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CORPORATE ANNUAL REPORT



**MAKING A
DIFFERENCE**

Hexagon

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Cover: Kam Newman, Digital
Champion, and resident Peter;
Proposed new development at
Old Kent Road; and Brickfield
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Welcome from the Chair and CEO

Hexagon Housing has had a successful year, with a number of new initiatives across the organisation. We have helped a significant number of residents through the community investment programme.

We have continued to develop our policy of open communication with residents through various initiatives including the residents' Performance Review Group (PRG), community events, community Digital Champions, and the annual Co-op Seminar. Understandably a key area of concern for residents has been around fire safety, and we have addressed those concerns taking additional factors into consideration, and delivering actions where required.

Investment in the home improvement programme continued, with £3.4m invested this year. A full commitment to this programme helps to ensure residents are happy and healthy within their homes. As part of this, we continue to commit to becoming a 'greener' organisation using energy saving resources where possible. This has helped us maintain our SHIFT Gold status.

The future looks exciting with developments taking place across all of Hexagon Housing's boroughs. We're particularly pleased to see the new development in Old Kent Road taking shape, with a mix of rented and shared ownership homes.

We would like to take this opportunity to thank all the residents who have engaged with us this year, providing their feedback and suggestions to help shape the organisation's success. Thanks also go to the staff, and Board members, and all of our partners who commit time and energy into helping ensure Hexagon Housing continues to provide the best service to residents.

Roy Coulter, Chair
Tom McCormack, CEO



Resident engagement

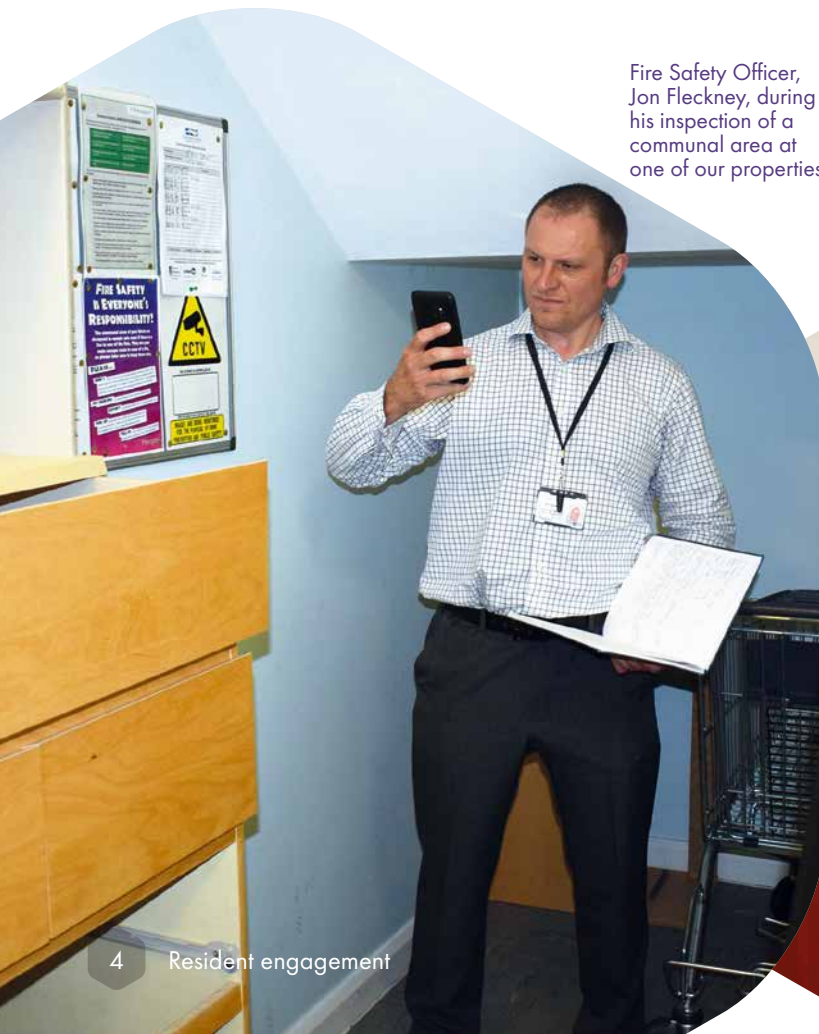
Engaging conversations

This year a heightened concern from residents has, unsurprisingly, been around fire safety. Feedback from the Performance Review Group (PRG), Hexagon's residents' scrutiny panel, showed that fire safety was uppermost in their minds. Residents reviewed Hexagon's performance in this area and wanted confirmation that fire risk assessments were not only being undertaken, but that any remedial work identified as being required was undertaken in a timely manner.

