

HEXAGON HOUSING ASSOCIATION

Report and Consolidated Financial Statements

31 March 2021

Regulator of Social Housing Registration Number: L1538

HEXAGON HOUSING ASSOCIATION

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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EXECUTIVES AND ADVISORS FOR THE YEAR ENDED 31 MARCH 2021

Board of Management

Simon Fanshawe (Chair)
Debbie Bankole-Williams (Vice Chair) (Chair of Horniman Housing Association) (to 24 November 2020)
Paul Williams (Vice Chair from 25 November 2020) (Chair of Horniman from 25 November 2020)

Ruth Chambers
Dermot Finn
Jeanette Kenyon
Mark Allan
Ian Watts
Carol Bernstein
Denise Senner
Tom McCormack
Louise Richardson

Audit & Risk Committee

Ian Watts (Chair)
Debbie Bankole-Williams (To 24 November 2020)
Ruth Chambers
Carol Bernstein
Paul Williams

Remuneration Committee

Dermot Finn (Chair)
Jeanette Kenyon
Ian Watts
Simon Fanshawe
Ruth Chambers

Performance

Management Committee

Mark Allan (Chair)
Ian Watts
Louise Richardson
Carol Bernstein

Executive Management

Tom McCormack Chief Executive
Andrew Green Housing Services Director
Kerry Heath Development and Sales Director
Charles Mtakati Property Services Director
Philippa Newsam Finance and IT Director (to 30 September 2020)
Izzet Dizdar Finance and IT Director (from 1 October 2020)

Secretary

Tom McCormack
Registered office
130-136 Sydenham Road
Sydenham
London, SE26 5JY

Banker

National Westminster Bank
159 Rushey Green, Catford
London, SE6 4BJ

Solicitor

Devonshires
Salisbury House
London Wall
London, EC2M 5QY

Treasury advisor

Link Asset Services
65 Gresham Street
London, EC2V 7NQ

External auditor

KPMG LLP
15 Canada Square
Canary Wharf
London

Internal auditor

Mazars LLP
St Katherine's Way
London, E1W 1DD

HEXAGON HOUSING ASSOCIATION

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Board has pleasure in presenting its Report and Financial Statements for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group comprises Hexagon Housing Association, which has charitable status, and Horniman Housing Association, which is non-charitable. The activities of Hexagon Housing Association include the development and management of general needs and supported housing in South East London. The activities of Horniman Housing Association are the management of 17 shared ownership / leasehold dwellings in the London Borough of Southwark together with the freehold of 22 units, and development of outright units for sale on the open market. A review of the Group's business and its likely future developments is provided in the Strategic Report on pages 13-22.

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. Settlement of these longer-term liabilities are included in the Group's business plan, but the movement in the year is determined by market forces which are outside the Board's control. The commentary which follows is therefore solely on the operating results of the business.

Group turnover decreased by 4.7% to £35.3m from £37.0m, compared to 19/20. £1.6m of this decrease is in income from first tranche sales as there were fewer handovers and sales this year. A further £0.1m decrease is from income from outright sales as there were no outright sales units ready for sale this year. The main source of turnover, income from social housing lettings, increased by 2% as a result of income from newly developed units and rent increases.

Operating costs excluding fair value and pension adjustments increased by 20.1% to £31.6m from £26.3m. Operating margin excluding fair value adjustments and all property sales decreased to 1.2% from 16.5%. This is largely due to a one-off £6.3m impairment charge included in the operating cost relating to a scheme under construction where the development contractor became insolvent, resulting in additional costs on the scheme. It's carrying value has therefore been written down. Excluding this one-off non-cash impairment charge, operating costs excluding fair value and pension adjustments decreased by 3.8% to £25.3m from £26.3m. Similarly, excluding the same impairment charge, the operating margin excluding fair value adjustments and all property sales increased to 20.8% from 16.5%. The improvements are due to the reduction in service costs in general needs, reduction in operating cost in other social housing and nursing homes and increased capitalisation of expenditure on fire safety works.

Net financing costs were 26.8% lower at £3.4m. £1.4m (2020: £1.5m) was realised through a combination of staircasing sales of shared ownership properties and the sale of housing properties which were uneconomic to repair.

There is an overall £0.017m total comprehensive income deficit for the year against the £3.5m in the previous year. The main operational cause of the deficit is the one-off non-cash impairment charge in the year as stated above. There was also a £4.2m loss from actuarial valuation in the year for the SHPS multi-employer defined benefit pension scheme (2020: £4.7m). Finally there was a £5.2m gain arising from change in the value of financial instruments (2020: - £4.2m).

Group reserves currently stand at £45.6m (2020: £45.6m). 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 £6m on acquiring and developing properties in the year, of which £0.4m was funded through capital grants. 38 additional units were completed, and a further 153 units are still under development. The Group's loans decreased to £206.7m from £209.3m. £42.6m of loan facilities remain available. The weighted average interest rate on the Group's loan portfolio was 2.28% (2020: 2.65%). The Board estimates that the investment value of the Group's properties is £758m, of which £340m is in unsecured properties.

The Board has adopted a policy of converging social rents within the regulatory framework laid down by the Regulator of Social Housing (the Regulator, RSH). Rents for the Group's social rented general needs tenancies were increased by CPI +1% during the year, in compliance with the regulation.

Turnover and operating surplus by activity is as follows:

	Turnover		Operating surplus / (deficit)	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
General needs	24,933	24,503	2,658	5,626
Supported housing	1,679	1,734	68	74
Shared ownership	2,431	2,262	(742)	1,466
Sale of first tranche in shared ownership properties	3,248	4,845	163	(261)
Sale of outright units	-	595	-	81
Other social housing activities	2,866	2,843	(302)	(648)
Nursing home lettings	-	127	-	(1)

Other non-social housing activities	106	88	(1,298)	(1,298)
Surplus on disposal of fixed assets	-	-	1,448	1,506
Total	35,263	36,997	1,995	6,545

The first tranche sales of shared ownership properties provide a small surplus as most of the sales are on mixed tenure schemes, where surpluses on shared ownership are not recognised but are used to subsidise the rented units at the same scheme. The £0.7m deficit in shared ownership is due to the £2.4m shared ownership element of the one-off impairment charge. In 2020, a provision was required to reduce the carrying value of unsold properties in one scheme to the sales value, resulting in a £0.3m loss. The one remaining nursing home was closed in May 2019.

VALUE FOR MONEY

Hexagon's Broad Approach to Value for Money

Hexagon's Corporate Plan sets out our strategic approach to Value for Money (VFM) which has seven themes. Each of the themes has at least one high-level measure which allows our progress to be tracked. These measures have been chosen because they encompass everything that the Association spends, but also include the most readily available measures of outcome (new homes, resident satisfaction and social value).

The definitions are where possible the same as those used by the RSH. There are a few exceptions to this in the data we use internally. The themes, measures and our performance during 2020/21 are outlined in the table below.

Theme	Measure	Target	Actual	Whether Met	Comment
Controlling operating costs (including all major repairs) per social housing unit	Operating cost per social housing unit	<£4,527	£4,551	N	The target was missed by £24 per unit, equivalent to £104k. Total revenue and capital major repair works costs higher than target due to fire safety costs.
	Operating cost per social housing unit, excluding exceptional items	<£4,314	£4,188	Y	
Controlling growth of interest costs per social housing unit	Interest paid as a percentage of average borrowings	<2.7%	2.28%	Y	The Association is taking advantage of low variable interest rates on 48% of its debt.
Making the best use of our properties	Void loss % on rented homes	1.1%	1.03%	Y	
	% of homes with positive net present value	100%	97.6%	N	Recalculation of NPVs were delayed due to technical issues with the toolkit used to calculate the NPVs, coupled with resource challenges. We are currently working to set up a joined-up method of working between the three property service teams: Responsive Repairs, Stock Improvement and Property Safety teams. A new 5-year Asset Management Strategy is in place, with improved stock appraisal methodology to ensure we drive the most out of our limited resources and achieve value for money from our stock improvement and maintenance programmes and have an on-going exercise that looks at all the different variables/drivers for NPVs.
Maximising development (within our capacity)	Affordable units developed as a percentage of units owned	2.3%	0.88%	N	The target was that 94 homes (Five projects) would be completed. In the first quarter of the year, we pulled out of a developer led project due to concerns about quality on site (6 flats). The impact of the pandemic on working practices on-site, caused delays. Two projects (38 homes) reached completion (40%).

Theme	Measure	Target	Actual	Whether Met	Comment
	Rolling average three-year surplus on outright sales	£240k	£190k	N	There was no assumed income from outright sales in 2020/21 due to the two live schemes (21 homes) still progressing on site and initial sales income from these projects is earmarked for last quarter of 2021/22.
Improving resident satisfaction	% satisfied with last repair	>95%	99.2%	Y	Target met
Delivering social value	Annual social value delivered per £ spent on employment initiatives	£7	£7.28	Y	The expansion of employment related training, and the partnership with LLC has enabled considerably increased return.
Addressing climate emergency	Average energy efficiency rating of properties	73.7	72.8	N	The energy efficiency programme was not fully implemented due to temporary cessation of work by Hexagon's contractor and also challenges in gaining access into residents' homes due to the Covid-19 pandemic.

We have an annual VFM Strategy which the Board approves each year; this builds on the broad themes highlighted in our Corporate Plan and uses the performance measure outlined above. We also use HouseMark data to develop a series of VFM initiatives for the year and to look at areas where we would focus on improving performance. For 2020/21 there were fourteen VFM initiatives – the table below gives some flavour of these initiatives, both in terms of their breadth as well as the successes and those areas that we need to carry out further work on.

Theme	Initiative	Team(s)	Progress to 31 March 2021
To change our ways of working to achieve maximum Value for Money by working Smarter	Use our contract monitoring to improve the performance of contractors	Responsive Repairs	The interface between Hexagon's repairs system and that of its contractors was improved to enable the production of a full suite of key performance indicators, which enabled the Responsive Repairs Department to robustly monitor and manage the contractors' performance across the board. This was coupled with the development of system-generated reports to monitor the repairs expenditure regularly and closely.
To change our ways of working to achieve maximum Value for Money by working Smarter	Review the quality of materials specified in the repairs contracts, ahead of the next tender	Responsive Repairs	The design brief, which contains the specification of materials, was updated with input from several stakeholders and it will be included in the pending tender of the new responsive and voids repairs contract, which is due in 2021/22.
To change our ways of working to achieve maximum Value for Money by working Smarter	Implement phase 2 of Cx including workflow, complaint handling/analysis, mobile working, and a resident portal	Business Improvement	Progress with the implementation of Cx was slower than anticipated during lockdown – a combination of internal and external factors. We are in the process of recruiting a Project Manager to oversee the implementation during 2021-22.
To change our ways of working to achieve maximum Value for Money by working Smarter	Implement the asset strategy, including the selective disposals of poor performing properties	Stock Investment	A new asset management strategy for 2021 – 2025 was completed and it outlines how financially underperforming properties will be addressed via robust options appraisal process.

Theme	Initiative	Team(s)	Progress to 31 March 2021
To change our ways of working to achieve maximum Value for Money by working Smarter	Prepare for purchase to pay system, to dispense with paper invoices and invoice approval slips for purchases that are not already via Cx	Business Improvement	We are in the process of recruiting to the post that will lead on this work during 2021/22.
To change our ways of working to achieve maximum Value for Money by working Smarter	Initiate Electronic Document Management linked to Cx, to avoid having to file paper copies	Business Improvement	Progress with the implementation of Cx was slower than anticipated during lockdown – a combination of internal and external factors. We are in the process of recruiting a Project Manager to oversee the implementation during 2021-22.
To put Residents at the heart of what we do	Make sure all residents have the chance to rate their satisfaction with responsive repairs, including communal repairs	Responsive Repairs	In the early part of the 2020/21, which coincided with the early stages of the Covid-19 pandemic, residents and contractors were reluctant to use the method of operatives handing over handheld devices to residents after completing a repair to capture the residents' feedback. However, in the latter part of 2020/21 the capturing of the residents' feedback via this method, once new sanitary measures had been adopted, led to an increase in the number of surveys undertaken close to pre-pandemic levels. However, a new method will be introduced in 2021/22 to independently, and remotely, capture residents' feedback straight after a responsive repair has been completed.
To put Residents at the heart of what we do	Improve the way that satisfaction surveys are undertaken for planned repairs	Stock Improvement	For the very small number of planned repairs undertaken in 2020/21, residents' feedback was captured directly from them and any issues remedied before signing off the works. However, a new method will be introduced in 2021/22 to independently, and remotely, capture residents' feedback straight after a planned repair has been completed.
To put Residents at the heart of what we do	Service charges plan, including implementation of Cx Phase 1A (rent reviews and service charges)	Rents and Service Charges	Although the Cx implementation is delayed, a separate exercise was carried out to identify all the relevant service chargeable costs. New codes have been set up to capture these as well as those that are not chargeable to residents.
To put Residents at the heart of what we do	Meet our Love London Working targets for assisting residents into employment	Community Investment	65 residents enrolled on LLW v a target of 58 32 residents secured employment v a target of 16.
To put Residents at the heart of what we do	Invest in our homes to reduce the risk of non-contained fires	Stock Investment and Development	Hexagon significantly increased its expenditure to c. £1.2million on completing actions arising from the fire risk assessments. Additionally, a new Property Safety Team was established to provide focussed and robust management of fire/property safety and implement a bespoke resident engagement strategy on safety. Intrusive surveys of the external wall systems and balconies of the few high-rise buildings in Hexagon's portfolio were undertaken to determine compliancy with the Building Regulations and/or new government guidance. In addition to claiming costs for the remedial works to non-compliant external wall systems and balconies, from the original builders and/or the warranty provider(s), Hexagon also applied for the government's Building Safety Fund. Hexagon continued to provide residents with advice on reducing fire risks in their homes.

Theme	Initiative	Team(s)	Progress to 31 March 2021
			Newbuild - Project Brief and Employer's Requirements (including Contract amendments) updated to reflect latest Building Regulations and latest Government guidance on fire safety. Clerk of Work scope of duties updated to reflect more focus on fire safety related measures.
To put Residents at the heart of what we do	Embed a Universal Credit (UC) Hub to ensure better support for residents with UC claims	Revenues and Community Investment	The work carried out by the UC Hub resulted in the UC arrears reducing to 12.6% as at March 2021 from 13.6%. The current tenant arrears also reduced to 6.4% as at March 2021 from 7.1%.
To respond proactively to the Climate Change Emergency by minimising the harm our business does to the environment in respect of Carbon Emissions	Energy efficiency works to existing homes	Stock Investment	The energy efficiency programme for the 90 properties that were earmarked for this programme, was not fully implemented due to temporary cessation of work by Hexagon's contractor and also challenges in gaining access into residents' homes due to the Covid-19 pandemic. Pre-works surveys commenced towards the end of 2020/21 and completion of the works were carried forward to 2021/22. However, the energy performance of some of the properties outside the programme improved due to other improvement works, such as window and roof replacements.
To respond proactively to the Climate Change Emergency by minimising the harm our business does to the environment in respect of Carbon Emissions	Start moving away from the provision of fossil fuel boilers in new builds	Development and New Business	A revised project brief is in place. All Hexagon led projects starting on site from April 2021 will: a) Not have fossil fuel boilers (3 secured schemes identified – Old Kent Rd (46 homes), Blackwall Lane (27 homes), Alers Road (11 homes)) b) Meet the GLA's zero carbon requirement c) Meet the Government's new Future Homes Standard
Restricting operating costs	Reduce the average time to repair and let properties that are not immediately lettable to 50 days, and for those that need improvements throughout before letting to 70 days.	Neighbourhood Services	Average of 55 days for those not immediately lettable. Average of 91 days for those requiring improvements throughout. Average of 110 days for supported housing voids due to delays in referrals caused by a combination of staff availability at the local authority and the hospital discharge team.
Restricting operating costs	Aim to have all Universal Credit (UC) claimants paying their rent either by regular direct payment method linked to monthly payment dates, or by direct payment (APA) from the Dept of Work & Pensions.	Rents and Revenue	Set up the UC Hub - a dedicated team of revenues and financial inclusion officers working together and helping residents through the 6-week transition from claim start to first payment of UC. During this transition, decisions are made to decide if APA is required or if the resident is in a position to set up regular monthly payments. This is working successfully so that all new claimants have their arrears controlled before they are passed back to the revenue officer to manage moving forward.
Restricting operating costs	Carry out a review of the current term contract to investigate the possibility of moving to a Price Per Property model	Responsive Repairs	A comprehensive options appraisal of different price models was completed and the Price Per Property and Price Per Void models were selected. These models will be introduced in 2022.

