

Environmental, Social & Governance Report

2022 / 2023





Key Performance Highlights

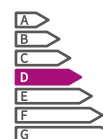


20% carbon emissions reduction

since 2019-20, maintaining progress to net zero within a WB2C pathway



99% purchased electricity is REGO backed



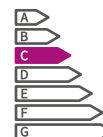
98% of our homes are now EPC D or above

ahead of our 2025 target



c.£2.4 million in grant funding

from the Social Housing Decarbonisation Fund Wave 2.1 with the West Midlands Combined Authority



68% of our homes are now EPC C or above

ahead of our 2030 target



64 schemes have been transitioned to full LED and smart lighting controls



120 intervention schemes completed

through the 4 year programme, £4.5 million invested in placeshaping



Maximised tenant income

by £2.5m, increasing income and reducing debt liability



2 first of their kind pioneering projects

shaping UK net zero in domestic homes and power infrastructure



181 colleagues undertaking

formal development activities



G1 V1 governance and viability and A1 Moody's ratings retained



Tenant satisfaction

around 90%



6,703 newly assessed and registered EPCs

have captured the energy efficiency measures installed in our homes as we work towards EPC C by 2030





Introduction from the Chief Executive

The last year has been challenging for everyone. The continued macro-economic uncertainty and pressure caused by stubbornly high inflation have made everyone think about what, how and when they spend. By being sensible with resources, focusing on existing homes and how we can improve energy efficiency, we are in a good place to withstand the economic challenges without having to cancel, scale back or defer investment.

Through our Housing Delivery Strategy, which commits us to build and acquire 4,000 homes by 2025, we are helping to supply much-needed affordable housing to people within our region. We are already well on our way to achieving this target, with over 2250 homes new homes built since the launch of our corporate plan.

At a time when energy bills are the highest they have ever been, the environmental impact and the energy efficiency of our homes matters as much to our tenants as they do to us. Our Carbon Reduction Plan saw us commit to becoming a carbon neutral landlord by 2050, and through our incremental retrofit programme, we have made great progress in this area, with 68% of our properties now scoring EPC C or above. We're committed to making this 100% of our homes by the end of the decade.

Our dedicated Money Advice Team of FSA accredited advisors have also provided a vital service to our tenants as they try to navigate increases to their bills and living costs. They have supported tenants with £2.5m in income maximisation, increasing income and reducing debt liability, ensuring 99% of our tenants sustain their tenancies.

Over the past 12 months we have championed the issues that matter most to our tenants, launching an online repairs app that gives tenants the ability to book,

cancel or change a repair 24 hours a day seven days a week. We have also completed tailor-made interventions in over 120 of our schemes, creating balanced and sustainable communities where tenants want to live and, more importantly, choose to stay.

We are also immensely proud to have launched the first All-Party Parliamentary Group on Anti-Social Behaviour to help address an issue that greatly affects our tenants and help create positive change within our communities. This year, the group celebrated the launch of their first inquiry report, which makes 29 recommendations for government, housing providers and other groups, to better address anti-social behaviour and improve the lives of victims.

As well as improving our homes and communities, we are committed to building a fair, inclusive and welcoming workplace environment where everyone feels valued and supported to achieve their potential. We actively support the growth and progression of our colleagues, and through our three bespoke development programmes, we are seeing more and more employees move into higher paid roles within our organisation.

As we approach the end of our corporate plan, I am proud to look back on all we have achieved during this time. We will continue to take a landlord-first approach to all that we do and focus our investment and attention on what matters most to our tenants: the quality and safety of their homes and the ease with which they can use our services.

Glenn Harris

Glenn Harris
Chief Executive

Purpose & Values Statement

Founded in 1925, Midland Heart owns and manages c.35,000 homes and provides a range of quality services for c.70,000 tenants across the Midlands.

Our mission is to be:

A leading housing organisation, delivering homes and services across the Midlands that enable people to live independently.

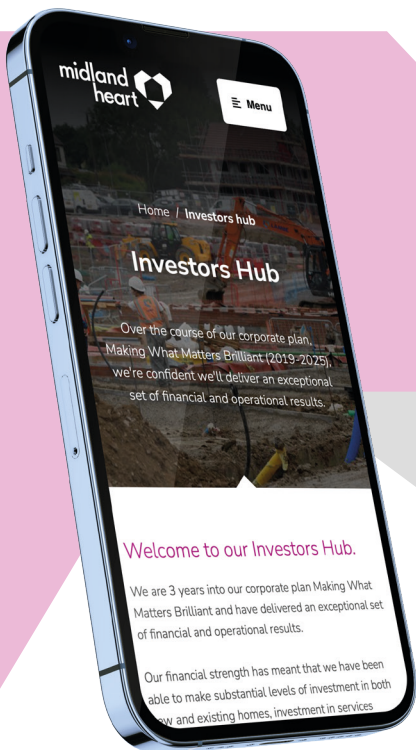
Our Making What Matters Brilliant strategy focuses on:

- Being a top-class landlord
- Building as many social and affordable homes for rent as we can
- Being a great place to work and develop your career

Look out for these throughout the report:

- Reference to another document or another page in the report
- Reference to further reading online

Visit our Investors Hub and our Financial Statements 2022-23 online to see our performance beyond ESG.



ESG Governance

Our 2025 corporate plan, Making What Matters Brilliant (MWMB) puts our tenants, homes and communities at the centre of everything we do. It aligns elements of organisational strategy and puts low carbon as a key priority of our organisation.

To drive low carbon and our commitment to ESG, alongside the Carbon Reduction Plan and net zero 2050 target, we formed the ESG Committee to provide the governance needed to achieve our ESG ambition.

The ESG Committee is chaired by our Executive Director of Finance & Growth and includes two other Executive Directors. Convening on a bimonthly basis, it hosts senior leaders from across workstreams central to our journey to net zero, providing a platform to generate ideas, evaluate performance and define strategy and placing the focus on our progress towards key corporate targets; EPC D by 2025, EPC C by 2030 and net zero 2050.