The annual Co-op Seminar was an event for those living in properties managed by a housing co-operative to engage directly with Hexagon. Feedback from attendees highlighted that keeping residents safe in their homes, fire risk assessments, and gas safety were at the forefront of their minds. This dialogue also identified some stock improvement work that needed to be followed up on.

As a direct result of the feedback from residents, we implemented a review of how fire risk assessments were undertaken. Working with our external fire risk assessment consultants, the cycle of fire risk assessment reviews have been made more frequent. Additional factors are taken into consideration in terms of the style of property and any vulnerability of residents. This has resulted in delivering clearer actions where any issues have been identified.

Fire Safety Officer, Jon Fleckney, during his inspection of a communal area at one of our properties





Facing scrutiny

The PRG is made up of a group of residents who focus on performance indicators and how effective Hexagon has been in achieving each of these. The panel also serves to highlight any gaps in performance. One key element to come out of the panel was a need to improve communication from Hexagon to residents, particularly with regards to repairs on properties. As a result of this, a new recording system is being introduced which will facilitate a more robust way of recording communications, enabling the full picture to be seen in one place, and to provide an audit trail timeline.

An additional outcome was the feedback received on the turnaround of void properties. This has resulted in a restructuring of the Housing Services team, with some team members now focusing on void properties to implement a faster turnaround. We welcome this continued valued feedback from residents which helped to shape the services we offer.

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By listening to residents we can learn where the service hasn't met their expectations and can work to improve it.

Neighbourhood events

Three Neighbourhood Events were undertaken this year, in: Bexley, Greenwich, and Southwark. These events consisted of fun games and activities for residents and their families whilst also inviting residents to have their say. Areas focused on for feedback included repairs, estate services, and home improvements. By using a simple red, amber, green rating we were able to identify residents' key areas for improvement. By listening to residents we can learn where the service hasn't met their expectations and can work to improve it. We look forward to planning more of these sort of events in the future.

Continued engagement with residents ensures we are responsive to their suggestions for improvement which in turn results in a better service for all residents.

Building new homes

New development in Old Kent Road

The Old Kent Road site was bought directly from the vendor, ensuring Hexagon are in control of design and quality from the outset, and can secure the best building layouts and design features for future residents.

Buying land directly gives us greater control and flexibility than purchasing consented sites from developers. It also ensures we work closely with the Local Authority, and over time will help us to build a pipeline of sites for future development whilst developing closer relationships with each of the Local Authorities in which we operate.

The Old Kent Road site is in a prime location, ideally situated in a part of this major thoroughfare that is benefitting from significant regeneration over the coming years. The site is located close to the earmarked entrance of a new underground station. The site comprises a car renovator's yard and a repairs garage which is currently being demolished. We are in the process of tendering for the build work, with a planned start date of January 2020; and a completion date of spring 2021. The site will consist of circa 40 homes, comprising one, two, and three bed properties. Six will be rented homes most of them at target rent levels, with the remainder being shared ownership.

A number of our new build sites also have commercial space on the ground floor, including the Old Kent Road site. We develop good relationships with agents and developers to long lease the commercial units. We work closely with these specialist agents to ensure the commercial use doesn't infringe on residents' enjoyment of their home and life within the development.

We continue to work closely with the relevant Local Authorities in getting their support for each of these projects.

Continued development

We currently have development projects across all of Hexagon Housing's boroughs. We continue to work closely with the relevant Local Authorities in getting their support for each of these projects. Moving forward we're hoping to deliver circa 300 affordable homes under the Greater London Authority (GLA) funding programme, with a scheduled start date between March 2021 and March 2022. We are currently on target to deliver this. These properties will again be a mixture of property sizes and tenures, with a small number available to purchase outright to subsidise the rented homes. The shared ownership to rented properties split for this programme will be 60/40. As a priority, we will once again be looking to sell shared ownership homes to those on the lowest possible incomes who can afford to do so.

The original grant allocation from GLA was £8.9 million, and this was further enhanced by an additional £3.2 million as part of the GLA addendum programme. As an effective delivery partner in the initial grant allocation, this gave us a good footing to secure the additional funds. With continued investment, secured funding, and a robust track record in land purchasing, we are in a strong position for future growth.

