

INNOVATION
THROUGH
POSITIVE
CHANGE

Hexagon

CORPORATE ANNUAL REPORT

2015/16

The background of the page is a photograph of a garden. In the foreground, there is a table tennis table with two paddles and a ball on it. The paddles are Dunlop brand, one is red and the other is black. A white ball is in the middle. In the background, there is a conservatory with white frames and a wooden bench inside. The conservatory is on a brick base. To the right, there is a wooden fence and some greenery.

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*Pictured:
(inside cover) Kirkwood Road*

Innovation Through Positive Change

This year Hexagon have had to respond to the many changes that affect how we work as an organisation. As we respond to these changes we have always kept in mind our core mission, to meet housing, care and support needs in South East London, and assist with economic and social regeneration. We have a clear focus on providing affordable social housing, and so have had to respond in innovative ways to many challenges throughout the year.

One major change is the Government's withdrawal of funding grants for building housing for rent by Housing Associations. This is a very substantial change of policy and direction. We believe that we can remain true to our cause and to the service we offer our residents by creating a strong commercial arm within our business whose profits will fund our core activity of building rented housing.

In 2015, Hexagon joined forces with other Housing Associations, to look at how we can improve our employment services. Though the 'Love London Working' initiative, we aim to assist more people than ever into work. Hexagon offer many services to our residents to support them into sustainable employment.

Another very positive change for our residents, was the move to Kirkwood Road in December 2015. Hexagon had delivered excellent mental health rehabilitation at Townley Road for nearly 25 years; Townley Road closed its doors last year and residents along with the staff team, moved into a new Supported Living Service at Kirkwood Road. The main reason for the change is to offer people a better living environment with greater independence and choice; true innovation means Hexagon have been able to save money whilst also improving the service given to these residents.

Also in 2015, Hexagon engaged with a consultant to evaluate the energy efficiency of our homes and identify those that needed improvements. Hexagon completed work to 183 homes, such as draught proofing, power down switches, energy monitors and new boilers. Whilst improving the energy efficiency of Hexagon's homes, this work should also help residents, making them more aware of how they are using energy and thereby reducing their energy costs.

We would like to offer a very big thank you to our staff, our Board, and all of our stakeholders, especially our residents for their valued contributions to our success over the past year.

**Roy Coulter, Chair
Tom McCormack, CEO**



Building on Hexagon's Core Mission

Times are changing; since 1974, the Government has generally supported the building of rented housing through the provision of grants to Housing Associations. The Government has now effectively announced their intent to terminate the funding of subsidy for rented homes while they focus solely on assistance for those wishing to buy a home. This is a very substantial change of policy and direction.

The question for Hexagon is whether we should give up on building rented homes and move solely to providing home ownership opportunities or whether we can be more imaginative to keep building new homes for rent.

Hexagon's core mission is to provide affordable rented housing. In that context, our Board has determined that our Mission and Values will remain intact despite the changes in Government, but our delivery mechanism for rented housing will have to change in the absence of Government subsidy.

"We are therefore working hard to ensure that any cross subsidy we can raise through Horniman is utilised to ensure that our rents are truly 'affordable'."

We think that we can remain true to our cause and to the service we offer our residents by creating a strong commercial arm within our business whose profits will fund our core activity of building rented housing.

Horniman Housing Association is a non-charitable subsidiary of Hexagon Housing Association and as a non-charitable company, Horniman is able to undertake commercial activities and we have now begun an exciting programme of developing housing for outright sale.

All of the profits made from Horniman are gift-aided back to Hexagon in pursuit of our core objective of building genuinely affordable rented housing.

The Government's definition of 'affordable' rented homes includes homes that are rented for up to 80% of market rent. In the areas where Hexagon works, we know that for most of our residents in our traditional client group, these rents are not genuinely affordable. We are therefore working hard to ensure that any cross subsidy we can raise through Horniman is utilised to ensure that our rents are truly 'affordable' and that means set at rates more in line with traditional social housing rents.

