

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
REPORT 2020/2021



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# ESG at Midland Heart



*We're a leading housing association, delivering homes and services across the Midlands that enable people to live as independently as possible. We own and manage 34,000 homes and are dedicated to providing high quality, safe and affordable homes, combined with excellent services, to over 70,000 customers.*

Founded in 1925, we're a trusted 'profit-for-purpose' organisation, which means we invest every penny we make back into building more affordable homes, improving our services and investing in our people.

We employ 1,200 people and invest millions in the regional economy each year. Last year alone, we spent £19m on maintaining and improving our homes, over the next six years we will invest over £120m in our customers homes. We are also committed to delivering 4,000 much needed new affordable homes by 2025. With 2,653 new homes already completed, on site or approved we are already two thirds of the way to achieving our target.

We signed up to be an early adopter of the Sustainability Reporting Standard for Social Housing because we want to make sure we maximise the positive impact of our investment on our communities and our planet.

In our first ever ESG report, we set out the progress we have already made since agreeing to be an early adopter. More importantly we also explain the exciting plans we have to accelerate our transition towards being carbon zero. We aim to decarbonise our homes as quickly as possible in a planned and measured way, whilst continuing to improve services, invest in existing homes and build more much needed affordable homes.

# Chief Executive's foreword



*An unprecedented global effort is required to reach net zero by 2050 and housing associations have a key role to play.*

Our roots as a housing association go back almost a century. There are still far too many people in this country who cannot afford a decent home and so this work remains as important today as it was then.

Building more affordable homes, continuing to invest in the safety and comfort of our customers homes and reducing the carbon footprint of our stock present a huge challenge to our sector. We are all asking ourselves, how do we continue our mission to build as many good quality affordable homes as we can, whilst absorbing the growing costs of better carbon standards? How do we meet the cost of retrofitting our historic stock portfolio whilst continuing to invest in brilliant services and maintaining low rents?

For me, the answer is to do what we have always done at Midland Heart, which is to address the challenge head on, but in a way that is rational, practical and based on the

best evidence available. Now is the time for action but this does not mean knee-jerk quick fixes it means carefully consideration and long-term planning. Years of prudential financial management have left us in a position of stability, despite the upheaval of the last eighteen months. I am committed to using this position wisely.

Two years ago, we launched a new Corporate Plan with a bold ambition to '**Make What Matters Brilliant**'. We've now extended our plan to 2025 as some of our plans were delayed by the disruption of the pandemic.

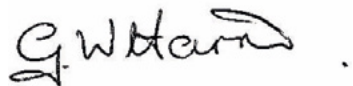
Over the next twelve months, we will build our first homes to the Government's ambitious Future Homes Standard, offering customers a huge reduction in carbon emissions and energy costs. We will work with leading researchers from Birmingham City University to understand how these new standards work in as much detail as possible.



We will also undertake detailed modelling of all our underperforming historic stock and trial different low carbon technologies to determine the best solutions to roll out at scale.

Having signed up as an early adopter of the Sustainability Reporting Standard for Social Housing, I'm delighted that we will have a rigorous and transparent way of recording this important journey.

With 90% customer satisfaction, compliance on building safety and delivering 4,000 new homes by 2025, our record for achieving top quality housing management, by getting the basics right first, speaks for itself. I am determined that we will apply this same grounded approach to decarbonisation. Taking stock of the different options, and ensuring we provide the best solutions for our customers and our planet in the long term.



**Glenn Harris MBE**  
**Chief Executive, Midland Heart**





*How we are  
contributing to the*

# **UN Sustainable Development Goals**

1

## **No poverty**

Our homes reduce poverty by keeping rents down for low income families. In Birmingham, for example, our average social rent is 46% lower than the market rent and 39% lower than Local Housing Allowance. This means customers save more than £300 a month on average compared to the private sector. We play a key role in providing good quality affordable homes to people on low incomes right across the Midlands.

2

## **Zero Hunger**

Each year our dedicated Money Advice Team help hundreds of customers with financial difficulties, including looking at any benefits or hardship funds they are entitled to. We always strive to prevent hunger. Where necessary we provide our customers with shopping vouchers, travel tickets, referrals to foodbanks and emergency fuel top ups. We also have our own hardship and welfare fund which helps customers facing acute difficulties.

3

## Good Health and Wellbeing

We run an engaging active lifestyle programme across our Retirement Living schemes, with interactive activities to boost social inclusion as well as health and wellbeing. Examples include learning sign language, cookery, laughter yoga and interacting digitally with family and friends on platforms such as Skype. During the pandemic, we have worked hard to ensure older and vulnerable residents stayed safe and well. We delivered a regular newsletter packed with information and activities and provided healthy meals when residents' usual arrangements were disrupted.

7

## Affordable and Clean Energy

We are planning a major retrofitting programme across our existing housing stock. This will begin with a pilot project to assess the most suitable technology for transitioning to clean energy. In the meantime, we have a long-term partnership with Baxi Boilers which enables us to provide our customers with modern A rated energy efficient boilers. We undertake over 1,000 boiler upgrades a year and all installations include additional energy efficiency measures such as programmable room thermostats and thermostatic radiator valves.

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## Industry, Innovation and Infrastructure

We are contributing to resilient infrastructure by delivering much needed affordable homes to tackle the housing shortage. Despite the immense operational challenges faced in 2020/21, we still managed to build 350 new homes, 100% of which were offered for affordable tenures. We have worked hard to keep our sites Covid secure and operational over the last twelve months. We are still well on track to achieve our five-year target of 4,000 new homes with 1,400 homes on site at the end of 2020/21.

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## Sustainable Cities and Communities

We support the Government's 'Brownfield First' policy and are playing an important role in regenerating towns and cities across the Midlands. Alongside developer partners, including Countryside and Partner Construction, we are turning former industrial sites in Leicester, Nuneaton and Dudley into good quality affordable homes. We are also investing in our existing homes with an overall investment of more than £120m over six years, and an additional fund of £8m to improve our most challenging schemes.





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## ***Responsible Consumption and Production***

Based in the city centre, with minimal parking provision, our head office promotes sustainable commuting by public transport and active travel. Our offices also promote recycling as the principal method of waste disposal and energy efficiency through systems such as automatic lighting controls. Our planned office refurbishment will enable us to further reduce our carbon footprint through the adoption of more modern heating and lighting technology. We are also examining our procurement practices to seek how we can further embed responsible consumption.

