

Hexagon

Development & Sales Strategy 2024-2028

STRATEGY DOCUMENT

1. Scope and Aims

OUR VISION: Everyone deserves a decent home.

OUR MISSION: Decent, affordable homes for lower income households in South London.

OUR VALUES:

Customers at the heart

Appreciating difference

Responsible and accountable

Empowering people

Our 2024-2028 strategy comprises five Key objectives supported by outcomes and success measures.

KEY OBJECTIVES:

- Good landlord services that meet customer’s needs .
- Safe, decent, and efficient homes
- Residents are supported and making a positive difference
- A dynamic workforce that delivers our goals
- A growing, sustainable, efficient, and viable business

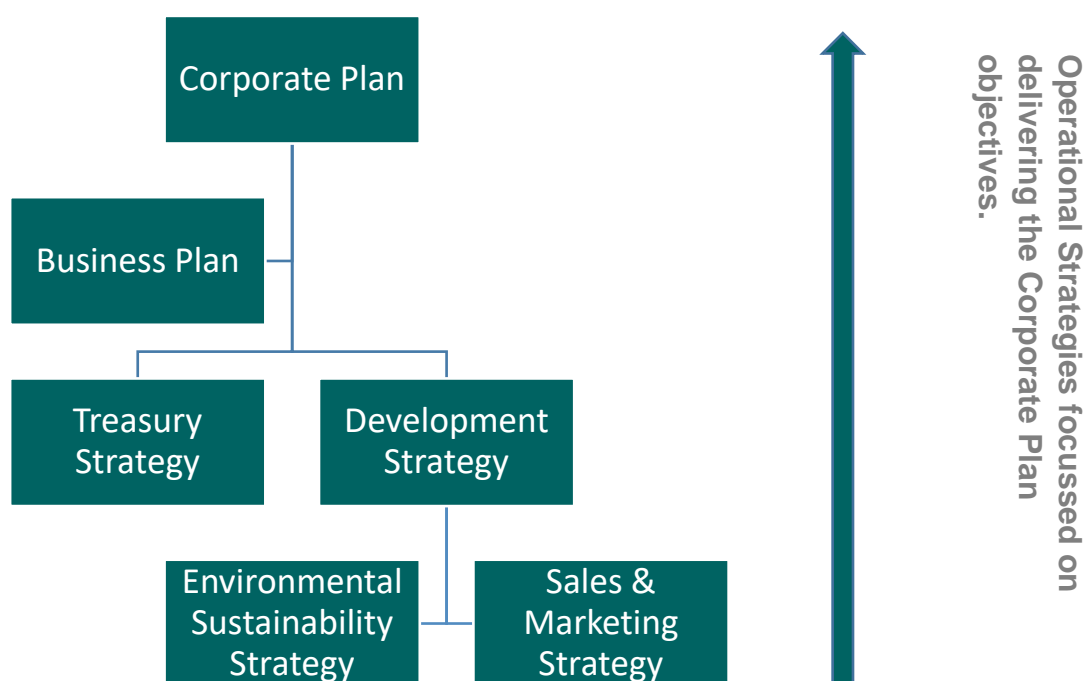
The Key Objectives, Outcomes and Success Measures which drive our Development Strategy are:

Key Objective	Outcomes	Success Measures
A growing, sustainable, efficient, and viable business	We will build viable and good quality homes for low-cost rent or low-cost homeownership.	265 new homes developed 106 shared ownership and 42 market homes sold

Context

Given the current challenging macro environment; Covid legacy, reduced rental income, rising construction costs, falling house prices, there have been significant demands on our finances due to increased investment required to ensure homes are safe and continue to meet decency standards. As a result, our ambition for growth has been reset to allow the business to focus on our existing homes, and the need to deliver a good landlord service which meets our customers' needs. We plan a return to strong financial health in the next two years, which will allow us to re-energise our development aspirations.

We set out our new priorities informed by the financial needs of the business, the current legislative and regulatory environment and a recent 'Health Check' of our development activities. This new 4-year strategy will help to achieve these objectives in the most efficient and sustainable way, proportional to our business objectives and within an effective risk management framework.



Our approach to building new homes

Quality Focussed - Our new homes will be safe and sustainable

They will:

- Not depend on fossil fuels, and be net zero carbon
- Meet EPC B as a minimum
- Meet building safety requirements regardless of height
- Be overseen by a robust inspection regime

Delivery Driven – We will build or acquire 265 new homes by March 2026

We will:

- Work with robust reliable contractors
- Utilise a strong contract management approach

Partnership Minded – We will work more closely with Local Authorities and Developers and collaboratively with colleagues

We will:

- Liaise frequently with our LA Housing colleagues
- Build a portfolio of Developer partners
- Work with colleagues to improve new home design and working practices

Income targeted – We will meet or exceed sales income projections

We will:

- Ensure our homes for sale are aligned to market demand
- Have a flexible marketing approach
- Sell homes off plan where appropriate

