

Hexagon

PEOPLE  
ARE WHAT  
MAKE HEXAGON

Corporate Annual  
Report 2016/17



# Contents

**03** Welcome from the Chair and CEO

**04** International Award for Employee Engagement

**06** Award Winning and Top Graded

**09** A New Way of Doing Business

**10** A Few More Awards...

**12** Financial Summary

**14** Meet the Board



Hexagon staff at Head Office

# Welcome

This year we've had just cause to celebrate. We have seen significant achievements of the organisation, by our staff and by our Board. All of these strengthen our ability to achieve our core mission of delivering affordable rented homes.

External validation is a valuable gauge for knowing that we are performing well. From our governance and financial stability gaining top grades from the regulator to our international award for employee engagement, it's clear Hexagon are performing well in many key areas. That doesn't mean there isn't room for improvement, and measures such as our "stop, start, continue" program with our employees and resident scrutiny are there to ensure we continue to make improvements to our internal and external processes.

Our award for employee engagement from ORC International places us amongst some much larger and global companies. We're thrilled with this recognition as we believe happy and engaged employees lead to the best service for our residents.

In January 2017, Hexagon had an In-Depth Assessment (IDA) completed by the Homes and Communities Agency (HCA). The outcome of this meant that Hexagon achieved both of the highest grades for Financial Viability and Governance. This shows that we have the financial capacity to deal with a range of adverse scenarios and that our Board is managing risk well.

With the roll-out of Universal Credit affecting many of our residents, ensuring that we are prepared for the risks this brings for our rent collection has been an important part of our work this year.

Special congratulations to our Board; Employee of the Year, Toni Thomas; Phil Newsam, winner of the HANA award for "Finance Director of the Year; and Lionne Whitfield, finalist for the ERSA Adviser of the Year Award. It's fantastic people like these that make Hexagon what it is, an organisation proud of its core mission and the service we offer to our residents.

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





# International Award for Employee Engagement

Hexagon has a strong history of effective employee engagement; gathering feedback from our staff and using that to improve their working environment, and in turn the service we provide to our residents.

Every two years, we take part in a survey, conducted by an external organisation, ORC International, to see how well as an organisation we are engaging with our employees, how happy our staff are and how well we are performing as employers.

There are currently 452 organisations who take part in the employee survey, 42 of which are Housing Associations. As a result of our latest survey, in June 2016 we were presented with an Employee Engagement award by the ORC. This award means that we received the highest marks in our category (Europe Small Companies with less than 300 employees) for employee engagement, and is a fantastic achievement for Hexagon.

“It’s brilliant that we won the award. Hexagon is a great place to work for. I definitely feel that staff are listened to and when we do give suggestions they are acted upon and relevant feedback and advice is given to us of how we can implement new ways to work.”

We are all thrilled and excited about winning the award. I personally think it’s really great and as a new starter coming to an organisation that’s just won these two awards it makes me feel better about working here, puts a smile on everyone’s face and it’s a really great place to work.”

Christopher Hunte – Repairs Administrator

The survey uses specific questions to test employee engagement. The answers give a great overview of whether employees are happy where they are working, whether they wish to stay in their current employment and also, importantly, whether they intend to do the best job they can and strive to be a great employee.

In addition to the award for employee engagement we were also awarded a ‘Taking Action’ award, a new award brought in by the ORC this year to help celebrate organisations doing great things to turn the results of their engagement surveys into actions. Hexagon has worked hard to act on feedback from these surveys and other employee feedback to improve Hexagon as a place to work. In response to the question ‘I believe that action will be taken on problems identified in this survey’ we received the highest score for positive action being taken.

## 2016 Employment Engagement Awards winners include:



DOW JONES

North America

GREGGS

Customer Centricity



SHANGRI-LA

HOTELS and RESORTS

Wellbeing

Booking.com

Innovation

Officeworks

Australia

Winner of Europe Best Small Company

Hexagon



Top: Hexagon staff at annual Staff Conference

Right: Toni Thomas (Responsive Repairs Administrator), winner of Employee of the Year



“For Hexagon in the coming years, I’d say just keep doing what you’re doing. I think it’s a great company to work for as we’ve said before they listen to all that we have to say. Just continue doing the great work.”

