

Founded in 1925, we are a leading housing organisation that operates solely within the Midlands region. Midland Heart is a traditional housing association that has evolved from a successful consolidation of thirteen housing associations over the last 50 years.

We currently own and manage c.33,000 homes and provide a range of high quality services for c.70,000 customers that enable them to live independently.

In April 2019 we launched our new corporate plan, Making What Matters Brilliant, which is centred around three clear objectives; delivering first class core landlord services, securing the new affordable homes our region needs and ensuring we take pride in being a great employer, a place where people aspire to work and build their career.

In addition to our excellent operational performance metrics, we are maintaining our well-earned reputation for being financially robust. We have delivered another strong surplus this year (operating surplus before financing of £86.4m) and thanks to the work we have done over the previous corporate planning period (2016-2019) to simplify and strengthen our business, we have record levels of liquidity at a time when that is even more crucial.

We remain ambitious, we want the best for our customers and staff, but we will not be rash, instead we will manage and protect our current business, retaining our focus as we seek growth and new ventures.

The future is increasingly uncertain, but the purpose, strength and endeavour of our organisation is not. We will emerge through the Covid-19 pandemic and push on to deliver first class services, build new affordable homes and be an organisation we can all be proud of.

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Glenn Harris MBE Chief Executive Officer

### Our Aim

With over 16,000 people on our waiting lists, demand for our product is as strong as ever. We are therefore committed to remaining financially robust to enable us to reinvest in our portfolio, build new affordable homes and ensure we are seen as a great place to work.

To help us achieve our aims we are inviting you to invest in us. We want to develop long-term relationships with lending institutions to maximise our investment potential and issue a bond worth £250m to deliver our social purpose and grow our organisation.

Now is a really exciting time to be working with us. We have high levels of demand, a well-articulated corporate plan with a clear direction, a track record of financial strength and delivery and plans to grow sustainably year on year.





#### About **Us**

Operating across the East, South and West Midlands we remain true to our charitable aims to provide good quality, safe homes at submarket rents for customers who need an affordable place to call home. Social value is demonstrated across our operations.

In 2019/20 the ratio of our Social Economic Value general affordable rent to market rent was c. 62%.

Each year our surplus is reinvested into our business, in both our existing services, existing property portfolio and new build stock. Our commitment to delivering core landlord services means that we do more than just provide a home. In 2019/20 we have:

- Taken 1,867 referrals to our in-house money advice team, to help house holds struggling with rent arrears. 99% of these customers sustained their tenancy.
- Obtained Universal Credit awards of £419K and £56K in Discretionary Housing Payment (DHP) for tenants struggling to meet their rent short fall due to financial hardship and the effects of welfare reforms.
- Provided 182,000 meals through our retirement living catering service.
- Delivered more than 12,000 lifestyle activities to our elderly customers.











- Overall customer satisfaction reached 90% for the first time ever.
- Our repairs satisfaction has been consistently above 90% for each of the last three years.
- Invested £85M in developing 570 new homes, the highest number of properties handed over to customers for five years.
- We have significant levels of liquidity (c£236M) of cash and undrawn facilities.
- We retained our leading A1 stable rating from Moody's.
- We have maintained our 100% building safety compliance record.
- Our arrears finished the year at their lowest level of 4.46%.
- Our colleague engagement score hit 80%, the highest for 7 years.



Customer satisfaction



90%
Repairs satisfaction



£85m
New homes









### Our Corporate Plan

We believe that the successful delivery of **Making What Matters Brilliant** will create a new blueprint for how to deliver first class landlord services.

# MAKING WHAT VATERS -Brilliant:



### PEOPLE FOCUSED

We want to be a truly great place to work and build your career. We will retain and attract the right people by rewarding, recognising and growing our colleagues.





## INVESTING IN HOMES

The Midlands needs more affordable homes. We are committed to building as many as we can over the next five years.





# **SERVICE FIRST**

Our customers have told us they expect a first-class service. We will ensure our services are responsive and we get things right first time.





**GROWTH & PARTNERSHIPS** 

**INVESTING** 

**IN HOMES** 

SERVICE FIRST **SAFE &** 

**STRONG** 

**PEOPLE** 

**FOCUSED** 

# GROWTH & PARTNERSHIPS

Investing in our homes is our customers'number one priorityand will sit at the centre of everything we do.



# SAFE & STRONG

We will remain financially strong and maintain our focus on safety. We will spend money wisely, investing in the things that matter most to our customers.





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#### How Did We Get Here?

Over the past five years we have simplified our business and significantly reshaped our service offer.

Under the Welfare Reform and Work Act 2016, social housing rents for both housing associations and local authorities were reduced by 1% per year for four years from 2016 – representing a c£40M reduction in our income over four years.



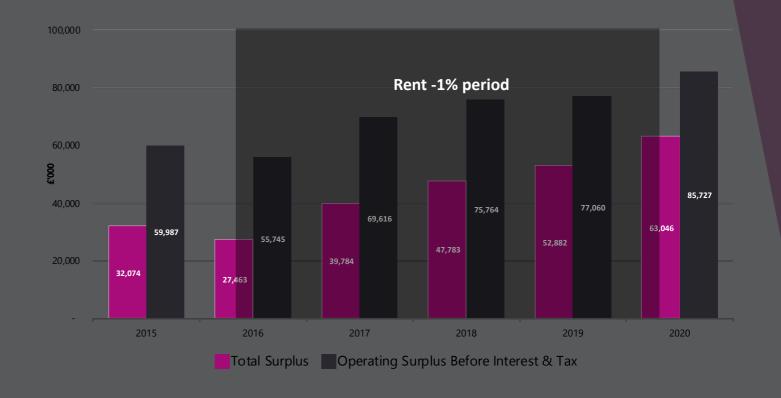
In order to ensure our future financial strength we launched our previous corporate plan Fit for the Future. Our key priorities were to build a lean and efficient operating model, simplifying management and governance structures and to reduce management costs across our portfolio. In total this plan delivered £34M of efficiencies and savings.