Theme	Initiative	Team(s)	Progress to 31 March 2021
Restricting operating costs	Develop more communications methods (including digital communications) with residents across a range of platforms	Resident Involvement	Facebook and Twitter platforms see regular postings giving residents immediate information on Hexagon activities. Recruitment of Resident Board Member was promoted through bulk email and SMS campaigns to residents. Some resident groups have moved to video conferencing meetings via Zoom
Delivering social value	Actively engage and recruit residents to the Employment and Skills Programme and getting some into employment	Community Investment	65 residents enrolled on LLW v a target of 58 32 residents secured employment v a target of 16.
Delivering social value	Achieve overall average SAP rating of 85 on schemes handing over in 20/21	Development	Average SAP rating of 82 achieved across the two completed projects (38 homes). EPC rating of B achieved in 36 of the 38 homes.
Improving resident satisfaction	In consultation with local residents pilot on-site caretaker service for Parkspring Court	Neighbourhood Services	Following discussions with a potential caretaker provider and consultations with residents at evening meetings, it was decided instead to increase the on-site hours of the cleaning service to allow for more removal of fire hazards and unblocking of the chutes. This pilot scheme is currently under review.
Effective asset management	Further use our Net Present Value (NPV) tool to establish the performance of the stock in terms of future investment in individual homes.	Stock Improvement	We are currently working to set up a joined-up method of working between the three property service teams: Responsive Repairs, Stock Improvement and Property Safety teams. We are in the process of setting up a new 5-year Asset Management Strategy with improved stock appraisal methodology to ensure we drive the most out of our limited resources and achieve value for money from our stock improvement and maintenance programmes and have an on-going exercise that looks at all the different variables/drivers for NPVs.
Maximising development (within our capacity)	Identify and secure land for grant funded homes	Development	The 18/22 programme is progressing well, with over 90% of land secured on grant funded projects as at March 21.

Future VFM themes and targets

For 21/22 onwards the Board has refined the themes, indicators and targets as follows:

Theme	Agreed measures	21/22 Target
Controlling operating costs (including all major repairs) per social housing unit	Operating cost per social housing unit	£5,018
	Operating cost per social housing unit, excluding exceptional items	£4,122
Controlling growth of interest costs per social housing unit	Interest paid as a percentage of average borrowings	2.4%
Making the best use of our properties	Void loss % on rented homes	0.9%
	% of homes with positive net present value	100%
Maximising development (within our capacity)	Affordable units developed as a percentage of units owned	2.4%
	Rolling average three-year surplus on outright sales	£252k
Improving resident satisfaction	% satisfied with last repair	95%

Delivering social value	Annual social value delivered per £ spent on employment initiatives	£7
Addressing climate emergency	Average energy efficiency rating of properties	73.7

The budget set for 2021/22 is designed to deliver these targets. However, the continuing ripples of Covid-19 could impact on the outcomes, and in particular on the number of units developed and the social value delivered on employment initiatives. The Board has agreed that rents should be raised by the maximum permitted level of CPI +1% in 2021/22.

Our Regulator's Expectations

Our regulator, the RSH, issued some specific expectations to Registered Providers, like Hexagon, in relation to VFM in April 2018. Included within this is a requirement to publish evidence in these accounts to enable stakeholders to understand Hexagon's:

- Performance against its own value for money targets and any metrics set out by the Regulator, and how that performance compares to peers;
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this

Meeting the Regulator's Expectations

While our own value for money targets and performance are set out above, the RSH requires from April 2018 performance against key metrics in relation to VFM that are part of the Sector Scorecard. At the time of writing, Sector Scorecard data for 2021 was in validation and no benchmarks are available, so comparisons have been made with the 2020 data for associations, both nationally and in London, based on data analysed by HouseMark. The quartiles shown at the below table are represented by top performing associations (quartile 1) ranging to worse performing (quartile 4).

	HHA 2021	HHA 2020	England Top Quartile 2020	England Median 2020	Hexagon Quartile England 2020	London Top Quartile 2020	London Median 2020	Hexagon Quartile London 2020
Reinvestment	2.0%	4.2%	9.4%	5.8%	3	5.8%	3.7%	2
New supply delivered (social housing units)	0.9%	1.5%	2.5%	1.2%	2	1.5%	0.1%	1
New supply delivered (non-social housing units)	0.0%	0.0%	0.04%	0.0%	1	0.0%	0.0%	1
Gearing	41.8%	41.7%	16.8%	33.9%	3	8.2%	20.5%	4
EBITDA MRI interest cover	193.7%	140.1%	282.2%	197.3%	3	350.2%	203.9%	3
Headline social housing cost per unit (£s)	£4,763	£4,907	£3,377	£4,023	3	£4,509	£5,207	2

	HHA 2021	HHA 2020	England Top Quartile 2020	England Median 2020	Hexagon Quartile England 2020	London Top Quartile 2020	London Median 2020	Hexagon Quartile London 2020
Operating margin (social housing lettings)	6.8% (28.5% excluding exceptional item)	25.1%	29.9%	23.5%	2	29.8%	22.8%	2
Operating margin (overall)	4.12% (21.9% excluding exceptional item)	16.0%	27.6%	21.7%	2	25.7%	18.6%	2
Return on capital employed	0.58% (1.84% excluding exceptional item)	1.47%	3.89%	2.95%	4	3.00%	2.36%	4

The operational 2021 performance metrics of Hexagon declined over 2020 due to the £6.3m one off impairment charges included in the operating costs. There was also a sharp decline in the reinvestment and new supply of social housing units. This was due to the increasing emphasis and costs on fire safety works which resulted in the capital expenditure shifting away from the new development into making our existing homes safe for our residents. This situation is not unique to Hexagon.

In comparison, the operating EBITDA(MRI) performance metric improved, benefiting from slower increase in loans drawn down and low weighted average interest costs.

The reduction in reinvestment and new supply metrics is mainly due to the slowdown in the development programme resulting from the funds being directed to fire safety remedial works on our existing homes. The spend on the latter is forecast to accelerate in 2021/22. In spite of the decrease in the metrics year-on-year, we remain within the top two quartiles in London.

Hexagon remains in fourth quartile for return on capital employed. This is due to low asset sales income and low operating surplus compared to our high housing stock values, which results in the low metric. We are also in fourth quartile for gearing. The very low London median and even lower top quartile figures are as a result of a number of small RPs with no debt funding at all. Hence even though our gearing, calculated against asset values, is good, it remains high when compared to others.

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARD

In January 2021, following a stability check, the RSH awarded Hexagon a G1 rating for Governance and a V2 rating for Financial Viability. This followed on from a stability check carried out in November 2020. The re-grading from V1 to V2 remains V2 a compliant governance grading but indicates that Hexagon needs to manage material risks to ensure continued compliance and this relates to emerging risks relating to fire safety expenditure, sales risks, major repairs spend, and continued compliance with gearing covenants with lenders. The

Board has an active an ongoing risk management framework in place to ensure all risks are assessed and that remedial action is taken place to manage them.

Notwithstanding this Regulatory judgement, Hexagon's Board also carried out its own self-assessment of compliance with the Governance and Viability Standard. This was completed and reported to the Board in July 2021. As a result of that self-assessment, the Board has agreed that Hexagon continues to meet the Governance and Viability Standard in overall terms.

As part of the self-assessment process for 2020/21, the Board took reasonable measures to assure themselves that the Association had adhered to all "relevant law". This process identified that there had been no breaches of relevant law to report in either the self-assessment or the Financial Statements.

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

The Board is responsible for the Association's system of internal control and for reviewing its effectiveness. The system, which is also used by the Association's subsidiary, is designed to manage rather than eliminate the risk of failure to achieve business objectives and as such can only provide reasonable, but not absolute assurance against material misstatement or loss. The Board has carried out a review of the effectiveness of the system of internal control for the year under review. The key processes the Board has adopted in reviewing the effectiveness of the Association's system of internal control are as follows:

Control environment: the Association has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in the Delegated Authorities and Standing Orders and in departmental procedure manuals. The staff handbook sets out standards of professionalism and integrity for operations.

Key policies: within the delegation of authority, the Board retains for itself responsibility for approving the key strategies and policies that are designed to provide effective internal control. These include strategies and policies for development projects and new business ventures, fraud, theft and bribery, corporate and business planning, risk and treasury management.

Risk management: the Board and senior officers have a clear responsibility for identifying risks facing the Group and for putting in place procedures to mitigate and monitor risks. Risks are formally assessed through a process of reporting to the Board and the Audit & Risk Committee throughout the year, plus an annual report to the Board by the Chief Executive. The system for managing the significant risks faced by the Group is on-going and it has been in place for the year under review and up to the date of approval of the accounts.

Performance reporting: the Group has a comprehensive system of performance reporting. Key performance indicators are reviewed monthly by senior management and are considered by the Board quarterly. Corrective action is taken by management with respect to areas of adverse performance. During 2017/18, Hexagon's Board established a sub-committee known as the Performance Management Committee to provide even greater scrutiny to the performance information reported to the main Board. The sub-committee reports back to the main Board via its minutes, including any corrective action it would like the main Board to take in response to performance issues. The Committee met four times during 2020/21 leading to a strengthening of internal controls in relation to Key Performance Indicators.

Corporate planning and budgeting: the Board approves the annual budget, 3-year corporate plan and 30-year financial forecast. Monthly financial results are reported against budget and remedial action taken with regard to any significant adverse variances.

Internal audit: the Group's control procedures are subject to review by Mazars, whose work is focused on the areas of greatest risk. The Audit & Risk Committee monitors the work of internal audit on a regular basis.

Business Improvement: Hexagon has a Business Improvement team which provides analysis and management of improvement projects. During 2020/21, their main project was to oversee the implementation of the Cx IT management system provided by Civica which went live in November 2019.

Fraud prevention, detection, and reporting: the Group has a whistle-blowing policy in place to enable staff to report suspicious activities to senior management or the Board without fear of reprisal. The Board has adopted a policy for the investigation and reporting of all cases of actual or suspected fraud theft and bribery from the Group. The Audit & Risk Committee receives regular reports on all such cases and actions taken to improve controls where necessary.

The Board has received the Chief Executive's Annual Report on internal controls, has conducted its annual review of the effectiveness of the system of internal control, and has taken account of any changes required to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the approval of the Financial Statements and is regularly reviewed by the Board.

EFFECTS OF MATERIAL ESTIMATES AND JUDGEMENTS UPON PERFORMANCE

The financial statements have been prepared in accordance with the relevant financial reporting standards and legislation, as set out in note 2 of the financial statements. The key judgements and sources of estimation are set out in note 3. None of these affect the consolidated cashflow statement. The effect on the operating results and the underlying financial position has been limited by disclosing the results before and after fair value adjustments.

GOING CONCERN

The Board has adopted the going concern basis in the preparation of these financial statements, as explained in the Principal Accounting Policies note on page 31.

POST BALANCE SHEET EVENTS

A material post balance sheet event is explained in note 38.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Group has no qualifying third-party indemnity provisions in place for the directors of Hexagon Housing Association Ltd or its subsidiary Horniman Housing Association Ltd.

AUDITOR

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Association's auditor for the purpose of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

KPMG LLP were appointed as auditor for the year end 31st March 2021 and have expressed their willingness to continue. A resolution to re-appoint KPMG LLP as auditor of the Association will be proposed at the forthcoming Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'Simon Fanshawe', with a large, stylized initial 'S'.

Simon Fanshawe (Chair) 28th September 2021

HEXAGON HOUSING ASSOCIATION

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Our business model

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

Hexagon was formed in August 1990 from the merger of Shackleton and Solon South East. Since that time, Hexagon has more than doubled in size and today manages just under 4,500 homes across several London boroughs. Hexagon has a subsidiary company, Horniman Housing Association, which is non-charitable and thus able to undertake commercial activities for the benefit of the Group. Horniman owns and manages a further 39 properties.

Our core business is permanent homes for general needs tenants. Hexagon is unique for its size, however, in that we also provide a wide range of other housing choices for tenants. Hexagon provided 326 supported housing homes for people who need care and support in addition to housing. This includes, amongst other client groups, people with a history of mental illness, people with learning difficulties and young people with support needs.

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

Today Hexagon employs 124 staff (full time equivalent). Approximately 15% of our staff are involved in the provision of care and support to residents and the remainder are involved in the provision of housing and related services.

The Group has the following mix of housing stock in management:

	2021	2020
General needs	3,692	3,677
Supported housing	313	313
Low cost home ownership	345	333
Other	140	130
Total housing	4,490	4,453
Nursing home accommodation	-	-
	4,490	4,453

39% of the rented housing stock comprises properties originally built pre-1944, generally Victorian street properties, with some converted into flats, post construction. 6% were originally constructed between 1945 & 1990. The remaining 54% have been purpose-built since 1991. The state of the stock is considered by external consultants to be good. 100% of the housing stock complies with the Decent Homes Standard.

The Group is regulated by the Regulator of Social Housing (RSH), formerly known as The Homes and Communities Agency or HCA, with whom it is registered. It has to comply with the RSH's Regulatory Framework. Performance is assessed by means of Regulatory Judgements made against two criteria, namely Governance and Financial Viability. In January 2021, the RSH published a strapline judgement for Hexagon following the completion of a "stability check" which they carry out as part of their regulatory engagement. This confirmed that Hexagon retained its G1 Governance grading but our V1 Financial Viability grading was re assessed as V2. Both of these grades are "compliant" grades meaning that the Regulator has concluded that we continue to meet their compliance requirements on the Governance and Financial Viability standard. The Regulator stated the ongoing fire safety remedial works costs together with exposure to market related activity potentially putting pressure on our lender gearing covenant over the early years of our long term business plan. We note and take onboard the Regulator's concerns which are common to a number of developing associations like Hexagon who are using their asset base to leverage funding to develop new homes to meet the housing need in South London whilst also carry out the fire safety works on existing homes.

Hexagon aims to recruit and retain diverse, high quality staff that share our values and are committed to achieving our aims. As an accredited Investor in People organization, we are one of a relatively small group of IIP recognised organisations assessed as having achieved the Gold Standard. We are committed to ensuring that our staff are trained and developed both to enable them to perform their roles effectively, and to develop their careers. Employees and their representatives are regularly consulted on decisions that are likely to affect employees' interests, through a Staff Consultative Forum, annual staff conference, intranet and other mechanisms.