Lisa Cole – Housing Officer

## Celebrating Success

At Hexagon we have a number of ways of rewarding staff for a job well done and of collecting feedback to ensure our staff remain happy and fulfilled in their jobs. Maintaining a happy and engaged work force means all of our employees work to the best of their ability, feel listened to and are involved in achieving our core mission.

We have methods such as the instant reward scheme, where managers and colleagues can nominate someone for an instant reward, for doing a great job or going above the call of duty. The nominated employee receives a thank you card with a voucher and their success is publicised on our intranet for all staff to see and congratulate. We also run a ‘Lunch and Learn’ session that highlights the great work of individual departments.

Our annual Staff Conference gives us the opportunity to come together and celebrate the great work that Hexagon staff do and the efforts everyone makes to give great service, whether working internally or with residents. The coveted employee of the year award celebrates members of staff who have shown true commitment to their role in support of Hexagon’s core mission. Residents and staff can nominate a staff member to receive this award to recognise a significant commitment to their job.

Throughout the year we gather feedback from staff, through the staff conference, appraisals and a focus group that explores the feedback from the ORC survey. Using the mantra “Stop, Start, Continue”, we asked what they think we should stop doing, what we should start doing to improve their day to day jobs and what we do well that we should continue doing. All of this feedback is gathered together and used to form an action plan to inform working practices and policy.

# Award Winning and Top Graded

From our finance director being awarded as “Finance Director of the Year” to Hexagon being given top ratings for financial viability and governance, it’s clear that Hexagon’s finances and risk management are progressing well. This sort of external validation confirms that we are ready to face the future from a position of strength.

## Financial Stability and Governance Rating

In January 2017, Hexagon had an In-Depth Assessment (IDA) completed by the Homes and Communities Agency (HCA). The HCA are responsible for regulating the standards for Housing Associations in terms of how financially stable and how well run a Housing Association is.

These IDAs are relatively new, and this is the first one that Hexagon has ever had. The process of the assessment involves reviewing paperwork and documentation (e.g. board reports, strategy documents and corporate plans) over a period of two months. After this, the HCA come into the organisation for a few days, to interview members of the board and executive team. The purpose of the visit is to ensure that Hexagon are financially viable and properly managed by the board to perform effectively and efficiently. This helps to confirm that Value for Money (VFM) is obtained from public investment into Hexagon.

The IDA looks at strategic direction, our financial resilience, our risk identification and mitigation and our governance.

The scoring matrix consists of 4 grades. V1 and G1 are the highest grades and Hexagon has achieved both of the highest grades for Financial Viability and Governance respectively. This shows that we have the financial capacity to deal with a range of adverse scenarios and that we meet all of the HCA’s governance requirements. The HCA have commented that they were satisfied that the board had a strong, strategic approach to running the business and that the board and executive team were managing the risks well.

Top: Phil Newsam collecting the 2016 HANA Award for Finance Director of the Year

Middle: Board meeting in progress

Right: Phil Newsam with HANA award



## Preparing for Universal Credit

One of the financial risks that Hexagon faces is the introduction of Universal Credit. With the government's decision to pay benefit in one sum directly to residents (rather than Housing Benefit being paid directly to landlords) there is an increased risk of higher rent arrears. However, Hexagon is working hard to prepare for this change, which has already been rolled out in some areas.

Hexagon's financial inclusion team are working closely with residents to help them understand the new system. This includes managing their money, the setting up of Direct Debits and the importance of paying rent on time. We have also purchased a new information management tool called RentSense that is helping us target our rent collecting efforts more efficiently and effectively.

## Hexagon Director wins national award

Hexagon's Finance & IT Director, Phil Newsam, won an award in July 2016, for 'Finance Director of the Year' at the National Housing Federation's (NHF) Housing Association National Accountancy (HANA) Awards. Phil won in the category for Finance Directors of Housing Associations with up to 10,000 units. The NHF currently have just over 900 members, so this is a significant prize!

The award ceremony was held at the Radisson Blu Portman Hotel on 5th July and as well as Phil, Hexagon representatives were Chief Executive, Tom McCormack and Debbie Bankole-Williams, Vice Chair and Lead Board Member for Finance.

