

Hexagon

Direction for change

Corporate Annual Report 2011



RESPONDING TO
GOVERNMENT CHANGES

BUILDING
NEW HOMES

SUSTAINABILITY

HEXAGON ACADEMY

WORKING SMARTER



READY TO SHOULDER THE RISKS



Roy Coulter

"The Hexagon Board has made great achievements over the last few years and is in a good position to face the challenges posed by the current political and economic environment. I see it as key that we further strengthen the Board's leadership and strategic focus to ensure that it steers Hexagon to even greater success in the future."

*Roy Coulter,
Chair, Hexagon*

"I'm delighted to welcome our new chair, Roy Coulter, to the Hexagon Board. Roy joined us in September 2010 and has ambitious plans for strengthening our governance. I'm excited about working with him on this during the coming year and beyond."

Tom McCormack, CEO, Hexagon

The abolition of the TSA and the reduction in development grants mean increasingly more risk is being transferred to housing association boards. There will be much more onus on boards to ensure they're performing well, without the guidelines of a regulator, and to generate the funds needed for new homes. We believe innovation is the key to prospering in this environment, and will continue to look for new ways to tackle new and existing challenges.

Innovation beyond housing

A good example of how we've applied innovation to generate strong, tangible results is the Hexagon Academy. This programme takes our role beyond housing provision to help residents prepare for and secure work. It reflects our core values of fostering equality of opportunity and placing residents' interests at the heart of what we do. Read about the Academy's successes this year on page 6.



Patrick Court, Webber Street



Orchard Mews, George Lane

Striving for efficiency

We recognise that, in taking over the role of financial regulation, the HCA will encourage associations to maximise efficiency and pursue value for money. We think this is essential and are already working hard in this area. Our Information Flow project is an extensive efficiency review and another example of our innovative approach to pursuing excellence. More details about it are on page 10.

Hitting performance highs

Our performance has hit unprecedented levels of success in some areas this year, including residents' satisfaction, rent arrears reduction and gas safety checks (see page 14). We've also had a successful year financially, as you'll see on page 16, and our £3 million surplus represents a strong foundation for Hexagon's future.

Thank you to our residents, staff, board members and partners for all your help in ensuring Hexagon is well placed to help even more people to live in comfortable homes in communities they enjoy, and to work in jobs that fulfil them.

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



left Tom McCormack, right Roy Coulter



A POSITIVE RESPONSE TO CHALLENGING CHANGE



Residents at Orchard Mews, George Lane

Housing minister Grant Shapps described the Government's proposals for social housing as the most radical reforms in a generation. The changes certainly present a variety of challenges, but also offer us opportunities to work in new ways.

The Government's new affordable rent policy, for example, enables housing associations and local councils to offer tenancies at rates higher than social rent - up to 80 per cent of local market rents. The theory is that the shortfall in public funding for developing new homes can be made up with rental income.

Keeping rents affordable

We appreciate that the fiscal deficit necessitates change, as funding for new homes is no longer available at the same level centrally. We're concerned, however, about shifting the funding source from the taxpayer to the social housing tenant.

These residents tend to be the poorest in society and we aim to keep our rents within reach of those in low paid employment. Setting rents at 80% of typical market rents in London would make them unaffordable for most of our current customer base.



Orchard Mews, George Lane



Residents at Blackfen Road

The situation is further affected by the Government's welfare reforms. At the same time that it's enabling social landlords to raise rents, the Government is making it more difficult for people to afford them by capping the housing benefits available to each family. We believe that a significant number of families who rely on housing benefit to afford a three-bedroom home or larger will no longer be able to access the level of benefits they need to pay their rent. So, where we raise rents, we'll only raise them to a level that the new welfare system will continue to support.

Careful use of fixed term tenancies

Regarding the Government's proposal to allow housing associations to offer fixed term tenancies rather than lifetime tenancies, we understand that social housing is a scarce resource that needs to be targeted at those in most need. We must remember though that we provide homes, not just bricks and mortar.

Our residents tell us that if their homes were temporary, they'd be less likely to engage in their community and care for their home and garden. We will, therefore, consider very carefully where fixed term tenancies can be introduced to create a positive rather than negative effect.

Overall, the Government's reforms mean we'll have a greater reliance on borrowing money, selling properties, and raising some rents on new lettings to fund new developments. We remain strongly committed to building new homes for those who need them, however, and will be innovative and positive in our approach to doing so, while ensuring that Hexagon remains financially stable.