We endeavor to ensure that we are a family friendly employer and that staff are able to achieve a work life balance, by for example, offering flexible working and job-sharing opportunities. Employee information is set out in note 9 to the financial statements. Hexagon offers pension arrangements, participating in the multi-employer Social Housing Pension Scheme (SHPS). Further details are given in note 39 to the financial statements.

Our objectives and strategies to achieve these

The objectives and strategy of the association are set out in a corporate plan that is reviewed every three years and approved by the board. The Group's main objectives and strategies for 2020-23 are as follows:

Objectives	Strategies
To put residents at the heart of what we do	<ul style="list-style-type: none">• To show continuous improvement on residents' satisfaction with the Repairs and Maintenance Service by focusing on good communication with residents• To drive up satisfaction levels with estate services by focusing on the things that matter most to residents• To drive up satisfaction levels with all leaseholders by focusing on consistently high quality• To work closely with the Residents' Advisory Group to ensure that the residents' voice is reflected in the development of strategy and policy• To maximise opportunities for effectively communicating with all our residents by accurately capturing their concerns and working flexibly with them to drive forward improvements• To work with our residents in developing a Digital Strategy that ensures our communications with residents are as efficient and effective as possible• To get things right the first time, or if we don't, to listen to our residents to understand their concerns and to respond efficiently and effectively to complaints• To further embed 'learning from complaints' across the organisation by analysing patterns so that underlying systemic solutions can be identified and implemented• To ensure full compliance with all statutory and best practice regulations relating to landlord health and safety requirements.• To ensure all Fire Risk Assessments (FRAs) are carried out in a timely manner and that all actions arising are implemented without delay.• To ensure all Hexagon buildings comply with all Government fire safety guidance and regulations, and where they do not, that remedial action is taken.• To ensure Co-ops and supported housing managing agents manage and maintain Hexagon properties meet the required standards for all Hexagon residents• To ensure excellence in the provision of high support schemes• To ensure we support our residents via our Community Investment activities including employment training, financial inclusion, digital engagement and by building community spirit• To keep the promises we make to residents and to provide excellent customer services and communication by continuing to embed our 'customers at the heart' training programme• To provide money advice and other suitable support to residents moving onto Universal Credit to help them sustain their tenancies
To change our ways of working to achieve maximum value for money by working smarter	<ul style="list-style-type: none">• To minimise our rent arrears and maximise our rent collection• To minimise void loss in general needs and supported housing homes.• To exercise strong control over the day to day repair budgets• To work with our contractors to ensure both good quality and sustainable components are utilised in our repairs service• To implement the Asset Management Strategy, including an agreed methodology for measuring the performance of our assets, including both their financial and social value, to inform when property disposals might be appropriate.• To ensure the Service Charges Project Group implements the agreed action plan for improving all elements of our service work, including budgeting, recording of expenditure, maximising recovery, and communicating effectively with all affected tenants and leaseholders• To monitor the on-going financial viability of agency managed supported housing schemes and to develop alternative uses as appropriate where schemes are no longer financially viable

Objectives	Strategies
To change our ways of working to achieve maximum value for money by working smarter (Contd.)	<ul style="list-style-type: none"> • To implement Phases 1b and 2 of the Cx implementation to improve efficiency and effectiveness and to ensure staff have the best tools to improve communication with residents • To ensure our Business Improvement Team undertakes reviews of service areas where improvements are needed to drive up resident satisfaction and improve efficiency and effectiveness • To ensure the Board keeps our strategic approach to merger and partnership working under periodic review • To keep our IT infrastructure up to date to support the demands of the business and maintain resilience against threats • To ensure we obtain good Value for Money from our Community Investment spending by using the HACT methodology to measure the social value outputs for every £ spent • To develop an annual, clear Value for Money Strategy that focuses both on costs and outputs, and monitor performance annually against agreed targets • To ensure that our quality of data is sufficient to provide a high level of assurance to the Board and directors in relation to compliance matters, particularly health and safety matters
To respond proactively to the Climate Change Emergency by minimising the harm our business does to the environment in respect of Carbon Emissions	<ul style="list-style-type: none"> • When we develop spending priorities for improving existing homes, we consider how we can help residents to reduce their energy bills and reflect that objective in our overall programme • To begin the process of transitioning away from fossil fuel boilers in existing homes • To respond positively to the climate emergency by designing new homes which incorporate meaningful carbon reduction measures and that minimise fossil fuel heating • To minimise the harm the running of our office does to the environment (i.e. by reducing waste, increasing recycling, reducing energy consumption, and encouraging sustainable transport options for staff) • To respond positively to the climate emergency by designing new homes and improving existing homes to enable residents to lead zero-carbon lifestyles
To ensure that Hexagon continues to grow in a financially, socially, and environmentally sustainable manner	<ul style="list-style-type: none"> • To provide new homes for those in housing need • To provide subsidised rented housing to those for whom home ownership or market renting is not financially possible • To meet the housing needs of those who wish to become home owners, but who cannot afford to purchase outright in the open market by providing shared ownership homes • To keep our new build rents affordable by producing additional cross subsidy via developing housing for outright sale, whilst carefully managing the risks that accompany such commercial activity • To focus on the design and quality of new build homes so as to improve resident satisfaction, minimise defects and thereby reduce complaints • To ensure we work with construction partners who are financially robust, embrace diversity and are committed to our social values objectives (supporting apprenticeships, offering training opportunities and embracing our environmental sustainability ambitions) • To ensure full fire safety compliance in relation to the use of non-combustible materials and in the installation of property installed fire safety breaks that ensure proper compartmentation between dwellings • To pilot a new build scheme using a suitable Modern Method of Construction and to evaluate its applicability across the wider programme • To deliver the Island Yard estate infill project • To maintain our position as a GLA Investment Partner that delivers on our promises

Objectives	Strategies
Cross cutting work/activities	<ul style="list-style-type: none"> To ensure that our lettings, our staffing and our Board composition reflects the diversity of the communities that we serve To ensure that the housing regulator maintains a high level of confidence in Hexagon To ensure that we communicate clearly and effectively with a wide range of stakeholders that have an interest in Hexagon's business, our performance and our achievements working with residents To ensure full compliance with all Data Protection requirements, including the protection of information we hold about residents To work with our legal advisors to recoup the unanticipated expenditure arising from the rehousing and remediation costs arising at Brickfields Cottages To gather business intelligence as the external operating environment changes to inform any key strategic decision-making

Hexagon exerts control over Horniman Housing Association as it has the right to nominate members to the Board of Horniman. Hexagon provides management and maintenance services to its subsidiary, which are charged at a commercial rate. From time to time Horniman donates some of its surplus to Hexagon by way of gift aid, in order to further the charitable objectives of the Group.

How we measure progress

Hexagon's board and senior management team uses a set of key performance indicators to monitor achievement of the Group's objectives. These are listed in the section on performance on page 19, together with the results for the current and previous year.

Development and performance during the financial year and financial position at the year end

Providing new homes

During the year, 16 new homes for rent and 22 for shared ownership were completed and came into management.

We continued to sell homes for shared ownership at two legacy projects funded under the previous 2015-18 programme. As at year end, of the 33 available, 20 were sold, leaving 13 to reach sales completion during 2021/22. We expect these final sales to complete by the end of Autumn 2021. These two projects had been hit by market slowdown issues linked to the pandemic but also local competition and remedial works.

Our current affordable homes programme totals 299 affordable homes (184 for London Shared Ownership and 115 for London Affordable Rent). We have already secured over 72% of the affordable programme with 132 homes on-site at the end of the year and 44 homes completed. As expected, delays to the planned completion of much of the programme is as a result of the impact of social distancing measures needing to be deployed on construction sites. Project specifications for 'live' projects were reviewed and where possible amended to meet the latest government guidance on fire safety. This has led to increased costs and contributed to the delays. The GLA extended its' target for all homes to have started on site to March 2023 (previously March 2022), and we expect to deliver the remaining 20 grant funded homes within this timescale. We plan to secure the remaining 7 homes in the programme via s106 arrangements. In March 2021, we purchased a site which can accommodate 11 houses for shared ownership demonstrating our continued focus on land led development opportunities, with 84 homes across four sites being delivered via this approach.

The development contractor on one of our schemes became insolvent, resulting in additional costs in construction. A one-off £6.3m impairment charge was therefore reflected in the Statement of Comprehensive Income. This non-cash adjustment has had a significant impact on the operating results for the year. The Board will review the available options for this scheme and the development programme as a whole in the 2021/22 financial year.

In addition to the affordable homes, two outright sale projects (21 homes) are making steady progress on-site, with one expected to reach completion at the end of 2021/22 and the other during Q1 of 2022/23. Our sales agents have started to plan the marketing of these developments to maximise the opportunity to secure off-plan sales. We plan to secure a further circa 21 outright sale homes to generate cross subsidy to support our affordable rent programme.

We have completed a review of our new projects to incorporate alternative hot water and heating installations which do not rely on fossil fuels, to ensure we meet the Government's new 'Future Homes Standard'. We are also continuing our preparations to meet the requirements of the new Building Safety Bill.

Maintaining and improving existing homes

We continue to invest in improving our existing homes. In 2020/21, we spent £5.45m on major and cyclical works. These works included major improvements to void properties, energy efficiency improvements (including new energy efficient boilers), together with kitchen, bathroom, roof and window replacements where these components had reached the end of their useful life, as well as external and internal communal area decoration programmes.

Our responsive repairs expenditure for 2020/21 totalled £3.65m, including works to bring voids back to lettable standard. During 2020/21 we entered into the fifth year of our 5-year contract with our responsive repairs contracts, with two main contractors (KNK and Purdy) and a further back-up contractor (Laker) who carried out some of our communal repairs. We are currently looking at our responsive repairs and voids service with a view to creating efficiencies and value for money through identifying a new way of delivering the services to our residents.

Our gas servicing compliance continued to be excellent right through the Covid-19 pandemic, with 99.7% compliance at year end through our good relationship with BSW. Further analysis of our performance in this area can be found on page 19.

In March 2021, the Board approved the new 5-year Asset Management Strategy with improved stock appraisal methodology to ensure we drive the most out of our limited resources and achieve value for money from our stock improvement and maintenance programmes and have an on-going exercise that looks at all the different variables/drivers for NPVs.

Managing a difficult situation

On 2nd May 2016 there was a significant ground collapse on the driveway to one of the houses at our newly built scheme at Brickfield Cottages in Plumstead. The collapse was as a result of historic collapsed chalk mine works. No-one was hurt and there was minimal property damage. Following extensive investigations and localised repairs, followed by reinstatement works across the entire estate, the 40 households were safely returned and settled into their homes by January 2019.

In the year to March 2021 we have spent £13k on this incident, net of insurance recoveries.

We retained the services of our corporate lawyers to provide legal advice throughout. An out of court settlement was agreed in June 2021 with the consultants who advised on the ground works and the contractor who built the scheme.

Working in partnership to invest in our communities

Our Community Investment team has continued to focus on getting our residents into work. Hexagon is part of The Love London Working Partnership consisting of 8 housing providers across London, receiving funding from the European Social Fund. In 2020/21 we were allocated £72,096 funding from the European Social Fund.

During 2020/21, 65 (81 in 2019/20) participants accessed employment support, 32 (29 in 2019/20) participants secured employment. The numbers taking part are lower than in 2019/20, the numbers securing employment are higher reflecting the decision made to concentrate work on supporting Hexagon residents seeking employment support.

We secured 60 welfare grants on behalf of residents to help them purchase essential items to improve their quality of life.

Universal Credit (UC) has now been introduced to every part of the country. People who have to move over to the new system (which happens when they report a change) now have to adapt to managing their finances in a different way. This is an easy transition for some residents, but others struggle with this change. In 2020/21, we set up our UC Hub to provide assistance to our residents who were transitioning to UC. This new service ensured our UC related arrears reduced to 12.6% as at March 2021 from 13.6% in previous year. Furthermore, our current tenant arrears also reduced to 6.4% from 7.1% during the same period.

We offer a one to one financial inclusion service to help our residents manage their money and in 2020/21 we helped 219 (121 in 2019/20) individuals gain £286,754 (£228,886 in 19/20) of additional income in benefits and grants. £105,602 (2019/20 £160,681) of this additional income was in the form of Housing related benefits.

Hexagon generated £7.28 in social value for every £1 spent in Employment and Skills service.

Residents helping us to attain our objectives

We engaged our residents in a wide range of resident involvement initiatives with the main focus being on scrutiny activities. Our residents' Performance Review Group scrutinised our performance in customer facing areas once a quarter. Our resident inspectors carried out an inspection of our ASB services.

Following a review this year we established the Residents Advisory Group to scrutinise new strategy and policy. Since being established they have reviewed a number of key strategies including the Corporate Plan, VFM strategy and the Resident Involvement strategy.

Changes in Care and Support

Hexagon continued to provide care and support to residents with mental health issues though following the decommissioning of Woodcote Road there are now only 2 schemes remaining, Newstead Road in Lewisham and Kirkwood Road/Landcroft Road in Southwark. In response to the reduced scale of the service a management review was completed with a single manager taking overall responsibilities for the remaining schemes. The funding regime for supported housing remains uncertain, however there were no substantial changes in 2020/21.

Making Hexagon more planet-friendly

The Board approved the 2017 – 2021 Sustainability Strategy in November 2017, building on the achievements of the previous strategy. The strategy focuses on People, Property and Partners by addressing the sustainability of Hexagon's new and existing homes, office buildings and incorporates resident involvement and community development activities. An independent assessment by Sustainable Homes Index For Tomorrow (SHIFT), led to Hexagon being recognised for its efforts to reduce environmental impacts by being awarded a further successive Gold status in 2020 following an in-depth assessment. During 2018, Hexagon was awarded a 'Most Improved Ever SHIFT Landlord' award, an award specifically created to celebrate 10 years of the SHIFT awards.

Financial performance

The Group's financial performance and financial position at the year end are summarised in the report of the Board of Management on page 3. Further analysis of borrowings and treasury management policies are set out below.

Managing our borrowings

Borrowings at the period end were £206.7m. This debt is mainly borrowed from UK banks and building societies, with £58.0m from the UK capital market and the European Investment Bank.

Borrowings management is the responsibility of the Finance & IT Director. Strategy is set annually and approved by the Board. Current policy is to maintain a sufficient proportion of borrowings at fixed rates of interest to enable the business plan to withstand interest rate rises within defined parameters.

Maturity profile: The Group ensures that its borrowings are structured so that the maturity profiles are managed with a view to obtaining offer terms for renewing or refinancing, if required, under competitive terms. Refinancing risk is mitigated by staging the maturity dates of the loans to ensure that large proportions of the debt do not mature in the same year. The table below provides an analysis of when the debt falls due for repayment:

	£m
Less than one year	4.3
1-5 years	50.9
6-10 years	28.0
11-15 years	29.9
16-20 years	45.9
21-25 years	46.4
25-30 years	1.3
Total	206.7

The Group uses hedging instruments to fix variable rates in accordance with the Treasury Strategy, and after taking advice from treasury advisors. The hedged position as at 31 March 2021 is set out in note 25 to the financial statements. The Group borrows only in sterling and so does not have any currency risk. Short term cash surpluses are invested in approved UK institutions.

