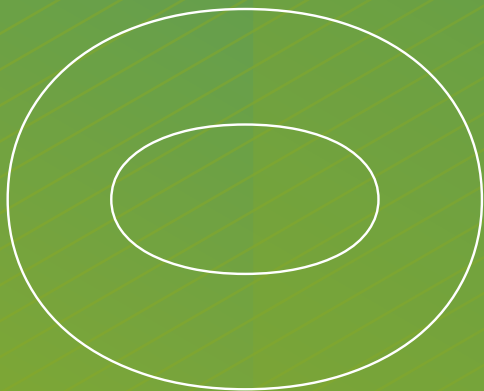


Corporate Annual Report

Hexagon



SAFE, SUSTAINABLE, HOMES FOR THE FUTURE

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CHAIR & CHIEF EXECUTIVE WELCOME

It has been a busy year for Hexagon Housing. The launch of a new Residents Advisory Group was a key success this year; the group has already reviewed a number of draft policies, and provided valuable feedback on what should be included in these policy updates.

Fire safety continued to be a focus for the Association this year, with ongoing fire risk assessments undertaken and responding to government guidance notes. Our attention on this key issue will remain as we prepare for legislation changes.

Energy efficiency has been another focus this year, particularly on properties where upgrades have been undertaken. Looking ahead, we have started to investigate suitable replacements for gas boilers, as part of our commitment to tackling climate change.

Investment in new property continued this year. We have made solid progress in delivering our development programme including the purchase of a site in Blackwall Lane in Greenwich. The plan for this site is 27 homes, with a mix of shared ownership and rented properties.

We continue to work on two developments: White Post Street in Lewisham, and Russell Hill Road in Croydon. Both these sites will have a mix of shared ownership and outright sale homes. The sale homes income is intended to provide cross subsidy for the rented homes in our programme to ensure those rents are genuinely affordable.

In the closing couple of weeks of the financial year 2019/20, the Coronavirus pandemic and resultant lockdown changed things pretty fundamentally for all UK businesses and Hexagon is no exception. One key challenge in looking ahead is to work closely with our residents to ensure they can access the benefits available to them as they face financial challenges from a weaker economy and rising unemployment. A second key challenge surrounds shared ownership sales income, which has been delayed and may be reduced as the sales market begins to re-open. The Hexagon Board is working closely with the Executive to actively manage these and indeed all the risks arising from the pandemic and we remain confident that our strong approach to governance will see us successfully through these unusual times.

We would like to pass on our thanks to all those who have helped Hexagon Housing have another successful year including all the residents who have engaged with us, the staff, board members and other partners who commit their skills and time into helping develop the association for the benefit of all our residents.

**Simon Fanshawe, Chair and
Tom McCormack, Chief Executive**



BUILDING NEW HOMES

Going green at Blackwall Lane

It has been a busy year. A key development this year has been purchasing the site at Blackwall Lane, Greenwich, which is a land-led development. Purchasing a site directly rather than through developers reduces our dependence on package deals where the land and contractor are tied together. The benefits of using this approach enable us to have greater control over who we work with, the quality of the work, and overseeing the timescales of work undertaken. The Blackwall Lane development will comprise 27 homes, and will be a mix of shared ownership and rented properties. The site is in an ideal location in Greenwich near the O2, located in an area which is benefiting from significant redevelopment.

As we plan the build of this property we are looking at sustainability and reviewing the use and dependency on fossil fuels. This will include looking at using solar panels and heat pumps, and avoiding fossil fuel boilers as part of our commitment to responding to the climate change emergency. Once we have identified the goals and the best ways in which we can work towards achieving these, we will approach contractors who would deliver on this.



Adapting to meet safety standards

The Association has secured five homes of one and two bedrooms within a development at Sumner Road, Peckham for shared ownership. We identified that the balconies at these properties didn't meet the updated fire regulations regarding combustibility. We have addressed this proactively, by taking action, addressing the issue and working with the developers. Only once the work has been completed and the fire safety risk addressed will we look to sell these properties.

Working on a 34-unit development at Derrick Avenue, Croydon, we have been able to incorporate recent changes required by Government fire safety guidance into the build. Where we can adapt schemes on site to reflect and incorporate any changes, we won't have to change elements of the build further down the line or retrospectively. This helps keep us ahead of the game, and will provide reassurance to residents.