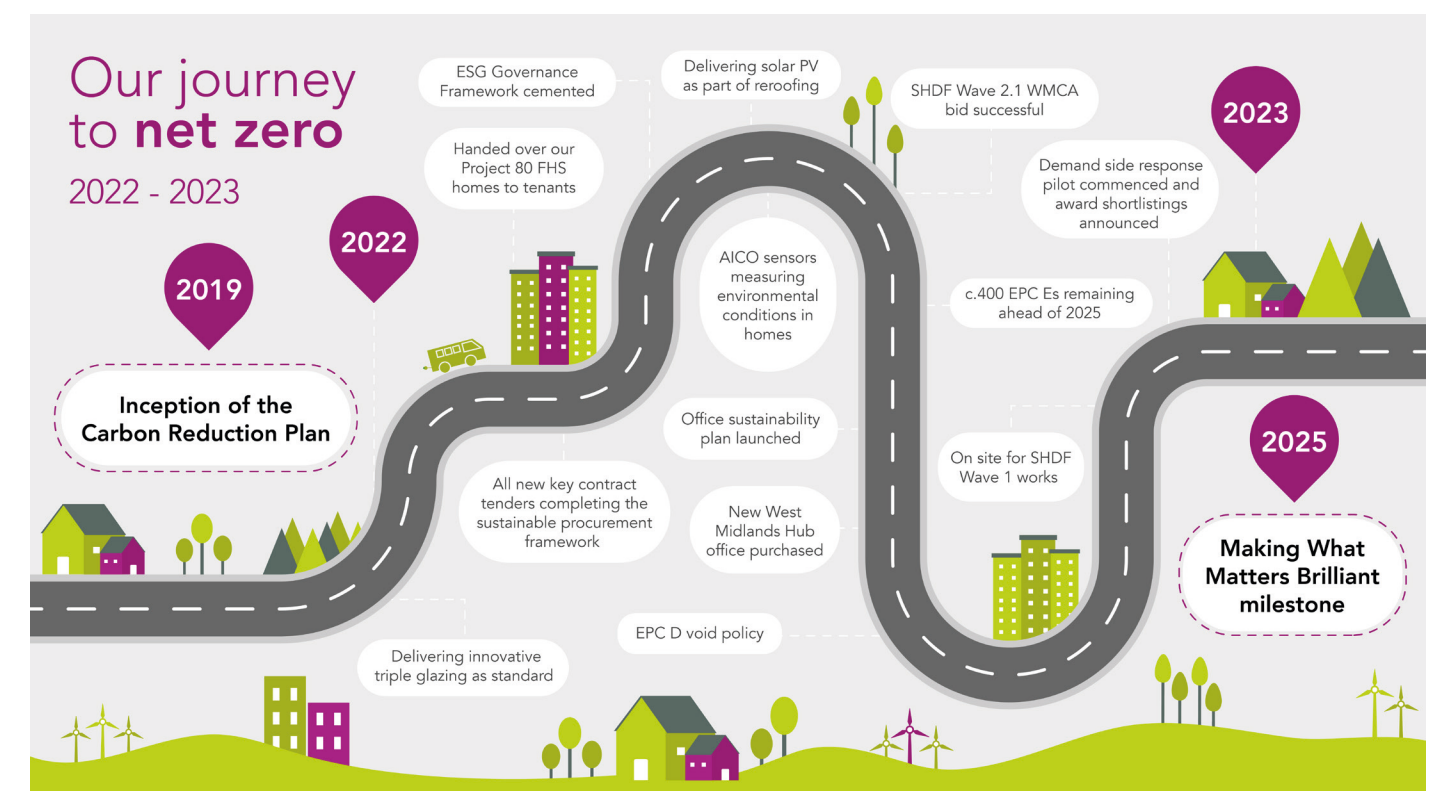
Strategy

Under our corporate plan Making What Matters Brilliant we have made low carbon a key priority. In 2021 we completed an exercise to understand and develop our strategic commitment to tackle the issues of climate change and our environmental impact.

The outcome of the exercise was our strategic Carbon Reduction Plan targeting:

- EPC D or above on all our properties by 2025
- EPC C or above on all our properties by 2030
- Net zero carbon emissions by 2050 in the homes we rent, the homes we build and the way we work

Our Carbon Reduction Plan developed a holistic approach to reduce our carbon emissions and build resilience against climate change in the homes we rent, the homes we build and the way we work.



Partnering for Change

We believe that strategic and operational partnerships can help us drive change to net zero and deliver positive social impact. Through membership of the Vantage Zero Carbon Club and SHIFT we share challenges and opportunities to overcome barriers to decarbonise peer organisations and the sector. We continue to build relationships with our supply chain, generating innovation to shape our development and incremental retrofit programmes and develop pioneering partnerships to construct and learn from the homes of the future ahead of the 2025 Future Homes Standard. Meanwhile our signed memorandum of understanding with British Gas (part of Centrica) increases cross-sector capacity on the journey to net zero.



Embedding the United Nations Sustainable Development Goals (SDG)

We support the drive toward the United Nations’ Sustainable Development Goals (SDGs), and we will be able to make a notable contribution to the overall achievement of the SDGs by increasing the value we create for communities and the environment by embedding them in our strategy.

It will not be possible to achieve our ambitious goals in isolation, and so we seek to engage and collaborate with all our stakeholders including tenants, employees, investors, suppliers, and partners to help us achieve our strategic objectives.