NURTURING NEW BEGINNINGS



During the last twelve months, our Hexagon Academy programme helped 21 people to get a job. Government funding for the Future Jobs Fund programme has now finished, but Hexagon is continuing to run the Academy to help more residents gain the confidence and skills they need to secure employment.

The Academy in numbers

Training Courses	89
Work Placements at Hexagon	75
Information, Advice & Guidance Appointments	34
Residents supported in to work	21
Employability Workshops	4

The Hexagon Academy has provided residents with a range of support, from work placements in our offices, care homes and construction teams to training and one-to-one guidance. Unemployment can cause low self-esteem and depression, and, with just under half of social housing households having one person unemployed, we see it as an important issue to address.

Here are just some of this year's success stories.

Carole

Carole had lost her job and, after a short period of unemployment, was taking an NVQ in customer service. The Hexagon Academy enabled her to gain her confidence by handling real life customer service issues during a work placement on our switchboard and reception. She now has relevant experience to put on her CV and an excellent reference from her manager. Carole says, "It's given me a lot more drive. I'm able now to push myself forward and go after what I really want, which is a job."





Jamie

Jamie lost his job last year and with it his confidence. He embarked on a gardening placement with Hexagon, and the Academy also organised for him to take a two-day health and safety training course via which he obtained a CSCS card to enable him to work on building sites. Getting involved with the Hexagon Academy helped Jamie to refocus on his gardening career.



The extra skills and qualification he gained also enabled him to apply for more jobs and, ultimately, to secure a new fulltime job. He says, "There's a lot of people out there like myself who haven't got the confidence and don't know what direction they're going to, and the Academy gives them the skills to follow their career paths."

Thelma

Thelma had been unemployed for a few months. She was doing a level 2 NVQ in childcare, learning and development and had a voluntary placement at a school but was unsure if it was the right career for her. Thelma asked the Hexagon Academy for office experience to see if this would be more suitable for her. After undertaking an office-based work placement with Hexagon, Thelma realised that childcare is definitely for her.

A career guidance session organised by the Academy showed her the many options open to her in that field. Thelma was also given help preparing her CV and for interviews and she secured a position as a teaching assistant. She's now doing a level 3 NVQ in childcare, learning and development and plans to go on and do level 4 and a BA honours degree. Thelma says, "I've gotten everything I want out of it. I think it's brilliant that they provide opportunities for employment within Hexagon."



Marie Sarsah of Jobcentre Plus said of Hexagon's approach to the Future Jobs Fund programme: "...they invested a lot in the candidates they took on, ensuring training was available if needed and ensuring candidates received all the support they needed to maximise their chances of securing employment at the end of the six months (they even paid for one customer to take his driving test!). In my opinion, Hexagon Housing has used the Future Jobs Fund scheme successfully, coupling helping our local community through projects they could have not afforded to run otherwise, and helping our local customers by giving them a job and the experience necessary to better their mid-term career prospects."

Apprenticeships give valuable experience

As well as the Academy, Hexagon also runs apprenticeships to help residents progress to permanent employment. We have three positions and Hexagon resident Olga Edy has one of them. She was unemployed but, following a work placement with our housing team, secured an apprenticeship with our customer services team that will last at least two years.

Daniel Davis, also a Hexagon resident, was unemployed until we helped him secure a two-year civil engineering apprenticeship with our partner Purelake New Homes. We're now recruiting Hexagon residents to fulfil our painting and decorating apprenticeship and our surveying apprenticeship.



MOVING TO FAMILY-SIZED HOMES



Family homes at Blackfen Road

Affordable family homes tend to be scarcely available in the boroughs we cover but are in high demand by our local authority partners. Many families are living in overcrowded conditions on waiting lists and the Mayor of London is committed to ensuring sufficiently large homes are provided for them. Hexagon is working hard to meet this demand.

Despite funding constraints and the pressure to build more homes for less, we met our corporate objective for the period April 2008 to March 2011 to ensure that at least 35% of our new homes have a minimum of three bedrooms. What's more, we've provided houses, not just apartments, with the decent-sized gardens and parking spaces that families want. We've also included green energy features in these homes such as air source heating and solar panels to reduce running costs for residents. Plus, the properties are built to lifetime homes standards to ensure they're adaptable for residents' changing needs.