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## ***Climate Action***

Earlier this year our Board signed off a new Carbon Reduction Plan. This draws together projects from across the business to set out a route map to zero carbon. This will include a major retrofitting programme which will initially be focussed on ensuring 60% of our properties will achieve a minimum of EPC C by 2025. We will also be electrifying our maintenance fleet and seeking very high environmental standards on our new homes, including what we believe will be the UK's first homes to meet the Government's new Future Homes Standard 2025.





# Affordability and security

## C1. The impact of discounted rents

Three quarters of our homes are based in seven core local authorities. Our median rents for these areas are set out below. In some areas customers can save several hundreds of pounds a month, compared to if they had to rent privately.

### Median rents overall

Local Authority	Median MH General Needs Social Rent 20/21	Median Private Market Rent 20/21	MH General Needs Rent Discount
Birmingham	£385	£725	47%
Coventry	£383	£695	45%
Dudley	£418	£575	27%
Leicester	£361	£600	40%
Sandwell	£394	£600	34%
Stoke-On-Trent	£334	£450	26%
Wolverhampton	£380	£565	33%

## 1 Bedroom Properties

Local Authority	Median MH General Needs Social Rent 20/21	Median Private Market Rent 20/21	MH General Needs Rent Discount	Local Housing Allowance April 2021	Local Housing Allowance Gap
Birmingham	£338	£655	49%	£525	36%
Coventry	£319	£595	46%	£490	35%
Dudley	£342	£430	21%	£399	14%
Leicester	£307	£525	41%	£450	32%
Sandwell	£341	£458	26%	£399	15%
Stoke-On-Trent	£291	£380	23%	£375	22%
Wolverhampton	£344	£425	19%	£399	14%

## 2-bedroom Properties

Local Authority	Median MH General Needs Social Rent 20/21	Median Private Market Rent 20/21	MH General Needs Rent Discount	Local Housing Allowance April 2021	Local Housing Allowance Gap
Birmingham	£383	£725	47%	£625	39%
Coventry	£383	£675	43%	£575	33%
Dudley	£398	£575	31%	£510	22%
Leicester	£361	£630	43%	£565	36%
Sandwell	£394	£595	34%	£510	23%
Stoke-On-Trent	£328	£450	27%	£425	23%
Wolverhampton	£380	£550	31%	£510	25%

### 3-Bedroom Properties

Local Authority	Median MH General Needs Social Rent 20/21	Median Private Market Rent 20/21	MH General Needs Rent Discount	Local Housing Allowance April 2021	Local Housing Allowance Gap
Birmingham	£438	£750	42%	£675	35%
Coventry	£423	£750	44%	£675	37%
Dudley	£451	£693	35%	£595	24%
Leicester	£423	£710	40%	£675	37%
Sandwell	£445	£675	34%	£595	25%
Stoke-On-Trent	£388	£575	33%	£550	30%
Wolverhampton	£417	£650	36%	£595	30%

### 4-bedroom Properties

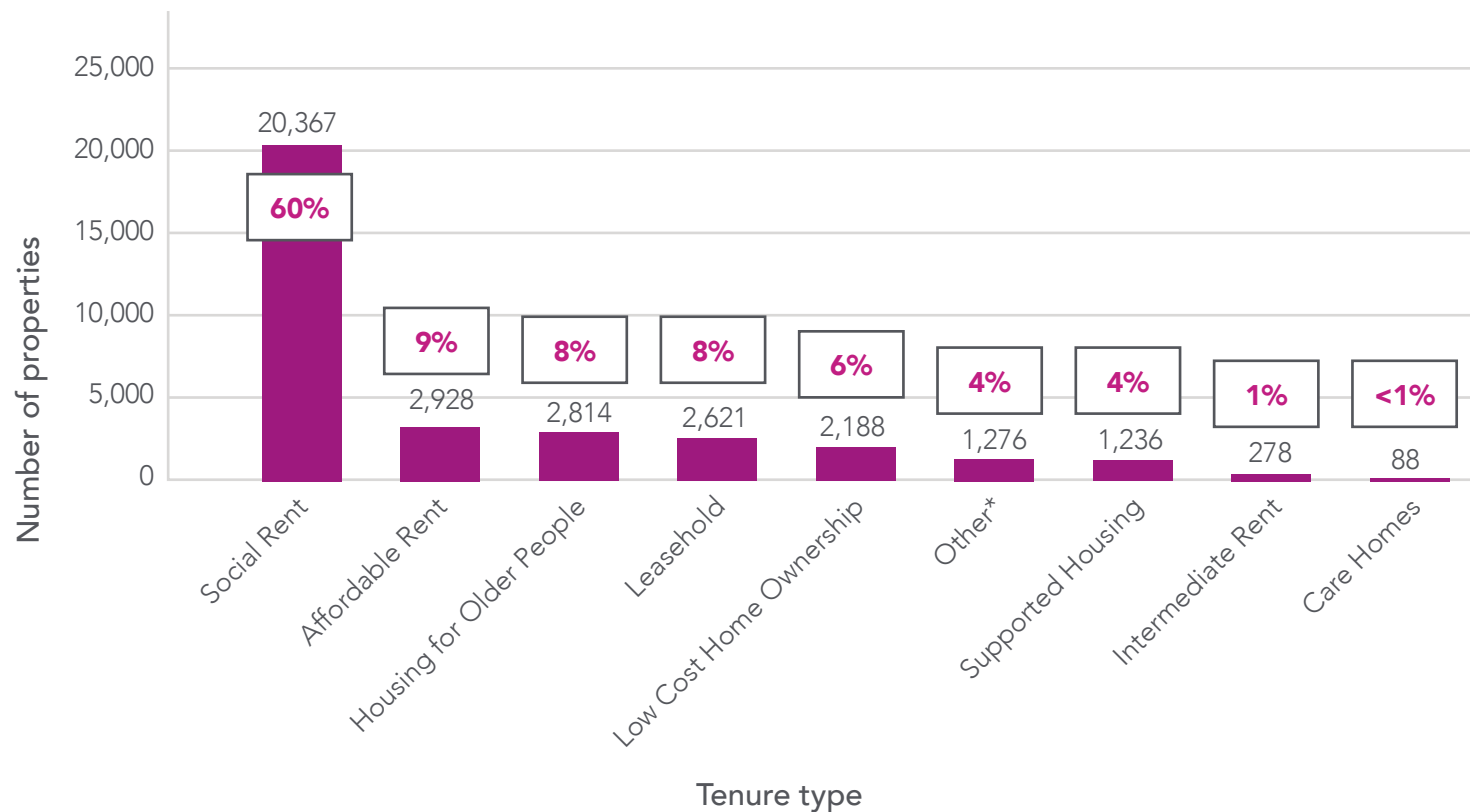
Local Authority	Median MH General Needs Social Rent 20/21	Median Private Market Rent 20/21	MH General Needs Rent Discount	Local Housing Allowance April 2021	Local Housing Allowance Gap
Birmingham	£485	£750	35%	£675	28%
Coventry	£467	£750	38%	£675	31%
Dudley	£532	£693	23%	£595	11%
Leicester	£454	£710	36%	£675	33%
Sandwell	£496	£675	27%	£595	17%
Stoke-On-Trent	£475	£575	17%	£550	14%
Wolverhampton	£473	£650	27%	£595	20%