Proposed development at Old Kent Road, Southwark



New development
at Brampton Road,
Bexleyheath



Case study

Bexley – Brampton Road Phase 2

This scheme of 25 homes contains seven rented properties and 18 for shared ownership. The interest and speed with which the shared ownership properties sold, even during a housing market slow down, demonstrated the strong demand for these property types. The properties, a mixture of one, two and three bedroom homes, were all priced to enable those on the lowest income levels to have access to affordable homes. All 18 shared ownership homes sold within five months of completion and a significant proportion were bought by local people which was a very important priority for the Local Authority.

As an effective delivery partner in the initial grant allocation, this gave us a good footing to secure the additional funds.



New development
at Brampton Road,
Bexleyheath

Brampton Road has been shortlisted in the 2019 National Housing Awards in the 'Best Small Development' category.

Working with residents

Championing the digital age

A key initiative this year has been the introduction of a team of Digital Champions. This new initiative has been achieved through funding secured by a £20,000 investment from Clarion Futures, part of One Digital, a national collaborative programme to help organisations develop and embed digital champions.

The concept for this initiative is 'local places, local faces'. Comprising six residents, these digital champions provide one-to-one support to other residents in their own homes, or places close to where they live. The digital champions help impart core digital skills to people who may have never been online. Skills taught may include how to shop online, access online banking, set up an email address, or use Excel for work. By teaching new skills and making residents aware of the ability to shop online, for example, there is the potential for residents to save money.

There are still 23% of Hexagon's residents who are not online, and this digital programme goes some way to addressing that. As an organisation we have access to refurbished laptops, available for residents to borrow on long term loan. This helps residents become familiar with hardware, software, and navigating websites. Providing residents with core digital skills can help them become empowered, and also equip many of them for the increasingly technological world.

Kam Newman,
Digital Champion,
and resident
Melvin

A quarter of residents contacted pro-actively had an issue which needed additional support.

Universal assistance

Universal Credit could pose further challenges for the organisation as the number of residents claiming the new benefit continues to increase. These challenges are particularly pertinent in terms of rent collection. The continuing roll out of Universal Credit is also likely to particularly affect those residents who may already be vulnerable, such as those with long term health conditions. The online claim process also makes it more important than ever that residents are online.

We have run a successful financial inclusion service for several years, and the service has recently expanded to incorporate a pro-active approach to help residents address the challenges of Universal Credit. It does this by pro-actively contacting residents receiving Universal Credit to see if they need any help or advice regarding this or any other money related issue. By doing this, we are able to offer support and advice to residents before an issue becomes a major problem.

The need for this additional support has been demonstrated by the fact that in the first few months of the expanded service, close to a quarter of residents contacted pro-actively had an issue which needed additional support. There are also continued measures in place to support residents through the transition to Universal Credit, tailored to residents' individual needs and their personal circumstances.

The service also helps residents with a wide variety of other money related issues, ranging from budgeting to benefit claims.

During the year, the Community Investment Team assisted 159 residents with money issues, and generated around £200,000 income for residents. The service also leaves residents better equipped with the skills needed to manage their finances going forward.



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assisted **159 residents** with
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Improving homes

Home improvements

We have been delighted to help a number of residents through the continual stock improvement programme this year; with 40 minor works and 30 major works being undertaken. We have invested just over £3.4m during the course of the year on the refurbishment programme. One of the areas is the kitchen and bathroom programme which is a full and complete refurbishment scheme; this includes refurbishment and repair of walls, electrics, smoke alarms, Co2 detectors, and water saving taps, in addition to the core elements which comprise a kitchen or bathroom. We completed 171 kitchens and bathrooms over 2018/19.

As part of the ongoing commitment to being a 'green' organisation, energy saving bulbs are used, as well as a programme of motion detected LED lighting in communal areas. Water saving devices are fitted into baths and basins, and all new toilets have a dual flush system.

Residents over 65 years who may require minor work in their homes are contacted periodically and provided with information on what constitutes a minor adaptation. This year has again seen the installation of a number of grab rails and other minor adaptations in properties to help residents live independently in their homes.

Sustainable living

Hexagon maintained Gold status following our Sustainable Homes Index for Tomorrow (SHIFT) assessment. SHIFT is the sustainability standard for the housing sector; independently assessed, and accredited, it focuses on management's commitment to sustainability. This year there were not only measures implemented into properties, but also at Hexagon's head office to help build a sustainable future.