Phil was nominated for the award by Tom who had this to say about why he felt Phil would be a well deserving recipient of the award "Phil has often been described as being something of a 'thought leader' in the sector...when it comes to running Hexagon's finances, Phil really understands the importance of balancing 'head with heart' and from my perspective that is what makes her a very special Finance Director", sentiments which were echoed by the competition judges.

On winning the award Phil said "It was an honour to be nominated and I am delighted to have won. The strategic work that I do is underpinned by the work of my brilliant finance team, and helped by careful consideration of the options at executive team and board level. So this is really a tribute to all my colleagues in Hexagon."



Right: Biggin Way under construction. Below: Inside Biggin Way home



# A New Way of Doing Business



Construction began on a new development for Hexagon, Biggin Way, in the London Borough of Croydon, in 2015.

The work is nearly completed and a new show home opened in April 2017. Hexagon have 7 homes on this development for outright sale, and these 3 and 4 bedroom homes form part of a development of 13 homes for rent.

Biggin Way is the beginning of Hexagon's plan to do more building of homes for outright sales in response to the reduced funding from the government for providing homes at an affordable rent. By channelling the profits made from these developments back into Hexagon we can continue to build on our core mission of building genuinely affordable rented housing.

Kerry Heath, Development & Sales Director says "We are confident these homes will sell quickly and profitably. There has been much interest in the homes already. All profit, pound for pound, supports Hexagon's delivery of affordable rented housing."

All schemes funded in our 2011 – 15 strategy have now been completed and all units within our 2015 – 18 programme are secured; a total of 209 homes. New homes and developments for outright sale will feature more widely in our development plans as we strive to continue to support our core mission of truly affordable rented homes.

Pamela Hunte, Senior Sales Executive (left), Kerry Heath, Development & Sales Director (3rd from left)



## Hexagon receives First Time Buyer Readers' Award

In May 2016, Hexagon was successful in securing a 'Highly Commended' award for Malvern House in Kenley in the category of Best First Time Buyer Apartment. The awards were judged by readers from a shortlist of 6 entries via online voting. Pamela Hunte (Senior Sales Executive) and Kerry Heath (Development & Sales Director) proudly represented Hexagon at the event.

## What makes Malvern House so special?

Featuring 19 spacious apartments, Malvern House is on a site that had been derelict for some time in the popular commuter district of Kenley. Although it's a new build scheme, the quality of design and finish is so high it's barely distinguishable from nearby period properties.

Buyers have the convenience of a free allocated parking space, plus an internal bike store and attractive communal gardens to relax in. The fact that the grounds are also home to a badger conservation area reflects the site's tranquil setting. Built to level three of the Code for Sustainable homes, these properties also feature photovoltaic panels to help keep heating and hot water bills down.

Despite the premium location and standard of these apartments, they're really affordable. Buyers could secure a 25% share in the fabulous one-bedroom apartments for just over £50,000 and a 35% share for circa £75,000. Someone earning from as little as £22,000 (or a couple with a household income of just £31,000) could afford to buy.

Residents in the garden at Newstead Road



Left: Martyn Brindley (Head of New Business), Rachel Jones (HR & Facilities Adviser), Rumana Khair (Stock Improvement Manager) and David Collick (Property Services Director)



# A Few More Awards....

## SHIFT Gold Award

Hexagon was recognised for the quality of its homes at the prestigious Sustainable Homes Index For Tomorrow (SHIFT) Awards in December 2016, in front of 230 housing professionals.

At the ceremony, 43 SHIFT landlords also received their SHIFT accreditation standard in which a record number of “gold” landlords were announced. As a group, SHIFT landlords outperform the rest of the sector on measures such as the energy efficiency of homes – meaning lower emissions, warmer homes and more affordable energy bills for residents.

Accredited organisations measure their impact and compare how they are doing against others using the SHIFT framework, with recommendations provided on the best routes to improve. Following our 2016 sustainability assessment, Hexagon has achieved SHIFT Gold demonstrating our commitment and progress in improving homes and reducing impact. Hexagon is one of only 10 landlords to achieve the SHIFT ‘gold’ award.