2. Where do we want to be by March 2028?

A growing, sustainable, efficient, and viable business
Quality Focussed - Our new homes will be safe and sustainable
Established and delivered alternative heat and hot water systems to replace gas boilers in new homes to meet the Future Homes Standard
Updated design standards which will deliver net zero carbon homes
Increased resident satisfaction with the defects repairs service.
Successfully completed cladding remediation projects for 18m+ buildings guaranteeing residents safety and enabling leaseholders and shared owners to meet lender's requirements
All completed Homes achieving a minimum EPC B rating
Established and embedded new ways of working to meet the requirements of the Building Safety Act 2022 and the Fire Safety Act 2021
Delivery Driven – We will build or acquire 248 new homes by March 2026
All outstanding ¹ 2018/22 programme schemes completed by March 2026 (248 homes)
Sites / Stock secured to deliver circa 95 homes which will be completed by March 2028.
Delivered the Island Yard estate infill innovation project and progressed the viability assessment of at least one other Estate Infill site, delivering new homes at less cost. Utilising 'Tested' Modern Methods of Construction (MMC) where this is viable
Renewed risk-based procurement approach informed by past experience
Engagement with the GLA on an opportunity led basis leading to successful grant allocations
Partnership Minded – We will closely with Local Authorities, Contractors and Developers and collaboratively with colleagues
Established relationships with a network of Tier 2, financially robust private developers and contractor partners to minimise risk and maximise future development opportunities

¹ Outstanding as at 29/02/2024

Regular liaison with our LA partners leading to scheme partnering opportunities

Income targeted – We will meet or exceed sales income projections

All 106 shared ownership homes sold within an average of 9 months after handover and achieving sales income aligned with or outperforming Business Plan projections

All 42 Outright sales homes sold within an average of 6 months and achieving sales income aligned with or outperforming Business Plan projections

Intermediate tenures such as sub-market rent part of tenure mix considerations where viable

Contributing to RP stock acquisition opportunities to generate revenue speedily

Secured a number of new s106 opportunities to control risk and maximise VFM, with a focus on turnkey schemes to generate revenue speedily

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

- 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) (subject to market conditions). **2025/26**
- b. We will build up our network of contacts and work with private developers as affordable homes partners, to secure the remaining 23no. s106 homes needed for the 2018/22 programme and in addition, circa 95no. s106. We will focus on turnkey opportunities which will help us to control contractor failure risk, reduce costs and generate income quickly. **2027/28**
- c. We will maintain relationships with the GLA, keeping them informed of progress on schemes. We will engage with them to secure grant funding on an opportunity led basis. **Through to 2027/28**
- d. We will continue to develop within our five key local boroughs; Lewisham, Southwark, Croydon, Bexley and Greenwich and will renew and nurture our LA relationships. We will be responsive to working with our LA partners when opportunities arise including stock acquisitions. **Through to 2027/28**
- e. We will consider partnership working with other RPs on an opportunity led basis. **Through to 2027/28**
- f. 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. **Through to 2027/28**
- g. As set out in our sales and marketing strategy, we will sell new shared ownership homes within an average of 9 months after handover. We will aim for outright sale homes to 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. **Through to 2027/28**
- h. Via Horniman, subject to market conditions, we will develop a small number of outright sale schemes, 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. **2026/27**
- i. 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. We will update specifications to ensure standardisation and alignment with asset management requirements. **Through to 2027/28**
- j. We will adopt a new approach to capturing social value, by incorporating the approach developed by our Community Investment Team, which will be included in 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. **2026/27**

- k. To minimise the risk of contractor failure we will only use 'Tier 2' 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. **Through to 2027/28**
- l. We will ensure our consultant partners are providing the level of service we require, in line with appointment terms. **Through to 2027/28**
- m. We will increase the use of specialist consultants (e.g. M&E, Roofs) to help ensure quality is delivered on our new homes. **Through to 2027/28**
- n. We will minimise cost overruns by ensuring scheme design and specifications are finalised before contracting, and project risks are appropriately shared with contractors. **Through to 2027/28**
- o. 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) if this is viable. **2025/26**
- p. We will assess further infill sites identified in the FFT review and seek to progress projects which are viable. **2024/25**
- q. We will improve our resident satisfaction with the defects service by 5%, to at least 78%, by putting implementing the contract terms and identifying alternative defect repair contractors. **Through to 2027/28**
- r. We will update our working practices, procedures, contract arrangements and appointment terms, to ensure we meet the requirements of the new Building Safety Act 2022 and Fire Safety Act 2021. **2024/25**
- s. We will review schemes where contractors have 'failed' (i.e. gone into administration, liquidation) to identify improved procurement approaches including suitable Frameworks to tender works and services from contractors and consultants to achieve value for money. **2024/25**
- t. We will embed new procedures relating to all existing home sales (e.g. Right to acquire, staircasing, social homebuy) to ensure the reflect good practice and efficient working practices. **2024/25**
- u. We will take a more targeted, informed, pro-active approach to encourage staircasing by our shared owners. **2024/25**

Prepared by: Development & Sales Director

Approved by: Hexagon Board

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