## C2. Our tenure split

We own or manage almost 34,000 properties, of which 96% are for social housing tenures, including over 20,000 homes for social rent.

**Tenure split for existing homes**



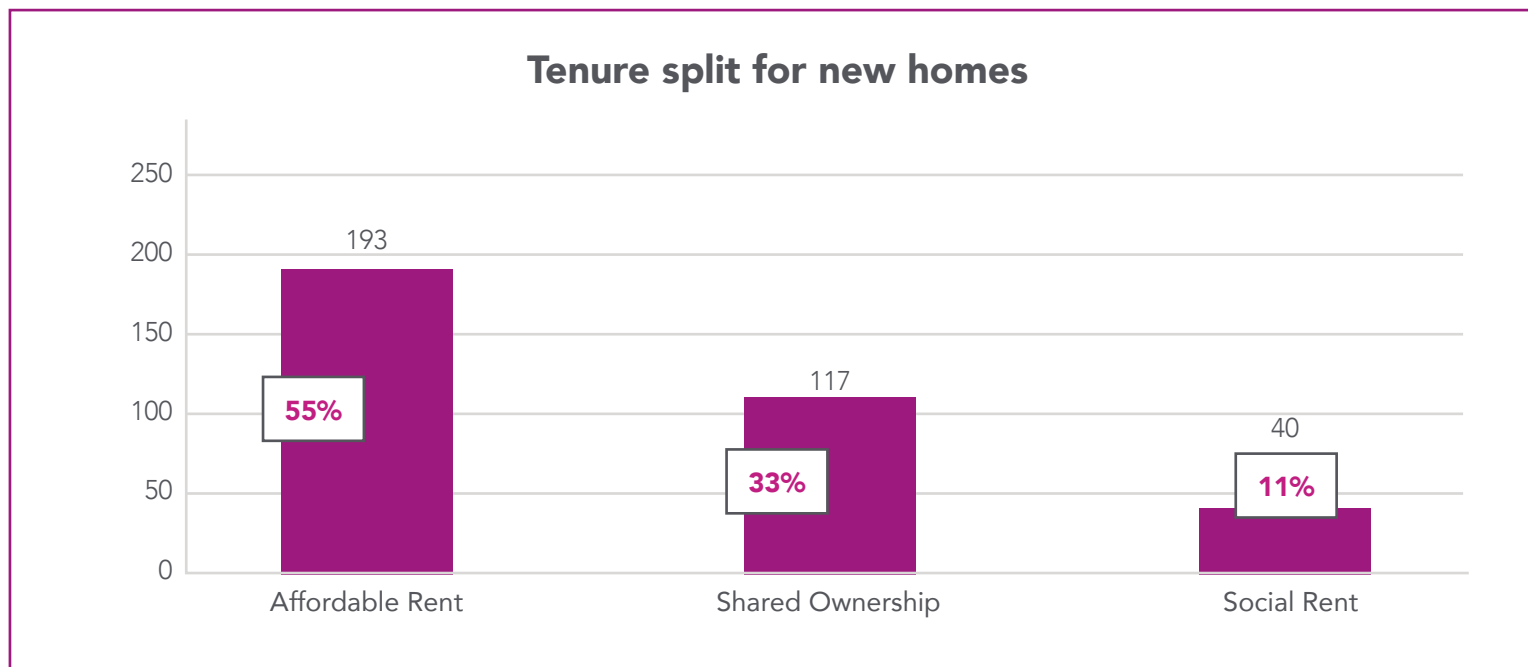
\*This includes a number of different property types including homes for market rent and live / work homes.





### C3. Our tenure split for new homes

In 2020/21 we built 350 new homes, 100% of which were for social housing tenures. Our output was affected by the pandemic, but we are very pleased to have been able to continue delivering much needed affordable homes, despite the operational challenges. In 2019/20 we built 562 new homes and we remain on track to deliver our target of 4,000 new homes over six years.



We are determined to help low income households across the region afford a decent home of their own. We will build as many new homes as we can, but we will only ever commit to financially sustainable plans that deliver our core product of genuinely affordable homes to rent.



## **C4. Fuel poverty**

We are strongly committed to tackling fuel poverty and helping any tenant, who gets into financial difficulty, to sustain their tenancy. We have a dedicated Money Advice Team who work with hundreds of customers each year to help them manage bills and maximise incomes. Where customers are facing acute difficulty, we help them access hardship funds and emergency fuel top ups. In 2020/21 we leveraged £2m in benefits and trust funds for our customers.

We want to make it as easy as possible for customers to carefully manage their energy bills and reduce costs as far as possible. Through our partnership with SSE we are ensuring that all our homes are fitted with a smart meter before they are re-let.

## **C5. Security of tenure**

One of our core aims is to create balanced and sustainable communities, where people want to live and choose to stay. Security of tenure is crucial to this and so following a recent review of our Allocations Policy we are now letting 100% of our homes as lifetime tenancies.

Along with others in the housing sector, and in line with Government policy, we experimented with fixed term tenancies following the 2011 Localism Act. We only used them briefly for 1-3-bedroom properties, but we continued to let 4 bedroom and larger properties on a fixed term basis over a number of years. We felt that this could be useful for large families that would be looking to downsize once children had grown up. As a result of this legacy policy, 3% of our current tenancies are fixed term. These customers will be offered lifetime tenancies when they come to renew.



