

Asset Management Strategy

2021 - 2025



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Introduction

Hexagon Housing Association (Hexagon) owns and manages over 4,500 homes worth more than £0.5 billion, in South London, mainly across Southwark, Lewisham, Greenwich, Croydon, Bexley and North Kent. Hexagon develops over 80 homes per annum and is a GLA Investment Partner delivering a mixed tenure programme of rented, shared ownership, and outright sale homes.

Hexagon's Mission Statement is:

"To meet housing needs in South London through our commitment to existing and future residents, local communities and the environment"

Hexagon's Asset Management Strategy is a key aspect of the delivery of Hexagon's mission and corporate objectives and it is focussed on how Hexagon invests in its properties. The Asset Management Strategy links Hexagon's strategic business needs with the sustainable management and utilisation of its assets and its future investment needs through integrated cross-departmental delivery of services and engagement with residents to understand their aspirations and needs.

During April 2017 – March 2021, which is the period covered by the previous Asset Management Strategy, Hexagon invested:

- £9.5 million on property improvement works
- £3 million on fire safety works
- £14 million on responsive and voids repairs

The next few years will be challenging, not just for Hexagon, but all social landlords in the UK. However, Hexagon will continue to invest more in its properties, particularly on fire safety and energy efficiency works.

In 2020, Hexagon retained its SHIFT Gold Award for its continued commitment to environmental sustainability.

The terms asset, property and home are used interchangeably in this document.

1. Strategic Context

- 1.1 Hexagon's Asset Management Strategy (Strategy) plays a key role in achieving Hexagon's mission and corporate objectives for its residents and the wider community. This is alongside other teams' strategic roles, which include neighbourhood management, resident involvement, community investment, and development and sales. This integrated and collaborative approach ensures that the homes and communities that Hexagon develops and manages are successful and sustainable.
- 1.2 The Asset Management Strategy provides the strategic and progressive framework within which we will manage, maintain, divest and invest in our residents' homes and communal spaces in both an economically and environmentally sustainable way that enables us to deliver on the aspirations of our current and future residents in the short, medium and long-term. This framework also ensures that we deliver all the activities required to meet the current and future needs and standards of our properties, in a robust and structured way in both a local and national context. Associated policies, procedures and operational workplans provide the detailed operational guidance in delivering this Strategy.
- 1.3 The Asset Management Strategy (Strategy) is effective from April 2021 to 31 March 2025 and it identifies the required outputs and outcomes, whilst seeking improvements in the financial and physical performance of properties and achieving value for money. The Strategy covers all rented, shared ownership and leasehold homes, which are either owned and/or managed by Hexagon. The Strategy covers activities pertaining to all building components, engagement with residents and other stakeholders, collaborative working across different teams in Hexagon, mechanical and electrical equipment and communal spaces. The Asset Management Strategy does not cover Hexagon's office and leased commercial portfolio.
- 1.4 Hexagon's Property Services Directorate leads on the delivery of the Asset Management Strategy by working collaboratively with other teams in Hexagon, the Board, residents and other key stakeholders.
- 1.5 The Strategy is underpinned by Hexagon's following key corporate objectives:
 - a. To continually improve the quality and range of our affordable homes and services through innovation and best practice.
 - b. To be cost effective, efficient and competitive.
 - c. To be amongst the best in the provision of housing and related services.
 - d. To be financially secure.
 - e. To be socially responsible in the way we run our business, and in particular, to focus our efforts on promoting environmental sustainability.

2. Aims and Objectives of Asset Management Strategy

- 2.1 The Asset Management Strategy aims to ensure we provide homes that are decent, safe, energy efficient, affordable to both residents and Hexagon, and can be adapted to meet the changing needs of our residents, without having an adverse impact on Hexagon's financial viability, the environment, the quality of residents' homes and their

neighbourhoods. As such the Strategy supports Hexagon's wider role in the community, its corporate plan and strategic priorities.

2.2 The key strategic aims and objectives of the Strategy are to:

- a. Have a full understanding of each home and its suitability to meet Hexagon's short, medium and long-term strategic objectives and residents' needs.
- b. Ensure it underpins Hexagon's provision of sustainable neighbourhoods, sustainable tenancies, sustainable homes and delivery of a high-quality resident experience. At times, this approach will contribute to lower turnover of tenancies, thereby saving on void repair costs and maintaining strong communities.
- c. Continue to meet the decent homes standard.
- d. Provide homes that are: secure; free from hazards; energy efficient and reduce fuel poverty; free from damp and disrepairs and can be adapted to accommodate residents' changing needs.
- e. Deliver value for money through strategic asset management of the entire housing portfolio by integrating the investment in improving the quality and condition of properties; improving properties' energy efficiency; completing fire safety and other property safety works; undertaking responsive repairs on demand; maintaining and servicing equipment; and completing repairs to empty properties before re-letting them. These activities will need to complement each other and create synergy, rather than overlap with each other or mismatch thereby leading to inefficiencies and poor investment decisions.
- f. Meet all relevant statutory and regulatory requirements.
- g. Meet the requirements of Hexagon's environmental sustainability strategy and the relevant milestone(s) on Hexagon's roadmap to net zero carbon by 2050.

2.3 We will achieve our strategic aims and objectives through:

- a. Collaborative, meaningful, and transparent engagement with residents and other internal and external stakeholders
- b. Robust long-term planning based on analysis of quality property and financial data, which enables us to project capital and revenue expenditure over a 30-year period.
- c. Decisions to invest in homes, including communal spaces, are driven by balancing Hexagon's and residents' aspirations and needs; key stakeholder's input; statutory and regulatory requirements; Hexagon's financial capacity and the homes' financial performance and social values of the homes, then proceeding with the best option.
- d. Implementing Hexagon's design brief in new developments and refurbishment of existing properties to ensure there set standards and specifications for materials are used.
- e. Robust procurement of services and goods from suitably qualified, financially stable, experienced and accredited suppliers in a way that always achieves best value for money.
- f. Robust management of contractors and consultants that Hexagon employs
- g. Regular benchmarking of performance of all activities and value for money against peers and always targeting high performance.
- h. Integrating cross-activity investment decisions with the evolving operational and corporate needs.
- i. Regular monitoring and programming of works to meet the Decent Homes Standard.
- j. Implementing the viable agreed activities and works stipulated in Hexagon's environmental sustainability strategy, which includes Hexagon's roadmap to net zero carbon within the set timeframes.