ESG area	SRSSH criteria	SDG theme	SDG target	Carbon Reduction Plan key theme	Embedded in our strategy
Social	T1, T2, T3, T4, T5	11 SUSTAINABLE CITIES AND COMMUNITIES	11.1, 11.3	The homes we rent, the homes we build	Quality affordable homes are central to our vision for the Midlands. Our corporate plan targets us to build or acquire 4,000 new homes by 2025 and this year we added a further 651 new affordable homes. We continued our record for 100% compliance in building safety and have built a new resource dedicated to housing quality. Their focus is on stopping occurrences of poor environmental conditions by prioritising cases and proactively managing solutions.
		10 REDUCED INEQUALITIES	10.1, 10.2	The homes we rent, the homes we build and the way we work	Our focus on Ethnicity and Gender Pay Gap Reports led to the inception of our Women and Black development programmes. Successfully advancing the careers of women and black colleagues into more senior roles and secured additional support. Our expanded number of trade apprenticeships has supported an increase in internal mobility of colleagues.

ESG area	SRSSH criteria	SDG theme	SDG target	Carbon Reduction Plan key theme	Embedded in our strategy
Environmental	T6, T7, T8	13 CLIMATE ACTION	13.2	The homes we rent, the homes we build and the way we work	Low carbon is a key priority of our MWMB corporate plan. It is embedded and driven through our corporate targets to reach net zero by 2050 and achieve EPC D by 2025 and EPC C by 2030 on all our homes. We have significantly reduced our emissions in alignment with Science Based Targets and made progress to our corporate EPC targets.
		15 LIFE ON LAND	15.5, 15.9	The homes we rent, the homes we build and the way we work	By surveying our estates we can identify areas to protect and regenerate regional biodiversity. We are working closely with our grounds maintenance providers to identify and prioritise actions. We continue to maintain the importance of green space in our new build schemes as we transition towards biodiversity net gain. Our focus remains on working with the supply chain to support sustainable sourcing of materials and using modern efficient methods to build homes and deliver our services.
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5, 12.6	The homes we rent, the homes we build and the way we work	Strengthening our compliance base was a key step in the development of a commercial waste strategy. The strategy will track contractors and waste providers to meet our expectations for good practice. As an early adopter of the SRSSH we have committed to the regular disclosure of our ESG performance. Through our contract with SHIFT Environment we have added an additional layer of assurance. We continue to disclose key Social and Governance information regularly and host this on our Investors Hub online.
Governance	T9, T10, T11, T12	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.6	The way we work	We are a registered provider of social housing. This means we comply with a regulatory framework set out by the Regulator of Social Housing and the standards therein. The Board adopted the National Housing Federation’s (NHF) 2020 code of governance to measure our governance practices. We recently reviewed our compliance with the code and have confirmed we comply with all the provisions with suitable measures in place. Governance and accountability are outlined in our Financial Statements and Investor Hub
		10 REDUCED INEQUALITIES	8.5	The way we work	We have been named on the Inclusive Companies UK’s Inclusive Top 50 Employer’s list which recognises our investment in diversity and inclusion. Our four Exec sponsored Inclusion Networks provide an inclusive environment to mobilise change and support activities. Meanwhile, our colleague development schemes tackle our recognition to achieve greater representation of women and black colleagues in senior roles.
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.7	The homes we rent, the homes we build and the way we work	The Sustainable Procurement Framework ensures that key suppliers are subject to questions around environmental sustainability and social value, building on the integration of the SRSSH framework into our operations and supply chain. We utilise procurement frameworks to manage responsible and fair procurement practices and maintain flexibility to new policy and regulatory influences.

Managing Climate Change Risk

Our Risk Management Policy defines our framework for identifying and managing strategic and operational risks. The Board Audit and Risk Committee oversee our strategic risks quarterly and this includes review of our transitional risk around decarbonisation and emerging risks such as increasing severe weather events and key policy change (e.g. Decent Homes two).

Decarbonisation		Strategic risk
SR6 Failing to comprehend and plan for decarbonisation		
Potential impacts:	Opportunities:	Threats:
<ul style="list-style-type: none"> Regulatory sanctions Reduced appeal to investors / low take up in future bond issues Missed grant / funding opportunities Adverse financial pressure (due to grant funding uncertainty) Reputational damage 	<ul style="list-style-type: none"> ESG early adoption Improved EPC compliance Strategic focus / delivery Efficiencies from strategic partnerships such as access to funding 	<ul style="list-style-type: none"> Changing regulation and planning Costs to achieve EPC D/C in time Increasing supplier costs due to demand and resource availability Poor tenant uptake due to affordability constraints or misuse of new technology

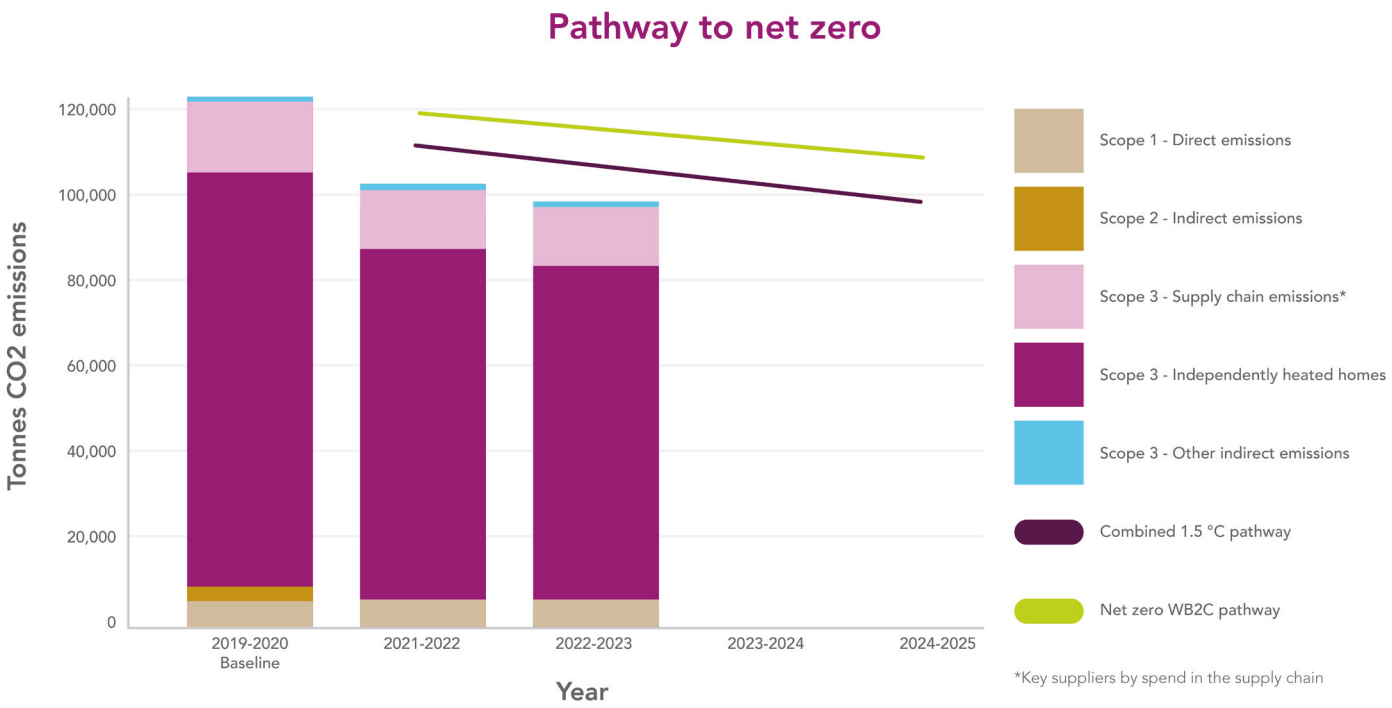
Our actions include:

