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Corporate Plan

2017-2020

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**Corporate Plan 2017 - 2020**

***1.0 Introduction***

This Corporate Plan is a three-year plan that provides the framework for Hexagon’s activities for 2017-2020.

It begins with a basic overview of Hexagon and a review of recent performance. It then moves on to explain our mission, our values, and our corporate plan framework.

The Plan then looks at the external operating environment in the context of future changes in the housing association world and lastly, it sets out a number of corporate plan objectives. We have also provided a financial plan with some key financial data that supports our objectives and targets contained herein.

In addition to this plan, our corporate objectives are supported by detailed departmental work plans which set out more detailed action plans and targets and these are reviewed annually to ensure that we achieve what is outlined in this document. These plans also outline the initiatives we are undertaking to ensure the targets are met.

Our Corporate Plan is driven by the priorities of our residents. We utilise a number of methods to identify their priorities, and this plan has been largely shaped by what they communicated to us. In developing the plan, we have utilised feedback from our monthly tenant phone surveys, feedback from our Residents Forum, Resident Board Members, and monitoring of complaints about service delivery.

We have a clear framework underpinning all of our corporate objectives. First, we have established a robust Risk Assessment Framework to support us in moving the organisation forward which concentrates on the risks that stand in the way of achieving corporate plan objectives. Second, we have a commitment to equality and diversity in the provision of housing and related services, recruitment and selection, our Governance structure, and in our procurement of services with external bodies. Hexagon values and celebrates diversity and this informs everything that we do.

***2.0 Overview of Hexagon***

Hexagon is a charitable not for profit Housing Association which is based in South East London. We are a community based association working primarily in the five boroughs of Lewisham, Southwark, Greenwich, Bexley, and Croydon. Our local focus means that we are in the business of working with people to build sustainable communities and not just new homes. This focus is reflected in our resident and service-user involvement, and community investment work.

Hexagon was formed in August 1990 from the merger of Shackleton and Solon South East. Since that time, Hexagon has tripled in size and today manages circa 4,200 homes across several London boroughs.

Our core business is permanent homes for general needs tenants. We also provide a wide range of other housing choices for tenants and service-users including shared ownership housing for first time buyers. We also develop a limited amount of housing for outright sale via a non-charitable subsidiary called Horniman Housing Association. The purpose of this work is to create cross subsidy to support the rented housing. We provide care services to enable those with mental health needs to live with dignity in the community and we also ensure that support is provided to Hexagon’s most vulnerable residents through a combination of direct support and increasingly via a number of agencies taking on this role via a support contract with our Local Authority partners.

Hexagon is committed to involving our residents and service-users in service delivery and this takes many forms. One of the most significant involves the direct management by tenants themselves through housing co-operatives. This currently accounts for approximately 7% of our housing provision.

Hexagon employs 143 staff in the provision of housing and related services.

***3.0 Review of Performance***

Hexagon has met with significant success in recent years and the following list gives a sample of our achievements to date. These successes provide a solid foundation on which to move the organisation forward for the benefit of our existing and future residents.

* At the end of 2016, we had achieved a rating of 95.7% for the ‘Quality of the last repair, putting us well above the London median of 76%.
* During 2016, we responded to 100% of repair email responses within our target of 1 working day.
* Our General Needs void rent loss at the end of 2016 was .5%, making us a top quartile performer both in London and nationally.
* During our last Corporate Plan, we met all of our financial targets re: operating surplus and overall surplus (with the exception of 2017 allowing for a one-off exceptional Brickfield Cottages cost).
* At the end of 2016, we comfortably met our lending covenants with gearing at 53.2% (versus <70%) and net interest cover at 426% (versus >110%).
* Our Value for Money initiatives have been successful in that we have an 8-year track record of keeping unit cost increases to less than inflation in all operational areas aside from major repairs and void repair costs.
* Our interest costs are lower than those of 75% of English Housing Associations.
* Hexagon continues to prioritise resident involvement in running the organisation. Our work continues to be informed by the Performance Review Group (a residents’ scrutiny panel that reports to the Board), a Residents’ Forum (that focuses on wider policy issues), and a Residents’ Inspection process which hands power and control over to residents to ensure our services remain customer focus and are always improving.
* For the past 19 years, we have had four tenants on our Board, achieving the Board’s target of 1/3 tenant representation. This continues to assist the Board in staying focused on improving service delivery to residents.
* We continue to make significant investment in our existing homes and over the last three years our Stock Improvement Programme has spent £12.57m to ensure that all of our homes are upgraded.
* Hexagon is a Greater London Authority (GLA) ‘Preferred Partner’ and in 2015/18 we received Social Housing Grant (SHG) to build 277 new homes.
* The quality of Hexagon’s developments continues to attract awards and commendations. In recent years we have won awards for ‘Best New Affordable Development’, ‘Social Development of the Year’, ‘Best Housing Development’ in the 6-25 unit category, a ‘RIBA London’ award, and an ‘English Heritage’ award. More recently, we have won a ‘Best First Time Buyer Apartment’ award at the First Time Buyer Readers Award for our development at Malvern House, Croydon. We also won an English heritage ‘Angel’ award for saving an historic building which makes an important contribution to London and national history for Concrete House in Dulwich.
* Our commitment to efficiency and value for money has ensured that we remain financially strong. This is reflected in the highest possible rating for financial viability awarded by the housing regulator.
* Hexagon’s Finance and IT Director won a Housing Association National Accountancy Award (HANAA) for the ‘Finance Director of the Year for Associations up to 10,000 units.’
* Hexagon’s ratings awarded by the regulator for Governance also remain the highest possible ratings which associations can receive.
* We have been accredited as an ‘Investor in People’ for the past 17 years, reflecting a commitment to training and developing our staff. In 2015, we received the prestigious IIP Gold award which places Hexagon amongst the top 7% of IIP recognised organisations.