*Pictured:
Cuthered Mews housing development -
Completed in 2015*





Case Study: Biggin Hill (Croydon)

Construction work has started in earnest at Biggin Hill; a development comprising of 13 homes on the former site of an industrial building. 7 homes will be for outright sale and 6 for affordable rent. The homes will be available from Summer 2017.



*Pictured:
(top) computer generated image of the
new Bramble Biggin Way site; (right)
the previous Bramble Biggin Way site.*



Love London Working



Hexagon, along with 15 other Housing Associations, have looked at how we can improve our employment services. In 2015 Hexagon joined forces in the 'Love London Working' initiative, with the aim to assist more people into work over the next three years. By collaborating with other Housing Associations we are all able to leverage extra spend for our core mission.

This collaboration is being done to give a better service to our residents. Collectively, we all offer employment training and spend money on employment and with this scheme we are pooling together resources. We've gained £182k of funding from the European Social Fund, to enable us to offer further employment support to our residents. We have been working together to make programmes more effective – including discussing best practice.

As a result of this innovative collaboration, Hexagon are able to double the resource on employment training. Hexagon have long since offered these employment services, but with the new funding we are able to offer these services more widely.

So, what employment services do Hexagon offer?

The Hexagon Academy is a tailor made service built around the needs of each individual resident to support them on their journey into employment. Last

year the Academy helped 33 residents to find work, 21 gained work placements in Hexagon and 56 of our residents accessed free career advice sessions. With the new funding, next year we hope for these numbers to be even higher.

We offer employment support, interview techniques, help with tailoring a CV and cover letter, access to resources and access to laptops; other support includes making sure residents have suitable attire for interviews. Vacancies are communicated on a daily basis and day-to-day support is provided.

Helping residents to make job applications and to remain in the job once appointed is also important. In-work support is offered as well as initial help with travel costs, making the transition from benefits to employment easier.

Hexagon continue to adapt to the changing employment market, whilst continuing to support our residents into work.

Pictured:
(below) Lionne with
Denise, a Hexagon
resident and
Academy attendee.

"I've now secured a job working within the NHS as a receptionist and administrator, with the opportunity to develop this role further. I'm grateful for the support I've received from Hexagon, Neil and Lionne."

Denise

Case Study:

Denise and Lionne share how the employment support from Hexagon helps residents reach their full potential and remain in work.

"I've been a Hexagon resident since 2007. I first completed a Customer Services workshop through the Hexagon academy. I applied for a work placement at Hexagon, and have been there ever since! 6 months after the work placement I applied for the Customer Services bank staff role within Hexagon. I've since worked in a contracted part-time Customer Service Adviser role, and received fantastic support from my manager Neil Nasser. When the contract ended I contacted Lionne, Hexagon's Employment Support Adviser. Lionne has given me assistance with improving my CV, identifying my transferable skills and selling myself to employers. I've now secured a job working within the NHS as a receptionist and administrator, with the opportunity to develop this role further. I'm grateful for the support I've received from Hexagon, Neil and Lionne." **Denise, Hexagon resident.**

"I am currently supporting 32 residents in finding and maintaining successful employment. With the further funding I hope to be able to soon double that figure, and support even more residents. Lots of residents feel they don't have the right skills for a new job, but I'm able to help them realise their potential and transferable skills, whilst also supporting them with a travel allowance, CV writing, emotional support, benefits advice and even appropriate clothing for a new job or interview." **Lionne Whitfield, Employment Support Adviser.**



Responding to Change in the Care World

"I originally started alongside Norma (the previous Manager) and we worked out a strategy for the move, to prepare residents before hand, and to maintain good levels of support after the move. The move was a great opportunity to say 'goodbye and thank you' to the retiring Manager Norma Smellie who had joined the service at the beginning back in 1991. Residents have been given more independence here and greater control, they can decide what and when to eat, and those that have needed the support, have been given advice on how to cook healthy meals in their own kitchens. Residents are settling in very well."

Martha Garcia (Home Manager)

"We are back in the real world. We have to pay bills – and that's real."

