
Operating surplus	8	**24,643**	**22,585**
Newham Sum	33	(2,628)	(2,602)
		22,015	**19,983**
Interest receivable	7	-	8
Interest and financing costs	7	(14,009)	(13,636)
Movement in fair value of financial derivatives	32	205	307
Surplus / (deficit) before taxation		**8,211**	**6,662**
Taxation	9		-
Surplus / (deficit) after taxation		**8,211**	**6,662**
Other Comprehensive Income Actuarial (loss) / gain in respect of pension schemes	12	505	(444)
Total Comprehensive Income for the Year		8,716	6,218

The financial statements and accompanying notes on pages 23 to 56 were approved and authorised for issue by the Board on 19th July 2022 and signed on its behalf by

Victor Da Cunha
Chair

Josephine Parsons
Chief Executive and Board Member

Deirdre LaBassiere
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 27 to 56 form an integral part of these financial statements.

Statement of Financial Position

	Note	2022 £'000	2021 £'000
Tangible Fixed assets			
Housing properties	14	598,572	581,088
Other fixed assets	15	1,876	1,777
Investment properties	16	1,045	1,060
Investments	18	855	855
		602,348	**584,780**
Current assets			
Trade and other debtors	17	2,983	755
Cash and cash equivalents		5,657	6,829
		8,640	**7,584**
Creditors: amounts falling due within one year	19	(52,970)	(57,099)
Net current liabilities		**(44,330)**	**(49,515)**
Total assets less current liabilities		**558,018**	**535,265**
Creditors: amounts falling due after more than one year	20	(356,646)	(338,497)
Provisions for liabilities			
Pension – defined benefit liability	12	(428)	(806)
Total net assets		**200,944**	**195,962**
Reserves			
Income and expenditure reserve		76,519	67,788
Revaluation reserve		124,425	128,174
Total reserves		**200,944**	**195,962**

The financial statements and accompanying notes on pages 23 to 56 were approved and authorised for issue by the Board on 19th July 2022 and signed on its behalf by

Victor Da Cunha
Chair

Josephine Parsons
Chief Executive and Board Member

Deirdre LaBassiere
Secretary

The notes on pages 28 to 57 form an integral part of these financial statements.

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 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**
Total Comprehensive Income for the year	8,716	-	8,716
Unrealised surplus / (deficit) on revaluation of investment properties	15	(15)	-
Released on disposal of properties	-	(3,734)	(3,734)
Balance at 31 March 2022	**76,519**	**124,425**	**200,944**

The notes on pages 27 to 56 form an integral part of these financial statements.

Statement of Cash Flows

	2022 £'000	2021 £'000
Net cash generated from operating activities	22,984	26,517
Cash flow from investing activities		
Purchase of tangible fixed assets	(32,842)	(22,216)
Sale Proceeds	9,950	-
Grants received	12,929	2,750
Interest received	-	8
	(9,963)	(19,458)
Cash flow from financing activities		
Interest paid	(13,678)	(13,324)
Loan arrangement fee	(540)	(300)
Loan drawn down	120,006	11,000
Loan repayment	119,981)	(7,000)
	(14,193)	(9,624)
Net change in cash and cash equivalents	(1,172)	(2,565)
Cash and cash equivalents at beginning of the year	6,829	9,394
Cash and cash equivalents at end of the year	**5,657**	**6,829**
Cash flow from operating activities		
Total Comprehensive Income for the year	8,716	6,218
Adjustments for non-cash & non-operating activity items:		
Depreciation of tangible fixed assets	6,951	6,713
(Increase)/decrease in trade and other debtors	(2,229)	1,664
Increase/(decrease) in trade and other creditors	478	(1,365)
Pension Provision	(378)	446
Surplus on fixed asset disposals	(3,646)	-
Movement in fair value of financial derivatives	(205)	(307)
Amortisation of loan arrangement fee	331	312
Grant amortisation	(727)	(510)
Unrealised deficit on revaluation of investment properties	15	30
Interest payable	13,678	13,324
Interest receivable	-	(8)
Net cash generated from operating activities	**22,984**	**26,517**

The notes on pages 27 to 56 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 2022. 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.

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 compromises 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.