* Our commitment to environmental sustainability is reflected in our commitment to reduce carbon emissions in our existing properties and in the building of new homes, and in our office. We have achieved a prestigious national Gold award from Sustainable Homes via their SHIFT index. This puts Hexagon amongst a small number of top performers in this area across the housing association sector.
* Our Community Investment Team continues to innovate. In addition to forming the Hexagon Academy (which provides assistance to unemployed Hexagon residents to find jobs) we are now expanding our work via our participation in an initiative known as Love London Working, in collaboration with a number of other London Housing Associations.
* Our Employee Trainee initiatives have been recognised by winning a Fair Training Silver Quality award, reflecting Hexagon’s workplace initiatives.
* Our registered care homes for people with mental illness continue to achieve high ratings from the regulator and our high support scheme at Newstead Road recently achieved top marks from the commissioners following a recent inspection.
* We have improved our performance in the customer service centre with 79% of all calls answered within 30 seconds and the number of abandoned calls being below the industry standard.
* Following our latest Staff Survey carried out in November 2015, Hexagon has won an award for having the highest levels of Employee Engagement when benchmarked across hundreds of organisations all over Europe, including 43 English Housing Associations.
* In the summer of 2016, Hexagon achieved the lowest price for a public bond in 26 years via a launch with the Affordable Housing Fund, a subsidiary of the Housing Finance Corporation.

### *4.0 Hexagon’s Mission*

### Hexagon’s Mission Statement is defined as follows:

“To meet housing, care, and support needs in South London and assist with economic and social regeneration”.

Our predominant area of operation is South East London.

### *5.0 Hexagon’s values*

Our Mission Statement is underpinned by our values which we have identified as follows:

1. We foster equality of opportunity and embrace diversity in everything we do.

2. We are committed to ensuring affordability of all our homes and services.

3. We strive to be open and accountable to our customers and partners.

4. We place the interests of our residents and service-users at the heart of what we do and aim to treat people with respect.

5. We value our staff and are committed to them achieving their potential.

### *6.0 Corporate Objectives Framework*

We have identified six Corporate Objectives that form the framework and guide our activities. These objectives are listed below. They do not appear in priority order.

1. To continually improve the quality and range of our affordable homes and services through innovation and best practice.
2. To be cost effective, efficient and competitive.
3. To be amongst the best in the provision of housing, care, support, and related services.
4. To be financially secure.
5. To develop, motivate, and retain staff
6. To be socially responsible in the way we run our business, and in particular, to focus our efforts on promoting environmental sustainability

***7.0 The context for future changes***

We see four major themes underpinning the external operating environment. Many of these changes are reflected in Government policy, either directly or indirectly and they will affect the way that Hexagon operates in the future.

These changes present both threats and opportunities for Hexagon, but they underscore that these changes require the development of innovative and creative solutions to address the growing housing needs in our communities.

**Welfare Reform and financial challenges faced by residents**

The roll out of Universal Credit has begun, but its impact to date has been relatively minor on Hexagon and Hexagon residents. At March 2017, approximately 200 residents were in receipt of Universal Credit as the Government roll-out of Universal Credit has been much slower than originally planned by Government.

Universal Credit will see the ending of direct payments to housing associations as the Universal Credit payment will be made directly to tenants. We still expect this to result in a substantial increase in rent arrears. This is despite some of the positive changes arising from the earlier Universal Credit pilots, including the option for landlords to request the switching back under direct payments should arrears start to build up.

The ‘Bedroom Tax’ (aka ‘Spare Room Subsidy’) impacts on approximately 8% of Hexagon tenants and although these tenants have seen a decrease in their Housing Benefit somewhere between 14 and 25%, depending on the number of bedrooms that are under-occupied, we have not seen a significant increase in our arrears as previously anticipated.

The original welfare cap (£26k in London) impacted approximately 18 Hexagon residents. The new cap (£23k in London from November 2016) has impacted a further 20. Whilst the cap is a significant challenge for these residents, we do not anticipate a major impact on our overall finances.

The Government has also announced its intention to apply the Local Housing Allowance rate to housing association tenants and there may be some impact on Hexagon’s supported housing residents, although early indications are that the Government intends to fund any increases over LHA via a ring-fenced local authority controlled payment.

Further changes that the Government intends includes limiting single people without dependents to the LHA shared room rate which will seriously inhibit our ability to house under-35s in self-contained accommodation.

Major benefits are also “frozen” until 2020 and as inflation increases, we expect many of our residents in receipt of benefit to face further financial hardship. This includes those in receipt of Jobseekers Allowance and Income Support.

All of the welfare reform based financial challenges faced by our residents inform the actions in this Plan. This included, for example, a Community Investment programme to support residents, particularly in relation to the introduction of Universal Credit, getting online, and ensuring that people can access good support for the financial challenges presented by Welfare Reform.

**Achieving maximum Value for Money in the context of minus 1% rent increases for four years ending 2020**

During the life of this Plan, Hexagon will have to put its income down by -1% for a further three years. This started in 2016 and should end in 2020.

Given that Hexagon’s other costs, including primarily our maintenance and staffing costs, are likely to go up rather than down over the next four years, this creates a very challenging operating environment.

Hexagon has a substantial operating margin and we expect that we will be able to absorb the vast majority of the reduced income without any substantial threat to our financial health.

At the same time, this context calls for a renewed commitment to our Value for Money Strategy and our commitment to innovate and change our ways of working to achieve maximum efficiency to negate the impact of the reduction in income.

Hexagon’s VFM approach has 6 strategic Value for Money themes:

* Restricting operating costs (including major repairs and void losses) per social housing unit
* Restricting the growth of interest costs per social housing unit
* Effective asset management  
  Maximising development (within our capacity)
* Improving resident satisfaction
* Delivering social value

The Board has agreed a suite of high level measures which allow progress to tracked on each of the themes and cover all of the Association’s activities:

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| **Theme** | **Measure** |
| Restricting operating costs (including major repairs and void losses) per social housing unit | Operating cost per social housing unit |
| Restricting growth of interest costs per social housing unit | Interest paid as a percentage of average borrowings |
| Effective asset management | Return on capital employed |
| Maximising development (within our capacity) | Units developed as a percentage of units owned |
| Maximising development (within our capacity) | £m distance from an interest cover breach |
| Maximising development (within our capacity) | Cumulative surplus on outright sales |
| Improving resident satisfaction | % satisfied with last repair |
| Delivering social value | Average SAP rating of properties |
| Delivering social value | Annual social value delivered per £ spent on employment initiatives |
| These measures have been chosen because they encompass everything that the Association spends, but also include the most readily available measures of outcome (new homes, resident satisfaction and social value). Definitions of each measure are included in the Association’s Value for Money Strategy. | |

Three-year targets for each of the measures have been set in Section 8 ii below for the period to March 2020, so that the Board can monitor progress in delivering VFM over the course of the three-year corporate planning period. The monetary targets have been derived from the 30 year financial forecast, and the non-monetary ones have been set by the Responsive Repairs, Stock Investment and Community Investment teams.

