

Putting people at the heart of what we do

Hexagon

Corporate Annual
Report 2017/18



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Cover: Pamela Hunte – Senior Sales Executive and Employee of the Year 2017

Pictured: Ennis, Finance Assistant

Welcome

from the Chair and CEO

This year has given us just cause to pause and reflect upon the way we go about our business.

The fire at Grenfell Tower in June 2017 has been a tragedy of epic proportion and has rightfully caused the Housing sector to pause and reflect. Lessons are to be learnt and as an organisation we are ensuring that we actively listen to our residents, respond to their concerns and take action where needed.

We have continued with our modest programme of building new homes for sale to support our core mission of providing homes at affordable rents. This new focus brings with it new challenges in managing risks, but also new rewards.

Another key focus for Hexagon is sustainability. Our GOLD Shift award is a great achievement and one we are very proud of retaining again this year. A special SHIFT award for the “most improved landlord ever” reflects the great efforts staff and residents put in to thoughtful use of resources and energy.

Hexagon have seen a steady improvement in employee engagement over the last few years. Receiving awards from the ORC (Opinion Research Corporation) for our employee engagement reminds us that this improvement is going in the right direction. We’re proud to have staff that are happy to work with Hexagon and achieve our core mission and values together.

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 continued success over the past year.

Roy Coulter, Chair
Tom McCormack, CEO



Fire safety:

Going beyond compliance

The fire at Grenfell Tower in June 2017 has been a tragedy of epic proportion and has caused the Housing sector to rightfully pause and reflect.

We only own six buildings of six storeys or more and thankfully, none of these contain the sorts of panels installed at Grenfell Tower. Nevertheless, shortly after the fire, we wrote to all residents in blocks where we carry out Fire Risk Assessments to remind them of some key messages about fire safety. We have a robust programme of assessments, reporting and actions to ensure safety is at the forefront of our service to residents, but we are working ever harder to ensure this remains a key priority.

As an organisation, we are aware there is a huge difference between listening to respond, and actively listening to understand. We try incredibly hard to listen to residents' feedback, particularly where health and safety is concerned, but there is always more to be done and we have redoubled our efforts to ensure that a strong residents' voice continues to influence the way that Hexagon works.

Fire Risk Assessments

There is likely to be a tightening up of the legal requirements relating to Fire Safety as a response to the Grenfell tragedy, but Hexagon are ahead of the curve, already doing much to ensure the safety of our residents is paramount.

After Grenfell, we took a new policy to the board for Fire Safety in our properties, which was approved, and has now been implemented. The safety of our residents has always been incredibly important to us, but this new plan brings about a programme of assessments by an external independent expert, to ensure we go above and beyond the requirements set out by law.

These annual assessments are completed on our higher risk properties; every property with a communal internal area has these Fire Risk Assessments. Actions that arise from these assessments include items such as fire doors needing replacement, how rubbish is stored/disposed of by residents, communal areas being kept clear, emergency lighting systems being tested, fire alarms tested and updated and repairs to be fire safety compliant.

Staff have also all had training on fire safety and what to look out for on any site visits. We are committed to ensuring the safety of our residents, and to doing all we can to educate on fire safety.

Key advice we give to residents:

Keep communal areas clear

Make sure that fire exits are kept clear

Ensure rubbish is disposed of correctly

Report any concerns to Hexagon

Tell us if they notice anything that doesn't look right

Know whether there is a "stay put" or "evacuate" policy in their building in the event of a fire



Communication

In June 2017, we communicated these plans to residents, and we have a programme of communication if the advice changes following expert advice.

Homes for outright sale

to support our core mission

In our 2015/18 programme, we completed 206 homes, exceeding our target by 6 homes.

We are building a small number of outright sale properties to generate cross subsidy to enable us to build our core product of genuinely affordable rented homes. This is in response to the reduced funding from the government for providing new homes. By channelling the profits made from these developments back into Hexagon, we can continue to stay true to our core mission. This is all done in the context of some key risk management strategies that ensures that the Hexagon Board are fully in control of this area of our work.

We have a new target for our 2018/21 programme of 242 affordable homes. These include 151 for shared ownership and 91 for rent. We have so far been successful in securing £8.5 million of funding from the GLA (Greater London Authority) to help deliver these homes.