# Building safety and quality

## C6. Gas safety compliance

*We are fully compliant.*

All our properties, that have a gas appliance, have an in-date gas safety certificate following an inspection by a Gas Safe registered engineer. This level of compliance has been maintained throughout the Covid-19 pandemic.

## C7. Fire safety compliance

*We are fully compliant.*

All our properties, that are subject to Fire Risk Assessment requirements, have an in-date fire safety certificate, undertaken by a qualified fire risk assessor. This level of compliance has been maintained throughout the Covid-19 pandemic.





We do everything we can to minimise the risk of fire for our customers. All our homes are fire safety checked before we let them. This includes testing the electrical wiring and ensuring all doors and means of escape are working. All new homes have smoke alarms and all existing homes have a smoke alarm installed before they are re-let.

In blocks of flats, we make sure that communal areas and general building facilities are well maintained and subject to regular fire risk assessments by West Midlands Fire Service

accredited assessors. Our Rangers check fire alarms and emergency lighting in communal areas on a regular basis, and make sure all fire escape routes are free from obstructions so customers can escape easily in an emergency.

Specialist contractors service fire alarms and lifesaving systems regularly too. In individual homes, gas servicing contractors test batteries in smoke alarms and heat detectors as part of the gas service.

## *Additional measures for tall buildings*

We have five blocks of flats that meet the Government's 18m threshold and are therefore defined as high rise buildings. Only one of these had a small amount of ACM cladding, which we removed as soon as we became aware of the risks.

All five buildings meet current safety requirements set out in the building regulations. However, as we aspire to achieve the highest possible standards of building safety, we are undertaking a number of voluntary interventions as an additional precaution to minimise fire risk:

- 
- *Retrofitting sprinklers in our only high rise scheme for older persons*
  - *Undertaking the most in depth 'Type 4' fire risk assessments*
  - *Undertaking additional checks on the integrity of compartmentalisation*





### **C8. The Decent Homes Standard compliance**

We have a particularly historic stock portfolio. Around one third of our homes predate the First World War and inner-city Victorian homes can be particularly challenging to modernise. Nevertheless, 99% of our homes meet Decent Homes Standard. We have 190 properties which do not yet meet the standard. They are on this year's programme for a major component replacement to bring them back into compliance. We will reach 100% compliance by the end of the financial year.



## *Resident voice*

### ***C9. Ways our customers can hold us to account***

We have nurtured a strong resident voice and are proud to put customers at the heart of our decision-making processes. The opportunities we offer are varied and include everything from holding senior leaders to account through our Operations Committee, right through to empowering customers to engage with Parliament and speak to their local MP. We are also making greater use of remote meetings and online activities to try and make our engagement opportunities as accessible as possible.





## **Operations Committee**

We have three customers who are members of our main Operations Committee. This Committee reports into our Board, giving customers the opportunity to hold our senior leaders to account at the highest level.

## **Customer Oversight Group**

This group allows customers to take a broad overview of the business to monitor compliance with the regulatory standards and scrutinise value for money.

## **Customer Scrutiny Panel**

This group undertakes detailed scrutiny exercises of specific areas of the business that are a priority to customers.

## **Task and Finish Groups**

These are set up for a time limited period to allow customers to look at any areas of concern in greater depth.

## **Customer Ambassadors**

Volunteers undertake regular reality checks to see if our services are delivering against expected standards.

## **Other tools**

These include surveys, online forums, consultations and mystery shopping.

## **C10. Monitoring customer satisfaction**

*We carefully monitor customer satisfaction at both an overall corporate level and a transactional level. We are pleased to report our overall satisfaction remains around 90%, having reached that level for the first time in 2019/20, up from 84% in 2018/19. Our repairs satisfaction has been consistently above 90% for the last four years. This is the main driver of overall satisfaction.*

We conduct around 1,000 telephone interviews per month through an independent research company. These are undertaken shortly after the completion of a repair or a gas service, or after a new customer has moved into one of our homes. We offer face-to-face interviews for more vulnerable customers, for example in care and support settings, and follow up with a text messaging service for cohorts where response rates are low.

When a customer expresses dissatisfaction, their response is immediately shared with business owners so that remedial action can take place where required. Results for each survey are reported monthly to our Executive Board and combine to form our 'overall satisfaction' KPI.







## **C.11 Learning from complaints**

*In the last twelve months, 183 complaints have been upheld by the Ombudsman. All complaints feed into ongoing service improvement. The main changes we made in 2020/21 as a result of complaints were:*

- *Ending one of our core contracts and bringing the service in house*
- *Changing our complaints procedure so all review stage complaints are seen at a more senior level*
- *Improving the monitoring of sub-contractors, with penalties where communication is poor for appointment making*
- *Improving communication throughout our repairs journey, with an enhanced texting ahead and calling service*
- *Undertaking anti-social behaviour audit clinics with relevant managers and officers to ensure action plans are agreed with customers and regularly communicated*
- *Reviewing and improving the application of our compensation matrix*
- *Refining service charge statements for our schemes to ensure information is clearer*



## **C12. Resident support - Supported living**

*In addition to our general needs housing, we provide a network of supported living accommodation, with 13 schemes across the region. Working in close partnership with local authorities, our schemes play a key role in preventing homelessness. Our teams provide tailored support to vulnerable people to help them rebuild their confidence and move towards independent living.*

Last year we reviewed our operating model and introduced a new four-stage process to empower and upskill customers, readying them for a general needs tenancy. Independent Living Officers work with customers to set an action plan, identify support needs and then work together to achieve the goals. We also help with budgeting and setting up a savings account to help customers meet future costs as they transition to independence, such as buying furniture.

We measure success by monitoring how many customers have been able to move in to Independent Living. In 2020/21 365 customers were successfully rehoused into homes where they could live independently.





## Money advice

We have a dedicated Money Advice Team with seven members of staff who work closely with hundreds of customers each year to help them tackle financial difficulties. This includes helping to renegotiate debts to make them more manageable and applying for benefits and hardship funds. The aim is always to maximise income and promote tenancy sustainability in the long term, but we support customers in crisis situations too, offering access to emergency hardship funds, fuel top ups, travel cards and referrals to food banks.