The Board will consider an annual VFM strategy every March, which incorporates:

* Areas where we perform worse than our peers (derived from the Housemark and HCA benchmarking data)
* Actions that are to be undertaken during the year of the strategy, linked to the 6 themes.

**Housing for sale in a post-Brexit world**

In historical terms, grant funding per unit for housing association new build programmes is at an all-time historical low. From 1974 to 1988, housing associations enjoyed a very generous grant regime which saw grant rates that were extremely high (i.e. 90% +). This allowed housing associations to charge extremely low rents that were set by the rent officer as “fair rents”.

From 1989 through to 2010, housing associations saw decreasing grant rates that were approximately 66% of development costs. These were funded by social housing rents that were largely determined by a central Government rent restructuring regime and increased borrowings. Although these rents were higher than historic ‘fair rents’, they remained significantly below market rents.

In 2011, there was a significant change to grant funding for associations. Grant rates per unit tumbled to circa 20% for new developments for the 2015-18 programme. These were funded on the back of substantially higher rents that have been allowed to rise in some cases, to 80% of market rents. These higher rents apply to all new developments and a proportion of re-lets.

High rents are antithetical to Hexagon’s ethos and values. As a charity, we have been established to help those in necessitous circumstances and it is very difficult for us to do that without substantial support from the Government in the form of capital subsidies.

Hexagon’s Board has taken the view that in response to this comparatively low grant regime, we should take on some “managed risks” by pursuing a programme of housing for outright sale to provide cross subsidy. The objective is to keep rents down, thereby allowing us to achieve our objectives and mission.

In November 2016, the Government announced in the new Autumn Statement that there would be more money available for social housing including a shift in favour of supporting some rented housing in addition to home ownership initiatives. This has been welcomed by the sector and by Hexagon although it remains the case that the grant levels for new rented housing remains low. At the same time, the London Mayor has sought to keep rents lower than in previous programmes. This combination means that if we do want to provide rented housing in the future, we are going to need to continue on the path of creating cross subsidy from housing for outright sale as previously planned.

We will continue to change our way of working in relation to developing housing across tenures and we will manage the risks of housing for outright sale carefully to ensure that it benefits the business in overall terms and does not create any unintended liabilities in respect of our social housing assets. Key to that strategy is an absolute cap on investment in housing for outright sale at any given time.

Since we have embarked on this strategy, Brexit has arrived, bringing significant uncertainty to the external operating environment relating to development. Perhaps key is the impact of Brexit vote on the housing market and house prices. This brings a heightened level of uncertainty and risk to our housing for sale activity which will need to be carefully managed over the life of this plan.

Brexit also brings quite a lot of other uncertainties including an impact on the cost of imported building materials for constructing new homes and the availability of labour in the context of a skills shortage, should immigration, particularly from Eastern Europe, be reduced.

**Investing in IT in the context of a rapidly changing world of digital communications**

Hexagon’s housing management system, Genero, is several decades old and although it has been subject to updates, it is reaching the end of its useful life. During the course of this Plan, we will procure a new IT system that is fit for the future.

In March 2017, the Board agreed that we would procure Civica’s new Cx product. This followed a comprehensive process of evaluating a number of alternative systems and inviting tenders and proposals from a number of alternative suppliers.

Our existing system could be described as “property centred” and giving the increasing expectation of our customers, we need to move towards a more “customer-centred” IT system.

Internet access is increasingly a part of everyday life and a rapidly evolving digital revolution is rapidly changing the way in which businesses communicate with their customers.

Part of the digital revolution will include some options for self-service via a tenants’ portal enabled by the new and improved IT system. We will also increase the use of email and texts dependent on customer preference. We will also empower our staff to work more effectively and efficiently utilising mobile devices to ensure that they have better information to hand when out in the field that will assist them in serving our customers.

Where our residents express a preference to use digital communications which us, we will respond to that demand. At the same time, we recognise that a significant portion of our residents will choose to not to access the digital communications option, so a range of options will need to be retained, including for example, telephone contact as we move forward.