Looking to the future, we recently purchased a site in Old Kent Road, which will be our newest flagship scheme delivering over 40 homes for rent, shared ownership and outright sale. The surrounding area is part of a wider regeneration project and is earmarked for future investment.

Case studies

Lewisham Road

This stunning development consists of 23 shared ownership homes and 5 rented homes, 4 of which are 3-bed family homes, available for occupation in the summer 2018.



Campbell Road

This exciting development of 15 homes, 11 for rent (6 of which are 3-bed family homes) and 4 homes for shared ownership was completed in November 2017 and fully occupied by April 2018.



Gordon and his partner Rebecca were living on a first floor flat with no lift access. Having now moved into a ground floor flat at Campbell Road, Gordon says,

“This has made the whole world of difference, it’s been life changing, I have gained my independence back.”



Pictured: Gordon, resident at Campbell Road.

Environmental sustainability

In 2017, SHIFT (Sustainable Homes Index for Tomorrow) celebrated 10 years – for this milestone year they awarded Hexagon a special honour for the “most improved landlord ever” – what an accolade! This award shows that we’ve made continuous improvement to our approach to our sustainability plans over many years.

SHIFT is the sustainability standard for the housing sector. It involves an independent assessment and accreditation scheme that demonstrates organisations are delivering against challenging environmental targets. The SHIFT assessment measures organisations against more than 50 environmental criteria, such as energy efficiency, water use and waste management. Hexagon has held our GOLD award over the last four years, putting us amongst an elite group of Housing Associations.

SHIFT focus on 4 areas:

Management – commitment from the top down

Offices – changing behaviour of staff to improve energy efficiency

Existing stock – resident homes, improvements

New build properties – always building to a SAP rating of at least 85*

When Hexagon first entered into SHIFT, we developed new sustainability policies that focussed on the quick wins we could make with improvements to existing properties. We’ve taken a targeted approach more recently, focussing on data we’ve collected, which shows where we can enhance the energy performance of properties even further.

There are clear benefits for our residents. With more energy efficient homes, they can enjoy lower fuel bills as well as a reduced carbon footprint. We’ve engaged positively with residents, giving advice on things such as switching energy company and reducing the temperature on their thermostat post improvement works, to save energy and money on bills.

Looking forward, we will continue improvement works to existing properties, continue building new energy efficient homes and ensure our offices remain environmentally green. This should ensure we retain our existing GOLD award in the future.

*SAP Rating is a way of comparing energy performance of different homes – it results in a figure between 1 and 100. The higher the SAP rating, the lower the fuel costs and the lower the associated emissions of carbon dioxide.

What we’re doing

In the office

2016 – Introduced one centralised waste point

2017 – Food recycling was introduced

2018 – Green Weeks have been introduced annually to raise awareness of sustainability

In our homes

257 Homes had replacement boilers

33 Roof upgrades

128 Homes had new windows & doors

LED lighting upgrade to communal areas – **123 blocks**

Pictured: Centralised waste point at Hexagon



Pictured: Liteng, Services Contract Co-Ordinator



2010 – First SHIFT award (bronze)

2012 – Silver Award

2014 – Gold Award

2016 – Gold Award

2017 – special award for Most Improved Landlord Ever

Pictured: Hanneke, Volunteer

Helping our staff to help our customers

Hexagon have had a steady improvement in employee engagement over the last few years.

In 2016, Hexagon won an international award from the Opinion Research Corporation (ORC) for having the highest level of engagement in Europe for organisations with less than 300 employees. The external staff survey results for 2018 by ORC "a leader in the art of business intelligence... to uncover what engages people around the world..." has once again shown that our employees are happy working at Hexagon, whilst also showing us further areas for improvement.

The staff survey is carried out every two years, and the results from January 2018 were once again fantastic, showing Hexagon has employees who continue to be happy, engaged and working together towards Hexagon's core mission.

Employee engagement goes beyond satisfaction and can be defined as employees' willingness and ability to invest

their personal effort in the success of the company. Survey questions measure employee engagement, based on the 'Say, Stay, Strive' model. The research shows that our employees strive to be their very best, giving their skills and energy to advancing Hexagon's core mission and giving the absolute best customer service to our residents.