Managing cash flows

Cash inflows and outflows for the period under review are set out in the Consolidated Statement of Cash Flows. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges. The net cash outflow from capital expenditure is the spend on properties new and existing which has been capitalised, less grant less sale proceeds plus spend on other fixed assets. The net movement on financing is the difference between loans repaid and new loans.

Group policy is to keep cash and bank balances at a minimum consistent with working capital requirements.

Monitoring liquidity and compliance with loan covenants

Cash and bank balances at the year-end were £5m. The Group has secured facilities in place to borrow a further £42.6m. Because the Group can draw funds at short notice it has adopted an active cash flow management strategy which aims to minimise cash balances, only drawing funds as and when required. The Board monitors compliance with financial covenants to lenders every quarter and considers the impacts of covenants in all business planning and budgeting decisions.

For the year to March 2021 the tightest interest cover was 2.68 which is significantly better than the minimum of 1.10 required. As at 31 March 2021 the gearing ratio was 60.91%, which is significantly lower than the 72.1% maximum agreed with some lenders. Compliance with covenants is the responsibility of the Finance & IT Director.

Measuring performance - Key financial and non- financial indicators

Objectives & Indicators	2020/21	2019/20	Improving?	Comments
Satisfaction with the last repair	99.2%	96.0%	✓	Our target of 89% has been met
Customer service calls answered	73%	81%	x	Our target of 82% has not been met due to system issues in the last quarter of the year
Gas safety checks completed within target time	99.7%	99.2%	✓	Small number of cases outstanding due to lack of access as a result of lockdown restrictions or residents not providing access. Following up with residents or through solicitors to gain access.
Number of complaints	213	366	✓	Volumes for the year are down compared with 19/20
% of complaints with full response within 15 days	81%	85%	x	Performance slightly down but within the range of recent years
Void re-let (days) General needs	0	25	✓	No lettable voids in the year. There were unlettable and major voids
Void re-let (days) Supported Housing	110	57	x	Obtaining referrals for some schemes remains a major challenge.
Rent collection % - General needs	98.6%	99.5%	x	A new UC hub was developed by Hexagon in 2019/20 to assist residents in with their claims. This new service ensured our UC related arrears reduced to 12.6% as at March 2021 from 13.6% in previous year. Furthermore, our current tenant arrears also reduced to 6.4% from 7.1% during the same period.
Rent collection % - Supported housing	97.2%	100.6%		Lack of face to face contact from support workers during lockdown has hindered engagement from some residents, that in turn has caused delays/issues with Housing Benefit payments.
% working days lost through staff sickness	1.9%	3.0%	✓	The impact of the majority of staff working from home has been a significant reduction in sickness absence
Housing management cost per GN unit	£863	£748	x	Increased housing management staff cost and central overhead cost allocation.
% Operating margin excluding all property sales and pension and fair value adjustments	1.2% (20.8% excluding the one-off impairment charge)	16.5%	x	Reduction due to one off impairment charge of £6.3m. Excluding this, operating cost reduced due to increased capitalisation of expenditure on fire risk safety works and reduction in service costs in general needs and other social housing resulting in 20.8% operating margin.
Average SAP (energy efficiency) Ratings	72.74	72.74	✓	We maintained our performance over the previous year.
Units failing Decent Homes Standard	0	0	-	All of the properties meet the Decent Homes criteria.
New homes completed	38	65	x	The target was that 94 homes (Five projects) would be completed. In the first quarter of the year, we pulled out of a developer led project due to concerns about quality on site (6 flats). The impact of the pandemic on working practices on-site, caused delays. Two projects (38 homes) reached completion (40%).
Loan covenants -interest cover (must be >110%)	268%	292.5%	x	Impact of one off impairment charge of £6.3m mitigated by slower increase in borrowing and low weighted average interest costs against improved operating surplus.
Loan covenants - gearing (must be < 72.1%)	60.91%	61.24%	✓	The slowdown in the development programme and repayment of loans has resulted in an improved performance that is well within the loan covenant
% weighted average interest	2.28%	2.95%	✓	The Association is taking advantage of low variable interest rates on 48% of its debt.

Future prospects

The Board is committed to improving residents' homes in accordance with our stock condition survey and business plan, and to ensure that all homes continue to meet the Government's Decent Homes Standard. This is in addition to the expenditure on day-to-day responsive repairs, gas servicing and cyclical painting which amounted to £5.49m in 2020/21.

In addition to investing in its existing stock the Board aims to achieve a new build housing programme of circa 70 units per year, of which the following are already committed:

Handover year	2021-22	2022-23	2023-24
General needs	20	17	56
Shared ownership	25	43	92
Other	16	5	12
Total	61	65	160

Committed expenditure on the above is shown in note 36 to the financial statements, together with an explanation as to how it is to be funded.

Principal risks and uncertainties

This section analyses the main factors and influences that will have an effect on the future performance of the Association irrespective of whether they were significant in the period under review.

The main risks faced by the Group are considered at each Board meeting as part of the risk management process. Changes which occur between Board meetings are reviewed by the senior management team at monthly Risk Appraisal Panels. The definition of risk for this purpose is an event that could prevent the corporate plan from being achieved if it were to crystallise. Risks are recorded in a suite of risk maps which also record key strategies to manage each risk, who is responsible for the control and what further actions are needed. Risks are analysed according to their impact and probability given the current environment.

The senior management team has assessed that the risks in the next table are those that are most likely to influence future performance.

Risk	Comments and mitigation
Covid -19	The Group has been following the Government guidance's on how to keep its residents, staff and contractors safe from Covid-19, whilst maintaining business-critical and health & safety functions. Borrowing requirements for the next 2 years have been amended to reflect the impact on development contracts, the need to catch up with planned repair work, and a slowdown in the housing market with potential reductions in sales values. The Group has sufficient borrowing facilities to meet these requirements. The same assumptions have been used for the initial cashflows in the 30-year financial forecast.
Changes to housing benefit	The Government is changing the benefit system by phasing in Universal Credit (UC), and capping benefit payments to workless households. Payment of UC is being made direct to the claimant and, as a result, Hexagon is likely to suffer a reduction in its rent collection percentage. Rising arrears have been included in the 30-year financial plan. In order to mitigate the risk, Hexagon has restructured its housing management operations to create a dedicated revenue team and to increase resources around financial inclusion.
Availability of capital grant	The Greater London Authority in its 2016/2022 programme has allocated grant on fixed rates per unit (£28k for shared ownership and £60k for rent). These have been increased to £30k / £70k for the 21/22 addendum programme. These grant levels remain low compared to pre-2010 levels, and do not fully subsidise the rent levels mandated by the grant. Hexagon's Board has agreed a modest programme of development for outright sale in order to provide further subsidy for new rented homes. A GLA programme based on competitive grant rates will feature in the upcoming 2021/26 programme.
Availability of finance	The Group's 30-year business plan is based on the premise that Hexagon can borrow new funding to repay its upcoming debt and continue to build the new homes detailed in the development programme. A severe downturn in the economy could restrict the new funding available to Hexagon, which could be detrimental to its going concern. The Board and the senior management team monitor the bank and capital markets in liaison with our treasury advisors on a quarterly basis and take note of any adverse indicators in the markets. The Board has also approved a refinancing exercise which is planned to complete by March 2022.
Interest rates	The Group's borrowings are summarised in the financial review (see below). The Group's treasury policy is to ensure that the 30-year financial plan can withstand both a 1% increase in real interest rates and a 1% drop in inflation beyond those already forecast. Sensitivity analysis is undertaken once a quarter to assess the impact of adverse movements in interest rates on the Group.

Risk	Comments and mitigation
Reliance on maintenance contractors	One contractor is responsible for servicing, and undertaking gas safety checks on gas boilers. Three contractors are responsible for the delivery of all day-to-day repairs. Failure of one of these key contractors to perform could have a significant impact on the services to residents. This is monitored via monthly meetings with each contractor.
Demand and cost of responsive repairs	The Group's financial plan assumes that the rise in cost per home of responsive repairs can be limited to CPI inflation plus 1%. There is a risk that costs rise more quickly than assumed, despite a programme of competitive tendering.
Reliance on shared ownership and outright sales	As at March 2021, the Group part-owned 345 shared ownership homes. A further 160 shared ownership homes are in development. The 30-year plan also assumes that in each year 4% of the retained equity is sold to shared owners who are staircasing. Were this level of sales not to be achieved due to reductions in property prices or non-availability of mortgage finance, the financial plan would be at risk.

How we are governed

Hexagon Housing Association's rules, which are based upon National Housing Federation model rules, form the governing document of the Association. The Association may not trade for profit, may not transfer any profit to its shareholders and may not receive money on deposit. The funds of the Association may be invested by the Board as it determines.

Structure and membership of the Board

The Association has a unitary Board structure with 12 members, of which up to one third may be tenant members. Other than the Chief Executive, all of the board members are non-executive. An Audit & Risk Committee, a Performance Management Committee, and a Remuneration Committee are the three sub-committees that report directly to the Board. The Board meets six times a year, the Audit & Risk Committee and Performance Management Committee both meet four times a year, and the Remuneration Committee meets twice per year. The Association operates a system of lead board members, who cover the main strategic areas of the Association. This gives members a greater understanding of particular areas of activity and informs decision making.

Board members are paid. Total payments to non- executive board members in 2020/21 were £65k (2020: £52k). Each board member, with the exception of the Chief Executive, holds a £1 share in the Association.

Horniman Housing Association, its wholly owned subsidiary, is managed by a Board of Management composed of 5 non-executive members one of which is an independent and two are senior management team members.

Compliance with the NHF Code of Governance

The Board's aim is to achieve the highest standards of governance, accountability and probity. With this in mind the Hexagon Board adopted the revised National Housing Federation's Code of Governance from 1 April 2015. During the year, the Group complied with all elements of the Code.

Role of the Board

The essential functions of the Board include the following:

- * to define and ensure compliance with the values and objectives of the Association;
- * to consider and approve policies and plans to achieve those objectives;
- * to consider and approve each year's budget and accounts prior to publication;
- * to establish and oversee a framework of delegation and systems of control;
- * to agree policies and make decisions on all matters that might create significant financial or other risk to the Association, or which raise material issues of principle;
- * to monitor the Association's performance in relation to these plans, budgets, controls and decisions;
- * to appoint and, should the occasion arise, dismiss the Chief Executive and be represented in the appointment of Directors;
- * to satisfy itself that the Association's affairs are conducted lawfully and in accordance with generally accepted standards of performance and propriety and the requirements of relevant regulatory bodies.

Executive Management

The Group is managed by a senior management team headed by a chief executive and supported by directors of finance, housing, development and property services. Senior management team members attend board meetings. Remuneration of the senior management team is set out in note 10.

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

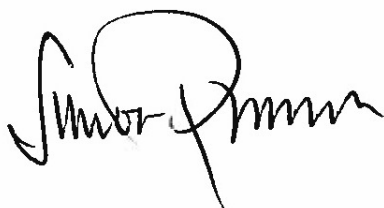
In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the [Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

A handwritten signature in black ink, appearing to read 'Simon Fanshawe', with a large, stylized loop at the top.

Simon Fanshawe (Chair) 28th September 2021

Independent auditor's report to Hexagon Housing Association

Opinion

We have audited the financial statements of Hexagon Housing Association ("the association") for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Reserves, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2021 and of its income and expenditure/the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group's and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group's and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the Audit and Risk Assurance Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Remuneration and Audit and Risk Assurance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from activities other than social housing lettings is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted on specific dates, unusual postings to revenue accounts and unusual postings to cash and borrowings accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related *co-operative & community benefit society* legislation), and taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Other information

The Association's Board is responsible for the other information, which comprises the Board's Annual Report and Statement on System of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 22, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association for our audit work, for this report, or for the opinions we have formed.



Joanne Lees

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

30 September 2021

HEXAGON HOUSING ASSOCIATION

Statement of Comprehensive Income for the year ended 31 March 2021

Group		2021			2020		
	Notes	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
		£000	£000	£000	£000	£000	£000
Turnover	4	35,263		35,263	36,997		36,997
Cost of sales	4	(3,085)		(3,085)	(5,620)		(5,620)
Operating costs	4	(31,631)	904	(30,727)	(26,338)	888	(25,450)
Surplus on disposal of fixed assets	12	1,448		1,448	1,506		1,506
Operating surplus	4,8	1,995	904	2,899	6,545	888	7,433
Interest receivable	13	13		13	22		22
Interest payable and finance costs	14	(3,362)	(68)	(3,430)	(4,494)	(193)	(4,687)
Movement in fair value of financial instruments	14		2,565	2,565		(2,360)	(2,360)
Surplus for the year		(1,354)	3,401	2,047	2,073	(1,665)	408
Tax	15	31	-	31	(31)	-	(31)
Actuarial gains/(losses) on defined benefit pension scheme	40	-	(4,180)	(4,180)	-	4,729	4,729
Change in fair value of hedged financial instrument	14	-	2,660	2,660	-	(1,793)	(1,793)
Movement in fair value of investment properties	19	-	(575)	(575)	-	140	140
Total comprehensive (expenditure)/income for the year	8,14	(1,323)	1,306	(17)	2,042	1,411	3,453

All amounts relate to continuing activities.

Statement of Changes in Reserves

Group	2021				2020			
	Income and expenditure reserve	Cashflow hedge reserve	Revaluation reserve	£000 Total Reserves	Income and expenditure reserve	Cashflow hedge reserve	Revaluation reserve	£000 Total Reserves
Balance at 1 April 2021 / 1 April 2020	59,404	(15,421)	1,640	45,623	54,298	(13,628)	1,500	42,170
Surplus for the year (net of tax)	2,078	-	-	2,078	377	-	-	377
Actuarial gains/(losses) on defined benefit pension scheme	(4,180)	-	-	(4,180)	4,729	-	-	4,729
Change in fair value of hedged financial instrument	-	2,660	-	2,660	-	(1,793)	-	(1,793)
Movement in fair value of investment properties	313	-	(888)	(575)	-	-	140	140
Balance at 31 March 2021/ 31 March 2020	57,615	(12,761)	752	45,606	59,404	(15,421)	1,640	45,623

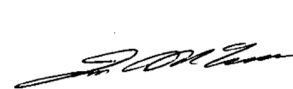
The Financial Statements were approved and authorised for issue by the Board of Management on 28th September 2021 and were signed on its behalf by:



S. Fanshawe, Chair



Paul Williams, Vice Chair



T. McCormack, Secretary

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

Statement of Comprehensive Income for the year ended 31 March 2021

Association		2021			2020		
	Notes	Operating results	Fair value and pension adjustments	Total	Operating results	Fair value and pension adjustments	Total
		£000	£000	£000	£000	£000	£000
Turnover	4	35,284		35,284	36,307		36,307
Cost of sales	4	(3,085)		(3,085)	(5,106)		(5,106)
Operating expenditure	4	(31,580)	904	(30,676)	(26,284)	888	(25,396)
Surplus on disposal of fixed assets	12	1,448		1,448	1,357		1,357
Operating surplus	4,8	2,067	904	2,971	6,274	888	7,162
Interest receivable	13	428		428	(31)		(31)
Interest payable and finance costs	14	(3,776)	(68)	(3,844)	(4,509)	(193)	(4,702)
Change in fair value of financial instruments	14	-	2,565	2,565	-	(2,360)	(2,360)
Surplus for the year		(1,281)	3,401	2,120	1,734	(1,665)	69
Actuarial gains/(losses) on defined benefit pension scheme	40	-	(4,180)	(4,180)	-	4,729	4,729
Change in fair value of hedged financial instrument	14	-	2,660	2,660	-	(1,793)	(1,793)
Movement in fair value of investment properties	19	-	(575)	(575)	-	140	140
Total comprehensive (expenditure/ income for the year	8,14	(1,281)	1,306	25	1,734	1,411	3,145

All amounts relate to continuing activities.