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 2022. 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 2022 (incorporating the IVS – International Valuation Standards) the "Red Book Global Standards".
In arriving at their opinion of Market Value the valuers have adopted the following assumptions:

Gross Annual Rent (Current)	£82,000
Management Costs	8% of Rent Debit pa
Maintenance	2% of Rent Debit pa
Net Yield Applied	6.99% – 8.26%

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.

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.

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 four external loans from Lloyds, Barclays, Santander, MORhomes and two private placement bonds with M&G and Metlife to be financial instruments. All loans and bonds have been analysed according to Sections 11 & 12 of the Financial Reporting Standard 102 and concluded to be 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:

(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.

3. Particulars of turnover, cost of sales, operating costs and operating surplus – Continuing activities

	2022		
	Turnover £'000	Operating expenditure £'000	Operating Surplus £'000
Social housing letting	16,403	(11,173)	5,230
Non-social housing activities	22,097	(6,315)	15,782
	38,500	**(17,488)**	**21,012**
Gain / (Loss) on disposal of property, plant and equipment fixed assets			3,646
Unrealised (Loss) / (Surplus) on revaluation of investment properties			(15)
Total			**24,643**

	2021 (Restated)		
	Turnover £'000	Operating expenditure £'000	Operating Surplus £'000
Social housing letting	15,627	(8,893)	6,734
Non-social housing activities	21,861	(5,994)	15,867
	37,488	**(14,887)**	**22,601**
Gain / (Loss) on disposal of property, plant and equipment fixed assets			14
Unrealised (Loss) / (Surplus) on revaluation of investment properties			(30)
Total			**22,585**

Particulars of income and expenditure from social housing lettings

			2022	2021 (Restated)
	Temporary Social housing £'000	Key worker housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	14,200	1,462	15,662	15,100
Service charge income	-	14	14	17
Grant amortisation	725	2	727	510
Turnover from social housing lettings	**14,925**	**1,478**	**16,403**	**15,627**
Management	(2,197)	(225)	(2,422)	(2,075)
Service charge costs	(1,420)	(37)	(1,457)	(871)
Routine maintenance	(2,273)	(198)	(2,471)	(1,878)
Planned maintenance	(584)	(85)	(669)	(358)
Major repairs expenditure	-	-	-	-
Bad debts	(20)	(129)	(149)	(90)
Depreciation of housing properties	(3,597)	(244)	(3,841)	(3,602)
Other costs	(138)	(26)	(164)	(19)
Operating costs on social housing lettings	**(10,229)**	**(944)**	**11,173)**	**(8,893)**
Operating surplus on social housing lettings	**4,696**	**534**	**5,230**	**6,734**
Void losses (memorandum)	(86)	(64)	(150)	(123)

Particulars of income and expenditure from non-social housing lettings

	2022	2021 (Restated)
	Total £'000	Total £'000
Rent receivable net of identifiable service charges	21,972	21,756
Service charge income	-	-
Grant amortisation	-	-
Turnover from non-social housing lettings	**21,972**	**21,756**
Management	(2,122)	(1,882)
Service charge costs	(549)	(574)
Routine maintenance	(394)	(306)
Planned maintenance	(244)	(153)
Major repairs expenditure	-	-
Bad debts	-	-
Depreciation of housing properties	(2,908)	(2,933)
Other costs	(99)	(146)
Operating costs on non-social housing lettings	**6,316)**	**(5,994)**
Operating surplus on non-social housing lettings	**15,656**	**15,762**
Void losses	-	-

Particulars of income and expenditure from non-social housing lettings

	2022 £'000	2021 £'000
Investment Property Income	82	76
Other Income	43	29
Total	**125**	**105**

4. Accommodation in management and development

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

	2022 No of Properties	2021 (Restated) No of Properties
Social housing		
Temporary social housing	1,169	1,110
Key worker housing	136	134
Total social housing	**1,305**	**1,244**
Non-social housing		
Investment properties	3	3
Acquired and equity	1448	1448
Total non-social housing	**1,451**	**1,451**
Total owned	**2,756**	**2,695**

5. Accommodation managed by others

The association owns property managed by other bodies

	2022 No of Properties	2021 (Restated) No of Properties
Acquired	998	998
Equity	450	450
GPA	7121	7101
Total	**2,160**	**2,158**

[1] Growth Plan A (GPA) units count as owned and managed for purposes of regulatory returns as Local Space is the landlord.