- k. Undertaking options appraisals of properties that do not achieve value for money nor meet Hexagon's strategic objective(s) and residents' needs.
- l. Engagement with internal stakeholders and residents on prioritisation of investment and delivery of improvement works to properties through individual and/or group consultation, satisfaction surveys and relevant residents' group(s)
- m. Delivering a qualitative and cost-effective responsive repairs service that achieves high customer satisfaction.
- n. Carrying out regular stock condition surveys, which capture the information on the condition of properties and recording and managing this information in our asset management database.
- o. Establishing effective programmes for planned maintenance (including planned preventative maintenance), planned property improvement works, fire safety and other property safety-related works.
- p. Optimising capital investment via planned maintenance to minimise revenue funded repairs.
- q. Where relevant, seeking opportunities for external funding.

2.5 The Asset Management Strategy will be regularly reviewed to ensure it remains fit-for-purpose in the most effective way that meets Hexagon's strategic objectives.

2.6 An action plan will be developed from the Asset Management Strategy and this action plan will be regularly monitored and managed to achieve the Strategy's objectives and its progress reported annually to Hexagon's Board.

3. Strategic Drivers

3.1 The Asset Management Strategy is influenced by both external policy drivers and Hexagon's strategic business drivers, which compete for the same resources.

3.2 These key drivers are:

3.2.1 Statutory Requirements:

- a. Compliance with Health and Safety requirements shapes the investment in residents' homes and these requirements need to be integrated with the other activities in the Asset Management Strategy, for example:
 - i. Gas safety, including annual gas servicing for domestic and communal properties
 - ii. Electrical safety testing
 - iii. Fire safety: fire risk assessments and resultant actions; remediation of non-compliant building components
 - iv. Asbestos management
 - v. Water hygiene/legionella
 - vi. Lift safety
 - vii. Automatic doors and gates
 - viii. Working at height systems
 - ix. Building Safety Regulator's requirements

3.2.2 Fire Safety

- a. Following on from the terrible Grenfell fire tragedy, the government has put forward two key pieces of legislation, which are the Fire Safety and Building Safety Bills. These two Bills will receive Royal Assent and become law during the course of this Strategy. However, there is clear guidance from government on what landlords should do now and a new Building Safety Regulator, which sits in the Health and Safety Executive (HSE) and regulates building safety, has been established. Additionally, the government will imminently introduce a new regulator for the construction products/materials and this regulator will operate under the government's Office for Product Safety and Standards.
- b. The safety of residents is of paramount importance and so we will continue to invest in all the remedial and preventative works that are identified to ensure residents are always safe. This includes continuing with the recurring fire risk assessment and remediation programme delivered by reputable and highly qualified and accredited independent consultants. Additionally, Hexagon will also continue to assess and remedy all non-compliant and/or defective balconies and external wall systems via a robust programme. Invest in property safety takes precedence over other investment in homes.
- c. With support from other teams across Hexagon and residents, the Property Safety Department will continue to provide day-to-day robust management of all aspects of property safety, which include all property-related health and safety activities and engagement with residents, delivered through a bespoke resident engagement strategy for property safety, and other stakeholders.

3.2.3 Regulatory Standards

Decent Homes Standard

- a. In 2006, the Department for Communities and Local Government set out a minimum Decent Homes Standard for social housing assets, which is part of the Regulator of Social Housing's Home Standard. The pending updated Decent Homes Standard is expected to be extended and increase the Standard and also included in the latter Home Standard. Hexagon will fully adhere to the new Decent Homes Standard.
- b. A decent home is defined by meeting the following four criteria:
 - i. It meets the current statutory minimum standard for housing
 - ii. It is in a reasonable state of repair
 - iii. It has reasonably modern facilities and services
 - iv. It provides a reasonable degree of thermal comfort
- c. Though Hexagon aims to surpass the Decent Homes Standard, this Standard remains a key benchmark and used as a baseline to planning investment in homes, including communal spaces.
- d. Properties which may technically meet the Decent Homes Standard but are not in optimum condition, may be included in planned maintenance/improvement programmes. This approach ensures Hexagon continues to maintain the Decent Homes Standard across its housing

portfolio as a minimum whilst delivering higher standards where it can afford to do so.

- e. In keeping with the principles of the Decent Homes Standard, Table 1 provides details of the lifecycles of the components in Hexagon’s housing portfolio and these lifecycles guide the investment on replacements in addition to the quality, the resident’s input and type of component. As more different types of components are installed in residents’ homes in the coming years, they will be added to Table 1 with the relevant lifecycle information.

Table 1:

Type of Component	Hexagon’s Projected Lifecycle (in years) for all property types
Bathroom	30
Kitchen	20
Roof (finish and structure)	<ul style="list-style-type: none"> • 80 (<i>pitched - clay</i>) • 60 (<i>pitched – concrete, metal, slate</i>) • 50 (<i>pitched – slate man-made</i>) • 45 (<i>flat – metal/metal/zinc</i>) • 30 (<i>pitched – asbestos; flat – high performance felt</i>)
Entrance Door to Flat (<i>flat entrance door</i>)	<ul style="list-style-type: none"> • 40 (<i>other materials</i>) • 30 (<i>softwood</i>)
Entrance Door to Block	<ul style="list-style-type: none"> • 40 (<i>back/front-other materials</i>) • 30 (<i>back/front door – softwood</i>)
Boiler	15
Other Primary Heating	5
Windows	<ul style="list-style-type: none"> • 40 (<i>steel, hardwood</i>) • 30 (<i>other materials</i>)
Electrical Installations’ Wiring	30
Gas central heating system	25

Value for Money

- a. Hexagon’s Value for Money Strategy, which aligns with the Regulator of Social Housing’s Value for Money Standard, threads its way through all of Hexagon’s operations and strategic planning, and it is also a key strand in the delivery of the Asset Management Strategy. As a social housing landlord that has an active role in the wider community in which its residents reside, Hexagon has to be prudent when making decisions on how it deploys the finite resources it has, whilst achieving the quality of standards and services that its residents need.
- b. When benchmarked on costs with comparable peers, Hexagon aims to be in the top quartile and where improvement is required, a holistic review of its approach and activities would inform how Hexagon can successfully respond.
- c. Several approaches to achieving value for money across all activities covered by this Strategy are outlined in various sections of this Strategy. But the following are the key principles to achieving value for money under this Strategy:

- i. Measuring Net Present Value and the Return on Investment in every home
- ii. Delivering the services and goods that residents need
- iii. Delivering value through effective procurement and contract management
- iv. Regular review of the 30-year Business Plan
- v. Strategically coordinated investment in homes that is underpinned by robust analyses of various investment required in residents' homes, including communal spaces.
- vi. Establishing the highest standard of data quality for all homes to aid accurate and robust planning.