Anthony (resident)

Pictured left:

(top) Residents at Kirkwood Road.

(left/centre) Retiring Manager Norma Smellie

(right/centre) Martha, Home Manager, pictured in one of the self-contained flats.

(bottom) Outside communal area.

On 21st December 2015 Townley Road, a 10 bedded Care Home in East Dulwich, closed its doors and four residents along with the staff team, moved into a new Supported Living Service at Kirkwood Road based in Peckham/Nunhead (the other 6 residents moved on to other suitable placements). Hexagon had delivered excellent mental health rehabilitation at Townley Road for nearly 25 years. Over this period of time, Townley Road had been home to 130 residents with the majority successfully moving on to lower support.

The main reason for the change was to offer people a better living environment with greater independence and choice. Hexagon were also tasked with saving money whilst also improving the service given to these residents. In austerity times sometimes people say you can't do more for less – but Hexagon did! At Kirkwood Road residents have better accommodation and a greater sense of independence. Residents are responding really well and have settled in.

There is a transition taking place from a nursing home (as Townley Road was) to supported living (which Kirkwood Road is). More independence means a greater chance of integration with the local community and achieving the end goal of moving residents back into the community and remaining healthy and well.

Residents have their own individual self contained flat, with their own kitchen and bathroom. This gives a greater level of independence and choice. Residents have been supported in adapting to this change, with support in cooking meals, managing their homes, heating and utilities etc.

Reports back from residents show they much prefer their new environment. They have more privacy, more of a say in what they do, when and how they integrate with the other residents and what and when they cook.

Martha, the new Manager, and her team still provide lots of support but this support is delivered on the residents terms. There is a communal area with lots going on; table tennis, visualisation classes, homeotherapy, art therapy, bingo, coffee mornings and some events organised by community links; all to develop social links within the community.



Green Matters

Last year we reported on the goals achieved by Hexagon to reach a more green and sustainable business. This year we've continued to monitor these goals and how we improve on them. Hexagon's aim is to have no units with a SAP rating below 65. In 2015 Hexagon engaged with an external consultant to evaluate our homes and identify those that needed improvements.

By the end of October 2015 Hexagon had a completed report on the energy efficiency of all of our homes. From that report we identified 893 properties with a SAP rating below 65.

Work commenced on targeting those homes which could have quick changes made to improve their energy efficiency, and the positive effects of this are already being seen. More work is still being done on energy efficiency in residents' homes, under the watchful eye of Rumana Khair, our Stock Improvement Manager.

What work did Hexagon carry out?

Last year, Hexagon completed work to 183 homes, such as draught proofing, installing radiator reflectors, power down switches, energy monitors and new boilers, all to improve the energy efficiency of these homes.

In addition, LED lighting was installed to 24 blocks in communal areas, benefiting 260 units.

Benefits to Residents

Whilst improving the energy efficiency of Hexagon's homes, this work should also make significant improvements for our residents, making them more alert to how they are using energy and also reducing their energy costs. Fuel switching advice was given to many residents, along with some advice on benefits they can receive to help with fuel costs. We continue to work with Groundworks, in particular by supplying advice to vulnerable residents, including with the provision of a winter pack.

Another new initiative is our group of Green Champions – a group of residents trained by Hexagon to be green advocates and spread the word to other residents. Some have beacon homes where all energy saving measures have been installed to act as a positive demonstration of the savings to be had. We will continue to grow this group and support them in their work to reach out to their communities and spread the word on how to reduce energy use.

Hexagon resident Sarah told us how using LED lightbulbs made a difference for her. →



What is a SAP rating?

A SAP Rating is a way of comparing energy performance of different homes – it results in a figure between 1 and 100+, 100 representing zero energy cost and anything over means you are exporting energy. The higher the SAP rating, the lower the fuel costs and the lower the associated emissions of carbon dioxide.

What is GroundWork?

GroundWork is a charity that provides training, reduces energy use and waste. They work in communities across the country, offering practical support to people – often those most at risk of fuel poverty - that helps them to make their homes more environmentally friendly and cheaper to run.