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

	2022 £'000	2021 £'000
Disposal proceeds	9,950	14
Cost of Disposals	(13)	-
Carrying value of fixed assets	(6,291)	-
Surplus / (Deficit)	**3,646**	**14**
Capital Grant recyclable/repayable (Note 22)	**1,729**	**-**
Disposals proceeds fund (Note 23)	**-**	**-**

7. Net Interest

	2022 £'000	2021 £'000
Interest Receivable and similar income		
On financial assets measured at cost:		
Interest receivable from current accounts	-	8
Interest receivable from short term deposits	-	-
Interest on fixed asset investments	-	-
Interest on fixed asset investments	**-**	**8**
On financial assets measured at fair value:		
Fair value gain on derivative financial instruments	-	-
Total Interest Receivable	**-**	**8**
Interest Payable and financing costs		
On financial liabilities measured at amortised cost:		
On loans repayable within 5 years	7,689	8,402
On loans wholly or partly repayable in more than 5 years	5,946	4,893
Interest on Pension scheme liabilities	19	9
Costs associated with financing	355	332
	14,009	**13,636**
On financial liabilities measured at fair value:		
Movement in fair value of financial derivatives	(205)	(307)
Total Interest Payable and Financing Costs	**13,804**	**13,329**
Net Interest Payable	**13,804**	**13,321**

8. Operating surplus

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

	2022 £'000	2021 £'000
Depreciation of housing properties	6,750	6,533
Depreciation of other tangible fixed assets	213	179
Operating lease rentals – office equipment and computers	4	7

Auditors' remuneration (excluding VAT)		
– Fees payable to the association's auditors for the audit of the financial statements	31	29
– Fees payable to the association's auditors for other services:	1	1
Total audit services	**32**	**30**
All other services	-	-
Total non-audit services	**-**	**-**

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 2021/22.

10. Employees

	2022 No	2021 No
Administration	15	15
Development	6	6
Housing, support and care	15	19
	36	**40**

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:

Key Management Personnel consist of:	2022 No	2021 No
£60,001 to £70,000	2	3
£70,001 to £80,000	3	2
£80,001 to £90,000	-	-
£90,001 to £100,000	1	-
£100,001 to £110,000	2	3
£110,001 to £120,000	1	1
£120,001 to £130,000	1	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	1
£150,001 to £160,000	1	-

Employee costs:	**2022 £'000**	**2021 £'000**
Wages and salaries	2,056	1,757
Social security costs	239	205
Other pension costs	332	227
	2,627	**2,189**

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**	**2022 Total £'000**	**2021 Total £'000**
Chief Executive				
Josephine Parsons	152	18	170	167
Key Management personnel	546	54	600	605
	698	**72**	**770**	**772**

1) **Philip Sargeaunt** Finance Director
2) **Stephen Kirrage** *(to 4th March 2022)* Development Director
3) **Mark Kent** Operations Director
4) **Catherine Diamond** Corporate Services Director
5) **Kirsty Semple** *(to 10th December 2021)* Company Secretary
6) **Deirdre LaBassiere** *(from 15th December 2021)* 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.

The emoluments of the highest paid executive director, Josephine Parsons, excluding pension contributions were £151,980 from 1 April 2021 to 31 March 2022 (2020/21: £149,000).

Board and committee members

The association had 12 serving Board and committee members in 2021/22 (2020/21:15). 11 of these Board and Committee members received emoluments of £52,149 during the year (2020/21: £47,417). One member who was not entitled to receive emoluments is the Chief Executive whose details are shown above.

	2022 £	**2022 £**
Victor Da Cunha	10,160	10,417
Caitlin Farrow *(to 31st December 2020)*	-	4,833
Manu Nair *(to 31st August 2020)*	-	833
Martin Bellinger	4,000	4,000
Richard Stevens	6,000	6,000
Paul Edwards	4,000	4,000
Tim Mulvenna	6,000	6,000
Conor McAuley	4,000	4,000
Nilesh Patel	2,000	2,000
Elizabeth Sipiere *(to 15th March 2021)*	-	3,833
Pamela Leonce	4,167	167
Sheron Sadie Carter	5,864	167
Alywn Lewis	4,000	1,167
Jane Freeman	1,958	-
	52,149	**47,417**

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 31.