Investing for the future

Two outright sale developments continue where we are looking to sell homes to subsidise rented homes elsewhere in our programme. At the White Post Street, Lewisham development there will be 20 homes, of which we are looking to sell five properties outright. At the development at Russell Hill Road, Croydon, there will be 28 units, 12 shared ownership properties and we are looking to sell 16 outright. By offering a mix of outright sale and shared ownership properties we are well placed to maximise the number of rented homes we can provide.

Russell Hill
Road,
Croydon



"It's a fantastic
location to have
secured this site."



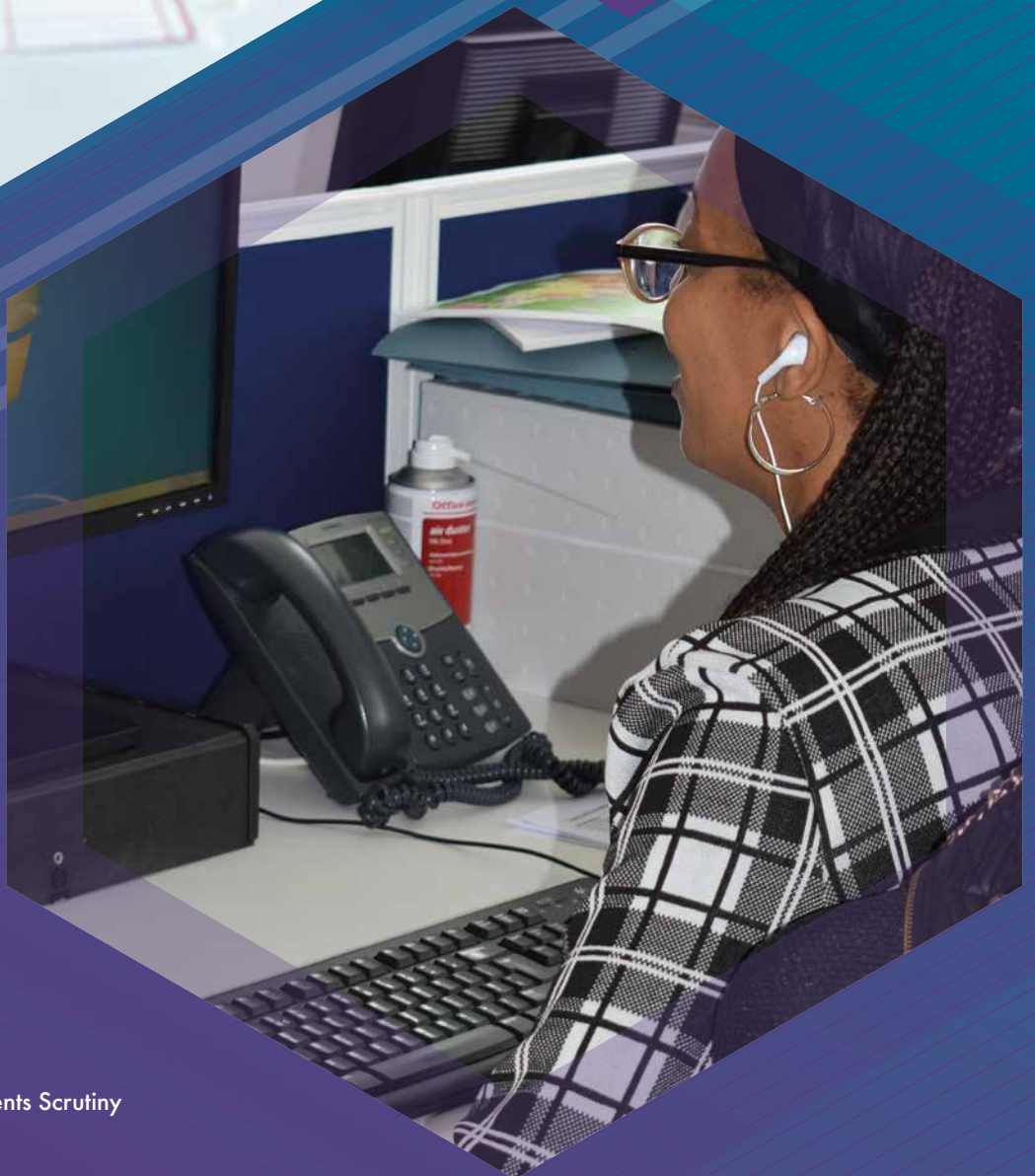
White
Post Street,
Southwark



Blackwall
Lane,
Greenwich



"We are pleased with the enthusiasm and commitment from the group."