Statement of Changes in Reserves

Association	2021				2020			
	Income and expenditure reserve	Cashflow hedge reserve	Revaluation reserve	£000 Total Reserves	Income and expenditure reserve	Cashflow hedge reserve	Revaluation reserve	£000 Total Reserves
Balance at 1 April 2021 / 1 April 2020	58,921	(15,421)	1,640	45,140	54,123	(13,628)	1,500	41,995
Surplus for the year	2,120	-	-	2,120	69	-	-	69
Actuarial gains/(losses) on defined benefit pension scheme	(4,180)	-	-	(4,180)	4,729	-	-	4,729
Change in fair value of hedged financial instrument	-	2,660	-	2,660	-	(1,793)	-	(1,793)
Movement in fair value of investment properties	313	-	(888)	(575)	-	-	140	140
Balance at 31 March 2021/ 31 March 2020	57,174	(12,761)	752	45,165	58,921	(15,421)	1,640	45,140

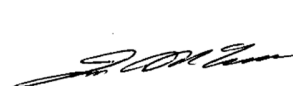
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S. Fanshawe, Chair



Paul Williams, Vice Chair



T. McCormack, Secretary

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

Statement of Financial Position as at 31 March 2021

Group		2021			2020		
	Notes	Before fair value and pension measurements	Fair value and pension measurements	Total	Before fair value and pension measurements	Fair value and pension measurements	Total
		£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	16	1,625		1,625	1,594		1,594
Housing properties	17	484,143		484,143	489,702		489,702
Investment properties	19	135	815	950	135	1,640	1,775
Other	18	2,227		2,227	2,411		2,411
		488,130	815	488,945	493,842	1,640	495,482
Current assets							
Stock – properties developed for sale	20	18,018		18,018	16,836		16,836
Debtors – receivable within one year	21	2,895		2,895	2,508		2,508
Debtors – receivable after one year	21	1,760		1,760	1,750		1,750
Cash and cash equivalents	22	5,027		5,027	6,033		6,033
Less: creditors – amounts falling due within one year including short term pension deficit liability	23	(16,850)		(16,850)	(16,038)		(16,038)
Net current assets		10,850		10,850	11,089		11,089
Total assets less current liabilities		498,980	815	499,795	504,931	1,640	506,571
Creditors: amounts falling due after one year	24	(424,941)	(22,550)	(447,491)	(429,723)	(27,777)	(457,500)
Provisions for liabilities	31	(22)		(22)	(116)		(116)
Net assets excluding pension liability		74,017	(21,735)	52,282	75,092	(26,137)	48,955
Pension liability	39		(6,676)	(6,676)		(3,332)	(3,332)
Net assets		74,017	(28,411)	45,606	75,092	(29,469)	45,623
Capital and reserves							
Income and expenditure reserve		74,017	(16,402)	57,615	75,092	(15,688)	59,404
Cash flow hedge reserve			(12,761)	(12,761)		(15,421)	(15,421)
Revaluation Reserve	19		752	752		1,640	1,640
		74,017	(28,411)	45,606	75,092	(29,469)	45,623

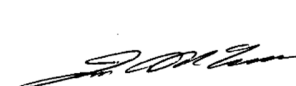
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HEXAGON HOUSING ASSOCIATION

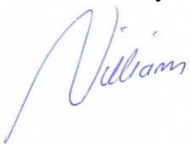
Statement of Financial Position as at 31 March 2021

Association		2021			2020		
	Notes	Before fair value measurements	Fair value measurements	Total	Before fair value measurements	Fair value measurements	Total
		£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	16	1,625		1,625	1,594		1,594
Housing properties	17	483,276		483,276	488,831		488,831
Investment properties	19	135	815	950	135	1,640	1,775
Other	18	2,227		2,227	2,411		2,411
		487,263	815	488,078	492,971	1,640	494,611
Current assets							
Stock – properties developed for sale	20	13,052		13,052	13,817		13,817
Debtors – receivable within one year	21	2,991		2,991	2,451		2,451
Debtors – receivable after one year	21	6,686		6,686	4,805		4,805
Cash	22	4,672		4,672	5,640		5,640
Less: creditors – amounts falling due within one year including short term pension deficit liability	23	(16,826)		(16,826)	(15,963)		(15,963)
Net current assets		10,575		10,575	10,750		10,750
Total assets less current liabilities		497,838	815	498,653	503,721	1,640	505,361
Creditors: amounts falling due after one year	24	(424,240)	(22,550)	(446,790)	(428,997)	(27,777)	(456,774)
Provisions for liabilities	31	(22)		(22)	(115)		(115)
Net assets excluding pension liability		73,576	(21,735)	51,841	74,609	(26,137)	48,472
Pension liability	39		(6,676)	(6,676)	-	(3,332)	(3,332)
Net assets		73,576	(28,411)	45,165	74,609	(29,469)	45,140
Capital and reserves							
Income and expenditure reserve		73,576	(16,402)	57,174	74,609	(15,688)	58,921
Cash flow hedge reserve		-	(12,761)	(12,761)	-	(15,421)	(15,421)
Revaluation Reserve	19	-	752	752	-	1,640	1,640
		73,576	(28,411)	45,165	74,609	(29,469)	45,140

The Financial Statements were approved and authorised for issue by the Board of Management on 28th September 2021 and were signed on its behalf by:



S. Fanshawe, Chair



Paul Williams, Vice Chair



T. McCormack, Secretary

The accompanying notes form part of these financial statements.

HEXAGON HOUSING ASSOCIATION

Consolidated Statement of Cash Flows for the year ended 31 March 2021

Group

	Notes	2021		2020	
		£000's	£000's	£000's	£000's
Cash flows from operating activities					
Surplus for the year		(17)		3,453	
Adjustments for:					
Depreciation of fixed assets – housing		6,718		6,838	
Depreciation of fixed assets – other		339		393	
Impairment		6,286		-	
Amortised grant		(2,005)		(2,001)	
Net fair value losses/ (gains) recognised in income statement		(4,651)		4,012	
Interest payable and finance costs		3,362		4,494	
Tax expense		(31)		31	
Interest receivable		(13)		(22)	
Difference between net pension expense and liability		3,344		(5,424)	
Surplus on the sale of fixed assets		(1,448)		(1,506)	
Decrease/(increase) in stocks		(775)		(3,207)	
Decrease/(increase) in trade and other debtors		(442)		607	
(Decrease)/increase in trade creditors		605		1,570	
(Decrease)/increase in provisions		(94)		(176)	
Net cash generated from operating activities			11,178		9,062
Cash flows from investing activities					
Proceeds from sale of fixed assets		3,570		2,194	
Purchase of fixed assets - housing		(8,726)		(19,818)	
Purchase of fixed assets –other		(186)		(807)	
Receipt of grant		81		1,831	
Interest received		13		22	
Net cash from investing activities			(5,248)		(16,578)
Cash flows from financing activities					
Interest paid		(4,419)		(5,699)	
New loans		12,775		27,550	
Debt issue costs incurred		148		(69)	
Repayment of loans		(15,440)		(12,938)	
Net cash from financing activities			(6,936)		8,844
Net increase/(decrease) in cash and cash equivalents			(1,006)		1,328
Cash and cash equivalents at beginning of year			6,033		4,705
Cash and cash equivalents at end of year			5,027		6,033

The accompanying notes form an integral part of the financial statement.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

1 Legal Status

The Association and its subsidiary undertaking are registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014. They are both registered with the Regulator of Social Housing as social housing providers.

2 Principal accounting policies

Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting 2019 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. In preparing the separate financial statements of the parent, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent
- Disclosures in respect of the parent's financial instruments have not been presented as equivalent disclosures have been provided for the Group as a whole

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure and/or increase income. Following the outbreak of Covid-19 the Group has included in the scenario testing severe but plausible downsides in the multi variate worst-case assessment.

The Board, after reviewing the Group and Association budgets for 2021-22 and the Group's medium term financial position as detailed in the 30-year business plan including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered:

- The property market – cashflow forecasts and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values;
- Maintenance and development costs – cashflow forecasts and business plan scenarios have been modelled to take account of cost increases in maintenance and development expenditure;
- Rent and service charge receivable – assumptions about arrears and bad debts have been increased to allow for customer difficulties in making payments and business plan scenarios take account of potential future reductions in rents;
- Liquidity – current available cash and unutilised loan facilities of £42.6m which gives significant headroom for committed spend and other forecast cash flows that arise;
- The Group's ability to withstand other adverse scenarios such as higher interest rates and increased pension costs

The Board believe the Group and Association have sufficient funding in place and have agreed a set of mitigating actions to enable the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

2 Principal accounting policies (continued)

Basis of consolidation

The consolidated financial statements present the results of Hexagon Housing Association and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between the two are therefore eliminated in full.

Income

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- rental income receivable (after deducting lost rent from void properties available for letting)
- service charges receivable
- net rental income from properties managed by agents and co-operatives
- revenue grants for the operation of nursing homes
- first tranche sales of shared ownership housing properties developed for sale
- properties built for sale
- amortisation of social housing grant

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Agents and co-operatives manage a number of properties owned by the Association. Where the agent or co-operative carries the financial risk the income and expenditure arising from these properties is excluded from these financial statements. Grants for the operation of high support homes is recognised in the year for which the grant is given. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Supported housing schemes and nursing homes

The Group received Supporting People grants from a number of London Boroughs and other grants for nursing care from a local Health Authority. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the consolidated statement of comprehensive income. Any excess of cost over the grant is borne by the Group.

Service charges

The Group adopts the fixed method for calculating and charging service charges to its tenants and the variable method for leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

Value added tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiary operates and generates taxable income. The subsidiary operated in England, United Kingdom.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Pension costs

Contributions to the Social Housing Pension Scheme ("SHPS") defined contribution scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

Until 31st March 2016, Hexagon participated in the SHPS defined benefit scheme. A liability for its obligations under the scheme net of scheme assets has been included in the Statement of Financial Position and the net change in that liability during the accounting period as the cost of the Defined Benefit scheme.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

2 Principal accounting policies (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at 31st March and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Intangible fixed assets - software licence and development

Acquired computer software licences that are not an integral part to a related hardware are initially capitalised at cost plus direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured. These costs are amortised to the Statement of Comprehensive Income using the straight-line method over their estimated useful lives.

Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which includes an appropriate amount for staff costs and other costs of managing development. Directly attributable costs include capitalised interest calculated, on a proportionate basis, using finance costs on drawn loans. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties, other than installation or replacement of major components, is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in housing properties and held at the cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation of housing property

Housing land and property for rent is split between land, structure and other major components that are expected to require replacement over time. The portion of shared ownership property retained is split between land and property. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other freehold and long leasehold housing property is depreciated over the useful economic lives of the structure and major components as follows:

	Years		Years
Structure	125	Bathroom	30
Roof	60	Mechanical systems	25
Windows and external doors	30	Electrics	30
Boiler	15	Aids and adaptations	10
Kitchen	20		

Where individual components of a property are replaced the costs are capitalised and the cost of the replaced components is written off.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on shared ownership homes for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions up to 100% based on the market value of the property at the time each purchase transaction is completed. This is known as staircasing.

Shared ownership properties under construction or awaiting first tranche sale are split proportionately between current and fixed assets based on the element related to expected first tranche sale. The first tranche proportion is classed as current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and is included in completed housing property at cost less depreciation and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of housing properties. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited to the sale account in arriving at the surplus or deficit.

Maintenance of shared ownership properties is the responsibility of the shared owners, who pay for repairs to common parts and for major repairs via service charges. Any impairment in value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where this is not possible, build costs are allocated on a floor area basis.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

2 Principal accounting policies (continued)

Tangible fixed assets – other

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Group adds to the carrying amount of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is de-recognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Depreciation of other fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

	Years
Office buildings	40-60
Office fittings	10-25
Housing furniture and equipment	5-10
IT hardware and software	5
Motor vehicles	4

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the Statement of Comprehensive Income.

Government and other capital grants

Grants received for the construction of housing properties is accounted for using the accrual method set out in FRS102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where a property funded by Social Housing Grant (SHG) is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property.

SHG and other grants due from government organisations or received in advance are included as current assets or liabilities.

Turnover includes an element of Social Housing Grant to cover the proportion of the development administration and overhead costs that are not capitalised.

Recycled capital grant fund (RCGF)

On the occurrence of certain events, primarily the sale of homes, the GLA can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to the GLA with interest. Any unused recycled grant held with the RCGF which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under creditors due within one year. The remainder is disclosed under creditors due after one year.

Investment Properties

Investment properties consist of commercial properties not held for social benefit. Investment properties are held at fair value determined by external valuers. The difference between the fair value and historic cost and subsequent changes in value are recognised in the Statement of Comprehensive Income.

Impairment of fixed assets

The housing property portfolio of the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets/cash generating units.

The Group defines cash generating units as individual schemes for properties in use, and as individual development programmes for properties under construction. Where the recoverable amount of an asset/cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

2 Principal accounting policies (continued)

Stock

Stock represents work in progress and completed properties, including properties developed for shared ownership or for outright sale. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche. Stock is stated at the lower of cost and net realisable value. Cost comprises land, materials, direct staff and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it considers the class of debt and the amounts collected after the balance sheet date. The Group has made arrangements with individuals and households for arrears payments of rent and service charges. The arrangements are effectively loans granted at nil interest rates.

Loans and short-term deposits

All loans and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transactions costs (historical cost). FRS102 requires that basic financial instruments are subsequently measured at amortised cost. However, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans that are payable or receivable within one year are not discounted.

Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Group's Statement of Financial Position consists of cash at bank, in hand and bank deposits with an original maturity of less than 3 months.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date and carried as assets where the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against existing drawn floating rate debt. To the extent the hedge is effective, movements in fair value, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness (i.e. cancellable swaps) and adjustments for our own or counterparty credit risk are recognised in the surplus for the year.

Leased assets

Where assets are financed by leasing arrangements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright and are included in tangible assets – housing property at cost less depreciation and any impairment.

All other leases are treated as operating leases. Their annual rentals are charged as operating costs.

Provision for liabilities

The Group has recognised provisions for liabilities of uncertain timing or amounts. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

Repairs and Equipment Replacement Funds

Unexpended amounts collected from third parties for major repairs or equipment replacement under contractual arrangements are included in creditors.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Management has considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on costs to complete management then determines the recoverability of the cost of properties developed for shared ownership or outright sale. The judgement is also based on management's best estimate of sales values based on economic conditions in Hexagon's area of operation.
- Assumptions that apply to SHPS defined benefit scheme including,
 - The discount rate used to value the SHPS defined benefit obligation
 - The assumption for price inflation which impacts the liability calculation for pensions in payment whose increases are linked to inflation, along with the revaluation of deferred pensions. It is also used as the basis for setting the earnings growth assumption.
 - Increases to pensions in payment are typically either at a fixed rate, or in line with inflation subject to certain caps and collars.
 - The earnings growth assumption is used to project accrued pensions for current active members.
 - Mortality rates
 - Commutation allowance
 - GMB equalisation
- Whether leases entered into by the Group are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and the allocation of costs relating to shared ownership between current and fixed assets.
- Whether loans are basic or other.
- The categorisation of housing properties as investment properties or property plant and equipment based on the use of the asset.