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 11.8% (2020/21: 11.3%). Member contributions were 4.9% (2020/21: 4.6%).

As at the Statement of Financial Position date, there were 31 active members of the scheme employed by the association. The total annual pensionable payroll in respect of all members on the scheme during 2021/22 was £1,818k (2020/21: £1,523k). Following consultations with staff, the Board of Local Space decided to close the CARE 80th section of SHPS with effect from 1 July 2022 and transfer all members to the SHPS Defined Contribution (DC) scheme. Under these changes, benefits built up to 30 June 2022 in the CARE 80th scheme will be unaffected. Members will remain entitled to these benefits at retirement in respect of their service up to 30 June 2022.

The TPT valuation at 31st March 2022 shows the fair value of plan assets to be £3,093k (2020/21: £2,407k). The defined benefit obligation valuation at 31st March 2022 was £3,521k (2020/21: £3,213k). The overall deficit recognised in the financial statements is £428k at 31st March 2022 (2020/21: £806k).

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.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Principle Actuarial Assumptions

	2022	2021
Rate of increase in Salaries	4.14%	3.87%
Rate of increase for pensions in payment / inflation	-	-
Discount Rate	2.78%	2.21%
Inflation Assumptions CPI	3.14%	2.87%
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 expectancies on retirement age 65 are:

	2022 Years	2021 Years
Retiring in 2022		
Males	21.1	21.6
Females	23.7	23.5
Retiring in 2042		
Males	22.4	22.9
Females	25.2	25.1

Analysis of Amount Charged to Operating Expenditure

	2022 £'000	2021 £'000
Statement of Comprehensive Income (SOCI)		
Employer's Costs net of Employees Contributions	356	208
Scheme Expenses	5	5
Interest	19	9
Total SOCI	**380**	**222**
Other Comprehensive Income (OCI)		
Actuarial (losses)/gains	505	(444)
Total OCI	**505**	**(444)**

Movement in surplus/deficit during year		
Scheme Deficit at start of year	806	360
Employer's Service Costs	356	208
Employer's Contributions	(253)	(220)
Expenses	5	5
Net interest	19	9
Remeasurements	(505)	444
Scheme Deficit at 31 March 2022	**428**	**806**

Asset & Liability Reconciliation

Reconciliation of Liabilities	2022 £'000	2021 £'000
Liabilities at start of period	3,213	2,320
Service Costs	356	208
Expenses	5	5
Interest Costs	75	58
Employee Contributions	85	71
Remeasurements	(177)	558
Benefits Paid	(36)	(7)
Liabilities at end of period	**3,521**	**3,213**

Reconciliation of Assets		
Fair value at start of period	2,407	1,960
Employer contributions	253	220
Employee Contributions	85	71
Interest	56	49
Remeasurements	328	114
Benefits Paid	(36)	(7)
Assets at end of Period	**3,093**	**2,407**

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

	2022 £'000	2021 £'000
Global Equity	593	384
Absolute Return	124	133
Distressed Opportunities	111	69
Credit Relative Value	103	76
Alternative Risk Premia	102	91
Emerging Markets Debt	90	97
Risk Sharing	102	88
Insurance-Linked Securities	72	58
Property	83	50
Infrastructure	220	160
Private Debt	79	57
Opportunistic Illiquid Credit	104	61
High Yield	27	72
Opportunistic Credit	11	66
Cash	11	-
Corporate Bond Fund	206	142
Liquid Credit	-	29
Long Lease Property	80	47
Secured Income	115	100
Liability Driven Investment	863	612
Currency Hedging	(12)	-
Net Current Assets	9	15
Total assets	3,093	2,407

13. Intangible Assets & Goodwill

The association did not have any intangibles assets at 31st March 2022 (2020/21: Nil)