***8. Corporate Plan Objectives for 2017-2020***

**I.** **TO PUT RESIDENTS AND SERVICE-USERS AT THE HEART OF WHAT WE DO**

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|  | **Objectives** | **Targets and Initiatives** |
| a. | To show continuous improvement on residents’ satisfaction with the Repairs & Maintenance service. | Our target is to be in the upper quartile (74.6%) on “satisfaction with the way the landlord deals with repairs and maintenance” for our London peer group.  Our target is to ensure we continually improve our overall satisfaction target year on year, and incorporate best practice in the way we deliver our repairs. |
| b. | To increase and improve the ways that residents can assist in developing strategy and policy via the Residents’ Forum, and to maximise opportunities for residents to work with Hexagon staff to improve service delivery. | We will support the development of the Residents Forum and provide an annual programme of training.  We will have a revamped Residents Forum in place operating to a new constitution during 2017.  We will support the Residents Forum to reflect resident’s priorities in influencing the main policy developments.  Support the Performance Review Group in their monitoring of performance information to improve service delivery, accountability and value for money.  Undertake at least one residents’ inspection a year which provides an in-depth assessment of the process of service delivery reporting on the quality of that service.  Support the Repairs Group to undertake regular monitoring and review of the delivery of the repairs service with the aim of driving improvements to the service. |
| c. | To get things right the first time, or if we don’t, to deal better and more efficiently with complaints. | At least 90% of complaints are responded to on time and do not escalate.  To log all complaints within 24 hours of receipt. |
| d. | To implement the Asset Management Strategy, with particular emphasis on a clear disposals strategy. | New Asset management strategy approved to 2021 with agreed disposal principles - Q1 2017/18.  NPV values for all properties in place - September 2017.  NPV values reported annually – September Boards.  Poor NPV properties subject to appraisal – as required. |
| e. | To ensure full compliance with all statutory and best practice regulations relating to landlord health and safety requirements. | We will ensure all of our contractors meet all relevant H&S requirements (incl. Fire, Gas, Electric, Water & Asbestos) and be able to advise us of any H&S issues identified during the course of their activities.  We will ensure that all relevant Fire Risk Assessments are up to date with actions identified completed within acceptable timescales.  That all properties are surveyed and clearly identified for potential asbestos where relevant undertaking removal if required.  We will have fewer than 2 formal statutory notices per year maximum. |
| f. | To improve residents’ satisfaction with Estate Services. | Our target is to achieve improvements of 5% per annum in our annual estate services satisfaction survey (61%, 66%, 71% annual targets for 17/18, 18/19 and 19/20) until we achieve a top quartile London peer group satisfaction level (Currently 80%).  We will make use of a mobile checklist app when visiting our estates and use this to monitor compliance with our estate service contracts and immediately notify our contractors of issues requiring attention.  We will review the way our resident Estate Champions can assist us in improving standards on our estates enabling them to quickly highlight to both staff and our contractors when issues of concern arise.  We will ensure our monthly contract meetings focus on maintaining and improving performance and fully utilise the feedback information gathered from our monitoring procedures to achieve this. |
| g. | To ensure all Co-ops meet Hexagon’s standards. | We will maintain the risk-based monitoring of managing agents’ performance to ensure that it matches or exceeds the levels for that of directly managed homes.  We will ensure that all managing agents provide up to date gas safety certificates and carry out timely Fire Risk Assessment reviews.  We will carry out a residents’ satisfaction survey of all Co-op managed residents in 2018 and ensure that any necessary action plan is delivered on by the co-ops. |
| h. | To provide excellent care services which are highly rated by service users, commissioners, and regulators. | Develop and implement a tool to measure outcomes for residents following period of rehabilitation at Hexagon - April 2018.  Develop and implement satisfaction survey(s) to capture feedback from all stakeholders including community teams and other external agencies. Target 80% positive feedback - September 2018.  To maintain or improve on existing “GOOD” and “A” ratings from inspecting bodies - when inspected.  Develop and implement a tool to obtain upwards feedback on staff and managers’ performance from residents and supervisees. Target 60% positive feedback - April 2019. |
| i. | To ensure our Community Investment initiatives maximise Value on both monetary and social measures. | We will continue to work with our voluntary, community and corporate partners to generate opportunities for residents and help secure value for money.  We will continue to be open to opportunities to work in partnership with others to pursue joint working and the pooling of resources.  We will ensure the planned outputs and results of the Love London Working are met.  We will measure our investment in communities using the HACT model for measuring social value.  For every £1 we spend, we aim to achieve at least £2.50 in social value in 2018, £3.00 in 2019, and £3.25 in 2020.  We will demonstrate the cost effectiveness of our Financial Inclusion service by ensuring that the cost of supporting residents is less than the monies accessed by them directly and to Hexagon. |
| j. | To support our low-income residents with money advice/support measures to ensure they can sustain their tenancies. | At least 80 residents per annum will receive 121 support from our Senior Financial Inclusion Adviser.  We will work in partnership with others to support our most vulnerable residents to help them sustain their tenancies.  At least 200 residents will access energy advice and support.  At least 100 residents per annum will be supported to develop their digital skills and get online.  We will support at least 40 residents into employment each year through the provision of support, advice and training. |
| k. | To work closely with our residents to ensure a smooth transition for Welfare Reforms, including Universal Credit. | We will ensure support is in place to help residents to adapt to benefit changes.  All residents identified as at risk due to the transition to Universal Credit will be offered face to face or telephone support.  No residents will lose their home due to lack of support with their transition to Universal Credit. |
| l. | To respond to the introduction of the LHA cap to social housing rents by introducing affordability tests to any new lettings affected. | We will monitor the impact on affordability of LHA and other caps and develop strategies to ensure that new lettings are only made to residents who will be able to afford the rent level.  We will keep under review and change as necessary:   * Our lettings policies for single person households under 35 likely to be dependent on benefit to meet their housing costs * Our lettings policies for market related rent properties which may lead to residents exceeding benefit entitlement caps   We will consider the appropriateness of introducing fixed term tenancies for new lettings to tenants whose ability to continue to be able afford the rent may be affected by capping policies from 2019. |
| m. | To utilise our Stock Improvement funding to help residents fight fuel poverty by reducing their energy bills. | To continue with the upgrading works to block lighting annually to reduce service charges.  To review properties of less than SAP 65, including those in the clearly defined SAP ready categories - by Dec 18.  To develop the programme to deliver this by 2020. |
| n. | To keep the promises we make and to provide excellent customer services by embedding our ‘Customers At The Heart’ programme. | We will consistently promote Customers at the Heart throughout the Organisation, via the Customers at the Heart (CATH) Working Group Action Plan.  We will continue to ensure new staff are inducted into ‘Customers at the Heart’ principles.  We will provide Customers at the Heart refresher training for all staff bi-annually.  We will include selection assessments/interview questions at recruitment stage to test candidates’ commitment to excellent customer service. |
| o. | To provide excellent services to all leaseholders, including compliance with all statutory requirements and best practice. | We will introduce an annual satisfaction survey for leaseholders to assist us in identifying which elements of our leasehold specific services require improvement.  We will consider setting up a leaseholder forum and/or digital panel to inform us in continually improving our leaseholder services.  We will learn from sector leaders to assist us in developing best practice in our services to leaseholders.    Following the implementation of our new IT system in 2017/18 we will develop our resident portal to facilitate digital access to our leaseholders.  In 2018/19 we will review our leaseholder handbook to ensure it provides clear information to leaseholders on the respective responsibilities of leaseholder and landlord and the services that Hexagon offers.  We will ensure that we meet statutory and contractual obligations to leaseholders including full compliance with s20 consultation procedures.  We will work on improving the transparency and clarity of leasehold service charge information to provide assurance to leaseholders that they are receiving value for money services. |