RESIDENT EMPOWERMENT/ RESIDENTS SCRUTINY

Residents Advisory Group (RAG)

The introduction of a new advisory group was a big focus this year. The purpose of the group is to review the Association's policies and strategies. The aim of the group is to bring a strong resident perspective to the development of key policies. The Group has been assisted in its formation by an independent consultant who currently chairs the meetings and the Group is working to an annual programme of reviewing key policies. There have been three meetings of the RAG to date, and the Group has reviewed: Gas Safety Policy; Corporate Plan; Digital Engagement Strategy; and the Value for Money Strategy.

Results so far

Of the policies reviewed during the year, a number of changes were made. This included detailing gas safety regulations into the policy and putting a timeframe on independent safety audits. As a result of RAG feedback, we also responded by agreeing to undertake further audit checks on gas safety inspections of 5% of all properties. Where legal action may be required to gain access to a property, the policy now cross references this to our equality policy to protect any vulnerable residents.

In reviewing the Corporate Plan objectives, the RAG provided a number of helpful changes including more emphasis on using high quality components in building and in repair works. They also asked that we consider expanding home working among staff to help reduce carbon emissions.

Estate Graders

Another highlight of the year was the involvement of the Estate Graders who rank each estate that they visit either Gold, Silver or Bronze taking into account the conditions of communal areas e.g. bin store chamber, external lighting, door entry systems, dumped vehicles etc. Across the 17 estates visited, we were pleased to receive 10 gold, and seven silver gradings.

Meeting the challenges of universal credit

Universal credit continues to be rolled out to those whose circumstances have changed. The biggest challenge with universal credit for Hexagon Housing is that the benefit is paid directly to residents. Where in the past housing benefit has been generally paid directly to the Association, this new way of working has presented challenges for some residents. Currently the Association has approximately 600 residents on universal credit, but this will increase as those on benefits are migrated across to the new benefit. There is a process of transitioning to the new system and this lead time can result in a period of arrears. While the date has been put back, at some point in the future the government will begin a process called 'managed migration'. At this stage most residents who currently receive housing benefit will transfer to universal credit.

Providing help and support

"Helping people to move to a new way of living."

During the year a Universal Credit Hub was established with the specific aim to provide help, support and guidance to residents transitioning to receive universal credit. All those moving to the new system are automatically referred to the hub. The hub is made up of a Financial Adviser from the Financial Inclusion Team, and an expert from the Revenue Team.

"Giving the focused support residents need."

The Hub provides guidance and support based on an individual's circumstances. Some residents may only need a small amount of assistance, and others require advice on debt management and need further support. Demand for the service has escalated, initially with 8-10 referrals per week, this has now increased to 30-40 referrals per week. As an organisation, we are dedicating more resources to the Hub to ensure we can cope with the increase in demand and help residents, whatever support they may need.

FIRE SAFETY – KEEPING RESIDENTS SAFE

“We have invested heavily in fire safety to ensure residents are safe.”

Responding to government guidance notes

There have been a number of government Fire Safety Guidance Notes issued over the past year. As an Association we have responded to each one. One of our key responses in the past year was to Advice Note 14, which required us to identify and remove all non-ACM external wall materials that were not of limited combustibility in buildings 18 metres and above. Only one Hexagon Housing property is affected, although it's worth noting that none of the Association's properties have ACM cladding, which is the one that was used at Grenfell Tower. For the affected property there is a programme underway to remedy the situation and a 'waking watch' has been employed to provide a visual watch in the internal and exterior common parts of the property 24/7 at a cost to the Association of approximately £300,000 per year.

All the above-mentioned Guidance/Advice Notes were superseded by a Unified Guidance Note issued in January 2020.