We worked with the Mayor's advisory service, identifying all properties with an energy rating lower than SAP 65*. We have 469 homes which are below SAP 65. We aim to install improvement measures to bring the rating up to SAP 65 or above. The average SAP rating of our homes is SAP 72.73 which is above the London average when compared with other social landlords.

We can create homes which are not only sustainable, but can also help residents save money

Solar panels on roof at
Brampton Road, Bexleyheath

By implementing changes which include energy efficient boilers, installing high performance windows, under floor insulation, and solar panels, we can create homes which are not only sustainable, but can also help residents save money. This goes some way to helping residents stay out of fuel poverty.

Where Hexagon properties have suspended timber flooring we have piloted a few properties to install underfloor insulation using a robot which goes into the void and surveys the floor. Where possible the underfloor is sprayed with foam insulation by the robot. This is very non-disruptive and quick to install. We are monitoring the units installed.

Using new developments and technology to our advantage, we hope to continue to meet sustainable living targets, minimise the environmental impact, and help residents save money in the process.

We have invested just over **£3.4m** during the course of the year on the refurbishment programme

*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.



Case study

Ms P was having her kitchen refurbished when it became apparent that due to her mobility issues, her bathroom was no longer suitable. Ms P wasn't someone who liked to ask for things, and was just happy that her kitchen was being replaced! The team co-ordinated an assessment from an Occupational Therapist, who recommended a number of changes to facilitate a better environment. This has resulted in installing a specialist wet room; and also an intercom system to allow Ms P's visitors to be buzzed in from the main entrance. These changes have allowed Ms P to become more independent in her flat.

“The independent occupational therapist, who was referred to me by Hexagon, assessed my disability needs and recommended that fitting a wet room (a shower, chair, screen and grab rails) would prove to be a lot more practical and easier for me than using a bath with grab rails. Several weeks later, having had the bathroom adaptation carried out, this has definitely transpired to be the case. It is easy for me to get in and out of the shower with no pressure on my joints.” Ms P.

Financial summary

Statement of Comprehensive Income for the year ended 31 March 2019

Group turnover increased by 23.9% (from £33.5m to £41.6m), compared to 18/19. £2.4m of this increase is in income from first tranche shared ownership sales, as there were more shared ownership units ready for sale this year. Another £4m of this increase is from the sale of units developed for sale. The main source of turnover – income from social housing lettings – increased by 3%, as income from newly developed units outweighed rent decreases for general needs tenancies.

Operating costs (excluding fair value and pension adjustments) increased by 1.5% from £24.5m to £24.9m. The operating margin excluding fair value adjustments and property sales increased from 20.6% to 31.9%. This is partly because of less expenditure arising from the May 2016 ground collapse at Brickfield Cottages (£1.1m compared to £2.7m in 2017/18).

Net financing costs were 21.4% higher at £4.8m. £3.1m (2018: £1.7m) was realised through a combination of staircasing sales of shared ownership properties and the sale of housing properties which were uneconomic to repair.

The total comprehensive income for the year decreased to £2.2m from the previous year's total comprehensive income of £8.5m. £4.3m of the decrease arises from the initial recognition and actuarial losses in the year of SHPS multi-employer defined

benefit pension scheme. There was a change in the value of financial instruments of – £0.6m (2018: + £3.3m).

Group reserves currently stand at £40.6m (2018: £38.4m). 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 £27.3m on acquiring and developing properties in the year, of which £6.7m was funded through capital grants. 140 additional units were completed, and a further 152 units are still under development. The Group's loans increased from £194.1m to £194.7m and a further £38.2m of loan facilities are available. The weighted average interest rate on the Group's loan portfolio was 2.95% (2018: 2.92%). The Board estimates that the investment value of the Group's properties is £760m, of which £371m is in unsecured properties.