II. TO CHANGE OUR WAYS OF WORKING TO ACHIEVE MAXIMUM VALUE FOR MONEY BY WORKING SMARTER

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|  | Objectives | Targets and Initiatives | | | | |
| a. | To minimise our rent arrears and maximise our rent collection. | Our target is to maintain rent collection rates of over 99% and achieve top quartile performance for the London peer group.  We will also seek to reduce our outstanding arrears debt as a percentage of annual rent due across all tenures on a year by year basis with a target of 5.62% in 2017/18.  The implementation of a new IT system during 2017/18 will facilitate more efficient use of staff time in monitoring accounts and more flexible tools for contacting our residents immediately when they fail to make agreed payments.  We will offer advice and support to residents to maximise their benefit entitlement and develop partnerships with other agencies to assist residents with multiple debt problems. Our employment advisor will provide assistance to residents seeking employment to mitigate the effects of some of the welfare reform benefit reductions.  We will continue to develop partnerships with agencies who may be able to provide advice, assistance and support to our residents who may be struggling to manage their finances and falling behind with their rent.  We will review the payment options available to residents and in particular those receiving Universal Credit payment towards their housing costs.  We will seek to learn from peer organisations who have developed effective ways of maintaining and improving their rent collection with particular reference to managing the challenges presented by the welfare reform agenda.  We will keep under review our staffing structure to ensure that it is effective and efficient in ensuring that our rental income is maintained and that an appropriate level of staffing resource is being allocated to this essential area of work. | | | | |
| b. | To minimise the number of days it takes to re let our general needs homes. | Our targets will be to achieve:   * a general needs average void turnaround of 28 days for standard voids by the end of 2017/18 and maintain and improve on this in subsequent years to achieve an upper quartile peer group  performance by the end of  2019/20 (Current top quartile peer performance is 22 days) * an average  turnaround of 70 days for major works voids by the end of 2017/18 and reduce this to 63 days by the end of 2019/20  (Current top quartile peer performance is 67 days) * a maximum void loss of below 0.7% by end of 2017/18 and below 0.5% by end of 2019/20 (current top quartile peer group performance is 0.46%)   We will improve the co-ordination and overlapping of our void repair, allocation and lettings processes to reduce the total void turnaround time for empty properties .  We will analyse and learn from property refusal reasons to reduce letting delays caused by multiple offers of empty homes.  We will work with our repair contractors to reduce the average time spent carrying out more extensive major repair work to voids. | | | | |
| c. | To minimise the number of days it takes to re let our supported housing homes. | We will reduce the number of days that it takes to relet SH units   * by streamlining the referral process * building strong relationships with referral agencies * working with other HAs to agree standards with local authority referrers. * ensuring that the relatively straight-forward voids are let swiftly.   We will aim to reduce relet days (88 days at December 2016) by 10% each year during this plan. | | | | |
| d. | To improve the method of budgeting for, and recording of, service charges as to maximise recovery of eligible spend. | During 2017/18 we will review our service management fees for rented and home ownership tenures to ensure they adequately cover costs incurred and benchmark these against other organisations.  During 2017/18 we will identify and address weaknesses in our existing service charge financial management systems to ensure that we accurately record the nature, value and location of costs being incurred in delivering services and can better act as a basis for preparing service charge income budgets and leasehold service charge expenditure accounts.  During 2018/19 (following the implementation of our new IT system in 2017/18) we will review and change the format for presenting service charge information to our residents to improve clarity of information on the service costs being incurred.  During 2018/19 we will review the way we calculate leaseholder sinking fund contributions for leaseholder and capital contribution costs for renting tenants to ensure they adequately reflect true costs.  During 2019/20 we will carry out a comprehensive review of income received and expenditure incurred on service charge recoverable costs to identify if there are further issues which need to be addressed. | | | | |
| e. | To monitor the viability of any supported housing schemes impacted by the removal of LA supported void losses and develop alternative uses as appropriate. | We will agree service level agreements with Southwark Council and support providers with clear and efficient referral routes to minimise void loss when the void loss agreements end.  We will work with the support providers to agree alternative referral routes if the local authorities are not able to refer in a timely way.  If these measures are not effective, we will also look at options for alternative uses of the schemes with on-site support providers and other compatible users. | | | | |
| f. | To exercise strong control over day to day repair budgets. | Our target is to deliver the responsive repairs spend within or under budget each year. | | | | |
| g. | To implement a new housing IT system to improve communication with residents and to improve efficiency and effectiveness in our processes. | Implement the system successfully to replace aging Genero system and reduce risk – Phase 1 to support rents, arrears and repairs. Target date 2018/19  Enable true mobile working – staff can carry out processes on the move, without having to rekey information afterwards in the office – to include tenancy signups, arrears work, ASB, estate inspections, repairs inspections and void inspections. Target date 2018/19  Open up new and extend existing communication channels for customers to submit service requests (email, phone, text, self-service). Target date 2018/19   * In particular, enable simple service requests and reporting via the customer portal * Actively encourage residents to shift inbound requests to self-service   Enable a true 360° customer view – all contacts held in one place, and easily accessible by staff – regardless of service area (repairs, tenancy) or channel (email, phone, face-to-face, text, self-service). Target date 2019/20    All customer-facing departments to log contacts on the system (using phone system automation). Target date 2018/19  Provide consistent and reduced response times for service requests. Target date 2019/20  Keep residents informed and reduce inbound demand via automated messaging for events such as communal repairs. Target date 2018/19  Communicate with residents via their preferred method, including digital options, wherever possible. Target date 2019/20  Empower staff to self-serve for simple reports e.g. a list of tenants in Southwark under 25. Target date 2018/19  Provide a single location and dedicated resource for structured data reporting (PIs and operational reports). Target date 2018/19  Provide a dedicated resource for ongoing system changes and process changes. Target date 2018/19  Enable more accurate charging of repairs in complex schemes, and more accurate service charge apportionment. Target date 2018/19 | | | | |
| h. | To implement the Asset Management strategy in a manner which ensures we are making the best use of all our property assets and obtaining best Value for Money. | Decent Homes standard maintained – annually  Disposal of Properties uneconomic to maintain – as required | | | | |
| i. | To support our staff with first class training to deliver our objectives, including in relation to any new IT improvements. | During each year of this plan we will develop a detailed training plan for the Organisation, which includes training objectives and costings.  We will ensure that comprehensive and timely training on any new IT improvements is arranged for all end users.  Our target is to provide funding for all training that is identified as necessary to achieve our corporate objectives outlined in the plan.  During each year of this plan, we will undertake a formal annual review of the training plan, including outcomes, to ensure that our training is effective and provides value for money. | | | | |
| j. | To ensure our Business Improvement Team leads the implementation of the new IT system in a manner which troubleshoots existing processes and drives efficiency. | Our targets are   * To deliver on budget the implementation of the replacement system for CTX Genero before March 2018 for repairs and rents; * To deliver a mobile working solution by June 2018 for front line housing and repairs staff that enables key tasks like estate inspections and ordering repairs to be completed away from the office; * To deliver an effective resident portal, which offers the option for most contacts to by conducted on-line 24/7 by June 2018; | | | | |
| k. | To carry out a Board led review of our strategic approach to merger and partnership working, focusing on the best approach to achieving our corporate plan objectives. | Board to hold merger strategy review meeting in June 2017 and as needed thereafter. | | | | |
| l. | To keep our IT infrastructure up-to-date to support the demands of the business and maintain resilience against threats | Replace our core infrastructure (storage and host servers) to ensure it can continue to meet the demands of the business. Target date - December 2019  Upgrade our email system to keep pace with technology improvements. Target date - December 2018.  Implement the recommendations of the Capita review to improve our resilience to external threats. Target date - June 2017 TBC  Implement a training programme for staff to ensure they can respond appropriately to external threats such as ransomware and phishing attacks. Target date – July 2017 TBC  Carry out annual disaster recovery tests. | | | | |
|  |  |  | **2017 forecast** | **2018** | **2019** | **2020** |
| m. | Restricting operating costs (including major repairs and void losses) per social housing unit | Operating costs per directly managed social housing unit (£/ unit) | 4221 | 4460 | 4534 | 4537 |
| n. | Restricting growth of interest costs per social housing unit | Weighted interest rate | 3.18% | 3.71% | 3.57% | 3.53% |
| o. | Effective asset management | Return on capital employed | 2.1% | 2.1% | 2.0% | 1.8% |
| p. | Maximising development (within our capacity) | Units developed as a % of units owned | 0.7% | 3.0% | 2.3% | 2.2% |
| q. | Maximising development (within our capacity) | £m distance from an interest cover breach (cannot be less than £5.1m) | 10.5 | 11.5 | 11.2 | 11.6 |
| r. | Maximising development (within our capacity) | Cumulative return on outright sale schemes (£'000) | 0 | 728 | 1046 | 1046 |
| s. | Improving resident satisfaction | % satisfied with last repair | 81% | 88% | 89% | 90% |
| t. | Delivering social value | Average SAP rating of properties | 71.05 | 71.9 | Not yet available | Not yet available |
| u. | Delivering social value | Annual social value delivered per £ spent on employment initiatives | Not yet available | £2.50 | £3.00 | £3.25 |