High quality houses with gardens

Examples of our developments of this nature over the last year are:

- **George Lane, Lewisham**
 - 15 houses (6 four-bedroom, 1 three-bedroom and 8 two-bedroom)
- **Blackfen Road, Bexley**
 - 7 houses (5 four-bedroom and 2 three-bedroom)
- **Rosenthaler Road, Southwark**
 - 12 houses (10 four-bedroom, 1 three-bedroom and 1 two-bedroom)



The Barnes Family at Blackfen Road



Mr Barnes, a resident at Blackfen Road, says, "We were living in a three-bedroom, three-storey townhouse and that wasn't easy with us having four children and me having a disability. We were delighted when we were offered our home with Hexagon. It's got four bedrooms and is built to the lifetime home standard so, if I needed it in the future, a lift, for example, could be installed. The finish is superb and the eco-friendly heating system keeps the temperature the same all year round and our heating bills down. It's great and we love living here!"

Loft conversions for existing residents

In addition to providing more family homes for new residents, we've also been able to help some of our existing residents who were living in overcrowded homes. We secured £360K from the Mayor of London's targeted fund to convert the loft space in six homes into extra accommodation.

Five of these properties are in Lewisham and one is in Bromley and they include mid and end terraces and one detached home. The extra space provided ranges from an extra bedroom in one home to two extra bedrooms and a bathroom in another. By carrying out this work over the last two years, we've enabled six families to stay in their homes and communities.

The loft was converted to add a bedroom and bathroom at Melanie Myton's house. She says, "It's made a big difference. My children now have a bedroom each and they no longer have to go downstairs to use the bathroom in the middle of the night. We've also got enough storage space now. The quality's great and I really appreciate what Hexgon has done for us."



Melanie Myton and daughter Bianca



A LARGE-SCALE REVIEW FOR FAR-REACHING RESULTS



Joanne Snell, Customer Services Advisor

In April 2010 we embarked on a comprehensive, three-year project to improve 14 different areas of our work. The project covered numerous areas of our business and involved a large-scale, ambitious review of customer facing work areas.

Our three-year IF (Information Flow) project aims to improve Hexagon's efficiency and customer service by ensuring we make the best use of IT available, and that our systems integrate effectively. It started in May 2010 and will involve £400K of capital expenditure and around £200K worth of Hexagon staff time.

A variety of areas under improvement

Examples of work areas that the IF project focuses on include resident housing queries, complaints management, paying invoices and rent arrears management.



Lynne Simmons, Customer Services Advisor



Olgai Edy, Customer Services Apprentice

Clear contact

For resident queries that don't relate to repairs we've introduced a contact management system. We can now document each point of contact quickly and easily so that each Hexagon member of staff that liaises with a resident can instantly see the history. This system is also now integrated with our rent collection system, so residents can deal with more things in one call, rather than having to ring different departments.

More efficient handling of complaints

Following feedback from resident consultation, we've also recently incorporated our complaints management process into the contact management system.

Pam Cordel on our customer services team says,

"Contact Manager is quick, easy to operate and gives instant access to most of the details about a particular tenant. It's also easy to use other functions through Contact Manager, for example Callpay and Allpay, and I find using the Feedback section to record complaints is very efficient. One of the main benefits is being able to see the history of tenant calls to Hexagon and actions that have been taken."



WORKING TOWARDS A SHIFT IN SUSTAINABILITY



'Boris Bikes' at Patrick Court, Webber Street

This year, a challenging sustainability index recognised Hexagon as one of the UK's most environmentally friendly housing associations.

The Sustainable Homes Index For Tomorrow (SHIFT) index is a sustainability benchmark for housing associations developed with the support of WWF-UK, the Tenant Services Authority, the Homes and Communities Agency and the UK Green Building Council. Hexagon is one of just 30 registered social landlords to commit to being assessed against the SHIFT index's stringent environmental targets.

Andrew Eagles, managing director of Sustainable Homes and secretariat of SHIFT said,

"SHIFT provides an independent assessment of sustainability. By having this assessment Hexagon Housing Group is standing head and shoulders above the rest of the sector. They are illustrating how seriously they take the issues of adaptation and mitigation of climate change".