SHIFT analyses the environmental performance of social landlords’ housing stock, existing and planned, as well as offices and operations, with over 50 weighted questions covering measures such as energy efficiency, water use, waste management and adaptation to climate change.



Below: Newstead Road

Right: Lionne Whitfield  
(Employment  
Support Advisor)



### ‘A’ rated mental health provision

Newstead Road is supported living accommodation for adults with complex mental health needs. The aim of the provision is to support residents for a period of up to 2 years to enhance their skills to enable them to live and work independently. A strong focus of the service is on education, employment and training and also other interventions, such as a range of therapies.

In October 2016, the service was assessed on a Quality Assessment Framework Inspection by Lewisham Council’s Prevention, Inclusion, Public Health Community Team (PIPHCT). Funding for the service is largely secured by Lewisham Council and the inspections are usually carried out yearly to ensure that value for money and most importantly, a good service, is being provided to the adults within the service.

The service is graded on key areas – assessment/support (paperwork), safeguarding, health and safety, service involvement and access, diversity and inclusion. Each area is given a grading of either A (Outstanding), B (Good) or C (Meeting requirements). In this inspection the service gained 5 As, one in every area investigated.

This is a great achievement, with credit due to Project Manager, Rahul Sen, and the fantastic team at Newstead Road who are providing outstanding support to the residents within the service.

### Love London Working

In 2015 Hexagon joined forces in the ‘Love London Working’ initiative, funded by the European Innovation and Social Fund, with the aim to assist more residents into work over the next three years. By collaborating with 15 other Housing Associations we were all able to leverage extra spend for our employment support work. As a result of this innovative collaboration, Hexagon have been able to double the resource on employment training.

The employment services at Hexagon are led by Lionne Whitfield. Lionne joined Hexagon in January 2016 as Employment Support Advisor, to provide employability support for unemployed residents. During this time she has transformed the delivery of the Employment and Skills programme which is part of the Love London Working programme.

In May 2017, Lionne was named as a finalist for the Employment Related Services Association (ERSA) Employability Awards 2017, sponsored by Clarion Housing Group, in the Adviser of the Year Award category. The award recognises an employment adviser who has demonstrated exceptional commitment in a frontline role.

# Financial Summary

Although Group turnover decreased by 8.4% (from £34.8m to £31.9m), compared to 15/16, £2.9m of this decrease is in income from first tranche shared ownership sales, as there were fewer shared ownership units ready for sale this year.

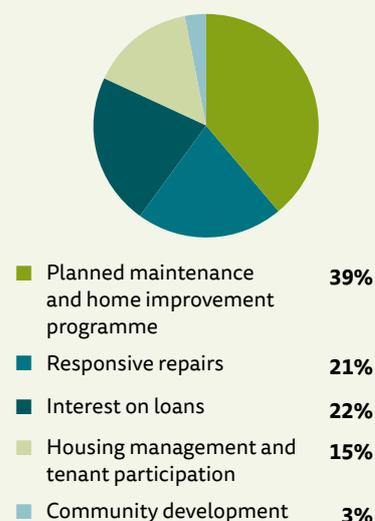
The main source of turnover – income from social housing lettings – increased by 3%, as income from newly developed units outweighed rent decreases for general needs tenancies. Operating costs increased by 6.4% from £20.8 to £22.1m. This includes £941k uninsured costs from the ground collapse at Brickfield Cottages. The operating margin before the effect of fair value adjustments, surplus on disposal of fixed assets and first tranche shared ownership sales decreased from 31.7% to 28.3%. However, operating margin excluding Brickfield Cottages cost is 31.4%. Net financing costs were 9.4% lower at £4m, and £2.1m (2016: £5.2m) was realised through a combination of staircasing sales of shared ownership properties and the sale of housing properties which were uneconomic to repair. The overall surplus for the year decreased to £6m from the previous year's surplus of £9.6m.

Group reserves currently stand at £29.9m (2016: £23.9m). 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.