1. TO ENSURE THAT HEXAGON CONTINUES TO GROW IN A FINANCIALLY, SOCIALLY, AND ENVIRONMENTALLY SUSTAINABLE MANNER

|  |  |  |
| --- | --- | --- |
|  | **Objectives** | **Targets & Initiatives** |
| a. | To use our existing assets (surpluses and properties) to continue to grow and provide new homes for those in housing need. | To use Hexagon operating surplus (OPS) not to exceed a rate of £26,000/new home to subsidise new rented homes under the GLA funded 2017-2021 programme in combination with surpluses derived from outright sales and shared-ownership sales. |
| b. | To provide subsidised rented housing to those for whom home ownership or market renting is not financially possible. | Identify sites to deliver a programme of 91 rented homes over 2017-2021. Bid for and secure grant funding from the GLA to deliver these homes. |
| c. | To meet the housing needs of those who wish to become home owners, but who cannot afford to purchase outright in the open market. | Identify and acquire sites to deliver a programme of 151 shared-ownership homes over 2017-2021; to be delivered within Hexagon financial parameters. Bid for and secure grant funding from the GLA to deliver these homes. Sell these homes to qualifying purchasers within 6 months of build completion. |
| d. | To produce additional cross subsidy for our new build social housing programme by developing housing for outright sale with clear reference to new risk exposures. | We will secure and deliver outright sale homes to support the 2018/2021 rented programme, by working within the Investment Policy and the Board’s risk appetite.   * We will utilise the £11m available for investment * We will deliver a minimum return of 15% * We will work within the Board’s capital at risk target of £3.5m |
| e. | To be an efficient and effective house builder with the focus of the Board’s Development and Innovation Working Group’s recommendations. | We will work with the Innovation group to identify ways in which we can ‘add value’ to the way in which we deliver new homes:   * We will pilot a precision manufacturing scheme once a suitable site is identified. * We will pursue development opportunities identified from the estates review. |
| f. | To maintain our position as a GLA Investment Partner that delivers. | We will meet our GLA delivery targets for the 2015/2018 programme 2018/2021 programme:   * We will complete all 2015/18 schemes by December 2018 * We will start all 2018/2021 schemes by March 2021 |
| g. | To build homes that are environmentally sustainable. | Our Target is to build 200 homes to Code for Sustainable Homes (CSH) level 4 for our MHC 15/18 funded programme.  Our target is to achieve the GLA carbon reduction target of 40% above 2010 Building Regulations.  Comply with local Borough sustainability targets required through planning.  Align the Development activity with the Sustainability Strategy, where possible. |
| h. | Provide good quality homes that our residents want to live in. | Our target is to improve resident satisfaction with the defects service and overall satisfaction by 5% between 2017-2020.  Pre-empt late defects and organise an alternate contractor to complete works as soon as the main contractor breaches the defect service standard.  Build relationships with alternate contractors and ensure capacity and reactiveness to resolve outstanding defects are prioritised. |