- Low carbon as a key priority in the Corporate Plan, approved by the Board, including delivery of retrofit initiatives
 - ESG Committee governance and reporting to Board
 - Carbon Reduction Plan and targets
 - c.£80m in the Business Plan for EPC C in all our homes by 2030
 - £4.6m BEIS/DESNZ SHDF grant funding through WMCA consortium bids
- SAVA Intelligent Energy software helps model low carbon initiatives and the relevant cost
 - Strategic collaboration creation (e.g. British Gas)
 - We employ a retrofit team and sustainability professionals with specialist knowledge to achieve energy and cost efficiency
 - Learnings from Project 80, the Future Homes Standard pilot

The Audit and Risk Committee oversee an Internal Audit Plan (IA Plan). The IA Plan 2022-23 included third line assurance over the design and operational effectiveness of controls relating to the energy efficiency of our properties and EPC programme.

Through advanced GIS mapping and working in collaboration with SHIFT Environment we annually assess our physical climate change risks. Severe weather is an emerging strategic risk which is regularly monitored. The risks and controls are set out [here](#) in SRSSH criteria C18.

Our Journey to Net Zero 2050



Overall, we cut carbon emissions from the homes we rent, the homes we build and the way we work (GHG Protocol scopes 1, 2 and 3) by 20% to 98,459 tonnes of CO2 emissions (tCO2e) since the 2019-20 baseline. Aligned to Science Based Targets, this puts us well within our 2°C (WB2C) aligned pathway and even within a 1.5°C scenario aligned pathway.

20% total carbon emissions reduction against our 2019-20 baseline.

Our 2022-23 6,703 EPC registrations and uplifts reduced emissions in the homes we rent and the homes we build by 18% and formed a key part of the overall reduction.

Since 2019-20 we have achieved a 40% reduction in our operational and communal GHG scopes 1 and 2 emissions mainly from the purchasing of Renewable Electricity Guarantees of Origin (REGO) across 99% of our electricity contract estate and a decrease in the consumption of purchased natural gas in our offices and schemes.

Office and scheme consumption of purchased natural gas fell by 7% against the previous year and contributed to improved performance in our Streamlined Energy & Carbon Reporting energy intensity key performance indicators. Visit our 2022-23 Financial Statements for more [here](#).

Our journey to net zero 2050 will be cemented in our next corporate plan.

We have been awarded SHIFT Silver accreditation for our environmental sustainability performance. We have improved our scoring significantly since last year, ranking 13th out of the last 40 assessments.

Focus on EPCs

Through the building of new energy efficient homes, an incremental retrofit programme of existing homes and EPC assessment programme we have uplifted 6,703 EPCs. This has increased the energy efficiency of our homes, making them more affordable to our tenants and putting us on track to achieve our net zero aligned EPC targets up to 2030.

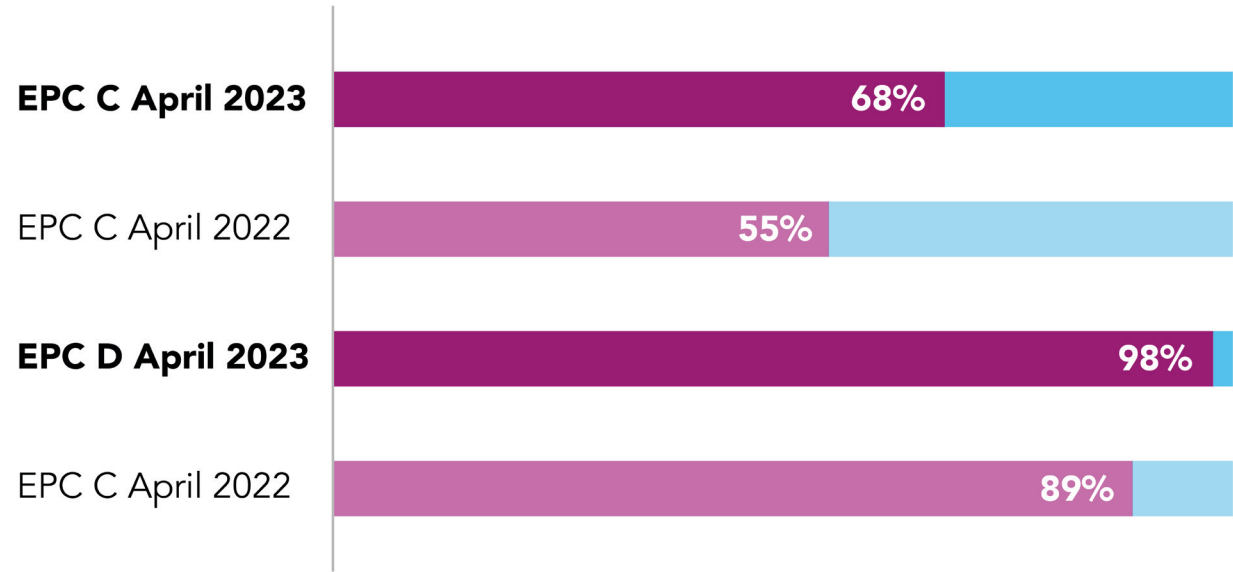
For more information on how we are making the homes we rent more energy efficient, visit our webpage [here](#).