These latest results have, of course, highlighted further areas for improvement, with an action plan being put in place to increase our employee engagement even further. Initiatives, such as staff career progression, managers working with individuals in their team to develop their skillset, and managers training for those wishing to take the next step in their career, will be put in place.

With ratings ranging from 92 to 97%, we scored higher than any other Housing Association in the ORC benchmark group for the following questions:

In my opinion, this organisation is committed to customer satisfaction

I believe that Hexagon is an Equal Opportunities employer

I understand how my work contributes to the objectives of my team

I understand how my work contributes to the success of the organisation

My team regularly looks for ways to serve our customers better

We listen to our customers rather than tell them what they need

Pictured: Elliot, Senior IT Support Analyst

Hexagon Employee Engagement Index

2011 - 72%
2013 = 88%
2015 = 89%
2017 = 89%

Financial summary

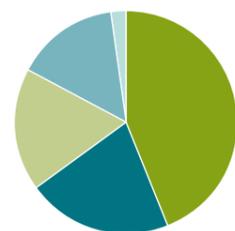
Group turnover increased by 5.3% (from £31.9m to £33.5m), compared to 16/17, £1.7m of this increase is in income from first tranche shared ownership sales, as there were more shared ownership units ready for sale this year.

The main source of turnover – income from social housing lettings – increase by 1%, as income from newly developed units outweighed rent decreases for general needs tenancies. Operating costs excluding fair value and pension adjustments increased by 10.7% from £22.1 to £24.5m. This includes £2.7m uninsured costs from the ground collapse at Brickfield Cottages. Net financing costs were 1.6% lower at £3.9m, and £1.7m (2017: £2.1m) was realised through a combination of shared ownership staircasing and the sale of empty properties which were uneconomic to repair. The total comprehensive income for the year increased to £8.5m from the previous year's total of £6m.

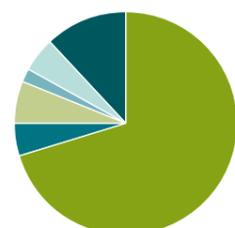
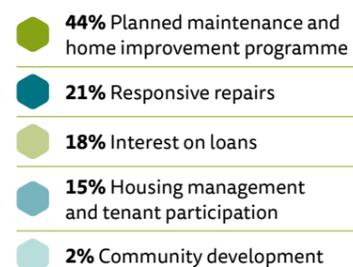
Group reserves currently stand at £38.4m (2017: £29.9m).

The Group spent £24.1m on acquiring and developing properties in the year. 64 additional units were completed, and a further 190 units are still under development. The Group's loans increased from £166.4m to £194.1m and a further £48.2m of loan facilities are available. The weighted average interest rate on the Group's loan portfolio was 2.92% (2017: 2.97%).

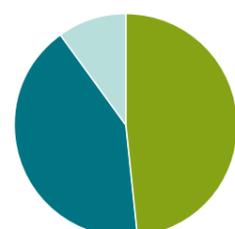
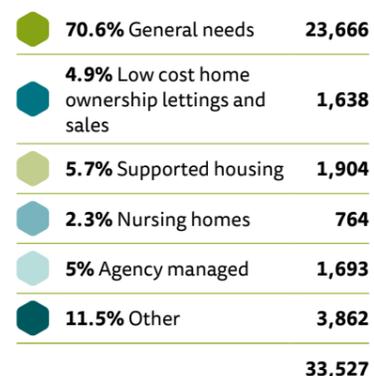
The financial performance of the Group, as set out in the statement of comprehensive income, is shown as operating results plus the impact of fair value measurements of longer-term liabilities such as derivative contracts and pensions payments. The commentary above excludes movement in fair value as this is influenced by factors outside of the organisation's control.