IV. CROSS CUTTING WORK/ACTIVITIES

|  |  |  |
| --- | --- | --- |
|  | **Objectives** | **Targets and Initiatives** |
| a. | To implement our Equality and Diversity Policy. | We will implement our Equality and Diversity Action Plan, and further develop our Performance Indicators across all diversity strands.  Progress will be monitored and driven forward by our Equality and Diversity Working Group, and progress will be reported to the Board annually. |
| b. | To maximise Value for Money via an annual VFM Strategy with clear objectives and measures. | We will produce an annual VFM strategy, which addresses each of the key VFM themes in this corporate plan.  We will report outcomes from the annual VFM Strategy and progress against the VFM targets in this corporate plan every year, both to the Board and to our residents.  We will undertake and publish an annual self-assessment of how Hexagon delivers VFM, in full compliance with the Regulatory Standard. |
| d. | To minimise the harm that our business does to the environment. | Sustainability Strategy in place - November 2017.  Agreed strategy to improve energy performance to low SAP existing assets in place - June 2018.  Deliver works to improve energy performance of below 65 housing properties – 2020.  Low energy lighting improvement to Head office – March 2018. |
| e. | To ensure that the Housing Regulator maintains a high level of confidence in Hexagon. | To retain G1 and V1 ratings in relation to Governance and Viability. |
| f. | To ensure we communicate clearly and effectively with the wide range of stakeholders that have an interest in Hexagon’s business, our performance, and our achievements. | We will implement an annual action plan arising from our Communications strategy via our in-house Communications Working Group. |
| g. | To ensure full compliance with all Data Protection requirements. | A data retention policy to be fully operational across the organisation during 2017.  An action plan to achieve compliance with the GDPR by the May 2018 deadline to be developed and implemented. |
| h. | To ensure we complete the temporary re-housing of all residents of Brickfield Cottages, undertaken all necessary remedial works, take appropriate legal action to recover costs, and return all residents to site as appropriate. | We will work with residents to find suitable temporary housing.  We will purchase up to 20 street properties utilising the grant support from Greenwich council.  We will carry out the site wide ground investigations as soon as the estate is fully decanted. We will carry out all necessary works to ensure a safe return for all residents.  We will take advice from our legal advisors and act on it accordingly. |
| i | To gather business intelligence as the external operating environment changes to inform key strategic decision making  . | To report to each Board meeting as required on any changes in the external operating environment that impacts on delivering the objectives in this plan. |

***9.0 Our Financial Plan***

Hexagon’s three-year detailed Financial Plans are summarised below. These are stated using “frozen GAAP” – the accounting policies in use before FRS102 – because our loan covenants are calculated on this basis and will be for some time. We have outlined the key assumptions that underpin the changes we plan to make to both our Balance Sheet and our Income and Expenditure Account. During the period of this Plan, our borrowing will increase to £212m and our gearing ratio will increase to 61.3%, which is within the Board’s risk appetite of 65% and our lenders’ limit of 70%.

Surpluses on property sales form an important part of our activities, and the surplus represents 50% of our annual surplus over the three year period. Sales surpluses are reinvested into the development of new social housing for rent. Our interest cover at the lowest point is 298% which is well above the 110% required by our lenders and leaves sufficient headroom if sales do not complete as planned.

Hexagon will remain committed to both providing new homes and carrying out improvement to existing homes during this plan. The spending plan for improving existing homes is informed by a comprehensive stock condition survey. Maintenance expenditure for the period to March 2019 includes £4m for ground investigation and repair at Brickfield Cottages.

The data below shows that we can achieve continued growth in homes in management over the three years. Our annual surplus will remain at around £6m throughout the period, despite the requirement to reduce rents by 1% a year. The levels of surplus will contribute to a sustainable financial position for Hexagon and will allow us to optimise the balance between our obligations to existing residents, new customers, and our lenders.

Our Financial Plan is reviewed on a regular basis to consider any changes which could not be quantified at the time of developing this Corporate Plan.