We measure success by monitoring how many customers who received support were able to successfully maintain their tenancy. In 2020/21 our money advice team received over 2,100 referrals and 100% of customers they supported were able to sustain their tenancy. Some of our other headline achievements for customers facing hardship include:

- **£2m in additional trust funds and benefits secured**
- **£109,000 in unsustainable debts written off**
- **120 customers received emergency fuel top ups**



## **C13. Placemaking**

### *New homes*

*We form strategic partnerships with developers so we can better determine the quality of new homes and the environments they are located in. We always seek to create an attractive and healthy environment that makes the best use of existing landforms and natural features.*

A good example is our scheme at Abbey Meadows in Leicester. This was a disused hosiery factory that was straddled by the river Soar and had been left derelict for over a decade. Working with the local community and local authority, we designed a scheme of 188 new homes with a mix of types, styles and tenures to meet local need. The scheme maximised its locality, using the natural river frontage and existing mature trees on two sides to give a large number of homes a fantastic vista. Connected by an existing bridge, a new bridge was also built on the opposite side of the development, to link the site into the 'Golden Mile' which is an established route into the heart of the city.

### *Existing homes*

We are also committed to improving our existing homes and have set aside an £8m fund to upgrade the communal areas in our most challenging schemes. Customer feedback is used to prioritise investment with works focussed on the physical aspects that customers have expressed most concern about. Recent improvements include new doors and windows, decorating and reflooring and security enhancements. Not only has customer feedback so far been very positive, but we are also beginning to see reductions in tenancy turnover and lower incidences of anti-social behaviour.

## Case study

# Supporting our customers through the pandemic

**James** and **Kate** are a young couple who both work and have two small children. James is employed on a casual basis at a local pub which has meant his income has reduced significantly as a result of the Covid-19 public health restrictions. Kate went on maternity leave in June but prior to that had been furloughed, which reduced her maternity pay entitlement.



By February 2021, the family were really struggling to make ends meet. When they were referred to our team for support they did not have enough credit on their prepayment gas and electricity meter to last them through the weekend. They had run up large arrears on their bills and were struggling to pay their rent.

We immediately arranged a voucher to top up their meter. We then went through their benefits and council tax support entitlements to secure additional income. After we helped them increase their housing benefit, the amount of rent they had to

pay themselves reduced from £77 to £2 a week. We also helped them get payments backdated so their account got in to credit and they were able to receive a refund. This meant they were able to buy things for the family that had been put on hold, including a birthday present for their eldest child.

Our team helped them work through all their regular bills and made sure their repayment plans were manageable. We made sure they could afford all the essentials for their family and helped them put their finances on a sustainable footing in the long term.