The average EPC SAP of the homes we rent and the homes we build is 71.7¹

98% of our homes are now EPC D or above ahead of our 2025 target and 68% of our homes are now EPC C or above ahead of our 2030 target. We have reduced the embodied carbon emissions associated with our Scope 3 independently heated homes by 17,319 tCO2e since 2019-20.

Target EPC C by 2030



To supplement our incremental retrofit programme, we successfully bid for the latest Social Housing Decarbonisation Fund (SHDF) Wave 2.1 with West Midlands Combined Authority (WMCA) for circa £2.4 million on top of the previously received circa £2.2 million with WMCA for SHDF Wave 1. The total grant funding will be complemented by over £4.6 million in match funding from Midland Heart.

¹ Calculated using our Statistical Data Return (SDR) methodology to align effectively with sector benchmarking.



The Homes We Rent



David Taylor
Executive Director of
Operations,
Midland Heart

The community and neighbourhood that surrounds our home, is vitally important. It affects how safe we feel, our willingness to invest in our home and the how much we contribute to the local economy. We want to make sure our homes are quality, safe and sustainable places to live and over the course of our corporate plan we have significantly invested in our homes for rent, committing to a 4-year intervention programme in 150 of our schemes which our tenants call home. As we approach the end of this period, we are delighted that through these improvement works, listening to our tenants and working with local partners, we have seen a dramatic reduction in anti-social behaviour complaints, safeguarding concerns, and tenancy turnover.

Following our commitment to becoming a net zero landlord by 2050, we have made significant improvements to reduce the running cost of our homes and improve their energy efficiency. Our incremental approach to retrofit, combines adapting conventional approaches with innovative measures such as integrated in-roof solar PV, triple glazing and using environmental sensors to monitor air quality and identify problems that can arise from poor environmental conditions.

We have also recently launched an online repairs app, that allows our tenants to book and manage their appointments at a time that suits them; giving them greater control over their repairs and allowing us to better support our tenants with the issues that matter most to them.

“ We have made significant improvements to reduce the running cost of our homes and improve their energy efficiency. ”

Making Retrofit Fit for the Future: Looking Beyond Deep Retrofit



Deep retrofit can sometimes be limiting to the number of properties that we can include in long term retrofit programmes. With one third of our homes as pre-war terrace properties we have engineered our approach to meet the challenges associated with retrofit.

By taking an incremental approach and looking beyond 2030 to what we understand 2050 looks like, we can impact more homes and know that each measure is helping make them 'net zero ready'.

Our approach achieves this by:

- Defining what 2050 looks like through working with our environmental consultant, SHIFT, and across our strategic planning and delivery functions.
- Navigating the complex budgetary requirement for funding by combining our 'green' and 'repairs' budgets and utilising existing and pipeline grant funding availability to supplement the incremental programme.
- Building a strong internal resource to increase our strategic and operational knowledge and capacity to plan and deliver a programme of retrofit.
- Working with suppliers to find innovative solutions to complex and challenging issues to enable our incremental approach.

This new and unique focus on looking beyond deep retrofit and making retrofit fit for the future has already supported us in establishing innovative solutions to retrofit.

Our triple glazing innovation



Alongside Lutley Windows and REHAU we have collaboratively developed a 0.8 uValue triple glazing solution with 72mm frames and ‘drainage caps’ which will sit comfortably over any future or existing external wall insulation (EWI) or internal wall insulation (IWI). The frames and drainage caps will allow water to drain away safely without breaching any EWI. Typical double glazing windows have less than half the efficiency.

This industry and domestic housing first means our properties are receiving energy efficient triple glazing part of business as usual that pre-empts any EWI works required to get each home to net zero.

Following an installation of five windows, our first property with an EPC SAP of E 53 achieved a SAP score of 70 or EPC C seven years ahead of our 2030 deadline. Saving an approximate 1.5 tonnes CO2e each year.

Reroofing with solar PV



Each year over 100 of our homes need to be ‘re-roofed’ to ensure our homes are kept warm and dry. Re-roofing works can require extensive scaffolding and the nature of the works mean that the roof can be left exposed.

We are combining retrofit measures to take advantage of our existing programme.

- We are oversailing our roofs to allow enough overhang for EWI to be safely and securely installed on the surrounding external walls, preventing the cost and time for future oversailing works impacting the installation of EWI.

- We are topping up loft insulation to 400mm, where possible, to pre-empt future standards and maximise energy efficiency and SAP scoring for our tenants.
 - We are embedding solar PV in the new roofs, utilising scaffolding and the project timeframe to fit panels in the roof and start to provide carbon emissions free energy to the resident.
- At our recently completed Wolverhampton homes, through solar PV alone, the majority of our homes moved from EPC D to EPC B following the works; ahead of our 2030 target.

Celebrating placeshaping through our intervention programme



We are coming to an end of our 4 year intervention programme, giving us an opportunity to look back at the programme and its successes in making our spaces safe, sustainable and appealing places to live.