3.2.4 Environmental Sustainability and Net Zero Carbon

- a. Hexagon has always been committed to implementing its dual objectives of reducing carbon emissions, whilst reducing energy costs for its residents. This has been noticeable in its on-going investment in improving the energy efficiency of homes in line with Hexagon's environmental sustainability strategy. This on-going commitment has led to Hexagon achieving both a Gold SHIFT award and an award for being the 'most improved landlord ever' in respect of its environmental sustainability.
- b. Environmental sustainability is embedded in all the activities undertaken in delivering this Asset Management Strategy. Hexagon's on-going aim is to minimise the harm that its work does to the planet and therefore, Hexagon continues to look at reducing carbon emissions in all areas of its work, including the building of new homes and in the energy performance of its existing housing and office portfolio.
- c. Hexagon obligates all its contractors and consultants and theirs and Hexagon's supply chains to meet the objectives of its environmental sustainability strategy as a minimum and that the materials and practices followed by these contractors and suppliers are underpinned by environmental sustainability principles.
- d. The government expects landlords to respond to the current climate emergency and the Climate Change Act 2008 and meet its target of net zero carbon by 2050. Hexagon will work with suitably and highly qualified experts to help develop a clear, step-by-step and pragmatic roadmap to net zero carbon by 2050.
- e. Hexagon uses Standard Assessment Procedure (SAP) ratings to measure the energy performance of all residents' homes and we update the SAP ratings as when refurbishment work that improves energy efficiency is completed. SAP is used to assess and compare the energy and environmental performance of properties.
- f. Energy Performance Certificates (EPC) are required for new builds, properties being sold and those being rented.
- g. Through we may improve the energy efficiency of our properties, we recognise that residents play an important role in ensuring that their homes align with the target to achieve our net zero carbon target by 2050.

- h. Hexagon continues to work with relevant government departments, industry advisers and external stakeholders to develop approaches to continue improving energy efficiency, reducing carbon emissions, and accessing external funding.

3.2.5 Social Value

- a. Generating social value is central to our business and so as part of this Strategy, procurement of all services and goods from suppliers, such as contractors and consultants, includes an assessment of their social value contribution, which they are contractually obliged to achieve based on the financial size of their contract(s). The aim is for us to achieve the most benefit out of every £1 of investment that we make.
- b. Suppliers' contribution to social value varies in its nature, but it has to be clear, measurable and deliverable. We will include details of our social value requirements in our procurement documentation when procuring new services. Our Community Investment Team will engage with suppliers to ensure this social value is achieved so that it benefits our residents and their neighbourhoods.
- c. Additionally, a set social value factors are considered as part of our options appraisal process when we are considering the future of a home that no longer meets the Hexagon's and/or residents' needs. These social value factors measure the level of social value a home has to Hexagon, residents, and its neighbourhood.
- d. The key principles of our approach to social value are: optimising the value of the investment in our homes; measuring the impact of social value; meeting the residents' and local needs and innovative and creative ways of achieving social value.

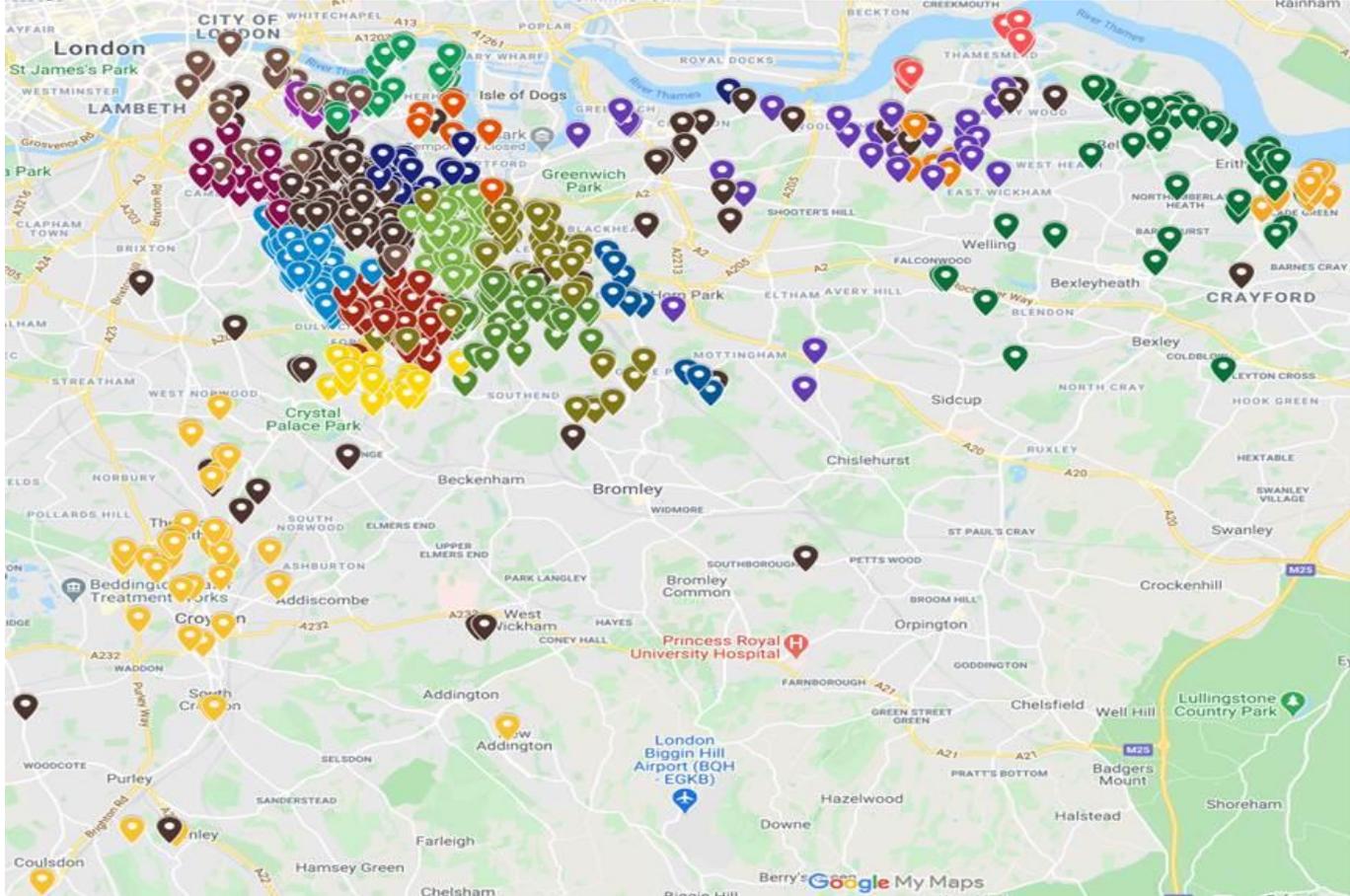
3.2.5 Social Housing White Paper

- a. Most of the above-mentioned drivers align with the requirements of outlined in "The Charter for Social Housing Residents: Social Housing White Paper" and this Strategy tries to achieve the principles in this White Paper. As the proposals in this White Paper are legislated, we will update this Strategy and address all its requirements accordingly.