What we did:

- Exited Learning disabilities and Mental Health services and a care related Joint Venture
- Reshaped our approach to community investment
- Rationalised our office estate
- Reduced the number of voids (empty properties)
- Delivered an efficiency programme that delivered recurrent savings of £13m per
- Moved to one Operations directorate to align our general needs homes and homes with support

By responding to changes in our external environment, simplifying our structure and making significant cost savings we delivered on this corporate plan one year ahead of schedule - £8M savings 2016/17, £13M p.a savings 2017/18 and 2018/19.

Throughout our last corporate plan and up to the first year of our new plan our operating surplus has continued to trend upwards helping us to maintain our G1/V1 and Moody's A1 stable rating. Following a very strong performance in our first year of our new corporate plan we're ready to push forward and make what matters brilliant.



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### Emerging Themes:

### looking to a greener future

Making What Matters Brilliant has five key areas that we will invest in and work hard on over the next four years. However, we are ambitious and recognise that other important issues may need our attention throughout this period.

Reducing our impact on the environment will also be a key part of our plans going forward. Our team are currently working closely with multinational professional services firm: Arup Group to develop an ambitious green strategy that will deliver a step change in the way our operations affect the environment and greatly reduce our carbon footprint.

As part of this process we will be looking to:

Ensure our £100M of planned asset investment maximises it's green contribution

Make the most of our supply chain, including the development of new homes.

Review our office footprint and move towards smarter ways of working.

Increase our use of renewable energy.

We have started to better understand the carbon footprint of our business so that we can begin to look for ways to reduce our impact on the environment.

**VALUE CHAIN** 

**OWN OPERATIONS** 

**SUPPORTING ACTIVITIES** 

**CUSTOMERS/RESIDENTS** 

**Purchase** of Goods & Services 29%

Upstr. Energy **TOTAL** 

30%

Own Own **Electricity** Gas 5% 4%

Own Fuel 1%

10%

**Employee** Commuting 7.5%

**Pension** 2%

**Bness** Travel 1%

Waste

Energy use in houses 58%

58%





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# Demonstrating our financial strength

As a result of our strategic decision to move away from care provision and to build affordable homes we have increased the share of income from our socially rented homes and have a steadily, improving operating margin, interest cover and debt per unit.

Our future business plans have been developed and validated annually by external treasury advisors and approved by our Audit and Risk Committee and Board.

We have an established risk model that has been prepared using conservative economic assumptions to substantially stress test our future financial plans.

Our credit rating was upgraded from A2 to A1 in November 2018 and Moody's awarded us an A1 stable rating in December 2019.

Moody's published an Issuer In-Depth report focusing on the qualitative aspects of Management and Governance and used Midland Heart as a case study.

We received the highest qualitative scores for Management and Governance among Moody's rated UK housing associations. Moody's note this as a key credit differentiator.

Prudent treasury policy and large security buffer boosts investment and debt management score

Source: Moody's





Clearly defined, long-term strategy and tight internal controls underpin high financial management score

Source: Moody's



#### Governance:

### A simple structure with few subsidiaries

We have a stable Board with a great deal of Board experience at Midland Heart. Our Chair John Edwards, is in his 6th year and has overseen our journey through our Fit for the Future corporate plan.

Our Board has a wealth of experience comprising current and former Chief Executives and senior directors of Local Government, Housing, Health and Private Development companies.

We are incredibly proud of the home-grown talent on our Executive team with experience at Board level. Our Chief Executive was promoted from his Director of Finance role and Baljinder and David join the board from Director level. Joe has 8 years' experience within the sector and comes from professional advisors, PWC.

The majority of our Board and Executive team are the same personnel that oversaw Fit for the Future and will be overseeing Making what matters Brilliant. Together we are ready to deliver.

#### Midland Heart Ltd (Main Operating Business of Group) Charitable Status

Cygnet Property Management Plc Market Rent Subsidiary Midland Heart
Capital PLC
Capital Markets
Vehicle
Non-Charitable

Midland Heart Development Ltd Non-Charitable VAT Group Co Prime Focus
Regeneration PLC
Non-Operating
Subsidiary of
Midland Heart Ltd

Prime Focus Finance
Ltd (Funding Vehicle)
Non-Operating
Subsidiary of
Prime Focus
Regeneration Ltd

### Group Board



#### **Executive Team**



**Glenn Harris MBE**Chief Executive

- Chief Executive since March 2018; previously Finance Director
- Was Deputy Chief Executive at East Midlands Development Agency (EMDA) and NHS Logistics



**David Taylor**Executive Director of Operations

- Joined Midland Heart in 2009 and became a member of the Executive Team in 2015
- Member of the Chartered Institute of Housing, with over 20 years' experience working in the sector



**Baljinder Kang**Executive Director of
Corporate Resources

- Has 25 years of generalist people management experience across the private, NHS, charitable and not for profit sectors
- Led the team to winning the 2017 CIPD award for best reward initiative



Joe Reeves
Executive Director of
Finance and Growth

- Joined Midland Heart in 2013
- Spent 15 years at PwC in public sector audit and advisory and the corporate finance infrastructure and government teams

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