|  |  |  |  |
| --- | --- | --- | --- |
| **Source: 30 year financial forecast approved by the Board in March 2017** | |  |  |
|  |  |  |  |
| Summarised Balance Sheet | **Mar-18** | **Mar-19** | **Mar-20** |
|  | £'000 | £'000 | £'000 |
| Property assets (cost less depreciation) | 513,100 | 521,310 | 544,455 |
| Other fixed assets | 2,742 | 2,579 | 2,508 |
| Current assets less current liabilities | 12,295 | 8,329 | 14,664 |
|  |  |  |  |
| Loans | 194,654 | 191,945 | 212,245 |
| Grant | 256,256 | 256,917 | 259,344 |
| Provisions and other long term creditors | 1,286 | 1,238 | 1,342 |
| Reserves | 75,940 | 82,118 | 88,696 |
|  |  |  |  |
|  |  |  |  |
| Projected income and expenditure |  |  |  |
|  | £'000 | £'000 | £'000 |
| Income from social housing lettings | 27,096 | 28,066 | 29,089 |
| Income from sales of properties: |  |  |  |
| Shared ownership first tranche | 3,521 | 7,595 | 6,117 |
| Shared ownership staircasing | 1,875 | 1,937 | 3,121 |
| Empty properties not economic to repair | 2,203 | 2,269 | 2,355 |
| Income from other social housing activities | 1,197 | 1,202 | 1,187 |
| Income from non-social housing activities | 1,038 | 1,066 | 1,095 |
| Total income | 36,929 | 42,136 | 42,964 |
|  |  |  |  |
| Expenditure on social housing lettings: |  |  |  |
| Management, service and support costs | 5,920 | 6,261 | 6,568 |
| Maintenance costs | 8,687 | 7,499 | 7,121 |
| Rent losses from bad debts | 443 | 570 | 743 |
| Depreciation charge | 3525 | 3900 | 4229 |
| Other | 136 | 140 | 143 |
| Total expenditure on social housing lettings | 18,711 | 18,370 | 18,804 |
| Cost of sales: |  |  |  |
| Shared ownership first tranche | 3,316 | 7,288 | 6,068 |
| Shared ownership staircasing | 1,343 | 1,342 | 2,259 |
| Empty properties not economic to repair | 373 | 370.7 | 368.4 |
| Total costs of sales | 5,031 | 9,001 | 8,695 |
| Other social housing costs | 1,941 | 2,011 | 1,813 |
| Non-social housing costs | 913 | 948 | 968 |
| Total operating expenditure | 26,597 | 30,330 | 30,281 |
|  |  |  |  |
| Gift aid from surplus on outright sales | 728 | 318 | 0 |
|  |  |  |  |
| Surplus before interest | 11,061 | 12,124 | 12,683 |
|  |  |  |  |
| Net interest payable | -5,238 | -5,946 | -6,105 |
|  |  |  |  |
| Annual surplus | 5,823 | 6,177 | 6,578 |
|  |  |  |  |
|  |  |  |  |
| Homes in direct management | 3,830 | 3,962 | 4,037 |
| Interest cover ratio | 330% | 298% | 300% |
| Gearing ratio | 59.1% | 57.0% | 61.3% |
| Surplus on property sales as a percentage of annual surplus | 56.6% | 50.5% | 44.1% |
|  |  |  |  |
| Key assumptions |  |  |  |
| Development completions (all tenures) | 128 | 103 | 100 |
| CPI inflation | 1.7% | 2.5% | 2.1% |
| Rent decreases (general needs and supported housing) | -1.0% | -1.0% | -1.0% |
| Average interest rate for variable loans (before margin) | 0.58% | 0.60% | 0.90% |

***10.0*** ***HEXAGON’S SENIOR MANAGEMENT TEAM***

**Tom McCormack (Chief Executive)** has worked in the social housing field for over 30 years, 25 at Executive Director level. He joined Hexagon as Chief Executive in September 2000. Prior to working at Hexagon he spent 10 years at Sanctuary Housing Association where he was the Group Commercial Director, following a period running the London area as the London Divisional Director. He holds a Masters in City Planning (MCP) degree from the Massachusetts Institute of Technology (MIT) in Cambridge Massachusetts.

**Chris Melville (Operations Director)** has been withHexagon since 1995 after a career in research in Central Government and development, regeneration and neighbourhood management in London Local Government. At Hexagon, she has led a number of major service reviews including those of our customer services, and care and support. She is currently responsible for housing services for our general needs and supported housing tenants and leaseholders, care and support, customer and our community investment team.

##### Kerry Heath (Development Director) has worked in Hexagon's Development Department since July 1996, when she joined as a Development Officer. She went on to become Senior Development Officer 2 years later, Development Manager in 2001, and Development Director in 2007. Kerry is responsible for overseeing the successful delivery of Hexagon's varied development programme in terms of cost, quality and time. Kerry has an honours degree in Quantity Surveying and as a graduate, worked for a cost consultancy/ surveying firm, on behalf of housing associations located in the North and East of London. Kerry also holds a MA in Housing Studies. She is a member of the Royal Institute of Chartered Surveyors and is a Corporate Member of the Chartered Institute of Housing.

##### Phil Newsam (Director of Finance & IT) joined Hexagon in October 2006. She has been a finance & IT director since 1993, predominately in housing associations, but also in a commercial company and a training/campaigning organisation. Before that she managed housing association and local authority audits (including value for money reviews) for a ‘big four’ accounting firm. She has served on the board of two South London-based housing associations. Phil is a Fellow of the Institute of Chartered Accountants in England and Wales and also has an MA in Mathematics and Engineering. In 2016 Phil won a Housing Association National Accountancy Award for Finance Director of the year.

**David Collick (Property Services Director)** joined Hexagon in August 2016.  He oversees our teams and contractors responsible for the repair and improvements to our existing properties as well as our Customer Service Centre.  David has previously worked in similar roles at two large housing associations, Orbit and Southern Housing, mainly in London and Southeast for over 17 years.  Before that he was Head of Technical Services in London Borough of Tower Hamlets, where he worked for 13 years, and formerly at Wealden District Council where he trained as a Building Surveyor.  David's experience includes housing asset management, maintenance, servicing, redevelopment, major works, planned and cyclical programmes, but he also has led teams providing a wide range of other services including Mechanical and Electrical Engineering, Architecture, Quantity Surveying, Structural and Civil Engineering.

**11. BOARD MEMBERS PROFILE**

**Name Length of Service Employer Occupation**

Mark Allan \* 6 months Chisel Co-ops & Tenants Officer

Debbie Bankole-Williams 5 years, 4 months MCCH Executive Director of Finance & IT

Vice Chair \*\*

Ruth Chambers 2½ years Self-employed Campaign & Public Policy Consultant

Roy Coulter, 2½ years n/a Retired

Chair\*\*, \*\*\*

Dermot Finn\* , \*\*\* 4½ years Self-employed Microsoft web application developer

Jeanette Kenyon\*\*\* 3 ½ years Self-employed Property Development Consultant

Martin Large \*\* 2 ½ years n/a Retired

Ian Mansell\*\*, \*\*\* 8½ years Self-employed Management Consultant

Vice Chair

Ranna McArdle \*, \*\* 6 months Amnesty International PA to the Director of Corporate Resources

Tom McCormack 5½ years Hexagon HA Chief Executive

Rosalind Watson \* 2 ½ years n/a Retired

Ian Watts \*\*, \*\*\* 3 ½ years Paragon CHG Managing Director

\* Resident Board Members

\*\* Audit Committee

\*\*\* Remuneration Committee