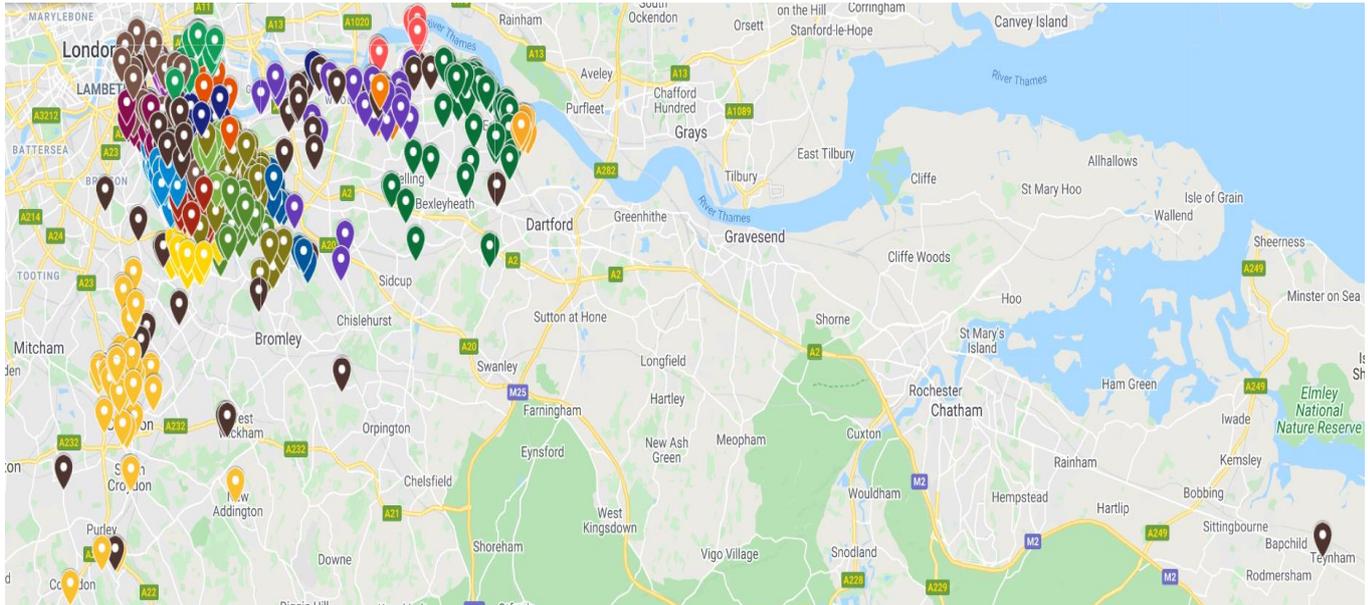
4. Profile of Residential Property Portfolio

- 4.1 Hexagon owns and manage a diverse portfolio of residential properties. These properties are located in nine Local Authority areas, which are in the South London area and North Kent, with the majority of these properties in the five Local Authorities of Bexley, Croydon, Greenwich, Southwark and Lewisham. The distribution of our properties is shown in the maps below. Map 1 includes our properties within the M25 and Map 2 includes the latter properties and the ones that are outside of the M25.

Map 1:



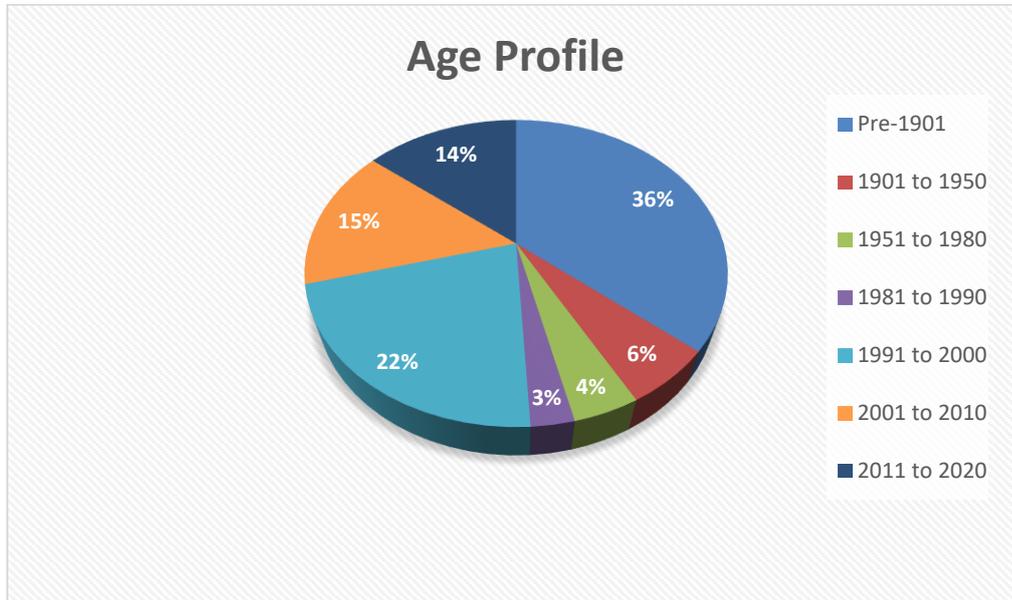
Map 2:



4.2 Hexagon’s housing portfolio is comprised of properties constructed over a period of circa 150 years, ranging from those built in the 19th century, some of which are listed on the

National Heritage List for England, to those built in the 21st century. Chart 1 shows the age profile of all our residential properties.