14. Fixed assets – Housing Properties

	Housing Properties held for Letting £'000	Housing properties for letting under construction £'000	Total housing properties £'000
Cost			
At 1 April 2021	589,409	19,198	608,607
Additions	3,012	-	3,012
Properties acquired	661	28,857	29,518
Schemes Completed	16,512	(16,512)	-
Aborted Costs	-	-	-
Disposals	(9,990)	-	(9,990)
At 31 March 2022	599,604	31,543	631,147
Depreciation and impairment			
At 1 April 2021	27,519	-	27,519
Depreciation charged in year	6,750	-	6,750
Disposals	(1,694)	-	(1,694)
At 31 March 2022	32,575	-	32,575
Net book value			
At 31 March 2022	567,029	31,543	598,572
At 31 March 2021	561,890	19,198	581,088

Expenditure on works to existing properties

	2022 £'000	2021 £'000
Components Capitalised	3,012	3,867
Amounts charged to Income & Expenditure	-	-
	3,012	**3,867**

The Net Book Value of assets charged as security on loans was £526,292k at 31st March 2022.

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 £'000	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Furniture in properties £'000	Total £'000
Cost					
At 1 April 2021	2,042	695	108	399	3,244
Additions	42	189	38	43	312
At 31 March 2022	**2,084**	**884**	**146**	**442**	**3,556**
Depreciation					
At 1 April 2021	442	555	95	375	1,467
Charged in the year	94	95	4	20	213
At 31 March 2022	**536**	**650**	**99**	**395**	**1,680**
Net book value					
At 31 March 2022	1,548	234	47	47	1,876
At 31 March 2021	**1,600**	**140**	**13**	**24**	**1,777**

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

	2022 £'000	2021 £'000
At 1 April	1,060	1,090
Additions	-	-
Disposal	-	-
Increase/(decrease) in value	(15)	(30)
At 31 March	**1,045**	**1,060**

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

	2022 £'000	2021 £'000
Due within one year		
Rent and service charges receivable	906	757
Less: provision for bad and doubtful debts	(661)	(496)
	245	**261**
Other debtors	2,069	160
Prepayments and accrued income	669	334
	2,983	**755**

18. Investments

	2022 £'000	2021 £'000
MORhomes – Investment Equity	280	280
MORhomes – Contingent Convertible Loan	575	575
	855	**855**

19. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	3	98
Rent and service charges received in advance	2,192	1,977
Key worker tenant deposit	99	102
Other taxation and social security	68	123
Amounts due to property providers	152	174
Grant (Notes 21 and 22)	870	544
Holiday Pay	51	45
Accrued loan interest	1,006	1,419
Bank loans	44,043	48,975
Other creditors	2,645	2,550
Accruals and deferred income	1,841	1,092
	52,970	**57,099**

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

	2022 £'000	2021 £'000
Debt (Note 32)	327,258	322,714
Grant (Notes 21 and 22)	29,388	15,783
Total	**356,646**	**338,497**

21. Grant

	2022 £'000	2021 £'000
At the start of the Year	15,929	13,689
Grants Received during the year:		
Housing properties	12,929	2,750
Grant Recyclable/Repayable on Disposals		-
Disposal Proceeds Fund	-	-
Grants recycled during the year:		
Housing properties	-	-
Amortised Grant	(727)	(510)
At the end of the Year	**28,131**	**15,929**
Due within one year	799	531
Due in more than one year	27,332	15,398
	28,131	**15,929**

22. Recyclable/Repayable Capital Grant

	2022 £'000	2021 £'000
At the start of the Year	398	398
Inputs to fund:		
Grant repayable/recyclable on disposals	1,729	-
Grants recycled during the year:		
Housing purchases	-	-
Major Repairs	-	-
Transfers to other private Registered Providers	-	-
Repayment of Grant	-	-
At the end of the Year	**2,127**	**398**
Due within one year	71	13
Due in more than one year	2,056	385
	2,127	**398**

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 31.03.2021 £'000	Cashflows £'000	Other Changes £'000	At 31.03.2022 £'000
Cash at bank and in hand	6,829	(1,172)	-	5,657
Overdrafts	-	-	-	-
Total	**6,829**	**(1,172)**	**-**	**5,657**
Debt due within one year	48,975	-	(4,932)	44,043
Debt due after one year	323,102	25	4,932	328,059
Current asset Investments	-	-	-	-
Total	**372,077**	**25**	**-**	**372,102**

26. Share capital

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

	2022 No	2021 No
Shares of £1 each issued and fully paid		
At 1 April	9	8
Joining during the year	-	3
Leaving during the year	-	(2)
At 31 March	**9**	**9**

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.