On-going Fire Risk Assessments

A Fire Safety Project Manager was recruited in the year to provide a specific focus on Hexagon Housing's approach to fire safety. Working with external Fire Risk Assessors, the Fire Safety Project Manager is responsible for ensuring any issues identified by the Fire Risk Assessments (FRAs) are carried out in a timely manner and at a high standard, by competent and qualified contractors. The outcomes from the FRAs are categorised as high, medium and low risk. There are KPIs (key performance indicators) used to measure performance of all fire safety-related work.

In order to robustly monitor and manage the works highlighted, and subsequently undertaken by the FRAs, we have invested in a new software package called True Compliance. This software enables us to track the KPIs and also the delivery of the FRA recommended remedial works. A wide range of remedial works were undertaken during the year and these included replacement of fire doors and fire safety compartmentation works. These remedial works are part of an ongoing programme of fire safety works.

Other initiatives have included writing articles in Home News, the residents' newsletter, on how to keep safe, and

providing information on how residents can avoid fire hazards in their homes. By providing advice on flammable materials, and escape plans, we continue to look to impart useful information to residents to make them aware of ways in which to keep safe.

Our Stock Improvement Team who were managing fire safety worked closely with the Housing Services Team who reported back on any issues they picked up and/or dealt with when visiting properties, including removal of rubbish or other potential fire hazards in communal areas.

Looking forward

We are ramping up the activity on fire safety. The Fire Safety Bill continues to be reviewed by government and legislation is likely to be introduced within the next year followed by the Building Safety Bill, which will underpin a new building safety regulatory regime. We will continue to proactively respond to recommended changes and as a start, we will be employing a Head of Property Safety who will lead a dedicated safety team that will engage with residents and look to respond to changes in best practice and any relevant legislation. This team will also cover all aspects of property safety, which include fire safety, gas safety, water hygiene, electrical safety and asbestos management amongst other areas of property safety.





Fire safety
check

"We keep abreast of what is happening in the industry through regular engagement with external colleagues and government departments, and we also keep the Board apprised."



Boiler
check



LED
lighting

“There is a golden thread running from the Corporate Plan that informs the overall organisation strategy to the asset management strategy and then to the departmental planned improvement works to ensure that sustainability is embedded into individual work plans.”



Solar
energy

RESPONDING TO CLIMATE CHANGE EMERGENCY

Energy efficiency

This continues to be a key focus for the association, and we are proud of our Gold SHIFT (Sustainable Homes Index for Tomorrow) status. During the year 13 blocks, and six houses had new roofing installed. We also installed new windows in 100 properties which will help increase their SAP (Standard Assessment Procedure) rating. Three blocks, comprising 60 properties, benefited from LED lighting. All lighting that is replaced is changed to LED as part of a continuing programme of activity. A key focus throughout the year has been targeting the low rated energy properties with an approach to energy improvement.

SAP ratings

We continue to monitor energy performance on all of our properties. The target is for all properties to have a score of SAP 65, although our aim is to get them to SAP 69 or above. We are pleased to report that 88% of our properties have a rating of SAP 65 or above. There are a handful of properties which sit marginally below this. The lowest 10% of our properties, which are generally older street properties, have a rating of SAP 63, which is just below target as this rating reflects their age.

External and internal insulation has also been addressed at a number of properties, which will improve not only their SAP rating, but can help reduce heating bills for residents. We have piloted under-floor insulation which has proved very successful and popular; we may expand this if we secure external funding.

Responding to climate change

A key focus throughout the year has been progressing our Sustainability Strategy. We are beginning to investigate how we can replace gas boilers with possible replacement options e.g. hydrogen. This is not only a challenge for the Association, but to the country in terms what infrastructure is required to support this. We will be developing strategies, in discussions with our peers, for working with possible partners who could provide hydrogen ready boilers and other options for a smooth switchover without disruption to residents to meet the government 2025 target for new replacement boilers.

Sustainability

From planned investments, maintenance, and developments, sustainability continues to be a big focus for the Association. The Sustainability Working Group reaches out to residents with advice on how to save on fuel bills, information on recycling, how to use less energy, and how to save water.

We look to make new schemes bio diverse and for ways in which we can reduce our carbon footprint. We continue to work with our development contractors and have a clear project brief, guiding them to use bricks where birds can nest, and wild flowers which help the bee population, and encourage recycling. We actively collect data on carbon emissions from our maintenance contractors in respect of the products they are using and on their recycling activity for works carried out on our behalf. We are also looking at trialling air source heat pumps, and under-floor heating.