Other key sources of estimation uncertainty

- *Tangible fixed assets*
Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as whether an IT system is still being used are taken into account. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.
- *Rental and other trade receivables*
The estimate for receivables relates to the recoverability of the balances outstanding at the year end. A full provision is made for debt on which a court possession order has been issued.
- *Fair value measurement of derivatives*
The fair value of interest rate swaps is assessed as the value calculated by the counter party at or close to the reporting date. If this is not available, then an estimate provided by the Group's treasury advisors is used.
- *Pension liabilities*
Key assumptions used to calculate the Group's net pension liability for the SHPS defined benefit scheme are set out at the end of note 38.
- *Provisions*
Dilapidation: for properties leased by Hexagon, dilapidation provision is built up over the term of the lease to the estimated value of repair works required at the end of the lease term.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

4 Turnover and operating surplus

Group

					2021		2020
	Turnover	Cost of	Operating	Surplus on	Operating	Turnover	Operating
		sales	costs	disposal of	Surplus/(d		Surplus/(de
	£000's	£000's	£000's	Fixed	eficit)	£000's	ficit)
				Assets	£000's		£000's
				£000's			
Directly managed social housing activities (note 5)							
General needs lettings	24,933	-	(22,275)	-	2,658	24,503	5,626
Supported housing lettings	1,679	-	(1,611)	-	68	1,734	74
Low cost home ownership lettings	2,431	-	(3,173)	-	(742)	2,262	1,466
	29,043	-	(27,059)	-	1,984	28,499	7,166
Other social housing activities							
First tranche shared ownership sales	3,248	(3,085)	-	-	163	4,845	(261)
Outright sales	-	-	-	-	-	595	81
Surplus on disposal of fixed assets	-	-	-	1,448	1,448	-	1,506
Accommodation managed by agents	1,692	-	(1,067)	-	625	1,690	426
Development administration	15	-	(519)	-	(504)	43	(617)
Charges for support services under contract	1,080	-	(968)	-	112	1,067	237
Other	79	-	(614)	-	(535)	43	(694)
	6,114	(3,085)	(3,168)	1,448	1,309	8,283	678
Non-social housing activities							
Nursing home lettings	-	-	-	-	-	127	(1)
Other	106	-	(1,404)	-	(1,298)	88	(1,298)
	106	-	(1,404)	-	(1,298)	215	(1,299)
Total before fair value and pension adjustments	35,263	(3,085)	(31,631)	1,448	1,995	36,997	6,545
Pensions deficit contribution paid					904		888
Impact of changes to pension assumptions					-		-
Total after fair value and pension adjustments					2,899		7,433

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

4 Turnover and operating surplus

Association

					2021		2020
	Turnover	Cost of	Operating	Surplus on	Operating	Turnover	Operating
		sales	costs	disposal of	Surplus/		Surplus/
				Fixed	(deficit)		(deficit)
	£000's	£000's	£000's	Assets	£000's	£000's	£000's
				£000's			
Directly managed social housing activities (note 5)							
General needs lettings	24,933	-	(22,275)	-	2,658	24,503	5,626
Supported housing lettings	1,679	-	(1,611)	-	68	1,734	74
Low cost home ownership lettings	2,333	-	(3,123)	-	(790)	2,140	1,398
	28,945	-	(27,009)	-	1,936	28,377	7,098
Other social housing activities							
First tranche shared ownership sales	3,248	(3,085)	-	-	163	4,845	(261)
Outright sale	-	-	-	-	-	-	-
Surplus on disposal of fixed assets	-	-	-	1,448	1,448	-	1,357
Accommodation managed by agents	1,692	-	(1,067)	-	625	1,690	426
Development administration	15	-	(519)	-	(504)	43	(617)
Charges for support services under contract	1,080	-	(968)	-	112	1,067	237
Other	79	-	(613)	-	(534)	43	(694)
	6,114	(3,085)	(3,167)	1,448	1,310	7,688	448
Non-social housing activities							
Nursing home lettings	-	-	-	-	-	127	(1)
Other	225	-	(1,404)	-	(1,179)	115	(1,271)
	225	-	(1,404)	-	(1,179)	242	(1,272)
Total before fair value and pension adjustments	35,284	(3,085)	(31,580)	1,448	2,067	36,307	6,274
Pensions deficit contribution paid					904		888
Impact of changes to pension assumptions							
Total after fair value and pension adjustments					2,971		7,162

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

5 Income and expenditure from directly managed social housing lettings

Group

					2021	2020
	General needs lettings	Supported housing lettings	Low cost home ownership		Total	Total
	£000's	£000's	£000's		£000's	£000's
Income						
Rent receivable net of identifiable service charges	22,412	906	1,831		25,149	24,486
Service charge income	867	605	497		1,969	2,059
Amortised government grants	1,640	83	101		1,824	1,822
Net rents receivable and amortised government grant	24,919	1,594	2,429		28,942	28,367
Other revenue grants	-	85	-		85	72
Other income	14	-	2		16	60
Turnover from social housing lettings	24,933	1,679	2,431		29,043	28,499
Expenditure						
Management	3,185	506	117		3,808	3,492
Service charge costs	1,722	602	266		2,590	2,838
Routine maintenance	3,755	230	33		4,018	4,140
Planned maintenance	1,645	32	3		1,680	1,671
Major repairs expenditure	2,104	20	1		2,125	2,291
Major repairs – Brickfield Cottages ground collapse	13	-	-		13	204
Bad debts	82	3	1		86	173
Lease charges	-	-	-		-	(15)
Depreciation of housing properties						
– annual charge	5,679	228	300		6,207	6,079
– accelerated on disposal of components	129	-	-		129	308
Impairment of housing properties	3,882	-	2,404		6,286	-
Other costs	79	(10)	48		117	152
Operating costs on social housing lettings	22,275	1,611	3,173		27,059	21,333
Operating surplus on social housing lettings	2,658	68	(742)		1,984	7,166
Void losses	153	102	213		468	586

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

5 Income and expenditure from directly managed social housing lettings

Association

					2021		2020
		General needs lettings		Supported housing lettings	Low cost home ownership	Total	Total
		£000's		£000's	£000's	£000's	£000's
Income							
Rent receivable net of identifiable service charges		22,412		906	1,775	25,093	24,435
Service charge income		867		605	462	1,934	2,031
Amortised government grants		1,640		83	96	1,819	1,816
Net rents receivable and amortised government grant		24,919		1,594	2,333	28,846	28,282
Other revenue grants		-		85	-	85	72
Other income		14		-	-	14	23
Turnover from social housing lettings		24,933		1,679	2,333	28,945	28,377
Expenditure							
Management		3,185		506	100	3,791	3,480
Service charge costs		1,722		602	242	2,566	2,816
Routine maintenance		3,755		230	33	4,018	4,130
Planned maintenance		1,645		32	3	1,680	1,671
Major repairs expenditure		2,104		20	1	2,125	2,291
Major repairs – Brickfield Cottages ground collapse		13		-	-	13	204
Bad debts		82		3	1	86	173
Lease charges		-		-	-	-	(15)
Depreciation of housing properties							
– annual charge		5,679		228	296	6,203	6,075
– accelerated on disposal of components		129		-	-	129	308
Impairment of housing properties		3,882		-	2,404	6,286	-
Other costs		79		(10)	43	112	146
Operating costs on social housing lettings		22,275		1,611	3,123	27,009	21,279
Operating surplus on social housing lettings		2,658		68	(790)	1,936	7,098
Void losses		153		102	213	468	586

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

6 Housing Stock

Association						
	At start of period	Units developed or newly built units acquired	Units sold	Transfers	Other movements	Period end
Social housing units owned and / or managed (excluding leasehold units)						
Social rent general needs housing	3,163	16	-1	0	0	3,178
Affordable Rent general needs housing	514	0	0	0	0	514
Social rent supported housing and housing for older people (260	0	0	0	0	260
Affordable Rent supported housing	14	0	0	0	0	14
Low Cost Home Ownership	316	22	-10	0	0	328
Care homes	39	0	0	0	0	39
Other social housing	0	0	0	0	0	0
Total social housing units owned and / or managed	4,306	38	-11	0	0	4,333
Total social housing units managed but not owned	18	0	0	0	0	18
Total social housing units owned	4,288	38	-11	0	0	4,315
Total social housing units owned but not managed	402	0	0	0	0	402
Total social housing units managed	3,904	38	-11	0	0	3,931
Non-social rental housing units (excluding leasehold units)						
Total non-social rental housing units owned	0	0	0	0	0	0
Total non-social rental housing units managed but not owned	0	0	0	0	0	0
Leasehold units						
Social leasehold units owned	86	0	0	0	10	96
Social leasehold units managed but not owned	0	0	0	0	0	0
Non-social leasehold units owned	21	0	0	0	1	22
Non-social leasehold units managed but not owned	1	0	0	0	0	1

Horniman

Low cost home ownership	17	0	0	0	0	17
Total social housing units owned and managed	17	0	0	0	0	17
Leasehold units						
Social leasehold units owned and managed	16	0	0	0	0	16
Non-social leasehold units owned and managed	6	0	0	0	0	6

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

6 Housing Stock (continued)

Units in development	Group		Association	
	2021	2020	2021	2020
Social Housing:				
General needs	74	90	74	90
Shared ownership	58	80	58	80
Other				
Housing for sale	21	21	-	-
Total units in development	153	191	132	170

7 Accommodation managed by agent

Group and Association

	2021	2020
The Association owns property managed by other bodies as follows:		
General needs units and bedspaces	294	294
Supported housing units and bedspaces	108	108
	402	402

8 Operating Surplus and Total Comprehensive Income

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Total comprehensive income is stated after charging:				
Depreciation on housing assets				
- Annual charge	6,590	6,530	6,587	6,527
- Accelerated depreciation of on replaced components	129	308	129	308
Depreciation on other tangible fixed assets	338	393	338	393
Impairment of housing properties	6,286	-	6,286	-
Operating lease rental on land and buildings	88	124	88	124
Auditor's remuneration (<i>excluding VAT</i>):				
- Fees payable for the audit of the annual accounts	44	44	36	35
- Fees payable for the audit of service charges	5	5	5	5
- Fees for tax computations	5	13	-	13
- Fees for tax advice				
Pension costs (see note 9 below)	496	498	496	498
Overall surplus is stated after charging:				
Pension adjustments (see note 31):				
Initial recognition of multi-employer defined benefit scheme	-	-	-	-
Actuarial (gains)/losses on defined benefit pension scheme	4,180	(4,729)	4,180	(4,729)
Change in fair value of financial instruments (see note 25):				
- Not treated as hedges	(2,565)	2,360	(2,565)	2,360
- Treated as hedges	(2,660)	1,793	(2,660)	1,793
Change in fair value of investment properties	575	(140)	575	(140)

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

9 Employees

Group and Association

	2021	2020
	number	number
The average number of employees (including the Executive Directors) during the year, expressed as full-time equivalents at 35 hours a week was as follows:		
Office staff	105	102
Other staff	19	20
Total	124	122
	2021	2020
	£000's	£000's
Staff costs (for the above persons)		
Wages and salaries	4,709	4,607
Social security costs	471	456
Cost of defined benefit scheme (excluding contribution to past service deficits)	-	-
Cost of defined contribution scheme	496	498
	5,676	5,561

See note 41 for further information the Group's pension schemes

10 Directors' and senior staff emoluments

Group and Association

The directors and key management personnel, as defined in FRS102 are defined as members of the Board, the Chief Executive and other Directors as set out on page 2.

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Executive directors' emoluments	543	530	543	530
Amounts paid to non-executive directors	65	52	60	49
Contributions to the SHPS defined benefit scheme	-	-	-	-
Contributions to the SHPS defined contribution scheme	71	68	71	68
Total expenses re-imbursed to Directors (including Board members) not chargeable to United Kingdom income tax	-	1	-	1

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £145k (2020: £142k). Pension contributions of £22k (2020: £21k), of which he contributes half, were made to the SHPS defined contribution scheme on his behalf. The Chief Executive is an ordinary member of that scheme. No enhanced or special terms apply, and the Chief Executive has no individual pension arrangement to which the Group makes a contribution. There were 4 directors in the defined contribution scheme.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

10 Directors' and senior staff emoluments (continued)

The remuneration paid to staff (including the Directors) earning over £60,000 was as follows:

		2021 Number	2021 Number	2020 Number	2020 Number
		Including Pension	Excluding Pension	Including Pension	Excluding Pension
£60,001 to £70,000		4	6	6	5
£70,001 to £80,000		5	2	3	1
£80,001 to £90,000		2	2	1	1
£90,001 to £100,000		1	-	-	1
£100,001 to £110,000		-	1	2	1
£110,001 to £120,000		2	-	1	-
£120,001 to £130,000		-	-	-	-
£130,001 to £140,000		-	-	-	-
£140,001 to £150,000		-	1	-	1
£150,001 to £160,000		-	-	-	-
£160,001 to £170,000		1	-	1	-
£170,001 to £180,000		-	-	-	-

11 Board members

Board member	Remuneration £	Member of:				
		Hexagon Board	Audit & Risk Committee	Remuneration Committee	Performance Management	Horniman Board
Simon Fanshawe	10,291	X		X		X
Debbie Bankole- Williams (to 28 th September 2020)	3,882	X	X			X
Ruth Chambers	4,919	X	X	X		
Dermot Finn	4,919	X		X		
Jeanette Kenyon	4,919	X		X		
Ian Watts	6,030	X	X	X	X	
Mark Allan	4,919	X			X	
Carol Bernstein	4,919	X	X		X	
Denise Senner	4,919	X				
Christopher Lloyd	4,919					X
Tom McCormack	(see note 10)	X				X
Paul Williams	5,463	X	X			X
Louise Richardson	4,919	X			X	

Four of the Board members are also tenants of the Association. Their tenancies, including policies on rent arrears, are on the same terms as those for other tenants and they cannot use their position to their advantage. The Chief Executive is also a member of the Board.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

12 Surplus on disposal of fixed assets

Group	Shared ownership £000's	Other housing properties £000's	2021 Total £000's	2020 Total £000's
Housing properties:				
Disposal proceeds	3,067	527	3,594	2,217
Grant proceeds	-	16	16	16
Cost of disposals	(1,892)	(317)	(2,209)	(1,049)
Selling costs	-	(6)	(6)	-
Depreciation eliminated	72	16	88	358
Grant abated	(31)	(4)	(35)	(36)
	1,216	232	1,448	1,506
Surplus on disposal of other tangible fixed assets			-	-
Surplus	1,216	232	1,448	1,506

Association	Shared ownership £000's	Other housing properties £000's	2021 Total £000's	2020 Total £000's
Housing properties:				
Disposal proceeds	3,067	527	3,594	2,035
Grant proceeds	-	16	16	16
Cost of disposals	(1,892)	(317)	(2,209)	(1,015)
Selling costs	-	(6)	(6)	-
Depreciation eliminated	72	16	88	350
Grant eliminated	(31)	(4)	(35)	(29)
	1,216	232	1,448	1,357
Surplus on disposal of other tangible fixed assets			-	-
Surplus	1,216	232	1,448	1,357

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

13 Interest receivable and income from financial instruments

		Group		Association	
		2021	2020	2021	2020
		£000's	£000's	£000's	£000's
Interest receivable from subsidiary		-	-	415	(53)
Interest receivable and similar income		13	22	13	22
Total		13	22	428	(31)

Interest receivable from subsidiary in 2020 includes a write off of interest receivable in prior years.