Chart 1:



4.3 This Asset Management Strategy covers properties that are either directly managed by Hexagon or by managing agents. There is diverse range of housing tenures, which include General Needs rented housing, supported housing, shared ownership, market rent, leaseholders and rented properties managed by Co-operatives. The following shows the properties managed by Hexagon.

4.4 Table 2 shows the distribution of homes across the Local Authority in which Hexagon has homes.

Table 2:

Local Authority	Number of Homes	Percentage
Bexley	485	10.65%
Bromley	11	0.24%
Croydon	402	8.82%
Lambeth	5	0.11%
Lewisham	1,403	30.79%
Royal Greenwich	535	11.74%
Southwark	1,705	37.42%
Swale	10	0.22%
Total	4,556	100.0%

4.5 Table 3 shows the different types of homes in our portfolio, which range from family houses, flats in purpose-built blocks and flats in converted street properties, bedsits and rooms in houses in multiple occupation.

Table 3:

Type of home	Number of Homes	Percentage
Bedspace/Room	203	4.7%
Bungalow	17	0.4%
Bedsit	54	1.2%
Flat	2,626	57.5%
House	1,384	30.3%
Maisonette	272	6.0%
Total	4,556	100.0%

4.6 Table 4 shows the number of bedrooms for Hexagon’s self-contained homes.

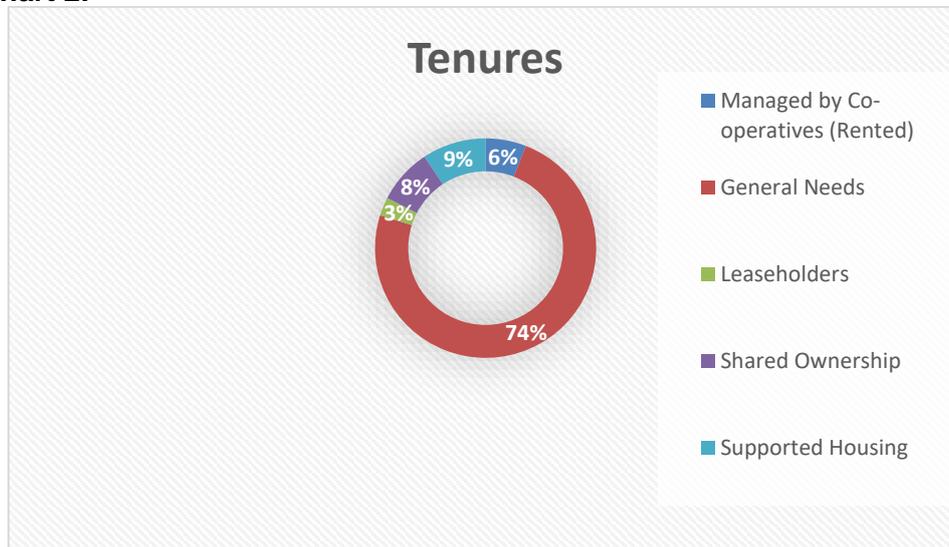
Table 4:

Number of Bedrooms	Number of Homes	Percentage
1-bed	1,362	30.28%
2-bed	1,751	38.93%
3-bed	1,032	22.94%
4-bed	316	7.03%
5-bed	34	0.76%
6-bed	3	0.07%
Total	4,498	100.0%

Note: Excludes rooms/bedsits in Houses in Multiple Occupation

4.7 Chart 2 shows the distribution of our housing portfolio's tenures.

Chart 2:



4.8 The information about our property portfolio is held in the asset management database, Lifespan, which derives the core address data from our housing management database, Cx. These two databases interface, with Cx holding the master records and as such being the database used to update the asset data.

5. Asset Data

5.1 Currently, we have good information on our properties, most of which is stored in our asset management database, Lifespan. This asset data is captured mainly via our rolling programme of stock condition surveys undertaken every five years for every property, including communal spaces, by an external consultancy firm with a highly skilled team of qualified stock condition surveyors. This asset data is continually updated not just by the recurrent stock condition surveys, but also through regular activities in properties by several contractors who undertake diverse range of works in the properties and Hexagon's staff who visit these properties on a regular basis. High quality asset data is critical in delivering effective investment plans for our properties.

5.2 Lifespan holds the following information, which drives most of the investment plans for our properties.:

- a. Stock condition data (internal and external parts of building) at estate, block and individual dwelling level
- b. Building age and type
- c. Plant and equipment data
- d. Projected costs for undertaking improvement works
- e. Energy performance data – i.e. SAP ratings
- f. Options of energy improvement works
- g. Projected replacement dates of components
- h. Compliance with Decent Homes Standard
- i. Investment planning and data modelling

5.3 All property safety-related data is saved in our compliance database, True compliance. Though it holds information on fire safety, we will be incorporating all other property safety-related data so that True Compliance holds can hold all of the following data:

- a. Fire safety
- b. Gas safety
- c. Asbestos management
- d. Electrical safety
- e. Lift safety
- f. Water hygiene/legionella management.

5.4 We consider asset data to be invaluable for both investment and business planning purposes, particularly as we continue to ensure our residents live in decent, safe and energy efficient homes. However, this needs to be done effectively and responsibly as Hexagon has finite resources and therefore, prioritisation of investment is essential.

5.5 Whilst there may be different approaches to prioritising investment in properties, our approach to investment in repairs and maintenance and improvement of properties/asset is centred on the holistic assessment of the data held in our databases, the external and internal drivers outlined in Section 3 above. This approach is supplemented by local management knowledge and residents' needs. The holistic and integrated approach is illustrated as per Chart 3:

Chart 3:



5.6 We will continue to ensure we have high quality data, which is essential to delivering effective investment programmes, whilst recognising that local knowledge and residents' needs are also invaluable to our decision-making process.

6. Active Asset Management

6.1 To achieve value for money we aim to drive more value from our assets without it being detrimental to Hexagon's financial position. This is underpinned by regular assessments of every property's Net Present Value (NPV). The NPV is essential in when making our long-term investment decisions.

- a. In this case, NPV is used to measure the profitability of a property over a 30-year period. This is by determining the existing cash value of an individual property, or a block, on all relevant 30-year income and expenditure assumptions about cash inflows and outflows. The expenditure includes the investment required based on the condition of the property, all costs of managing the property and other projected expenditure that arise from the strategic drivers in Section 3 above.