Resident at Orchard Mews, George Lane

Hexagon reaches for a sustainable future

In the autumn, we set our own targets as part of our three-year sustainability strategy from April 2011 to March 2014. Some examples of these targets are that by 2014 we want:

- All our homes to have a minimum energy efficiency rating of 40 out of 100.
- To increase the average energy efficiency rating of our homes from 65.5 to 70 with simple interventions such as topping up loft insulation and installing draught proofing where needed.
- All our newly developed homes to have an energy efficiency rating of at least 90.
- At least 90% of our residents have access to recycling facilities.
- To reduce the use of paper across Hexagon by 25% compared to 2009-10.
- To reduce the carbon emissions generated by car and van use across the organisation by 10% compared to 2009-10.



Residents at Orchard Mews, George Lane

Aiming to beat bronze

This year, SHIFT awarded Hexagon a bronze rating, which confirms Hexagon as being at the forefront of this important area of work. We're now monitoring our performance against our green KPIs each quarter and are set to drive forward our efforts to reduce carbon emissions in our workplace, in the process of building of new homes, and most importantly, in existing Hexagon homes.



IMPROVEMENTS IN OUR PERFORMANCE



New windows at Marler Road

We've enjoyed success in several areas this year and continue to monitor our performance scrupulously and work hard to continue improving.

We achieved the December 2010 deadline of all Hexagon homes meeting the Decent Homes Standard and, during the same month, had up to date gas safety checks for 100% of our properties.

Rent arrears reduction

Despite ongoing financial pressures for our residents, we've achieved our best ever success in reducing rent arrears to 4.1%, with particular improvements in our supported housing homes. We'll continue to focus on this and in March 2011 held a rent event. This was a focused period of activity during which our housing services staff worked exclusively on reducing rent arrears. They stayed into the evening to speak to people after work and we offered an incentive for a limited period to encourage tenants to clear their account. As ever, we reminded residents about the debt advice available to help them manage their finances.



Resident at Friary Road with new windows

Better residents' satisfaction results

The latest satisfaction survey results show that resident satisfaction with Hexagon overall was up to 86% this year, which is high for London and satisfaction with our repair service improved slightly to 83%.

Excellent care homes

Plus, Hexagon's two registered nursing homes, Townley Road and Woodcote Road, continue to be rated as excellent under the Care Quality Commission (CQC) inspection regime.



Residents at Marler Road in front of new windows

FINANCIALLY SOUND

During the year, Group turnover increased by 6.6% from £21.6m to £23.0m. This is because first tranche sales of homes built for shared ownership contributed more to turnover (£2.2m compared to £1.0m in the previous year). Operating costs decreased by 3.1% from £15.5m to £15.0m. The operating margin increased from 24.7% to 27.7%. Net financing costs were 17% higher at £3.4m, and £0.1m (2010: £0.4m) was realised through the sale of housing properties which were uneconomic to repair.

The surplus for the year increased to £2.99m from the previous year's £2.7m. Reserves currently stand at £27.9m. 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.

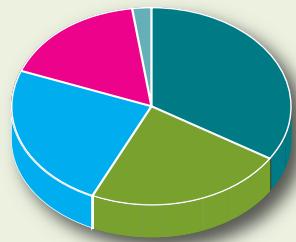
The Group spent £29.3m on acquiring and developing properties in the year, of which £10.9m was funded through capital grants.

Income and Expenditure Account

for the year ended 31 March 2011

	2011	2010
	£000's	£000's
Turnover	22,973	21,557
Cost of sales	(1,984)	(931)
Operating costs	(15,024)	(15,509)
Operating surplus	5,965	5,117
Interest receivable	5	14
Interest payable and similar charges	(3,091)	(2,892)
Surplus on sale of properties	112	470
Surplus for the year	2,991	2,709

How every £ of rent was spent



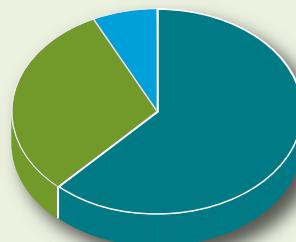
%

Balance Sheet

as at 31 March 2011

	2011 £000's	2011 £000's	2010 £000's	2010 £000's
Fixed assets				
Housing properties				
Cost	368,220		339,904	
SHG and other grants and receipts	(222,800)		(213,329)	
Depreciation	(12,258)		(10,361)	
	133,162		116,214	
Non housing fixed assets	2,753		2,729	
	135,915		118,943	
Current assets				
Properties developed for sale	3,167		3,157	
Debtors	4,744		1,103	
Cash and term deposits	1,545		6,164	
	9,456		10,424	
Less: Creditors				
Amounts falling due within one year	5,098		3,795	
Net current assets/(liabilities)	4,358		6,629	
Total assets less current liabilities	140,273		125,572	