14 Interest payable and finance costs

		Group		Association	
		2021	2020	2021	2020
		£000's	£000's	£000's	£000's
Bank and capital market loans		4,743	5,382	4,743	5,382
Recycled capital grants fund		8	7	8	7
Disposal proceeds fund		-	-	-	-
Total		4,751	5,389	4,751	5,389
Indexation of loan principal		58	58	58	58
Amortisation of deferred financing costs		260	229	260	229
Amortisation of loan premium		(87)	(87)	(87)	(87)
Interest capitalised		(1,620)	(1,095)	(1,206)	(1,080)
		3,362	4,494	3,776	4,509
Net interest on net defined benefit liability		68	193	68	193
Total		3,430	4,687	3,844	4,702
Other financing costs through comprehensive income					
(Gain) / Loss on fair value of hedged derivative instruments		(2,660)	1,793	(2,660)	1,793
Gain) / Loss on fair value of unhedged derivative instruments		(2,565)	2,360	(2,565)	2,360

The weighted average rate of interest on borrowings of 2.28% (2020: 2.65%) was used for calculating capitalised interest.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

15 Taxation on surplus on ordinary activities

The Association is an exempt Charity and its activities in the year did not give rise to a tax liability. Horniman Housing Association is non charitable and is liable to Corporation Tax. A tax adjustment of (£31k) in respect of prior year (2020: £31k) existed at 31 March 2021.

UK Corporation Tax - Group	2021	2020
	£'000	£'000
Current tax on profits of the year	-	31
Adjustments in respect of previous/current periods	(31)	-
Total current tax	(31)	31
The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to the surplus before tax		
	2021	2020
Profit on ordinary activities before tax	18	339
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	3	64
Effects of:		
Fixed asset differences	1	(7)
Income not taxable	(1)	-
Adjustments to tax charge in respect of previous year	(31)	-
Gift aid payment	(3)	-
Deferred tax not recognised	-	(26)
Current tax charge	(31)	31

16 Intangible fixed assets

Group & Association

		Software Development costs
		2021
		£000's
Cost		
At 1 April		1,594
Additions		193
At 31 March		1,787
Depreciation		
At 1 April		-
Charge for year		162
At 31 March		162
Net book value		
At 31 March 2021		1,625
At 31 March 2020		1,594

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

17 Tangible fixed assets - Housing Property

Group

	Tenanted	Tenanted	Shared	Shared	Tenanted	Tenanted	Short-life	2021
	property	property	ownership	ownership	property	property	property	Total
	held for	under	property	property	held for	held for		
	social	construction	held for	under	non-social	non-social		
	housing		letting	construction	housing	housing		
	letting				letting	Letting under construction		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost								
At 1 April	473,416	19,563	54,882	23,336	-	-	1,596	572,793
Transfer from properties held for sale & investment properties	(7)	-	(401)	-	-	-	-	(408)
Additions – construction costs	-	1,941	-	4,079	-	-	-	6,020
Additions – new components	3,150	-	50	-	-	-	-	3,200
Additions – other works to existing properties	260	-	244	-	-	-	-	504
Schemes completed	5,698	(5,698)	7,088	(7,088)	-	-	-	-
Disposals:	(67)	-	(1,891)	-	-	-	-	(1,958)
- Property sales								
- Replaced components	(651)	-	-	-	-	-	-	(651)
At 31 March	481,799	15,806	59,972	20,327	-	-	1,596	579,500
Depreciation								
At 1 April	79,819	-	1,681	-	-	-	1,591	83,091
Charge for the year	6,288	-	297	-	-	-	5	6,590
Transfer from properties held for sale	-	-	-	-	-	-	-	-
Eliminated on disposal:								
- Property sales	(16)	-	(72)	-	-	-	-	(88)
- Replaced components	(522)	-	-	-	-	-	-	(522)
At 31 March	85,569	-	1,906	-	-	-	1,596	89,071
Impairment:								
At 1 April	-	-	-	-	-	-	-	-
Charge for the year	-	3,882	-	2,404	-	-	-	6,286
Released in the year	-	-	-	-	-	-	-	-
At 31 March	-	3,882	-	2,404	-	-	-	6,286
Net book value								
At 31 March 21	396,230	11,924	58,066	17,923	-	-	-	484,143
At 31 March 20	393,597	19,563	53,201	23,336	-	-	5	489,702
The net book value of housing properties comprises:								2021
Freeholds								£000's
Long leasehold								469,415
Short leasehold								14,728
Total								-
								484,143

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

17 Tangible fixed assets - Housing Property (continued)

Association

	Tenanted	Tenanted	Shared	Shared	Tenanted	Tenanted	Short-life	2021
	property	property	ownership	ownership	property	property	property	Total
	held for	under	property	property	held for	held for		
	social	construction	held for	under	non-	non-social		
	housing		letting	construction	social	housing		
	letting				housing	Letting		
					letting	under		
					construction	construction		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost								
At 1 April	473,416	19,563	53,896	23,336	-	-	1,596	571,807
Transfer from properties held for sale	(7)	-	(401)	-	-	-	-	(408)
Additions – construction costs	-	1,941	-	4,079	-	-	-	6,020
Additions – new components	3,150	-	50	-	-	-	-	3,200
Additions – other works to existing properties	260	-	245	-	-	-	-	505
Schemes completed	5,698	(5,698)	7,088	(7,088)	-	-	-	-
Disposals:	(67)	-	(1,891)	-	-	-	-	(1,958)
- Property sales	(651)	-	-	-	-	-	-	(651)
- Replaced components	(651)	-	-	-	-	-	-	(651)
At 31 March	481,799	15,806	58,987	20,327	-	-	1,596	578,515
Depreciation								
At 1 April	79,819	-	1,566	-	-	-	1,591	82,976
Charge for the year	6,288	-	294	-	-	-	5	6,587
Transfers between tenures	-	-	-	-	-	-	-	-
Eliminated on disposal:								
- Property sales	(16)	-	(72)	-	-	-	-	(88)
- Replaced components	(522)	-	-	-	-	-	-	(522)
At 31 March	85,569	-	1,788	-	-	-	1,596	88,953
Impairment:								
At 1 April	-	-	-	-	-	-	-	-
Charge for the year	-	3,882	-	2,404	-	-	-	6,286
Released in the year	-	-	-	-	-	-	-	-
At 31 March	-	3,882	-	2,404	-	-	-	6,286
Net book value								
At 31 March 21	396,230	11,924	57,199	17,923	-	-	-	483,276
At 31 March 20	393,597	19,563	52,330	23,336	-	-	5	488,831
The net book value of housing properties comprises:								2021
Freeholds								£000's
Long leasehold								468,548
Short leasehold								14,728
Total								-
								483,276

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

17 Tangible fixed assets - Housing Property (continued)

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Interest capitalisation				
Interest capitalised in the year	998	869	998	869
Works to properties				
New components capitalised	3,200	2,948	3,200	2,948
Major repairs expenditure charged to comprehensive income account	1,489	1,570	1,489	1,570
Total expenditure	4,689	4,518	4,689	4,518
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant for housing properties	221,267	223,316	220,727	222,772
Revenue element taken to comprehensive income	3,213	3,197	3,212	3,197
Recycled to Recycled Capital Grant Fund	1,517	1,478	1,517	1,452
Recycled to Disposals Proceeds Fund	(342)	(342)	(342)	(342)
Total	225,654	227,649	225,115	227,079

Due to housing property development dating back many years, it has not been possible to determine the cumulative amount of capitalised interest included in the cost of housing properties.

Finance Leases

The net book value of housing properties for the Group includes an amount of £14,728k (2020 – £25,884k) in respect of assets held under finance leases. Such assets are generally classified as finance leases as the lease period amounts to the estimated useful economic life of the assets concerned.

Impairment Review

The Group considers individual tenanted and shared ownership properties to represent separate cash generating units when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014. For properties in development, the group treats each development programme as a cash generating unit.

The development contractor on one of the schemes became insolvent resulting in additional costs to be incurred on the scheme. The carrying value of the scheme has been lowered with the £6.3m one-off impairment charge, which is reflected on the Statement of Comprehensive Income for the year.

During 2019, the Government has published further guidance on ensuring the fire safety of properties. Where the Association has identified that this will lead to major works (predominately to wall systems and balconies), an impairment review has been performed. As the intention is to repair and make safe, the housing properties were considered to be providing a social housing service. For these, the cost to replace was calculated using rebuilding cost figure for which each property is insured. As this depreciated replacement cost is more than the carrying value, no impairment charge was booked. A similar exercise was completed for the development programme. One scheme was found to be impaired and the corresponding adjustment is reflected in the Statement of Comprehensive Income (see note 38 for details).

Properties held for security – Association & Group

	2021 £m	2020 £m
Carrying value of properties charged as security for loans and derivatives		
Estimated tenanted open market value of properties so charged	418	384
Estimated tenanted open market value of unsecured properties	340	361

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

18 Other fixed assets

Group & Association

						2021
		Freehold	Office	Motor		Total
		offices	equipment	vehicles		
		£000's	£000's	£000's		£000's
Cost						
At 1 April		3,604	3,273	25		6,902
Additions		4	151	-		155
Disposals		-	-	-		-
At 31 March		3,608	3,424	25		7,057
Depreciation						
At 1 April		1,241	2,749	25		4,015
Charge for year		65	274	-		339
Disposals		-	-	-		-
At 31 March		1,306	3,023	25		4,354
Impairment						
At 1 April		476	-	-		476
Charge for year		-	-	-		-
At 31 March		476	-	-		476
Net book value						
At 31 March 2021		1,826	401	-		2,227
At 31 March 2020		1,887	524	-		2,411

19 Investment Properties

		Group			Association	
		2021	2020		2021	2020
		£000's	£000's		£000's	£000's
At 1 April		1,775	1,635		1,775	1,635
Additions		-	-		-	-
Disposals		(250)	-		(250)	-
Schemes Completed		-	-		-	-
Revaluations		(575)	140		(575)	140
At 31 March		950	1,775		950	1,775

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

20 Properties developed for sale

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Completed	5,550	4,937	5,550	4,937
Under construction	12,468	11,899	7,502	8,880
	18,018	16,836	13,052	13,817

Properties developed for sale include capitalised interest as follows:

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Completed	-	-	-	33
Under construction	592	200	207	134
	592	200	207	167

21 Debtors

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Amounts receivable within one year:				
Rent arrears	1,955	1,738	1,936	1,718
Less: Provision for bad debts	(624)	(586)	(624)	(586)
Net rent arrears	1,331	1,152	1,312	1,132
Amounts owed by subsidiary	-	-	-	-
Other debtors	1,241	1,063	1,356	1,026
Prepayments and accrued income	323	248	323	248
Social housing grant receivable	-	45	-	45
	2,895	2,508	2,991	2,451
Amounts receivable in more than one year:				
Amounts owed by subsidiary	-	-	4,926	3,055
Other debtors: Cash charged to lenders	1,760	1,750	1,760	1,750
Total debtors	4,655	4,258	9,677	7,256

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

22 Cash at bank and short-term deposits

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Cash at bank:				
: held in trust for shared ownership leaseholders	1,039	883	916	803
: unencumbered	3,988	5,150	3,756	4,837
	5,027	6,033	4,672	5,640

23 Creditors: Amounts falling due within one year

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Loans and borrowings – note 25	4,329	4,387	4,329	4,387
Deferred capital grant – note 27	2,027	2,028	2,021	2,023
Trade creditors	2,044	1,823	2,044	1,823
Rent and service charges received in advance	1,397	1,079	1,397	1,079
Amounts owed to subsidiary	-	-	-	-
Taxation and social security payable	132	151	132	120
Other creditors	3,030	3,222	3,041	3,216
Recycled Capital Grant Fund – note 28	816	334	816	334
Accruals and deferred income	2,392	2,281	2,363	2,248
Short term pension deficit liability – note 32	-	-	-	-
Accrued interest	683	733	683	733
	16,850	16,038	16,826	15,963

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

24 Creditors: Amounts falling due after more than one year

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Loans and borrowings – note 25	203,183	205,643	203,183	205,643
Deferred capital grant – note 27	219,240	221,288	218,706	220,749
Recycled Capital Grant Fund - note 28	825	1,234	768	1,178
Repairs and equipment replacement funds - note 30	1,693	1,558	1,583	1,427
Total before fair value adjustments	424,941	429,723	424,240	428,997
Financial liabilities measured at fair value of (see note 25):				
- Interest rate swaps designated as hedges	12,761	15,421	12,761	15,421
- Interest rate swaps not designated as hedges	9,789	12,356	9,789	12,356
Total fair value adjustments	22,550	27,777	22,550	27,777
Total after fair value adjustments	447,491	457,500	446,790	456,774

25 Loans and borrowing – Group and Association

Maturity of debt	Bank loans	Other loans	Total
	2021	2021	2021
	£000's	£000's	£000's
In one year or less, or on demand	3,938	391	4,329
Due between one and two years	12,534	391	12,925
Due between two and five years	36,601	1,171	37,772
Due in five years or more	95,664	56,000	151,664
Total of all loans	148,737	57,953	206,690
Short term creditors	(3,938)	(391)	(4,329)
Deferred Finance Charges	(706)	(465)	(1,171)
Loan premium	-	1,993	1,993
	144,093	59,090	203,183

Maturity of debt	Bank loans	Other loans	Total
	2020	2020	2020
	£000's	£000's	£000's
In one year or less, or on demand	3,918	469	4,387
Due between one and two years	22,489	469	22,958
Due between two and five years	24,639	1,408	26,047
Due in five years or more	99,934	56,000	155,934
Total of all loans	150,980	58,346	209,326
Short term creditors	(3,918)	(469)	(4,387)
Deferred Finance Charges	(920)	(457)	(1,377)
Loan premium	-	2,081	2,081
	146,142	59,501	205,643

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

25 Loans and borrowing – Group and Association (continued)

Details of borrowings, which are secured by fixed charges on some of the Group's housing properties, are set out below

Loans are secured by fixed charges on the Group's housing properties and are repayable with varying terms as follows:					
Bank loans:	Repayment type	Year of final repayment	Interest rate	2021 £000's	2020 £000's
Bank of Scotland	Amortising	2029/30	Variable	3,197	3,403
Abbey National Treasury Services	Amortising	2042/43	Variable	68,115	71,077
Newcastle Building Society	Bullet	2036/37	Variable	25,000	25,000
Lloyds TSB	Amortising	2034/35	Variable	20,000	20,750
Other loans:					
The Housing Finance Corporation	Amortising	2024/25	RPI + 5.50%	1,953	2,346
AHF EIB Loan 2014	Amortising	2043/44	3.29%	7,500	7,500
AHF Bond Loan 2014	Bullet	2041/42	3.8%	7,500	7,500
AHF Bond Loan 2015	Bullet	2043/44	2.89%	17,000	17,000
AHF EIB Loan 2016	Amortising	2046/47	1.72%	17,000	17,000
The Housing Finance Corporation	Bullet	2042/43	5.2%	7,000	7,000
Yorkshire Building Society	Amortising	2021/22	Variable	8,700	18,550
National Westminster Bank	Amortising	2023/24	Variable	23,725	12,200
Total				206,690	209,326

During the year, the Group drew on its revolving credit facilities from Yorkshire Building Society and National Westminster Bank. At 31 March 2021 the Group had undrawn loan facilities available of £42.6m (2020: £44.2m).