27. Capital commitments

	2022 No	2021 No
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	596	1,010
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
	596	**1,445**

The above commitments will be financed primarily through internal funds. Commitments at 31st March 2022 include 2 properties where contracts have been exchanged awaiting completion (31st March 2021 – 3 properties).

28. Contingent assets/liabilities

The association had no contingent assets or liabilities at 31 March 2022 (2021: Nil).

29. Operating leases

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

	2022 £'000	2021 £'000
Within one year	4	7
Between one and five years	2	6

30. Grant and financial assistance

	2022 £'000
Total accumulated Government Grant and financial assistance received or receivable at 31st March 2022	28,858
Held as deferred capital grant	28,131
Recognised as income in statement of Comprehensive Income in the current period	727

31. Related parties

Josephine Parsons, who is the Chief Executive, is also a member of the Board.

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

	2022 £'000	2021 £'000
Bank loans	163,059	198,102
Bond	75,000	75,000
MORhomes	50,000	50,000
Metlife	40,000	-
Fair value of the interest rate swap	1,408	1,613
Arrangement Fee	(2,209)	(2,001)
Total	**327,258**	**322,714**

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 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. The first tranche of the Metlife loan (£40m) is repayable in 2044. The balance of £21m is repayable in 2053.

At 31 March 2022 the association had undrawn loan facilities of £58m (2021: £21m). All debts are secured by a first charge over properties owned by the association.

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

	2022 £'000	2021 £'000
Within one year or on demand	44,043	48,975[1]
Between one and two years	49,107	44,043
Two years or more but less than five years	103,952	144,059
Five years or more	175,000	135,000
Total	**372,102**	**372,077**

[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 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 2022 is £1.4m (adverse), a favourable movement of £0.2m from £1.6m (adverse) in 2020/21.

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

	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost	372,102	372,077
Total	**372,102**	**372,077**

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:

	2022 £'000	2021 £'000
Floating rate on money market deposits	3	6,763
Financial assets on which no interest is earned	5,653	65
Total	**5,656**	**6,828**

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 2021/22.

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:

	2022 £'000	2021 £'000
Fixed rate	254,268	272,077
Floating rate	117,834	100,000
	372,102	**372,077**

The weighted average cost of borrowing at 31st March 2022 was 3.45%

The association has undrawn agreed committed borrowing facilities of £58m. The repayment profile for undrawn facilities is shown as follows:

	2022 £'000	2021 £'000
Expiring in one year or less	2,000	-
Expiring in more than one year but not more than two years	-	2,000
Expiring in more than two years	56,000	19,000
	58,000	**21,000**

Borrowing facilities

Financial liabilities at fair value through the statement of comprehensive income

	2022 £'000	2021 £'000	Movement £'000
Movement in fair value of financial derivatives	**1,408**	**1,613**	**205 (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 2021/22 is £2.628m (2020/21: £2.602m).

34. Transition to Accounting Direction 2022

There has been no effect on reserves following the transition from the Accounting Direction 2019 and adoption of the Accounting Direction 2022.

35. Prior Year Restatement

There have been restatements in the year following the early adoption of the Accounting Direction 2022, which means that the gain on disposal of property, plant and equipment fixed assets and the unrealised loss on revaluation of investment properties are included within operating costs.

There has also been a change in accounting treatment as Acquired and Equity stock portfolios are now being regarded as non-social housing activities and are disclosed as such to reflect consistency with stock definitions in the Statistical Data Return (SDR).

Neither of these restatements has an impact on the reserves or the surplus for the year ended 31 March 2021.

At home with
LOCAL SPACE

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Local Space is a charitable registered society
(Reg. Number: 29840R)
Registered Social Landlord (Reg. Number: LH4454)

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