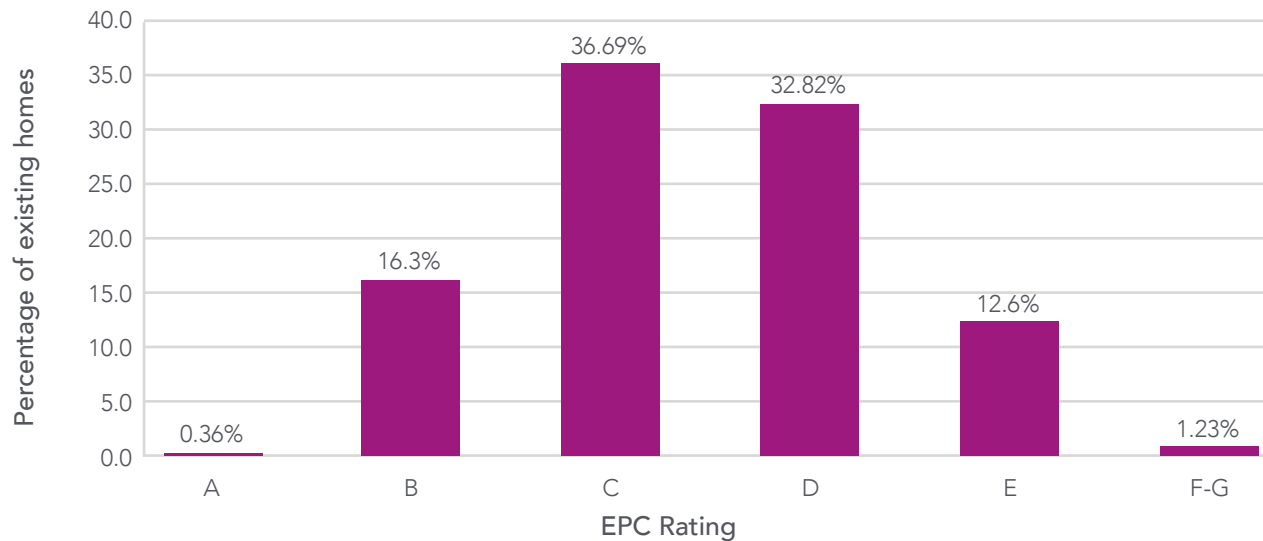




## Climate change

### C14. Energy efficiency of existing homes (2020/21)

**EPC ratings for existing homes\***



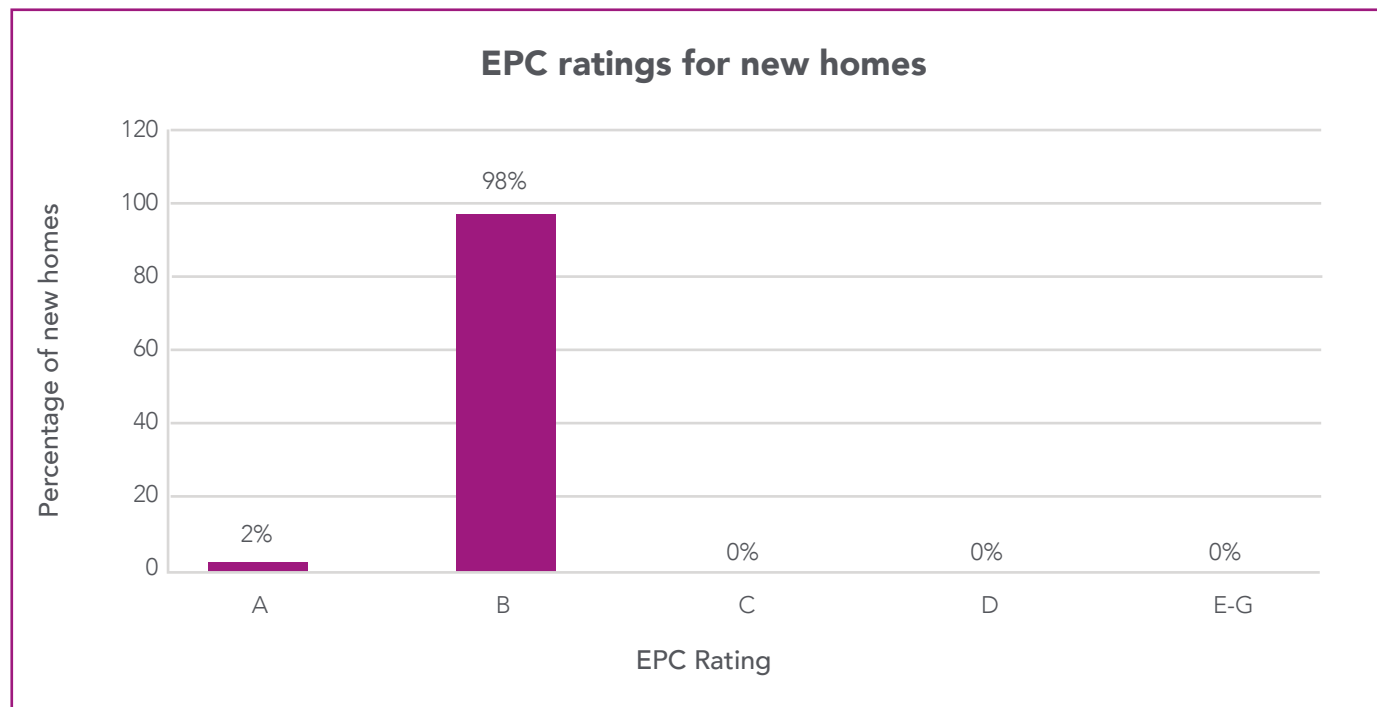
\*Results are based on published EPCs.

Whilst our EPC ratings are already better than those in the private sector, we recognise we still have a lot of work to do to meet our customers expectations and reduce our carbon footprint. We have recently approved a plan to bring 60% of our homes up to a minimum of EPC C by 2025 and have an aspiration to achieve minimum EPC C by 2030.





## C15. Energy efficiency of new homes (2020/21)



*The energy efficiency standards of our new homes are much higher. However, we have ambitious plans for further improvements here too. We are already building our first homes to the Future Homes Standard 2025, four years ahead of it becoming a legal requirement. We intend to be a trailblazer for early adoption.*



## **C16. Corporate greenhouse gas emissions for 2020/21**

<b>Scope</b>	<b>tCO2e</b>
<i>Scope 1 (includes gas used at our offices and depots and emissions from our fleet)</i>	<i>6,555</i>
<i>Scope 2 (includes electricity used at our offices and depots)</i>	<i>4,700</i>
<i>Scope 3 (includes business travel and waste disposal)</i>	<i>115,196</i>

We are already working hard to bring these emissions down and expect to see a reduction following our current office refurbishments and future electrification of our fleet.

We are working closely with our suppliers to map all our carbon emissions across all areas of operation. This year we have been able to estimate our Scope 1 and Scope 2 emissions using data from our fleet and energy suppliers.





### **C.17 Actions taken to improve energy efficiency**

*Earlier this year our Board signed off an ambitious low carbon strategy which will see thousands of homes upgraded in the coming years, despite the significant challenges associated with modernising some of our historic inner-city homes. We will ensure all our homes meet a minimum of EPC D by 2025 and are exploring options for achieving a minimum of EPC C by 2030.*

However, we have not been sitting still whilst we wait for this work to commence. In 2020/21 we continued to invest in upgrading our homes using existing methods. We recognise that one of the biggest areas we can impact upon is improving the energy efficiency of our homes. Over the last twelve months we have installed:

**1,400**

new A rated energy  
efficient boilers

**8**

new A rated energy  
efficient communal plant  
boilers for large schemes

**237**

homes upgraded with  
high heat retention energy  
efficient storage heaters

**832**

well insulated doors

**175**

high standard doubled  
glazed windows

**109**

new roofs with good  
thermal performance



## **C18. Managing increased risks of flooding and overheating**

*Only 400 of our homes (around 1%) are in areas where there is a significant risk of flooding as a result of natural water courses. However, we recognise the seriousness of this risk, and are concerned at the prospect of flooding events intensifying if the planet continues to warm. We have developed a detailed Emergency Response Planning Framework, which along with our Decant Policy, is designed to enable us to respond quickly and effectively to unexpected and challenging events such as flooding. The framework clarifies roles and responsibilities and the critical functions that need to be prioritised to keep people safe and well and then to protect assets.*

We are also aware of growing concerns around air tightness and excessive heat in homes. As we decarbonise our homes, we are committed to retaining as much natural ventilation as possible and minimising reliance on mechanical ventilation systems, especially in general needs homes where they can be misused if not managed carefully. We are also undertaking a detailed research project in partnership with Birmingham City University to analyse the impact of new technology and associated customer behaviour on air quality. The findings of this research will inform future new build plans.





**SOCIAL**



**ENVIRONMENTAL**



**GOVERNANCE**



## **C19. Helping residents maximise energy efficiency and air quality**

*We provide detailed information to tenants on how to use their appliances safely and efficiently. This is done right from the start of the tenancy as part of the lettings process, and also through dedicated pages on our website.*

One of our biggest concerns is damp and mould which if not addressed promptly can become a significant health hazard. We respond within 28 days to any reports of damp or mould. If our initial fix fails to remedy the problem we will undertake a full damp survey to ensure we are able to address any more challenging underlying structural issues. We also try to design out the risk of damp and mould as far as possible. This includes installing an extractor fan in all new kitchens and bathrooms.







**SOCIAL**



**ENVIRONMENTAL**



**GOVERNANCE**



*Over the next twelve months we will undertake detailed data analysis around our worst performing homes and pilot new low carbon technologies. We will then move to roll out improvements at scale, making a significant contribution to reducing carbon emissions and tackling fuel poverty.*

*We are also introducing a new Office Environment Policy and planning a major refurbishment of our head office on Bath Row. This will build on the work we have already done to improve energy efficiency and reduce waste. We now plan to go even further by installing new, more efficient, heating and lighting systems that will enable us to transition to a truly low carbon operating model.*





## Ecology

### **C20. Promoting green space and Biodiversity**

We recognise the importance of green space and biodiversity, both to the health and wellbeing of our residents and the sustainability of local environments. All our new developments feature appropriate landscape plans that are carefully designed by qualified practitioners. We always seek to preserve existing trees and flora as far as possible, and design sites around key natural features where practical. We also seek to plant new trees and hedgerows and install sustainable urban drainage systems (SUDS) wherever they are viable. This helps to make new developments look attractive, but also promotes natural habitats for wildlife and reduces flood risks.