Winter Pack

In partnership with Groundwork we are able to offer vulnerable residents our special Stay Warm pack which contains a snuggle fleece, a microwavable hot water bottle, thermal socks, hand warmers, a thermos mug and a CO₂ monitor and temperature gauge.



"I had normal bulbs in the lounge and hallway, which I always had to replace. I have now installed LED bulbs which give fantastic light and only burn 42 watts of electricity. Not only have I halved the consumption of electric that I used to use, I have also lit an extra space and reduced the amount I spend on electricity. On average I spent £10 on electric per week on my two bedroom flat before installing LED bulbs. I now spend £7 per week which means on average my weekly spend on electricity has reduced by £3."

Sarah (resident)

*Pictured:
(above) Rumana Khair,
Hexagon Stock Improvement Manager
(left) David, a resident in SE12
in receipt of a Stay Warm pack.*

Financial Summary

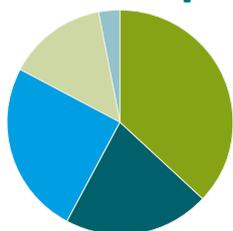
During the year, Group turnover increased by 8% from £32.1m to £34.7m. This is because of a 15% increase in income from first tranche shared ownership sales, combined with a 7% increase in income from social housing lettings.

Operating costs increased by 7% from £19.5 to £20.8m. The operating margin before the effect of fair value adjustments and first tranche shared ownership sales increased from 31.1% to 31.7%. Net financing costs were 6% higher at £4.4m, and £5.2m (2015: £3.2m) was realised through a combination of staircasing sales of shared ownership properties and the sale of housing properties which were uneconomic to repair.

Reserves currently stand at £23.6m (2015: £14.1m). The Board has adopted a policy of using the cash generated by its reserves to fund the improvement and development of housing stock, thereby reducing interest costs and enabling rents to be kept at affordable levels.

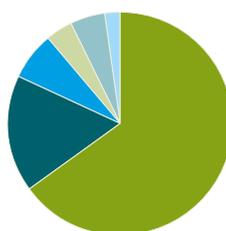
The Group spent £21.0m on acquiring and developing properties in the year, of which £2.2m was funded through capital grants. 54 additional units were completed, and a further 152 units are still under development. The Group's loans increased from £144.2m to £151.9m and a further £37m of loan facilities are available, £20m of which can be drawn at 3 days' notice. The weighted average interest rate on the Group's loan portfolio was 3.25% (2015: 3.32%). The Board estimates that the investment value of the Group's properties is £512m, of which £203m is in unsecured properties.

How every £ of rent was spent



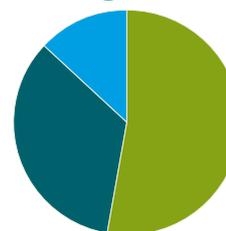
Planned maintenance and home improvement programme	37%
Responsive repairs	21%
Interest on loans	25%
Housing management and tenant participation	14%
Community development	3%

Turnover breakdown (£000s)



General needs	22,752	65%
Low cost home ownership lettings and sales	5,876	17%
Supported housing	2,351	7%
Nursing homes	1,528	4%
Agency managed	1,735	5%
Other	527	2%
Total	34,769	

Balance sheet funding (£000s)



Grants	217,856	52%
Loans	141,412	34%
Reserves	57,801	14%
Total	417,069	

This financial year saw the first time adoption of FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland". 2015 comparatives have also been restated under FRS 102. Please refer to our full set of accounts at www.hexagon.org.uk for the impact of this first time adoption. Commentary on performance of the Group excludes movement in fair value measurement of derivative contracts and pension payments as these are influenced by factors outside of the organisation's control.