26 Interest rate swaps

Group and Association

Interest rate swaps	Nominal amount	Nominal amount	Fair value	Fair value
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Treated as hedges:				
LIBOR to fixed (fixed leg ranges from 3.043% to 4.96%)	20,000	20,000	(8,752)	(10,788)
LIBOR to RPI plus margin (of up to 1.19%)	9,500	9,500	(4,009)	(4,633)
Not treated as hedges as can be cancelled by the counter party before the full term (fixed leg ranges from 4.035% to 4.44%)	20,000	20,000	(9,789)	(12,356)
Total	49,500	49,500	(22,550)	(27,777)

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

26 Interest rate swaps (continued)

To hedge the potential volatility in further interest cash flows arising from movements in LIBOR, the Group has entered into floating to fixed interest or inflation-linked swaps with a nominal value less than borrowings. The interest re-pricing dates are identical to those of the matching variable rate loans, and the terms are the same as or less than the matching loans. These result in the Association paying up to 4.96% and receiving LIBOR (though cash flows are settled on a net basis) and effectively fix the total interest cost on the matching loans. These derivatives are accounted for as a hedge of variable rate interest risks, in accordance with FRS102 and had a fair value of £12.8m (2020: £15.4m) at the balance sheet date. The change in fair value in the period was -£2.7m with the gain being recognised in other comprehensive income as the swaps were 100% effective hedges.

A further three interest swaps which result in the Association paying up to 4.44% and receiving LIBOR cannot be accounted for as a hedges in accordance with FRS102, as the counterparty has at least one opportunity to cancel the swap at a future date. These derivatives had a fair value of £9.8m (2020: £12.4m) at the balance sheet date. The change in fair value in the period was -£2.6m with the gain being recognised as part of the surplus for the year.

The fair value of interest rate swaps has been determined by reference to market rates at the balance sheet date.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

27 Deferred Capital Grants

Group	Tenanted	Tenanted	Shared	Shared	Tenanted	Short-life	2021 Total	2020 Total
	property held for social housing letting	property under construction	ownership property held for letting	ownership property under construction	property held for non-social housing letting	property		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April	237,690	5,541	13,150	2,106	-	1,755	260,242	259,099
Additions	-	414	-	(9)	-	-	405	1,437
Schemes completed	941	(941)	601	(601)	-	-	-	-
Recycled to RCGF	(32)	-	(452)	-	-	-	(484)	(294)
At 31 March	238,599	5,014	13,299	1,496	-	1,755	260,163	260,242
Amortisation								
At 1 April	34,291	-	880	-	-	1,755	36,926	34,961
Charge for the year	1,904		101	-	-	-	2,005	2,001
Eliminated on disposal:	(4)	-	(31)	-	-	-	(35)	(36)
At 31 March	36,191	-	950	-	-	1,755	38,896	36,926
Amortised value								
At 31 March 2021	202,408	5,014	12,349	1,496	-	-	221,267	223,316
At 31 March 2020	203,399	5,541	12,270	2,106	-	-	223,316	
Association	Tenanted	Tenanted	Shared	Shared	Tenanted	Short-life	2021 Total	2020 Total
	property held for social housing letting	property under construction	ownership property held for letting	ownership property under construction	property held for non-social housing letting	property		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April	237,690	5,541	12,502	2,106	-	1,755	259,594	258,425
Additions	-	414	-	(9)	-	-	405	1,437
Schemes completed	941	(941)	601	(601)	-	-	-	-
Recycled to RCGF	(32)	-	(452)	-	-	-	(484)	(268)
At 31 March	238,599	5,014	12,651	1,496	-	1,755	259,515	259,594
Amortisation								
At 1 April	34,291	-	776	-	-	1,755	36,822	34,856
Charge for the year	1,904		97	-	-	-	2,001	1,995
Eliminated on disposal:	(4)	-	(31)	-	-	-	(35)	(29)
At 31 March	36,191	-	842	-	-	1,755	38,788	36,822
Amortised value								
At 31 March 2021	202,408	5,014	11,809	1,496	-	-	220,727	222,772
At 31 March 2020	203,399	5,541	11,726	2,106	-	-	222,772	

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Notes to the Financial Statements for the year ended 31 March 2021

28 Recycled Capital Grant Fund

		Group		Association	
		2021	2020	2021	2020
		£000's	£000's	£000's	£000's
At 1 April		1,568	1,406	1,511	1,377
Inputs to fund:	Grants recycled	485	294	485	268
	Interest accrued	8	8	8	7
	Transfer from subsidiary	-	-	-	-
Recycling of grant:	New build	(420)	(140)	(420)	(140)
At 31 March		1,641	1,568	1,584	1,512
Amount due within one year		816	334	816	334
Amount due after more than one year		825	1,234	768	1,178
		1,641	1,568	1,584	1,512

29 Repairs and equipment replacement funds

Group	Leaseholders sinking fund	Equipment replacement	Total
	£000's	£000's	£000's
31 March 2020	937	621	1,558
Additions	129	56	185
Used in year	(50)	-	(50)
31 March 2021	1,016	677	1,693
Association			
31 March 2020	806	621	1,427
Additions	109	56	165
Used in year	(9)	-	(9)
31 March 2021	906	677	1,583

These funds represent the unused contributions paid by leaseholders or supported housing agents towards future major repairs or replacement of equipment.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

30 Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Financial assets measured at historical cost				
Debtors receivable in one year	2,895	2,508	2,991	2,451
- Debtors receivable after one year	1,760	1,750	1,760	1,750
- Cash and cash equivalents	5,027	6,033	4,672	5,640
- Financial assets that are debt instruments measured at amortised cost				
Intercompany loan	-	-	4,926	3,055
- Total financial assets	9,682	10,292	14,349	12,896
Financial liabilities				
Financial liabilities measured at amortised costs				
- Loans payable in one year	4,329	4,387	4,329	4,387
- Loans payable after one year	203,183	205,643	203,183	205,643
Financial liabilities measured at fair value				
- Interest rate swaps designated as hedges	12,761	15,421	12,761	15,421
- Interest rate swaps not designated as hedges	9,789	12,356	9,789	12,356
Financial liabilities measured at historical cost				
Creditors receivable in one year				
- Other creditors	9,678	9,289	9,660	9,219
Total financial liabilities	239,740	247,096	239,722	247,026

31 Provisions for Other Liabilities - Group and Association

	Dilapidations
	£000's
31 March 2020	116
Additions	8
Used in year	(102)
31 March 2021	22

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Notes to the Financial Statements for the year ended 31 March 2021

31 Pension Liabilities and Provisions for Other Liabilities - Group and Association (continued)

Hexagon participates in the SHPS pension scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. For more details see note 40.

The dilapidations provision is for repair obligations for short term leases, primarily for supported housing schemes, ending between 2019 and 2020.

32 Cash Flow Statement Notes)

Group	2021	2020
	£000's	£000's
(a) Reconciliation of operating surpluses to net cash inflow from operating activities		
Operating surplus	1,995	6,544
Depreciation of fixed assets	5,052	5,229
Impairment	6,286	-
Change in properties developed for sale	(775)	(3,207)
Change in debtors	(442)	607
Change in creditors	605	1,570
Change in provisions	(94)	(177)
(Surplus)/deficit on sale of fixed assets - housing properties	(1,449)	(1,504)
Net cash inflow from operating activities	11,178	9,062

(b) Reconciliation of net cash flow to movement in net debt		
Change in cash	1,006	(1,328)
Loans received	12,775	27,550
Loans repaid	(15,440)	(12,938)
Other noncash movements	148	(69)
Change in net debt	(1,511)	13,215
Net debt at 1 April	203,997	190,782
Net debt at 31 March	202,486	203,997

33 Non-equity Share Capital

	Group		Association	
	2021	2020	2021	2020
	£	£	£	£
Allotted issued and fully paid				
At 1 April	17	17	17	17
Issued during the year	-	-	-	-
Surrendered during the year	(1)	-	(1)	-
At 31 March	16	17	16	17

Each share has a nominal value of £1 and carries no right to interest, dividend, bonus or distribution on winding up. When a shareholder ceases to be a member, their share is cancelled, and the amount paid up becomes the property of the Association. Shareholders have the right to vote at general meetings of the Association, subject to the rules of the Association.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

34 Contingent Liabilities

The Group and Association had no material contingent liabilities at the balance sheet date.

35 Operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	Group			Association	
	2021	2020		2021	2020
	£000's	£000's		£000's	£000's
Not later than one year	-	86		-	86
Later than one year and not later than five years	-	-		-	-
Total	-	86		-	86

The Group had minimum lease income under non-cancellable operating leases as set out below:

	Group			Association	
	2021	2020		2021	2020
	£000's	£000's		£000's	£000's
Not later than one year	1,894	1,471		1,838	1,416
Later than one year and not later than five years	7,575	5,866		7,350	5,643
Later than five years	214,166	164,546		208,566	158,953
Total	223,635	171,883		217,754	166,012

The minimum lease income includes shared ownership which have standard 125-year lease and commercial units up until lease break clause dates.

36 Capital Commitments – Group and Association

	Group		Association	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Commitments contracted for but not provided for:				
Construction	33,420	35,308	30,187	29,885
Maintenance		-		-
Other	1,351	601	1,351	601
Capital expenditure approved by the board but not contracted for:				
Construction	19,974	23,321	19,974	23,321
Maintenance		-		-
Other				
	54,745	59,230	51,512	53,807
These commitments to be financed as follows:				
Social Housing Grant	2,295	2,715	2,295	2,715
Proceeds from the sales of properties	28,985	20,491	28,985	20,491
Committed loan facilities	23,465	36,024	20,232	30,601
	54,745	59,230	51,512	53,807

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

37 Related party disclosures

The association provides management services, development agency services and loans to its subsidiary, Horniman Housing Association, which is a non-charitable registered provider. The quantum and basis for these charged is set out below:

Management charges		Development agency charges		Interest charges	
2021	2020	2021	2020	2021	2020
£'000	£'000	£'000	£'000	£'000	£'000
33	32	116	3	415	25

The management charges and development agency fees receivable by the Association are to cover the running costs incurred to manage Horniman. The management fee is based on staff time to manage both subsidiary and its properties. The development agency fee is based on development and new business staff time to manage development schemes for the subsidiary.

Horniman can draw on two intercompany loans from Hexagon, and interest is charged on the amount drawn as per the signed loan agreements.

In Hexagon Housing Association's Financial Statements is the sum of £4,926k (2020: £3,057k) owed by Horniman Housing Association. This is made up of two loans of £55k (2020: £79k) and £4,871k (2020: £2,988k). The first loan was taken out in 2004 in accordance with commercial lending terms. The second loan was taken out in 2016 also with commercial lending terms. Hexagon Housing Association received Gift Aid from Horniman Housing Association during the year £91k which included £75k relating to 2020.

The directors and key management personnel, as defined in FRS102 are defined as members of the Board, the Chief Executive and other Directors as set out on page 2 (see note 10 for Directors and senior staff emoluments). Members of the Governing Board received payment totalling £65k in the year (2020: £52k). Expenses paid to Board members during the year amounted to £nil (2020: £1k). Four of the Board members are also tenants of the Association. Their tenancies, including policies on rent arrears, are on the same terms as those for other tenants and they cannot use their position to their advantage. The total rental income from board members for the year was £19k and there were no arrears at the end of the financial year.

38 Post balance sheet event

The development contractor for one of the schemes became insolvent post March 2021. Due to the subsequent inactivity on site and the exposure to the elements of the two blocks which were not at weathertight stage, external surveys were carried out by independent building surveyors to determine the condition of these two blocks. The recommendations from these surveys together with the estimated additional costs have been included in the overall scheme costs. The resulting impairment charge in the Statement of Comprehensive Income is £6.3m.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

39 Pension Obligations Defined Benefit Scheme

Hexagon has participated in the Social Housing Pension Scheme (SHPS), but there are now no active members of the scheme at Hexagon. The Scheme is funded and is contracted out of the state scheme.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

- 1.1 Final salary with a 1/60th accrual rate.
- 1.2 Final salary with a 1/70th accrual rate.
- 1.3 Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefit structures available, namely:

- 1.4 Final salary with a 1/80th accrual rate
- 1.5 Career average revalued earnings with a 1/80th accrual rate

A defined contribution option was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Hexagon elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 30/09/2010 and a defined contribution scheme for new entrants from 1/10/2010.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Hexagon paid no contributions to the defined benefit scheme and a maximum of 7.4% to the defined contribution scheme.

As at the balance sheet date there were no active members of the Scheme employed by Hexagon. From 1/10/2010 new employees have only been eligible to join the defined contribution scheme.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

39 Pension Obligations (continued)

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2021	31 March 2020
	(£000s)	(£000s)
Fair value of plan assets	30,389	27,116
Present value of defined benefit obligation	37,065	30,448
Surplus (deficit) in plan	(6,676)	(3,332)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(6,676)	(3,332)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

* to be completed by the employer if required

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

39 Pension Obligations (continued)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 31 March 2020 to 31 March 2021 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 31 March 2020 to 31 March 2021 (£000s)
Defined benefit obligation at start of period	30,448
Current service cost	-
Expenses	25
Interest expense	716
Member contributions	-
Actuarial losses (gains) due to scheme experience	(486)
Actuarial losses (gains) due to changes in demographic assumptions	134
Actuarial losses (gains) due to changes in financial assumptions	6,944
Benefits paid and expenses	(716)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	37,065

HEXAGON HOUSING ASSOCIATION**Notes to the Financial Statements for the year ended 31 March 2021****39 Pension Obligations (continued)****RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS**

	Period from 31 March 2020 to 31 March 2021 (£000s)
Fair value of plan assets at start of period	27,116
Interest income	648
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	2,336
Employer contributions	1,005
Member contributions	-
Benefits paid and expenses	(716)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	30,389

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £2,984,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SoCI)

	Period from 31 March 2020 to 31 March 2021 (£000s)
Current service cost	-
Expenses	25
Net interest expense	68
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	93

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

39 Pension Obligations (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 31 March 2020 to 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	2,336
Experience gains and losses arising on the plan liabilities - gain (loss)	486
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(134)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(6,944)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(4,256)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	(4,256)

ASSETS	31 March 2021 (£000s)	31 March 2020 (£000s)
Global Equity	4,843	3,966
Absolute Return	1,677	1,414
Distressed Opportunities	878	522
Credit Relative Value	956	744
Alternative Risk Premia	1,145	1,896
Fund of Hedge Funds	3	16
Emerging Markets Debt	1,227	821
Risk Sharing	1,106	916
Insurance-Linked Securities	730	833
Property	631	597
Infrastructure	2,026	2,018
Private Debt	725	546
Opportunistic Illiquid Credit	773	656
High Yield	910	-
Opportunistic Credit	833	-
Cash	-	-
Corporate Bond Fund	1,795	1,546
Liquid Credit	363	11
Long Lease Property	596	469
Secured Income	1,264	1,029
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	7,723	9,000
Net Current Assets	185	116
Total assets	30,389	27,116

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

HEXAGON HOUSING ASSOCIATION

Notes to the Financial Statements for the year ended 31 March 2021

39 Pension Obligations (continued)

KEY ASSUMPTIONS

	31 March 2021	31 March 2020
	% per annum	% per annum
Discount Rate	2.15%	2.38%
Inflation (RPI)	3.29%	2.63%
Inflation (CPI)	2.86%	1.63%
Salary Growth	3.86%	2.63%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65
	(Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1