The programme initially set out to improve 150 schemes for our tenants. Going into the final year of the programme we have completed interventions at over 120 schemes. Invested over £4.5million on intervention and efficiency measures and dedicated additional non-financial resources to the neighbourhood, such as increased patrols from our Ranger operatives. We have also:

- Supported community cohesion through a Local Letting Plan (LLP).
- Made our spaces better for the environment and safer for our tenants to use by clearing away litter and bulky waste.
- Fitted LEDs to increase lighting levels efficiently to make our homes and external spaces more efficient and safe.

- Invested in improvements to the appearance of our properties, keeping our buildings modern and appealing whilst maintaining the heritage of local areas.
 - Worked with the Police and our Ranger teams to increase neighbourhood presence and accessibility to report crimes or concerns.
 - Installed temporary or permanent CCTV systems and new door entry systems.
- Ultimately, we have shaped our places to positively enhance our neighbourhoods.
- 74% of tenants see themselves living in their homes for the next 2-3 years.
 - 84% of tenants are satisfied with the safety and security of the building they live in. An increase of 34% compared to the baseline survey.
 - 86% of tenants would recommend living at the scheme to others. An increase of 31% compared to the baseline survey.

Supporting tenants through the cost of living

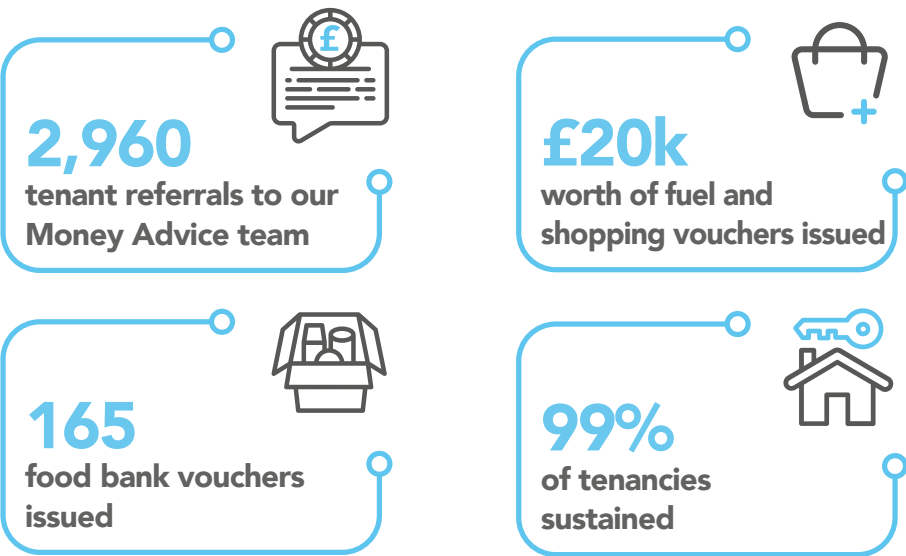
We are committed to delivering social value to our tenants through the provision of high quality housing and support services. We work with partner organisations who can support us by donating their knowledge, time, energy and resources across a variety of activities to put something back into their communities. Our Money Advice Team assist our tenants in accessing this support, alongside advice in dealing with debt and maximising benefits. This year, we:

- Maximised tenant income by £2.5m, increasing income and reducing debt liability. We obtained Universal Credit awards of £424k and £34k in Discretionary Housing Payment for tenants struggling to meet their rent shortfall due to financial hardship and effects of welfare reform.
- Helped eligible tenants obtain an additional £764k in housing benefit and £85k in attendance allowance for those over 65 to help with mobility and care needs.
- £76k was secured from charities, trust funds and tenant hardship funds to help reduce debt and purchase essential goods and services, such as cookers, bedding and fridges.

As the cost of living continues to bite, we have accessed additional support for our tenants that are struggling to cope with the food and energy price inflation:

- Gaining access to Trussell food bank portal so that we can quickly issue food vouchers electronically.
- Working with the Building Safety team to clear gas meter debt to enable gas safety checks and to continue to have a supply.
- Giving tenants advice on how they can most efficiently use energy and reduce their bills through the Money Advice team and on our website.
- Distributing 'winter warm' packs donated by a contractor for vulnerable tenants that were worried about turning on their heating.

Our ratio of general needs rent to market rent is **59.99%**, providing sub-market rents that tenants are more likely to afford.



Using smart storage heaters to make a smarter and greener electricity grid

In 2021 we signed a memorandum of understanding (MOU) with British Gas giving us greater buying power in meeting our resourcing and skills challenge at scale, specialist knowledge in understanding modern technologies as well as help with navigating a complex grant funding regime. For British Gas it is an opportunity to test the use of lower carbon solutions as part of its ambition to help tenants and the UK energy infrastructure be net zero carbon by 2050.

In coordination with Centrica, the parent company of British Gas, and Glen Dimplex we have rolled out over 500 smart storage heaters, equivalent to 1 Mega Watt of power, across affordable housing, supported living and retirement living schemes in the West Midlands. This is the first large domestic trial to test how smart storage heaters can be used to help balance demand on the National Grid.

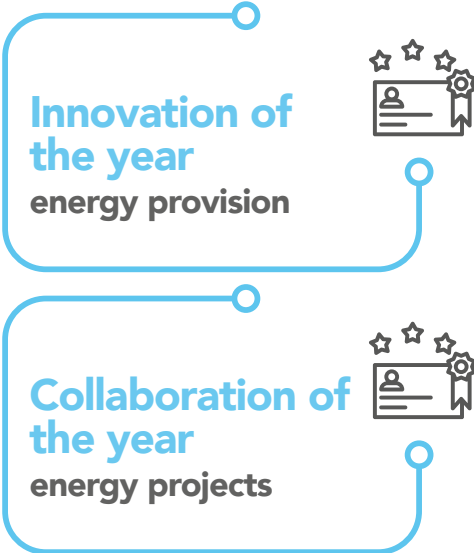
The pioneering trial will run for between 1-3 years and use a more sustainable approach to energy usage, called Demand Side Response (DSR).