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



How every £ of rent was spent

Planned maintenance and home improvement programme	35%
Responsive repairs	24%
Interest on loans	23%
Housing management and tenant participation	16%
Community development	2%



Turnover breakdown (£000s)

General needs	24,335	59%
Low cost home ownership lettings and sales	6,976	17%
Supported housing	1,845	4%
Nursing homes	766	2%
Agency managed	1,718	4%
Other	5,915	14%
Total	41,555	



Balance sheet funding (£000s)

Grants	224,141	47%
Loans	190,781	40%
Reserves	64,687	13%
Total	479,609	

Statement of Comprehensive Income

for the year ended 31 March 2019

	2019 (£000's)			2018 (£000's)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Turnover	41,555		41,555	33,527		33,527
Cost of sales	(8,687)		(8,687)	(2,409)		(2,409)
Operating costs	(24,866)	827	(24,039)	(24,500)	866	(23,634)
Surplus on sale of properties	3,088		3,088	1,659		1,659
Operating surplus	11,090	827	11,917	8,277	866	9,143
Interest receivable	39	-	39	9	-	9
Interest payable and similar charges	(4,597)	(178)	(4,775)	(3,862)	(73)	(3,935)
Change in fair value of financial instrument	-	(414)	(414)	0	1,103	1,103
Surplus for the year before tax	6,532	235	6,767	4,424	1,896	6,320
Taxation	-		-	0		0
Initial recognition of multi-employer defined benefit scheme		(2,349)	(2,349)			
Actuarial gains/(losses) on defined benefit pension scheme		(1,997)	(1,997)			
Change in fair value of hedged financial instrument	-	(185)	(185)	0	2,219	2,219
Total comprehensive income for the year	6,532	(4,296)	2,236	4,424	4,115	8,539

Balance Sheet

as at 31 March 2019

	2019 (£000's)			2018 (£000's)		
	Before fair value adjustments	Fair value and pension adjustments	Total	Before fair value adjustments	Fair value and pension adjustments	Total
Fixed Assets						
Intangible assets	953		953	446		446
Housing properties	476,018		476,018	453,562		453,562
Other	2,638		2,638	2,737		2,737
	479,609		479,609	456,745		456,745
Current assets						
Stock – properties Developed for Sale	14,490		14,490	16,739		16,739
Debtors – receivable within one year	3,365		3,365	3,282		3,282
Debtors – receivable after one year	1,982		1,982	10,694		10,694
Cash	4,705		4,705	5,515		5,515
Less: creditors amounts falling due within one year	(14,680)		(14,680)	(19,884)	(827)	(20,711)
Net current assets/(liabilities)	9,862		9,862	16,346	(827)	15,519
Total assets less current liabilities	489,471		489,471	473,091	(827)	472,264
Creditors: Amounts falling due after more than one year	(416,128)	(23,624)	(439,752)	(406,292)	(23,025)	(429,317)
Pension deficit liability	-	-	-	-	(4,232)	(4,232)
Provisions for liabilities	(293)	-	(293)	(281)	-	(281)
Net assets excluding pension liability	73,050	(23,624)	49,426	66,518	(28,084)	38,434
Pension liability	-	(8,756)	(8,756)	-	-	-
Net assets	73,050	(32,380)	40,670	66,518	(28,084)	38,434
Reserves						
Income and expenditure reserve	73,050	(18,752)	54,298	66,518	(14,641)	51,877
Cash flow hedge reserve	-	(13,628)	(13,628)	-	(13,443)	(13,443)
	73,050	(32,380)	40,670	66,518	(28,084)	38,434

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

Meet the Board

There were no changes to the Board membership in 2018/19. In September 2018, the Board congratulated Dermot Finn on being re-elected by residents to serve a third and final term on the Board.



The Executive Team



Name	Length of Service	Employer	Occupation
Mark Allan ^{3,4}	2½ years	Chisel Housing	Co-ops & Tenants Officer
Debbie Bankole-Williams, Vice Chair ¹	7 years, 4 months	MCCH	Executive Director of Finance & IT
Carol Bernstein ³	1½ years	Portfolio of roles	Chartered Accountant
Ruth Chambers ¹	4½ years	Self-employed	Campaign & Public Policy Consultant
Roy Coulter, Chair ²	8½ years	N/A	Retired
Dermot Finn ^{2,4}	6½ years	Self-employed	Microsoft Web Application Developer
Jeanette Kenyon ²	5½ years	Self-employed	Property Development Consultant
Martin Large, Vice Chair ^{1,2}	4½ years	N/A	Retired
Ranna McArdle ^{1,3,4}	2½ years	Amnesty International	PA to Director of Corporate Resources
Tom McCormack	7½ years	Hexagon Housing Association	Chief Executive
Denise Senner ⁴	1½ years	Self-Employed	Horticulturalist
Ian Watts ^{1,2,3}	5½ years	PA Housing	Executive Director Operations

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

Hexagon

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