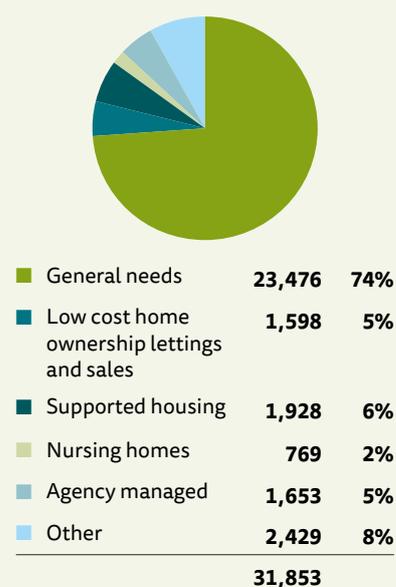
The Group spent £25.6m on acquiring and developing properties in the year, of which £3.1m was funded through capital grants. 43 additional units were completed, and a further 227 units are still under development. The Group's loans increased from £151.9m to £166.4m and a further £50m of loan facilities are available, £20m of which can be drawn at 3 days' notice. The weighted average interest rate on the Group's loan portfolio was 2.97% (2016: 3.25%). The Board estimates that the investment value of the Group's properties is £553m, of which £193m is in unsecured properties.

The financial performance of the Group, as set out in the statement of comprehensive income, is shown as operating results plus the impact of fair value measurements of longer-term liabilities such as derivative contracts and pensions payments. Commentary on the 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.

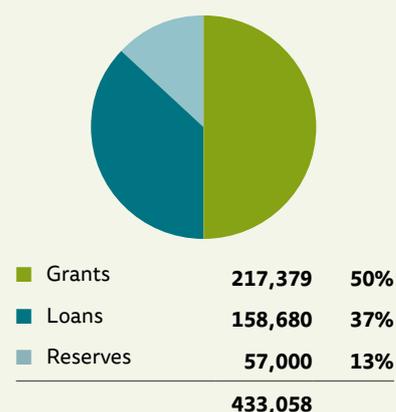
## How every £ of rent was spent



## Turnover breakdown (£000s)



## Balance sheet funding (£000s)



## Statement of Comprehensive Income

for the year ended 31 March 2017

	2017 (£000s)			2016 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Turnover	31,853		31,853	34,769		34,769
Cost of sales	(874)		(874)	(3,356)		(3,356)
Operating costs	(22,132)	601	(21,531)	(20,804)	(1,250)	(22,054)
Surplus on sale of properties	2,068		2,068	5,230		5,230
<b>Operating surplus</b>	<b>10,915</b>	<b>601</b>	<b>11,516</b>	<b>15,839</b>	<b>(1,250)</b>	<b>14,589</b>
Interest receivable	51		51	83		83
Interest payable and similar charges	(3,877)	(122)	(3,999)	(4,323)	(90)	(4,413)
Change in fair value of financial instrument	-	(594)	(594)	-	(359)	(359)
<b>Surplus for the year before tax</b>	<b>7,089</b>	<b>(115)</b>	<b>6,974</b>	<b>11,599</b>	<b>(1,699)</b>	<b>9,900</b>
Taxation	-		-	(3)		(3)
Change in fair value of hedged financial instrument	-	(948)	(948)	-	(336)	(336)
<b>Total comprehensive income for the year</b>	<b>7,089</b>	<b>(1,063)</b>	<b>6,026</b>	<b>11,596</b>	<b>(2,035)</b>	<b>9,561</b>