FINANCIAL SUMMARY

Statement of Comprehensive Income for the year ended 31 March 2020

Group turnover decreased by 11% (from £41.6m to £37m), compared to 18/19, £3.4m of this decrease is in income from outright sales, as there were fewer outright units ready for sale this year. Another £0.6m of this decrease is from nursing home accommodation following the closure of Woodcote Road nursing home. The main source of turnover – income from social housing lettings – increased 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 5.6% from £24.9m to £26.3m. The operating margin excluding fair value adjustments and property sales decreased from 31.9% to 18.1%. This is because of increased expenditure on fire risk safety works and service costs in general needs, together with a £1.6m reduction in surplus from the sale of fixed assets.

Net financing costs were 1.9% lower at £4.7m. £1.5m (2019: £3.1m) 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 £3.5m from the previous year's total comprehensive income of £3.7m. There was a change in the value of financial instruments of -£4.2m (2019: -£0.6m), £4.7m actuarial gains in the year of SHPS multi-employer defined benefit pension scheme (2019: -£2m) and £0.1m gain from revaluation of investment properties (2019: £1.5m).

Group reserves currently stand at £45.6m (2019: £42.1m). 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 £17.9m on acquiring and developing properties in the year, of which £1.4m was funded through capital grants. 65 additional units were completed, and a further 191 units are still under development. The Group's loans increased from £194.7m to £209.3m and a further £44.2m of loan facilities are available. The weighted average interest rate on the Group's loan portfolio was 2.65% (2019: 2.95%). The Board estimates that the investment value of the Group's properties is £745m, of which £361m 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	39%
Responsive repairs	24%
Interest on loans	18%
Housing management and tenant participation	17%
Community development	3%



Turnover breakdown (£000s)

General needs	24,503	66%
Low cost home ownership lettings and sales	7,107	19%
Supported housing	1,734	5%
Nursing homes	127	0%
Agency managed	1,690	5%
Other	1,837	5%
Total	36,997	



Balance sheet funding (£000s)

Grants	223,316	45%
Loans	203,996	41%
Reserves	68,170	14%
Total	495,482	

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	2020 (£000's)			2019 Restated (£000's)		
	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
Turnover	36,997	-	36,997	41,555		41,555
Cost of sales	(5,620)		(5,620)	(8,687)		(8,687)
Operating costs	(26,338)	888	(25,450)	(24,866)	827	(24,039)
Surplus on sale of properties	1,506		1,506	3,088		3,088
Operating surplus	6,545	888	7,433	11,090	827	11,917
Interest receivable	22		22	39		39
Interest payable and similar charges	(4,494)	(193)	(4,687)	(4,597)	(178)	(4,775)
Change in fair value of financial instrument		(2,360)	(2,360)		(414)	(414)
Surplus for the year before tax	2,073	(1,665)	407	6,532	235	6,767
Taxation	(31)	-	(31)			
Initial recognition of multi-employer defined benefit scheme	-	-	-	-	(2,349)	(2,349)
Actuarial gains/(losses) on defined benefit pension scheme	-	4,729	4,729	-	(1,997)	(1,997)
Change in fair value of hedged financial instrument	-	(1,793)	(1,793)	-	(185)	(185)
Change in fair value of Investment properties	-	140	140		1,500	1,500
Total comprehensive income for the year	2,042	1,411	3,453	6,532	(2,796)	3,736