Balance sheet funding



Creditors

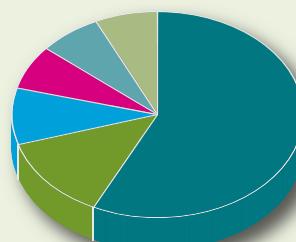
Amounts falling due after more than one year	112,348	100,638
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Reserves

Revenue reserves	27,925	24,934
	140,273	125,572

Full financial statements can be downloaded from our website www.hexagon.org.uk

Turnover breakdown



General needs	13,324	58%
Low cost home ownership lettings and sales	2,927	13%
Supported housing	2,011	9%
Nursing homes	1,496	6%
Agency managed	1,582	7%
Other	1,633	7%



STRONG DIRECTION

THE BOARD



Erhire Akpovrare



Matt Campion



Roy Coulter



Doreen Davies



Michael Dorling
(deceased February 2011)



Jacqueline
Esimaje-Heath



Danny Gray



Steven Hodges



Ian Mansell



Juleen Simpson



Adenike Williams
(joined March 2011)

THE EXECUTIVE TEAM



Tom McCormack
Chief Executive



Phil Newsam
Finance & IT Director



Chris Melville
Operations Director



Kerry Heath
Development &
Regeneration Director



Mark Kapszewicz
Property Services
Director

(left the association June 2011)

Name	Length of Service	Employer	Occupation
Erhire Akpovrare ^{1, 2}	7½ years	London Borough of Hackney	Project and Programmes Manager - Neighbourhood Regeneration
Matt Campion	9 months	Viridian Housing Association	Care & Support Director
Roy Coulter, Chair ^{1, 2}	6 months		Retired
Doreen Davies ³	2½ years	Ekaya Housing Association	House Manager
Jacqueline Esimaje-Heath, Vice Chair	12 years	Sector	Manager, Development Services
Danny Gray ^{1, 2}	7½ years	Self employed	Building consultant
Steven Hodges ³	6 months	Self employed	Electrician
Ian Mansell ^{1, 2}	2½ years	Self employed	Management consultant
Ron Mendes ⁴	16 years	Just Value Consulting	Managing Director
David Roberts-Jones ⁴	11 years		Retired
Juleen Simpson ³	2 years		Student
Adenike Williams ³	1 month	City Wellbeing Practice	Practice Manager

¹ Audit & Risk Committee; ² Remuneration Committee; ³ Tenant Board Member; ⁴ Co-optee to the Audit & Risk Committee

In July 2010, the Board said goodbye and thank you to Manny Lewis, who had served on the Board for 1½ years, and to Lakhbir Jaspal, who had served a three year term and also chaired the Audit & Risk Committee.

The Board also said a fond farewell and special thank you to David Roberts-Jones. David had served the maximum two three-year terms as Chair, and stood down from the Board in September 2010 after 10 years of dedicated service. The Board was pleased to second David to the Audit & Risk Committee from September 2010 and we continue to benefit from his skills and experience.

Sarah Cully completed a three-year term in September 2010 and left the Board with our thanks and appreciation.

The Board was saddened to learn of the death of Mike Dorling in February 2011. Mike served on the Board as a Tenant Board Member for 5½ years and was elected as one of two Vice Chairs in September 2009. Mike was dedicated to ensuring tenants' views were represented at the Board and he will be sorely missed.

The results of the Tenant Board Member elections were announced at the September 2010 AGM and this confirmed Steven Hodges' place on the Board for a three-year term.

Adenike Williams joined the Board as a Tenant Board Member in March 2011, following the untimely death of Mike Dorling.

Matt Campion joined the Board in June 2010 following an open recruitment to strengthen governance in respect of housing management. Matt brings director level experience of housing associations to the Board.

Lastly, the Board advertised for a new chair in the summer of 2010 and we were very pleased to welcome Roy Coulter as the new chair in September 2010. Roy brings a wealth of experience to the Board including experience gained in the world of Local Authority strategic leadership as well as direct experience of LA and HA housing.

Hexagon

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