## Balance Sheet

as at 31 March 2017

	2017 (£000s)			2016 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
<b>Tangible fixed assets</b>						
Housing properties	433,058		433,058	412,270		412,270
Other	2,767		2,767	2,977		2,977
	435,825		435,825	415,247		415,247
<b>Current assets</b>						
Stock - properties Developed for Sale	10,804		10,804	4,799		4,799
Debtors - receivable within one year	2,995		2,995	2,843		2,843
Debtors - receivable after one year	1,583		1,583	1,280		1,280
Cash	6,532		6,532	9,410		9,410
Less: creditors amounts falling due within one year	(12,591)	(796)	(13,387)	(10,824)	(766)	(11,590)
Net current assets/(liabilities)	9,323	(796)	8,527	7,508	(766)	6,742
<b>Total assets less current liabilities</b>	<b>445,148</b>	<b>(796)</b>	<b>444,352</b>	<b>422,755</b>	<b>(766)</b>	<b>421,989</b>
Creditors: Amounts falling due after more than one year	(382,784)	(26,347)	(409,131)	(367,521)	(24,805)	(392,326)
Pension deficit liability	-	(5,056)	(5,056)	-	(5,565)	(5,565)
Provisions for liabilities	(270)	-	(270)	(229)		(229)
<b>Net assets</b>	<b>62,094</b>	<b>(32,199)</b>	<b>29,895</b>	<b>55,005</b>	<b>(31,136)</b>	<b>23,869</b>
<b>Reserves</b>						
Income and expenditure reserve	62,094	(16,537)	45,557	55,005	(16,422)	38,583
Cash flow hedge reserve	-	(15,662)	(15,662)	-	(14,714)	(14,714)
	<b>62,094</b>	<b>(32,199)</b>	<b>29,895</b>	<b>55,005</b>	<b>(31,136)</b>	<b>23,869</b>

Full financial statements can be downloaded from our website [www.hexagon.org.uk](http://www.hexagon.org.uk)

# Meet the Board

In September 2016, the Board welcomed two new Resident Board Members. Mark Allan and Ranna McArdle joined the Board following a selection and election process held over the summer.

Also in September 2016, the Board said goodbye and thank you to Kellie Elmes who had served on the Board for 3 years. Kellie was one of our Resident Board Members, a member of the Audit & Risk Committee, and Lead Board Member for Performance Management.

## In Memory of Ian Mansell

Sadly, in early May 2017, the Board received the very sad news that long-standing Board Member and Vice-Chair, Ian Mansell had died. Ian had served on the Board for almost nine years. He was the Vice Chair, a position he had held for six years. Ian chaired Horniman Housing Association, a non-charitable subsidiary. He served on the Audit & Risk Committee as well as the Remuneration Committee. Lastly, Ian was also the Lead Board Member for Housing Management.

Ian made an enormous contribution to the Group over many years and he will be sorely missed.



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Joined in Sept 2016



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Joined in Sept 2016

## The Executive Team

**David Collick**  
Property Services  
Director



**Kerry Heath**  
Development &  
Sales Director



**Tom McCormack**  
Chief Executive



**Chris Melville**  
Operations Director\*



**Phil Newsam**  
Finance & IT Director



**Andrew Green**  
Housing Services Director

\*Chris Melville retired from Hexagon in May 2017 after 22 years and was replaced by Andrew Green.

Name	Length in Service	Employer	Occupation
1 <b>Roy Coulter</b> , Chair <sup>2</sup>	6½ years	n/a	Retired
2 <b>Debbie Bankole-Williams</b> <sup>1</sup> Vice Chair	5 years, 4 months	MCCH	Executive Director of Finance & IT
3 <b>Ruth Chambers</b>	2½ years	Self-employed	Campaign & Public Policy Consultant
4 <b>Ian Mansell</b> <sup>1, 2</sup> Vice Chair	8½ years	Self-employed	Management Consultant
5 <b>Mark Allan</b> <sup>3</sup>	6 months	Chisel Housing	Co-ops & Tenants Officer
6 <b>Dermot Finn</b> <sup>2, 3</sup>	4½ years	Self-employed	Microsoft Web Application Developer
7 <b>Jeanette Kenyon</b> <sup>2</sup>	3½ years	Self-employed	Property Development Consultant
8 <b>Martin Large</b> <sup>1</sup>	2½ years	n/a	Retired
9 <b>Tom McCormack</b>	5½ years	Hexagon Housing Association	Chief Executive
10 <b>Rosalind Watson</b> <sup>3</sup>	2½ years	n/a	Retired
11 <b>Ian Watts</b> <sup>1, 2</sup>	3½ years	PA Housing	Executive Director of Operations
12 <b>Ranna McArdle</b> <sup>1, 3</sup>	6 months	Amnesty International	PA to Director of Corporate Resources

\* <sup>1</sup> Audit & Risk Committee | <sup>2</sup> Remuneration Committee | <sup>3</sup> Resident Board Member



Hexagon

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