We now have over 11,000 trees across our property portfolio, including 3,000 which are newly planted or young trees. We also have extensive gardens across our retirement living portfolio and encourage residents to play an active role in maintaining these in a way which is sensitive to the local environment and wildlife. This includes planting and nurturing additional plants and flowers to those which are maintained by our contractors.

### **C21. Managing pollutants**

We have a strict policy in place to carefully manage the environmental risks associated with pollutants such as paints and solvents. Colleagues are required to regularly check products containing potentially harmful agents and identify products which can be eliminated or replaced by safer alternatives.





**SOCIAL**



**ENVIRONMENTAL**



**GOVERNANCE**



## **Resource management**

### **C22. Sourcing materials responsibly**

We are developing a Sustainable Procurement Policy which will be embedded in our tender documents. Searching environmental and sustainability questions will be asked of those bidding for contracts to ensure best practice and identify and mitigate risks. Suppliers will be asked to provide evidence of their responsible sourcing methods and appropriate accreditation.



### C23. Reducing waste

We are strongly committed to reducing the amount of waste we send to landfill sites. Our inhouse maintenance team sort and separate all waste prior to disposal, seeking to recycle wherever possible. We also work with our developer partners to minimise waste when building new homes too. A good example of this would be a current scheme where we are reusing old rooftiles instead of sourcing new ones.

Our office-based colleagues are expected to recycle or repair materials and products wherever possible and our offices promote recycling as the principal method of disposal. Other actions include:

- Encouraging staff to re-use stationery and share occasional use items.
- Using ceramic crockery rather than disposable wherever practical.
- Repairing fixtures and fittings where possible rather than buying new.
- Where practical, making suppliers and contractors responsible for removing packaging from site for recycling.
- Attempting to recycle all unwanted office furniture.
- Keeping abreast of waste management legislation and procedures and investigating industry improvements to disposal processes.

***We intend to go even further with our new Office Environmental Policy, reducing our reliance on printing, and designing out waste across all our functions, as far as possible.***



### **C24. Using water responsibly**

All contractors working on our new build homes are approved by the Water Regulations Advisory Scheme (WRAS). This ensures our homes provide safe and resilient water supplies and minimise leakage and pollution.

*We also seek to minimise wastage in an office environment. Our actions include:*

- *Incorporating water saving features such as aerated taps and 'lo-flush' toilets*
- *Briefing cleaners on effective use of dishwashers*
- *Installing plumbed water chilling units rather than purchasing bottled water*



## Case study

# Starting early on the Future Homes Standard

*When it comes to preventing climate change, there really isn't a moment to lose. So, our Board made it clear they wanted to get started with the **Future Homes Standard 2025** as soon as possible. The new standards, which reduce carbon emissions by 80%, do not actually become law for another four years, but we are already on site with our first pilot development in Birmingham. We wanted to try out the new standards as soon as possible, with a view to testing them for rolling them out at scale. Moving quickly will not only be good for the planet, but could save money in the long run, by avoiding the need for expensive retrofitting works.*

Working in partnership with local Small and Medium Enterprise (SME) developer Tricas, we started on site with a new £2.8m development of 12 Future Homes earlier this year. We are also working with research partners from Birmingham City University to assess the impact of the new standards on occupants. We hope to prove not only that it is possible to achieve the Future Homes Standard at scale, but that it can be done largely using traditional building methods.





### Case study continued

### Starting early on the Future Homes Standard

Our Future Homes Standard development will feature:

- **A mixture of 2, 3 and 4 bedroom family houses**
- **Newly planted shrubs, trees and lawns**
- **Photovoltaic panels**
- **Waste water heat recovery**
- **Air source heat pumps**
- **High standards of insulation and modern double-glazed windows and doors**

The new homes are part of a replacement programme for housing sold under the Government's Voluntary Right to Buy programme. We hope to be handing over keys to our first new customers next spring.



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## Structure and governance

### **C25. Regulation**

*We are registered with the Regulator of Social Housing.*

### **C26. Governance and Viability**

*We have been rated G1 V1 by the Regulator of Social Housing. This is the highest possible rating and demonstrates our sound financial management and strong capacity to manage risks effectively.*

### **C27. Code of Governance**

*We have adopted the National Housing Federation 2020 Code of Governance as of 1 April 2021.*

### **C28. Ownership**

*We are a not for profit housing association, led by an independent board of trustees.*





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## **C29. Organisational risk management**

*We aim to identify risks before they materialise, ensuring we can put mitigating controls in place and minimise our exposure. Our risk management process ensures we carefully manage all key risk factors that could have a material impact on the group.*

Our Board has overall responsibility for risk management and the system of internal control within the business. The Audit and Risk Committee reviews the systems in place to identify and manage risk, and receives reports from internal auditors.

We use an enterprise-wide risk management (ERM) framework to identify, measure and manage the entire range of business opportunities and risks. Under the framework, each functional area of the business regularly reports on its major risks and how these are being managed or eliminated. The key financial, operational and reputational risks, arising from both our corporate plan and external factors, are then actively managed and monitored by the Board.

## **C30. Adverse regulatory judgements**

*We have not been subject to any adverse regulatory judgements over the last 12 months.*





## Board and Trustees

### C31. Board Diversity

	Female	BAME	Have a disability
<b>Our Board</b>	<b>14%</b>	<b>28%</b>	<b>14%</b>
<b>Our customers</b>	<b>61%</b>	<b>36%</b>	<b>(Not available)</b>
<b>The Midlands</b>	<b>51%</b>	<b>14%</b>	<b>16%*</b>

<b>Average board member age</b>	<b>57</b>
<b>Average board member tenure</b>	<b>4 years</b>

\*UK working age adults

We value the diversity of our teams and the customers we work with and want to be a place where anyone can succeed regardless of their background. We are committed to ensuring we have a diverse workforce at all levels, and will never be complacent over the progress we have made. We have worked with The Governance Forum to identify how we strengthen our governance of diversity up to and including Board level; this includes identification of a Board lead for Diversity. We recently gained external recognition as a leading inclusive and rewarding employer that people aspire to work for.