DSR capability will respond to changes in the National Grid, charging and releasing heat at off-peak times, helping to stabilise this electricity supply, keeping people warm and preventing blackouts locally.

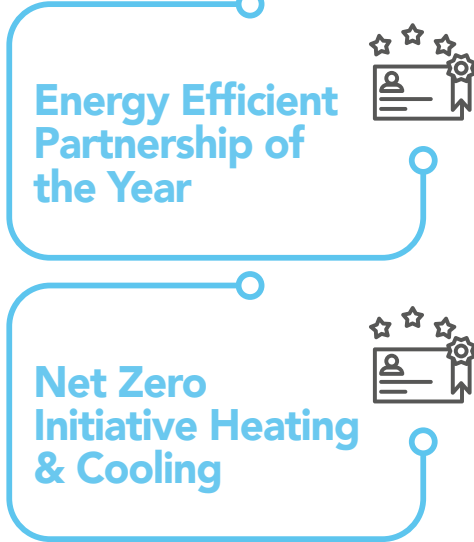
We are providing low carbon, maintenance free and easy to use heating systems that ensure our tenants' comfort whilst reducing their bills and combatting fuel poverty.

The pilot will also lead to the development of a new variable electricity tariff to make energy greener and more affordable.

Shortlisted for two 2023 Unlock Net Zero Awards:



Shortlisted for two Energy Awards 2023:



The homes we build



Joe Reeves
Executive Director of Finance & Growth, Midland Heart

The supply of new affordable homes continues to be high on the political agenda. We are committed to making our contribution to the national housing shortage by developing homes that are energy efficient, are affordable to rent or to enable a foot on the housing ladder through shared ownership.

We continue to work with our developer partners to deliver energy efficient, affordable homes. We are well on course to deliver our ambition of building or acquiring 4,000 homes by 2025 and have recently completed the handover of our 2,000th new build home since the launch of our MWMB corporate plan, despite the significant challenges faced by the sector in recent years.

Since its successful launch last year, the award-winning Project 80 has demonstrated that it is possible to build homes to the Government’s Future Homes Standard 2025 regulations that are traditionally built and can contribute to substantial carbon reduction. In collaboration with Birmingham City University, we have worked hard to gain a better understanding of the impact of living in our new, more thermally efficient homes to ensure that as we build more homes to this standard we can measure tenants transition to a very different way of running a home and offer them support at key times, such as the beginning of summer and winter when temperatures change.

“ We continue to work with our developer partners to deliver energy efficient, affordable homes. ”

Defining social value impact in new build schemes



Our new homes are an investment in the region's communities. This year we built 425 new social housing units out of a total 651, investing c.£66.5m into affordable rent. Capitalising on our strategic partnership with Homes England that will provide £110m in grant funding until March 2026 through the Affordable Homes Programme. This is proven to deliver affordable quality homes to the Midlands in schemes that have been proven to boost the local economy, generate employment and rebuild community as well as providing shelter to families in need of a home.

We worked with our development partner Countryside Partnerships (part of Vistry Group) and separately with the Project 80 partnership, Tricas acting as main contractor, to understand the positive social impact of our new homes.

Across three development schemes with a total of 150 new Midland Heart homes we calculated that we have:

- Spent over £700,000 with local enterprises and a further £12.6 million with small and medium sized enterprises averaging 85% of total spend.
- Supported over 25 apprenticeships.
- Recorded c. 3,500 local working days

We will continue to work with our development partners to maximise positive social impact in our new build schemes. Our Project 80 partnership will release the results of social impact calculations in reporting that follows the launch of our Project 80 BCU Interim Report. This will contribute learning to the sector on how construction methods from FHS schemes will impact our communities.

Launching the pioneering Project 80 report



Our Project 80 Future Homes Standard (FHS) pilot moved into its next phase after the homes were handed over to their new residents. We worked closely with the tenants and Birmingham City University (BCU) to, in a first for the sector, understand how our Eco Drive homes perform in real life conditions.

Through Emporia monitoring systems, utility metering and tenant interviews we have evaluated almost 1 year of living in the FHS homes.

- 12 homes, 3 different space and water heating solutions successfully delivered.
- Adapted conventional house types and masonry construction.

- Designed to 80-90% reduction in carbon from 2013 regulations generated by EPC SAP.
- 70% operational carbon emissions reduction with a combined Air Source Heat Pump (ASHP) and solar PV over combination gas boilers in 2025 design.
- ASHPs delivered over 20°C indoor thermal comfort even when it was -7°C outside.
- Building costs for the scheme were approximately 15% more expensive overall.
- Recorded a reduction in tenants energy bills.
- Tenants delighted with the comfort achieved.

The homes performed to their design specification, keeping residents warm and energy costs down despite a rise in energy market costs generally.

The energy & environmental conditions monitoring systems and essential tenant feedback helped us understand which technologies and systems were most efficient and user-friendly for our tenants.

“

Mike Leonard, Visiting Professor of Manufacturing and Construction at BCU, said:

“Project 80 has demonstrated that it is relatively easy to create homes that can meet the 2025 regulation. They can be traditionally built using materials manufactured in the UK, traditionally styled, and provide comfort and resilience to meet changing climatic conditions.”

“The challenge is to provide occupants with more information about their new home and its equipment, as well as information about their own lifestyle, to bring about low carbon living.”

“We wanted to put the customer at the heart of the journey. We were confident we could deliver homes that met the 2025 regulation, but it was vital to understand the behaviours of the people living in them.”