BALANCE SHEET

as at 31 March 2020

	2020 (£000's)			2019 Restated (£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	1,594	-	1,594	953		953
Housing properties	489,702	-	489,702	476,018		476,018
Investment properties	135	1,640	1,775	135	1,500	1,500
Other	2,411	-	2,411	2,638		2,638
	493,842	1,640	495,482	479,609	1,500	481,109
Current assets						
Stock – properties Developed for Sale	16,836		16,836	14,490		14,490
Debtors – receivable within one year	2,508		2,508	3,365		3,365
Debtors – receivable after one year	1,750		1,750	1,982		1,982
Cash	6,033		6,033	4,705		4,705
Less: creditors amounts falling due within one year	(16,038)		(16,038)	(14,680)		(14,680)
Net current assets/(liabilities)	11,089		11,089	9,862		9,862
Total assets less current liabilities	504,931	1,640	506,571	489,471	1,500	490,971
Creditors: Amounts falling due after more than one year	(429,723)	(27,777)	(457,500)	(416,128)	(23,624)	(439,752)
Pension deficit liability						
Provisions for liabilities	(116)		(116)	(293)		(293)
Net assets excluding pension liability	75,092	(26,137)	48,955	73,050	(22,124)	50,926
Pension liability		(3,332)	(3,332)		(8,756)	(8,756)
Net assets	75,092	(29,469)	45,623	73,050	(30,880)	42,170
Reserves						
Income and expenditure reserve	75,092	(15,688)	59,404	73,050	(18,752)	54,298
Cash flow hedge reserve		(15,421)	(15,421)		(13,628)	(13,628)
Gain on revaluation of Investment properties		1,640	1,640		1,500	1,500
	75,092	(29,469)	45,623	73,050	(30,880)	42,170

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

THE BOARD

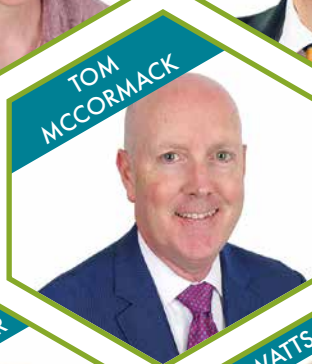
In the year, the Board welcomed their new Chair, Simon Fanshawe OBE to the Board. Simon is a writer, broadcaster, and consultant who brings a wealth of experience to the role of Chair gained from many years' experience of non-Executive work in the public, private and community sectors.

During 2019, we also bid a fond farewell to our outgoing Chair, Roy Coulter, who had served a maximum term of nine years as Chair and Board member. Roy provided Hexagon with dedicated and devoted service over those years. We owe him a large debt of gratitude for his wise counsel and guidance and wish him all the very best for the future.

In September 2019, the Board welcomed new Resident Board Member, Louise Richardson. Louise joined the Board following a selection process and election by residents held over the summer months.

During the year, the Board also welcomed Paul Williams to the Board. Paul brings a strong history and track record of involvement at both Executive and non-Executive level in the Housing Association sector, with a particular strength and focus on financial matters

In July 2019, the Board said goodbye and a very big thank you to Martin Large and Ranna McArdle. Martin and Ranna had served on the Board for five and three years respectively. Martin was also one of our two Vice Chairs, a member of the Audit & Risk Committee and Lead Board Member for Value for Money. Ranna, a resident, served on the Board as Lead Board Member for Resident Involvement.



THE EXECUTIVE TEAM



Tom McCormack
Chief Executive



Charles Mtakati
Property Services Director
(from January 2020)



Kerry Heath
Development & Sales Director



Phil Newsam
Finance & IT Director



Andrew Green
Housing Services Director



David Collick
Property Services Director
(to January 2020)

Name	Length of Service	Employer	Occupation
Mark Allan ^{3,4}	3½ years	Chisel Housing	Co-ops & Tenants Officer
Debbie Bankole-Williams ¹ Vice Chair	8 years, 4 months	Choice Support	Executive Director of Finance & IT
Carol Bernstein ^{1,3}	2½ years	Portfolio of roles	Chartered Accountant
Ruth Chambers ¹	5½ years	Self-employed	Campaign & Public Policy Consultant
Simon Fanshawe ² Chair	1 month	Self-employed	Company Director, Writer & Broadcaster
Dermot Finn ^{2,4}	7½ years	Self-employed	Microsoft Web Application Developer
Jeanette Kenyon ²	6½ years	Self-employed	Property Development Consultant
Tom McCormack	8½ years	Hexagon Housing Association	Chief Executive
Louise Richardson ^{3,4}	6 months	Bird College Conservatoire for Dance & Musical Theatre	Academic Assessments & Policy Co-Ordinator
Denise Senner ⁴	2½ years	Self-Employed	Horticulturalist
Ian Watts ^{1,2,3}	6½ years	PA Housing	Executive Director Operations
Paul Williams ¹	1 month	N/A	Retired

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

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Hexagon