6.2 Hexagon's set social value factors are:

- a. Floor level of entrance
- b. Garden/External space
- c. Other property features (*kitchen/diner; Storage; Garage/Private Parking*)
- d. Property Size (number of bedrooms)
- e. Energy rating of a property
- f. Transport links

6.2.1 Each social value factor has a set score and weighting and so after a property has had its social value factors assessed, the total score for all the property's social value factors is then used to determine the category that the property is placed into from the following three:

- a. Gold: *i.e. has high social value*
- b. Silver: *i.e. has medium social value*
- c. Bronze: *i.e. has low social value*

6.3 When the NPVs of all properties have been calculated and then overlaid with Hexagon's set social value factors, these properties are then ranked in descending order based on their total NPVs and social value category as per Section 6.2.1 above. Each property is then categorised into one of the following three, albeit the NPV being the primary factor used to rank the property. The NPV and social value will be updated as when there are relevant changes that affect these two values:

- a. **Green Properties** = The top 25% of all the properties, which are considered to be high performing properties. These properties normally require continuous improvement without the need for major/above average investment.
- b. **Amber Properties** = The next 50% of all the properties, which are considered to be medium performing properties and include properties with positive NPVs. These are properties, where Hexagon has a long-term commitment and any investment required is achievable and sustainable but before Hexagon commits to any major/above average investment, the impact of this investment on the sustainability of the property is assessed.
- c. **Red Properties** = The last 25% of all the properties, which are considered to be under performing properties, and these will include properties that are

unsustainable if retained in Hexagon's portfolio, especially when average or below average investment is required. The properties in this category would normally require a detailed options appraisal to determine their future and they will include all properties with negative NPVs and those with positive NPVs that would tip into negative with continued investment.

*The following is an example of how properties would be ranked **before** being categorised into either "Red Properties", "Amber Properties" or "Green Properties":*

Property A has a NPV of +10,000 and a social value category of a Bronze

Property B has a NPV of +10,000 and a social value category of Silver

Property C has a NPV of +5,000 and a social value category of Bronze

Property D has a NPV of +5,000 and a social value of Gold

When these four properties are ranked as per Section 6.3, they would be in the following descending order:

- 1. Property B (i.e. first)*
- 2. Property A (i.e. second)*
- 3. Property D (i.e. third)*
- 4. Property C (i.e. fourth)*

- 6.4 The categorisation outlined in Section 6.3 helps us manage our properties more efficiently on a day-to-day basis and it is part of the holistic and integrated understanding of each property in our portfolio. The other key aim is to help us ensure that all the properties meet the drivers outlined in Section 3 and residents' needs.
- 6.5 We are always commercially focussed when planning for current and future investment requirements. This is balanced with our social purpose and the investment required to maintain our portfolio in good condition and one that is safe and energy efficient for our residents.
- 6.6 However, some of our properties will only either be energy efficient, safe and/or meet all modern standards with high levels of investment, which may either be economically unsustainable or unable to offer good value for money. With Hexagon's finite resources and competing investment priorities, at times we may need to consider other options such as selling a property and reinvesting sale proceeds to support new developments or other priority investments, which will offer contemporary levels of quality, amenity and energy efficiency.
- 6.7 A new toolkit that interfaces with all our databases and incorporates the social value factors outlined in Section 6.2, will be introduced to help in appraising the options available to Hexagon in instances where a property is no longer financially viable or fails to meet Hexagon's strategic objectives and/or residents' needs based on the categorisation in Section 6.3.
- 6.8 The toolkit mentioned in Section 6.7 will also be used in our void repairs and reletting process to enable us to make quicker decisions on whether a property is, or will remain, financially viable for reletting once a repair or improvement works are carried out.
- 6.9 Where an options appraisal of a property is undertaken, it will entail calculating the NPV, including Hexagon's set social value factors and the open market value of the property.

This appraisal will cover a range of options available to Hexagon by evaluating the different impacts on the NPV under different scenarios. These options include the following:

- a. Repair and re-let the property when void
- b. Major refurbishment
- c. Redevelopment
- d. Tenure change (Shared Ownership/Market, Intermediate or Affordable Rent)
- e. Disposal – either via transfer, swap or open market sale

6.10 We would consider disposal of a property in cases where:

- a. A property requires significant investment to repair or improve it that would have an adverse impact on its economic sustainability.
- b. A property does not provide the type of accommodation required by our residents, thereby making it difficult to let
- c. A property is difficult to manage
- d. A property does not meet Hexagon's key strategic objectives.

6.11 When an options appraisal of an occupied property is undertaken, detailed consultation with a resident to discuss the available options together with their own requirements and aspirations is a key part of the appraisal process. Disposal of occupied properties will not be automatic and individual circumstances may determine timescales and whether or not to proceed with the disposal.

6.12 We will ensure there is a robust planned preventative maintenance programme (PPM) for servicing mechanical and electrical equipment, e.g. lifts, heating systems, and fire alarm systems, as per the manufacturers' requirements and replacing them when they are beyond economic repair. PPM will ensure that this equipment is always in optimum condition.

6.13 We will ensure that all investment in properties via all workstreams, e.g. responsive repairs, void repairs, major works/improvement works, fire safety remedial works and energy efficiency works, is constantly monitored and analysed before we draw up and implement our investment plans for each workstream. This will be augmented by the interfacing of the housing management, asset management and compliance databases with a central team managing this process on a day-to-day basis to ensure that our on-going investment in properties is robustly managed.

7. Areas of Investment and Delivery Models

- 7.1 Implementing effective maintenance to the structure, fabric and installations in our properties is essential to maintain their integrity, condition, safety, function and value.
- 7.2 We recognise that property maintenance is one of the most important aspects of our customer service offer to our residents. The quality of the repairs, maintenance and property improvement services we provide has a direct correlation to overall levels of customer satisfaction with Hexagon.

7.3 All the investment programmes are delivered by third parties, i.e. mainly contractors and/or consultants whose services are procured as outlined in Section 9.

7.4 We effectively invest in our properties by:

- a. Aligning and synchronising planned maintenance works to maximise value for money and avoid disruption to residents. These works include cyclical decorations, which are undertaken every seven years, and replacement of components and safety works.
- b. Where possible, major works will be undertaken at the same time for the entire block rather than undertaking these works on a fragmented basis.

Planned Maintenance and Property Improvement Works

7.5 We aim to put in place planned maintenance and property improvement investment programmes to maintain our properties and improve the living environment of our residents.

7.6 Regular servicing and maintenance of equipment/components will be undertaken as per the manufacturers' guidance and also relevant government guidance or legislative requirements.

7.7 We will continue to maintain our properties to meet the current and future Decent Homes Standard and enhance this standard to reflect the needs and aspirations of residents, whilst ensuring value for money.