Income and Expenditure Accounts

for the year ended 31 March 2016	2016 (£000s)			2015 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Turnover	34,769		34,769	32,068		32,068
Cost of sales	(3,356)		(3,356)	(3,300)		(3,300)
Operating costs	(20,804)	(1,250)	(22,054)	(19,512)	314	(19,198)
Operating surplus	10,609	(1,250)	9,359	9,256	314	9,570
Surplus on sale of properties	5,230		5,230	3,325		3,325
Interest receivable	83		83	23		23
Interest payable and similar charges	(4,323)	(90)	(4,413)	(4,000)	(147)	(4,147)
Change in fair value of financial instrument	0	(359)	(359)	0	(4,440)	(4,440)
Surplus for the year before tax	11,599	(1,699)	9,900	8,604	(4,273)	4,331
Taxation	(3)		(3)	(18)		(18)
Change in fair value of hedged financial instrument	0	(336)	(336)	0	(5,775)	(5,775)
Total comprehensive income for the year	11,596	(2,035)	9,561	8,586	(10,048)	(1,462)

Balance Sheet

as at 31 March 2016	2016 (£000s)			2015 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Tangible fixed assets						
Housing properties	412,270		412,270	395,107		395,107
Other	2,977		2,977	2,621		2,621
	415,247		2,977	397,728		397,728
Current assets						
Stock – properties developed for sale	4,799		4,799	3,593		3,593
Debtors	2,843		2,843	4,265		4,265
Cash and cash equivalents	10,690		10,690	9,913		9,913
Less: creditors amounts falling due within one year	(11,590)		(11,590)	(11,471)		(11,471)
Net current assets/(liabilities)	6,742		6,742	6,300		6,300
Total assets less current liabilities	421,989		421,989	404,028		404,028
Creditors: Amounts falling due after more than one year	(367,521)	(24,805)	(392,326)	(360,979)	(24,110)	(385,089)
Pension deficit liability	-	(5,565)	(5,565)	-	(4,419)	(4,419)
Provisions for liabilities	(229)		(229)	(212)		(212)
Net assets	54,239	(30,370)	23,869	42,837	(28,529)	14,308
Reserves						
Income and expenditure reserve	54,239	(15,656)	38,583	42,837	(14,151)	28,686
Cash flow hedge reserve	0	(14,714)	(14,714)	0	(14,378)	(14,378)
	54,239	(30,370)	23,869	42,837	(28,528)	14,308

A full set of our accounts can be obtained from www.hexagon.org.uk

The Hexagon Board

In September 2015, the Board welcomed back Dermot Finn after his re-election to the Board for another 3-year term.

In November 2015, the Board said goodbye and thank you to Gaius Vincent who had served on the Board for just over 4 years. This followed a previous 3-year term between 2005 and 2008.



Meet the Executive Team

Jon Cross
Property Services Director*



Kerry Heath
Development & Regeneration Director



Tom McCormack
Chief Executive



David Collick
Property Services Director*



Chris Melville
Operations Director



Phil Newsam
Finance & IT Director

*Jon Cross left Hexagon in April 2016, and was replaced in August 2016 by David Collick.

#	Name	Length of Service	Employer	Occupation
1	Debbie Bankole-Williams ¹ Vice Chair	4 years, 4 months	MCCH	Executive Director of Finance & IT
2	Ruth Chambers	1½ years	Self-employed	Campaign & Public Policy Consultant
3	Roy Coulter, Chair ²	5½ years	n/a	Retired
4	Kellie Elmes ^{1, 3}	2½ years	Self-employed	Holistic Massage Therapist
5	Dermot Finn ^{2, 3}	3½ years	Self-employed	Microsoft Web Application Developer
6	Jeanette Kenyon ²	2½ years	Self-employed	Property Development Consultant
7	Martin Large ¹	1½ years	n/a	Retired
8	Ian Mansell ^{1, 2} Vice Chair	7½ years	Self-employed	Management Consultant
9	Tom McCormack	4½ years	Hexagon Housing Association	Chief Executive
10	Gaius Vincent ³	4 years, 9 months	Self-employed	Production Manager
11	Rosalind Watson ³	1½ years	n/a	Retired
12	Ian Watts ^{1, 2}	2½ years	Paragon CHG	Managing Director

¹ Audit & Risk Committee; ² Remuneration Committee; ³ Resident Board Member

Hexagon

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