

Hexagon

# **Development Strategy 2021-26**

STRATEGY DOCUMENT

# 1. Scope and Aims

Hexagon's mission is:

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

We have six Corporate objectives that form the framework and guide our activities. Two of which are:

- *To be amongst the best in the provision of housing and related services.*
- *To be socially responsible in the way we run our business, and in particular, to focus our efforts on promoting environmental sustainability*

Our Corporate Objectives framework is framed around five broad target related themes which include:

*III To ensure that Hexagon Continues to Grow in a financially, socially, and environmentally sustainable manner*

*IV To respond proactively to the Climate Change Emergency by minimising the harm our business does to the environment in respect of Carbon Emissions*

This strategy will help to achieve these objectives in the most efficient and sustainable way.

Despite the pressure on grant levels and the contractual burden grant funding brings, we will continue to rely on grant from the GLA as this helps us to keep rent levels low and affordable and reduces financial risk.

With grant levels at fixed rates for the current 2018/22 programme, alongside 'fixed' rent levels – London Affordable Rents we are reliant on a small outright sale programme to provide cross subsidy for the London Affordable Rent element of the programme.



However, the new 2021/26 programme will be allocated based on competitive grant rates aligned with the delivery of traditional social rent (Formula rent) homes, and shared ownership properties. No outright sale homes are assumed,

This 5-year strategy will be delivered in a measured way, proportional to our business objectives and within an effective risk management framework.

## 2. Where do we want to be by March 2026?

- All outstanding 2018/22 schemes started on site by March 2023 and completed by March 2024 (69 homes)
- Homes for Londoners 2021/26 – Sites secured to deliver 180 homes.
- All shared ownership homes sold within an average of 9 months after handover and achieving sales income of at least £26m and generating subsidy of £11.8m<sup>1</sup>
- £12.5m facility for outright sale maximised generating remaining £2.7m cross subsidy to support 2018/22 affordable rented homes.
- Established alternative heat and hot water systems to replace gas boilers in new homes to meet the Future Homes Standard
- Established new ways of working to meet the new Building Safety legislation
- Delivered the Island Yard estate infill innovation project using Modern Methods of Construction (MMC)
- Acquired sites using a land led approach, in line with our land investment strategy
- Secured s106 opportunities to control risk and maximise VFM
- Increased resident satisfaction with the defects repairs service.
- Successfully completed cladding remediation projects for 18m+ buildings.

We will achieve the above objectives with the implementation of the following strategy:

- a. The 2018/22 newbuild homes programme will deliver at least 299 affordable homes, and circa 42 homes for outright sale. 276 homes will be grant funded and 23 funded by s106. These homes will be delivered as 33% rented (111), 55% shared ownership (188) and 12% outright sale (42).
- b. Having secured a grant allocation for the 2021/26 programme to deliver at least 180 affordable homes on a 50/50 tenure basis – 90 for rent and 90 for shared ownership, we will deliver schemes within the parameters of the GLA bid prospectus by identifying all schemes and entering into build contracts and commencing works on site by March 2026.
- c. We will work with private developers as affordable homes partners, to secure the remaining 17no. s106 homes needed for the 2018/22 programme and at least 30no. s106 funded homes as part of the 2021/26 programme. Through this we will control risk and reduce our cross-subsidy requirements

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<sup>1</sup> Schemes estimated to complete by November 2025

- d. We will remain within the capital at risk parameters set by the board for shared ownership, land investment and outright sale activity, and aim to stay within the Hexagon subsidy parameters agreed by the Board.
- e. We will maintain relationships with the GLA and keep them informed of progress on all schemes.
- f. We will continue to develop within our five key local boroughs; Lewisham, Southwark, Croydon, Bexley and Greenwich and will nurture our LA relationships. We will be responsive to working with our LA partners when opportunities arise.
- g. We will consider partnership working with other RPs on an opportunity led basis.
- h. We will build new homes to get as close as possible to achieving Net Zero Carbon. We will meet at least the minimum standards set out in the Future Homes Standard and the London Plan.
- i. We will settle the Brickfield Cottages legal claim and aim to recoup all of our losses, by October 2021.
- j. We will sell new shared ownership homes within an average of 9 months after handover. We will aim for outright sale homes to be sold 'off plan' to secure exchange before practical completion. We will ensure we have the appropriate resources to deliver the sales element of our programme.
- k. We will work with the Finance team to ensure cashflow information is accurate and updated monthly. We will also ensure sufficient security is in place to support our loan drawdowns. We will also support the team through the planned re-financing project, providing accurate and timely information about the development programme.
- l. Via Horniman, subject to market conditions, we will develop a number of outright sale schemes by utilising the £12.5m available, to cross-subsidise our rented programme. These will be carefully targeted, and only in viable, suitable locations and meet the parameters set out in the Investment Policy, and within the Board's risk appetite expressed as capital at risk.
- m. We will ensure our design standards reflect the latest best practice and regulatory requirements to ensure we continue to deliver good quality, affordable homes that are safe and sustainable in the long term. We will ensure our private homes

specification is market driven informed by private sector agents. We will integrate feedback from our residents and client departments into our future designs and specifications, by ensuring our project brief is regularly reviewed.

- n. We will adopt a new approach to capturing social value, by incorporating a new cost matrix into our tendered contracts as part of our Employer's Requirements. We will work with the Community Investment Team to ensure our partners contribute to our employment, training and digital offer for residents.
- o. In pursuit of more control over our procurement approach which will guarantee better quality homes, we will actively procure sites directly with vendors and lead on planning applications in line with our land investment policy, ensuring we deliver within a well-managed risk framework.
- p. To minimise the risk of contractor failure we will only use contractors who have been through a tendered or Framework assessment process and proven themselves to be financially stable and adequately experienced. We will monitor their financial status regularly and swiftly follow up on any concerns identified, seeking legal advice where required.
- q. We will minimise cost overruns by ensuring scheme design and specifications are finalised before contracting, and project risks are appropriately shared with contractors.
- r. We will progress estate infill site at Island Yard in line with the Board approved resident consultation strategy and deliver the project as close to net zero carbon as possible, utilising an appropriate Modern method of Construction (MMC).
- s. We will aim to adopt one of the seven categories of MMC across 50% of the 2021/26 programme, where this is viable and achieves value for money.
- t. We will assess further infill sites identified in the FFT review and seek to progress projects which are viable.
- u. We will improve our resident satisfaction with the defects service by 5%, to at least 78%.
- v. We will oversee the project management of cladding remediation projects at Parkspring & Atrium Court and Patrick Court, and make applications to the Building Safety Fund (Leaseholders).

- w. Working with Property Services, we will establish an appropriate building information management system to support the golden thread requirement as part of the Building safety Bill.
  
- x. We will update our working practices, procedures, contract arrangements and appointment terms, to ensure we meet the requirements of the new Building Safety Regulator, who we will fully engage with as further details are made available.
  
- y. We will utilise Partner frameworks to tender works and services from contractors and consultants to achieve value for money.

Prepared by: Development & Sales Director

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