### **C33. Maximum tenure for Board members**

*Under the National Housing Federation 2020 Code of Governance, the maximum length of tenure for Board members is six years. However, we can extend this to a maximum of nine years, if it is in the best interests of the organisation.*

### **C34. Proportion of non-executive directors on the Board**

*We have 11 Board members of which eight (73%) are non-executive directors.*

### **C35. Board Member involvement with our Audit and Risk Committee**

*Four of our Board members sit on our Audit and Risk committee. Two are qualified accountants.*

### **C36. Executive involvement in Remuneration decisions**

*None of our executive directors sit on our Remuneration and Executive Selection Committee. This is set out as a requirement of our Governance and Control Framework.*



### **C37. Succession planning**

*Our Board has reviewed our succession plan within the last 12 months.*

### **C38. Auditing our accounts**

*We have used our current external audit partner for 15 years. KPMG has been our external audit partner since Midland Heart was formed in 2006.*

### **C39. Board effectiveness**

*We have undertaken an independently run Board Effectiveness Review within the last three years. The last one was in November 2019.*

### **C40. Separation of the Chair of the Board and the Chief Executive**

*These roles are held by two different people at Midland Heart.*

### **C41. Conflicts of interest at the Board**

*At the start of each meeting, the Chair asks for any declarations of interest to be declared. This is recorded in the minutes and is a standing agenda item. Our policy for dealing with conflicts of interest is set out clearly in our Code of Professional Conduct and associated guidance documents.*



## Staff wellbeing

### C42. The Real Living Wage

The majority of our colleagues have always been paid above the 'Real Living Wage' (the voluntary living wage set by the Living Wage Foundation, which is higher than the statutory National Living Wage set by Government). However, last year we moved to formally adopt the Real Living Wage to ensure every single one of our directly employed colleagues is remunerated at this level. This meant, from 1 April 2020, our lowest hourly rate (outside of apprenticeships) increased to £9.30 per hour. On 1 April 2021 this will increase again by a further 2.15% to £9.50 per hour.







### **C43. Our gender pay gap**

Our gender pay gap in 2020/21 was 17.9%. This represents an improvement on the previous year where we were at 24.4%. We are working hard to reduce this further and we are seeing positive change as a result of our action plan. Females were appointed to 60% of senior leadership roles advertised in the last 12 months. We have also launched our new Women's Network which has spearheaded a review of our family friendly offer, to ensure all colleagues are better able to balance work and home responsibilities.

We are confident that we pay colleagues equally for equivalent work and this is backed up by regular independent assurance.

### **C44. Chief Executive Pay**

Our Chief Executive pay to median colleague pay ratio is 10:1.





### **C45. Wellbeing of colleagues**

*We always prioritise our colleagues' safety and wellbeing. Through our Partnership Council and Inclusion Networks, employee surveys and regular events, we frequently engage with our teams and listen to their feedback to understand how we can be a truly great place to work.*

### **C46. Sickness absence**

*The average number of sick days taken per colleague in 2020/21 was 4.7.*

We are proud to partner with organisations including BHSF, Reward Gateway and Stonewall, to enable our colleagues to access specialist, personalised advice and support. This includes a free anonymous 24-hour Employee Assist programme and counselling service.

We also offer a comprehensive Brilliant Benefits package which includes incentives for cycling and gym memberships, alongside shopping discounts and a generous pension and life insurance offer. This is all part of our effort, alongside our regular Special Thanks and Recognition (STAR) Awards and virtual recognition wall, to ensure all our colleagues feel valued.

Our dynamic training offer lets colleagues chose a development route that best supports their individual needs. We have over 400 online learning profiles tailored specifically to the knowledge and skills each of our colleagues require to deliver their roles safely, and with confidence. We also support our senior leaders, and colleagues who aspire to these roles, through specialist development programmes in partnership with the ILM and Cranfield University.



## Staff wellbeing

### **C47. Delivering social value through procurement**

We are strongly committed to meeting our obligations under the Social Value Act 2012 and carefully consider the social impact of all the major contracts we tender. This is done at a number of stages including consultation, service design, tendering, and post procurement performance monitoring. Guidance is provided to colleagues to ensure social value is embedded in our procurement activity which can include checklists and templates to use as part of that process. We also seek to involve our customers in our procurement exercises wherever appropriate.

Outcomes we have sought include job creation, training and development opportunities, giving back to the communities we support, and support for SMEs.

### **C48. Minimising our impact on the environment through procurement**

*We also take seriously our responsibility to procure good and services that, as far as possible, do not have a detrimental impact on the environment. Through the life cycle of procurement activity (identification of the need through to contract management), we seek to understand from suppliers their environmental policies and how they will support our Corporate Plan. This includes managing water use, reducing waste and plans to reduce and off set carbon emissions.*



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## Case study

# Gaining national recognition as an inclusive employer

In December we were announced as one of the **UK's Top 50 Inclusive Employers** by Inclusive Companies. We were ranked 24th in recognition of our work harnessing a truly diverse workforce, and our commitment to equality and inclusion across all strands of diversity.

Our Corporate Plan sets out our ambition to be a truly great place to work. Being an inclusive and rewarding employer is integral to our commitment to delivering brilliant services to customers. We want to be a place where all our colleagues can succeed, irrespective of background. This includes reducing our gender pay gap and developing our colleagues to be the best that they can be. To do this, we're committed to investing in our colleagues and the support they need, working together and continually reviewing the evolving needs of our people.





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Case study continued

*Gaining national recognition as an inclusive employer*

Some of our key achievements which helped us to make the Inclusive Top 50 list include:

- **Launching and establishing our four Inclusion Networks all with executive sponsors**
- **Improved representation of women at leadership level and frontline managers from a black and ethnic minority backgrounds**
- **Increased colleague diversity data disclosure**
- **Improved inclusion communications and events engagement**
- **Delivering a new approach to inclusion learning**
- **Our competitive pay and benefits package**
- **An overall employee satisfaction score of 80.5%**

The work does not stop there. We are committed to continuing to improve inclusion every day and look forward to making the most of networking and learning opportunities with other **Top 50 Inclusive Employers** to help us go even further.