7.8 Investment programmes for planned works are initially drawn up from the data in our asset management database, which originates from the stock condition surveys. The final detailed programmes are then drawn up after our surveyors have undertaken on-site inspections to validate the condition of the property/components and adjustments are then made to reflect the extent of works required or review the timing of the works, being cognisant of other factors as outlined in Section 5.5 above.

7.9 Specifications of work are linked to the standards set within our design brief, which is used for new developments and existing properties. This ensures that we have consistent standards across our portfolio. However, residents have choices of colour schemes for internal finishes where appropriate.

7.10 Our property improvement and planned maintenance works include:

Building Envelope

- a. Replacement of roof and/or roofline works, includes rainwater goods
- b. Replacement of windows
- c. Replacement of external doors
- d. Major repairs to external walls
- e. Major repairs to the structure of the building
- f. Major repairs to chimneys and other external building components
- g. Major repairs and/or replacement of walls and fences
- h. Works involving major aids and adaptations to meet residents' physical needs to promote independent living
- i. Improvement to communal areas, such pavements

- j. External cyclical redecoration and associated pre-decorative repairs

Internal Parts of Building

- a. Replacement of kitchens
- b. Replacement of bathrooms and/or toilet facilities
- c. Redecoration of internal communal areas and associated repairs

Energy Efficiency and Net Zero Carbon

Hexagon continues to undertake inexpensive targeted retrofit works to improve the energy efficiency of properties that have a SAP Rating below 65. This is being achieved by undertaking works outlined below. In early 2017, we had 771 properties with a SAP rating below 65. However, in early 2021, we had 440 properties with a SAP rating below 65, which shows the on-going investment into improving the energy efficiency of our existing properties.

As of February 2021, the average SAP rating of Hexagon’s entire residential portfolio was 72.4. Table 5 shows the distribution of our properties across EPC Bands A – F. We do not have any properties in EPC Band G.

Table 5:

EPC Bands	SAP Points	Number of Homes
A	92 – 100	1
B	81 – 91	615
C	69 – 80	2,372
D	55 – 68	1,075
E	39 – 54	64
F	21 – 38	6
Grand Total		4,133

Note: Excludes rooms/bedsits in Houses in Multiple Occupation

However, in line with our environmental sustainability strategy and pending milestones of the roadmap to net zero carbon by 2050, we will invest in improving the energy efficiency of our properties with the initial aim to get all the properties in our portfolio to EPC Band C by 2030, which also aligns with the government’s expected target.

This will include working with residents to ensure they use the properties in a way that aligns with our overall target to achieve net zero carbon by 2050. In addition to the other property improvement works, e.g. replacement of windows and doors, which also aim to improve energy efficiency, we will also undertake the following energy efficiency improvement works:

- a. Loft insulation
- b. External and internal wall insulation
- c. Underfloor insulation
- d. Installation of solar thermal panels
- e. Electrical heating upgrades

- f. Installation of the highest energy efficient boiler until there are non-fossil-fuelled heating system(s) that are scalable, sustainable and affordable to both Hexagon and the residents.
- g. Installation and/or upgrade of air source heat pumps
- h. Draught proofing

Through active asset management and by balancing the other investment programmes, residents and strategic drivers outlined in Section 3, we will assess the financial viability of undertaking all the required energy efficiency works coupled with the timing of the works. In some cases, in the absence of external funding such as government grants, based on the NPV assessments explained in Sections 6.1 and 6.4, we may consider completing an options appraisal of the affected property.

However, it is worth noting that a property's energy efficiency is, by default, improved when other components, which are required to meet environmental sustainability standards, are replaced as part of our planned property improvement works. These components include new windows, new roofs, more efficient boilers and/or non-fossil-fuelled heating systems, albeit we will aim to ensure these improvements do not lead to high energy costs for our residents.

Whilst Hexagon has an on-going commitment to improving the energy efficiency of residents' homes and investing in non-fossil fuelled technology, we will continue undertake comprehensive analysis of the impact of these new technolog(ies), with the assistance of independent specialists in the industry, on both the well-being and energy costs to residents. It would be counter-productive for Hexagon to invest in programmes/technologies that drag residents into fuel poverty and/or affect their well-being, if for instance such improvements diminish the air quality in their homes.

There is a potential scenario where if we need to meet our energy efficiency target(s), we would need to bring forward property improvement works but it may not be a prudent or viable decision when we consider the holistic approach to planning our investment in a property. Therefore, in this case we may undertake lower cost works that slightly improve the energy efficiency, e.g. loft insulation, and by the time we undertake the property improvement works, we are able to achieve our energy efficiency targets, e.g. when new windows are installed. This approach is part of our on-going active asset management.

Regarding the approach for new developments, in order to remain market competitive, Hexagon prefers an approach that is aligned to building regulations. Hexagon does not yet know the outcome of the Government's consultation on the Future Homes Standard but we are already redesigning projects on the basis of non-fossil fuelled energy efficient heating coupled with a fabric-first approach to improving the energy efficiency of new builds.

Property Safety Works

In addition to the following works, we will deliver these works in conjunction with our bespoke resident engagement strategy for property safety matters. Residents' and Hexagon's responsibilities will be clearly outlined, and residents will be provided with relevant training and literature to gain a full understanding of their role in property safety, particularly in relation to fire safety. Hexagon will share relevant documentation on property safety with residents and provide them with regular updates on any on-going works undertaken.

- a. Carrying out servicing and maintenance of heating equipment
- b. Gas safety checks and servicing of domestic and communal boilers or any other gas appliances supplied by Hexagon and assessment of smoke and carbon monoxide alarms
- c. Periodic electrical safety inspections and upgrades
- d. Domestic and communal asbestos surveys and management of an Asbestos Register
- e. Water hygiene/legionella risk assessments and associated remedial works
- f. Lift servicing and maintenance
- g. Fire risk assessments and associated remedial works
- h. Servicing of fire alarms and active fire protection systems
- i. Other health and safety-related planned servicing and maintenance.

Other improvement works

At times we may undertake major works, which include the following:

- a. Major improvements to a property
- b. Remodelling
- c. Extensions / alterations
- d. Estate environmental works
- e. Hard and soft landscaping
- f. Grounds maintenance and enhancement, including tree maintenance
- g. Estate regeneration

7.11 Once we have drawn-up definitive improvement programmes, we will share these with residents and consult with them before undertaking works.