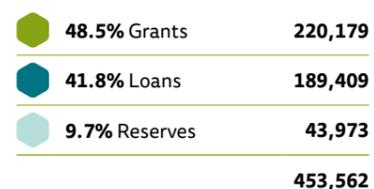
How every £ of rent was spent



Turnover breakdown



Balance sheet funding



Statement of Comprehensive Income for the year ended 31 March 2018

	2018 (£000s)			2017 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Turnover	33,527		33,527	31,853		31,853
Cost of sales	(2,409)		(2,409)	(874)		(874)
Operating costs	(24,500)	866	(23,634)	(22,132)	601	(21,531)
Surplus on sale of properties	1,659		1,659	2,068		2,068
Operating surplus	8,277	866	9,143	10,915	601	11,516
Interest receivable	9	-	9	51		51
Interest payable and similar charges	(3,862)	(73)	(3,935)	(3,877)	(122)	(3,999)
Change in fair value of financial instrument	-	1,103	1,103	-	(594)	(594)
Surplus for the year before tax	4,424	1,896	6,320	7,089	(115)	6,974
Taxation	-		-	-		-
Change in fair value of hedged financial instrument	-	2,219	2,219	-	(948)	(948)
Total comprehensive income for the year	4,424	4,115	8,539	7,089	(1,063)	6,026

Balance Sheet as at 31 March 2017

	2018 (£000s)			2017 (£000s)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Tangible fixed assets						
Intangible assets	446		446			
Housing properties	453,562		453,562	433,058		433,058
Other	2,737		2,737	2,767		2,767
	456,745		456,745	435,825		435,825
Current assets						
Stock - properties Developed for Sale	16,739		16,739	10,804		10,804
Debtors - receivable within one year	3,282		3,282	2,995		2,995
Debtors - receivable after one year	10,694		10,694	1,583		1,583
Cash	5,515		5,515	6,532		6,532
Less: creditors amounts falling due within one year	(19,884)	(827)	(20,711)	(12,591)	(796)	(13,387)
Net current assets/(liabilities)	16,346	(827)	15,519	9,323	(796)	8,527
Total assets less current liabilities	473,091	(827)	472,264	445,148	(796)	444,352
Creditors: Amounts falling due after more than one year	(406,292)	(23,025)	(429,317)	(382,784)	(26,347)	(409,131)
Pension deficit liability	-	(4,232)	(4,232)	-	(5,056)	(5,056)
Provisions for liabilities	(281)	-	(281)	(270)	-	(270)
Net assets	66,518	(28,084)	38,434	62,094	(32,199)	29,895
Reserves						
Income and expenditure reserve	66,518	(14,641)	51,877	62,094	(16,537)	45,557
Cash flow hedge reserve	-	(13,443)	(13,443)	-	(15,662)	(15,662)
	66,518	(28,084)	38,434	62,094	(32,199)	29,895

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

Meet the Board



In September 2017, the Board welcomed two new Board Members, Carol Bernstein and Denise Senner. Carol joined the Board as an ordinary member following an open recruitment process and, Resident Board Member, Denise joined following a selection process and election by residents held over the summer months.

Also in September 2017, the Board said goodbye and thank you to Rosalind Watson who had served on the Board for 3 years. Rosalind was one of our Resident Board Members, a member of the Board Recruitment Panel and, Lead Board Member for Performance Management.

The Executive Team

David Collick
Property Services Director



Kerry Heath
Development & Sales Director



Tom McCormack
Chief Executive



Phil Newsam
Finance & IT Director



Andrew Green
Housing Services Director

Name	Length in Service	Employer	Occupation
1 Mark Allan ^{3,4}	1½ years	Chisel Housing	Co-ops & Tenants Officer
2 Debbie Bankole-Williams ¹ , Vice Chair	6 years, 4 months	MCCH	Executive Director of Finance & IT
3 Carol Bernstein ³	6 months	Portfolio of roles	Chartered Accountant
4 Ruth Chambers ¹	3½ years	Self-employed	Campaign & Public Policy Consultant
5 Roy Coulter, Chair ²	7½ years	N/A	Retired
6 Dermot Finn ^{2,4}	5½ years	Self-employed	Microsoft Web Application Developer
7 Jeanette Kenyon ²	4½ years	Self-employed	Property Development Consultant
8 Martin Large ^{1,2,3}	3½ years	N/A	Retired
9 Ranna McArdle ^{1,3,4}	1½ years	Amnesty International	PA to Director of Corporate Resources
10 Tom McCormack	6½ years	Hexagon Housing Association	Chief Executive
11 Denise Senner ⁴	6 months	Self-Employed	Horticulturalist
12 Ian Watts ^{1,2,3}	4½ years	PA Housing	Executive Director Operations

¹Audit & Risk Committee | ²Remuneration Committee | ³Performance Management Committee | ⁴Resident Board Member

Hexagon

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