Responsive and Void Repairs

7.12 In response to residents' requests, we deliver unplanned ad hoc repairs via independent contractor(s) when residents report a repair to our Customer Service Centre (CSC), which operates 24 hours a day throughout the entire year. An external contractor answers all calls to CSC from 1700hrs to 0900hrs every day.

Occasionally these responsive repairs may be reported to CSC by a resident's representative or one of our staff members. Depending on the type of repair required, we respond within the following published timescales:

- a. Emergency Repairs (e.g. gas leak, roof leak,): we respond within 24 hours
- b. Urgent Repairs (e.g. blocked hand basin, no hot water): we respond within 7 days
- c. Routine Repairs (e.g. non-urgent repairs to woodwork, brick and plaster): we respond within 28 days.

7.13 We undertake ad hoc minor aids and adaptations to improve the mobility and/or standard of independent living to meet residents' needs.

7.14 The following are some of the unplanned major repairs that we undertake:

- a. Structural repairs
- b. Dampness remediation
- c. Timber infestation treatment

7.15 With our current contracts with our main repairs and voids contractors due to end in 2022, we will establish a new repairs service model that continues to improve our responsiveness, increases completion of repairs on the first visit, provides an excellent customer experience and higher customer satisfaction, achieves value for money and maintains the property in good condition, which makes a resident proud to live in the property.

7.16 As part of achieving value for money in our repairs service, we will continue to undertake regular analyses of expenditure for each property in our portfolio, via monitoring responsive and void repairs expenditure to ensure there is no further investment beyond the economic repair of a component.

7.17 The Property Safety, Responsive Repairs and Stock Improvement Departments produce annual investment programmes, workplans and associated budgets that implement this Asset Management Strategy and also meet Hexagon's corporate objectives outlined in our Corporate Plan.

8. Customer Experience

8.1 One of the cornerstones of this Strategy is to ensure we continue to improve the customer experience when we deliver our services and our residents enjoy living in their homes and neighbourhoods.

8.2 Before we undertake our planned maintenance and property improvement works, we will share definitive programmes that we will have drawn up and we will also consult residents and where applicable, we will discuss their choices, such as colour of components. We would provide transparent and clear information on these programmes and for major planned improvement works, we will also ensure there is a resident liaison officer, or an equivalent, to ensure effective engagement with the programming and delivery of the works.

8.3 All responsive and void repairs will need to meet our published timescales for completion and should be of good quality.

8.4 All our contractors and consultants will sign up to Hexagon's customer service standards and deliver the same level of service to our residents as we would expect from our own staff.

8.5 We will capture customer satisfaction feedback straight after a service has been provided and use this feedback to inform our future decisions and improve our service provision to our residents.

8.6 Our integrated/coordinated investments in our properties will also aim to ensure that they sustain tenancies and residents' neighbourhoods.

8.7 We will always ensure that residents are provided with clear instructions on how to use equipment in their homes, particularly for new technologies and this is coupled with providing them with any relevant warranties.

8.8 Where residents are unsatisfied with the delivery of our services and want to submit a complaint, this will be handled in line with our published complaints policy. However, we

always ensure that our regular engagement and discussions on issues raised by residents are addressed as soon as possible before they become a formal complaint.

- 8.9 Feedback from our residents' groups, which feeds into this Strategy will be taken on board and used to respond accordingly as part of our on-going commitment to improving our service provision to residents.
- 8.10 When carrying out works/repairs in residents' homes, we will always aim to meet residents' diverse personal needs as much as we can and where are unable to, we will provide the resident a clear explanation that is in line with Hexagon's relevant frameworks and if possible, try to reach a mutually agreeable way forward.

9. Procurement

- 9.1 All our investment programmes are delivered by third parties and so before we procure the services of prospective contractors and/or consultants, we will ensure that we have fully understood the works required and analyse our previous expenditure. This analysis will also include a review of industry standard rates, for instance, BCIS and NHF schedule of rates before commencing the procurement process, which is a critical part of achieving value for money.
- 9.2 We will follow our Standing Orders and Delegated Authorities guidance and procurement policy and procedure and we will aim to secure the services of the contractor/consultant who provides the best value for money for Hexagon and most importantly our residents.
- 9.3 We will ensure all prospective suppliers meet Hexagon's social value expectations, sign up to Hexagon's customer service standards and have an excellent track record in offering high quality and excellent services to residents.
- 9.4 Details of the different social value requirements, which we will require from prospective contractors or consultants, will be included in the procurement documentation and incorporated in the contract of the successful contractor/consultant.
- 9.5 For multi-year contracts, we will aim to engage with residents' groups in the procurement process to get residents' valuable input.
- 9.6 Investment programmes will be competitively tender either directly by Hexagon or via procurement frameworks such as the South East Consortium (SEC), of which Hexagon is a member. In a few circumstances, for one-off works, in line with our Standing Orders and Delegated Authorities guidance, we may call-off suppliers from SEC's relevant framework(s).

10. Challenges and Risks

There are significant challenges and risks to implementing the Asset Management Strategy and the key ones are listed below. These challenges and risks are recorded and regularly managed via Hexagon's risk registers and departmental workplans:

- a. Unexpected changes in government polic(ies), which may have a significant impact on the delivery of this Strategy

- b. Balancing and prioritising the limited resources available to Hexagon to deliver all its activities across the business that enable it to meet its mission and residents' needs. These activities include the anticipated high costs to meet net zero carbon targets and address historical fire safety deficiencies.
- c. Achieving cost savings and targets that this Strategy will need to achieve. For instance, the age and use of some of our properties may lead to above average costs of maintaining them and so intelligence from all Hexagon staff who visit our properties and residents on any repairs required at an early stage, is useful in maintaining our properties in good condition and achieving cost savings.
- d. Ensuring the long-term financial viability/economic sustainability of every Hexagon asset without adversely impacting on Hexagon's overall financial viability and meeting residents' needs.
- e. Developing effective partnerships with contractors, consultants, and the supply chain to deliver value for money for residents and Hexagon, meet our environmental sustainability and net zero carbon targets, and our social value.
- f. Integration and synchronising multiple investment activities in our housing portfolio to ensure value for money and a coordinated approach that achieves the required targets and high resident satisfaction.
- g. Ensuring an effective intervention in the future of a property to meet Hexagon's corporate objectives and balance it with its mission and residents' needs.
- h. Collating and maintaining high quality asset data and associated intelligence that underpins effective modelling as part of our robust strategic asset management of our housing portfolio.
- i. Retaining and acquiring the right staff skills and experience, and modern systems and technology to support the efficient delivery of this Strategy.