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- To truly understand the impact of the homes of the future, we looked beyond operational carbon emissions to the embodied carbon associated with the cradle to grave lifecycle of a sample Project 80 home, Plot 12. RIBA and LETI industry calculations have projected that a modern semi-detached house with a heat pump has an associated <625 kg CO2 e/ m2 GIA. This is calculated using a Life Cycle Assessment (LCA) cradle to grave methodology considering materials and processes used in their construction, operational use, demolition and disposal. The Project 80 homes are estimated to have an associated 462 kg CO2 e/m2 GIA from their lifecycle, performing significantly better than what has been previously calculated by industry bodies.
- The Project 80 BCU Interim Report, launched in 2023, will support the sector in building the homes of the future and supporting tenants.
- Winner of the Social Housing Award**

Insider Midlands Residential Property Awards 2022
- Winner of the Energy Project of the Year**

Energy Awards 2022
- Winner of the Sustainability Award**

CABE Built Environment Awards 2022
- Winner of the Best Use of an Emerging Technology in Housebuilding**

Housing Digital Innovation Awards 2023
- Winner of the Constructing Excellence**

West Midlands Sustainability Award 2023

The way we work



Baljinder Kang
Executive Director of
Corporate Resources,
Midland Heart

The world of work continues to change rapidly, and our expectations of a workplace have never been so high. The past few years have seen us make many positive changes to ensure that we not only keep pace with the changes around us but that we stay ahead of them. By building resilience in our organisation through the digitalisation of our systems and processes, repositioning our office presence so that colleagues can spend less time travelling and more time supporting tenants and the development of our most talented people, we are better placed to meet the challenges we face and deliver the level of service that our tenants expect and deserve.

Following an increase in cybercrime across the sector, our Cyber Security team have made key improvements to our IT infrastructure to strengthen our security posture and the safety of our data. We have also recruited a team of Cyber Security Champions who are working closely with colleagues to better identify cyber security threats, share best practice and ensure we are doing all we can and to protect our business, operations, and overall continuity.

We continue to invest in our colleagues to develop an internal pipeline of talent that enables us to grow our future leaders and managers. Our colleague development programmes ensure that our high performing women and black colleagues have tailored support designed to get them ready for more senior roles, with many colleagues achieving promotions into higher paid positions within a year of the programme.

In recognition of our efforts, we are proud to have been included in the Top 50 inclusive employers list, demonstrating our ongoing commitment to equality, diversity and inclusion.

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Developing our people

We understand that as a large regional employer and landlord to c.70,000 people in some of the most diverse areas of the UK our role as a leader is important.

As a direct result of our black colleague development programme, colleagues have moved into higher paid roles and all continue to receive additional support packages such as qualifications and work experience. In addition, we have successfully recruited an increasing number of black maintenance apprentices, allowing us to develop our future leaders internally in a volatile labour market.

We have continued to work closely with Balance, our Women’s Network, to understand key issues affecting women at work. Network membership and attendance at female inclusion events continues to grow, which has enabled us to respond with initiatives, such as career development workshops.

We continue to utilise 100% of our Apprenticeship Levy contributions for both early careers and upskilling existing colleagues. Our current development activities and known future plans project full utilisation of funds until June 2026.

We have 17 early career apprentices with a further 7 degree apprentices joining us in September 23. Our apprenticeships range from Level 2 to Level 6 in subjects such as Surveying, Administration, Electrical and Digital Technology.



Our people development highlights include:

Disability Confident Leadership status – We are proud to have been externally recognised as leaders in actively removing barriers preventing disabled people from accessing employment and providing opportunities to fulfil their potential.

Inclusive Top 50 employer - Named on the Inclusive Top 50 UK Employers List which recognises our investment in diversity and inclusion.

Our four Inclusion Networks – Harmony, Balance, Liberty and Unity have hosted events, led awareness campaigns, developed resources, and much more.

Inclusion learning – All c.1,200 colleagues have attended courses within our inclusion learning programme.

Our internal mobility is at 25.7% as we continue to encourage trainee/developmental roles to grow our own in some cases utilising our apprenticeship levy to fill knowledge and skill gaps.

Named independently by Best Companies as a great place to work in Housing (4th, up from 8th) Regional (16th in both West and East Midlands, up from 24th) and Large (26th, up from 50th) categories.

Highest response to our colleague engagement survey at 77%, with 81% of colleagues recommending Midland Heart as a place to work.

181 colleagues undertaking formal development activities.

Reducing the environmental impact of our offices

Our Carbon Reduction Plan and governance framework has driven the development of action plans to reduce our environmental impact and positively enhance the sustainability of our organisation.

The Facilities & Offices Environment & Sustainability Plan ambitiously targets energy and water efficiency, waste management, the electrification of our Facilities and Technology fleets and greener product spend for stationery and cleaning.

We have targeted a 20% reduction in absolute energy consumption in our three key offices by 2030, contributing to a reduction in our Scope 1 & 2 carbon emissions.

We have already achieved an EPC C at our Booth Street office and expect to achieve a EPC C at our recently purchased West Midlands Hub following an extensive refurbishment, including fabric insulation works.

At our East Midlands Hub, we refurbished a solid wall building and installed Air Source Heat Pumps for space heating to to achieve EPC B and net zero emissions through our REGO tariff.

We reduced our operational energy use and we have committed to installing solar PV at our Bath Row head office with a capacity up to 30 kWp by the end of 2023-24.

Through a focus on behaviours, systems and controls and innovation we will positively enhance all aspects of our office sustainability.



The Sustainable Reporting Standard for Social Housing

Not only are we committed to meeting our environmental, social and governance (ESG) responsibilities, we know the importance of, and support the UK housing sector having a consistent way of reporting our performance and priorities.

The SRSSH provides a voluntary framework for housing providers to report on their ESG performance transparently and consistently.

This year is our third ESG Report aligned to the SRSSH framework and our embedded SDGs since we started as an early adopter in 2020.

Key environmental data within this section has been calculated or validated by our environmental consultant, SHIFT, to provide an additional level of assurance where appropriate.

T1 – Affordability and Security

C1 – Rent affordability

64.0% Rent compared to Median Private Rental Sector (PRS) rent

77.2% Rent compared to Local Housing Allowance (LHA)

C2 – Share of existing homes by rent type

Rent type	Number of units	% of units
General Needs	20,824	59.6%
Intermediate Rent	267	0.8%
Affordable Rent	3,728	10.7%
Supported Housing	1,035	3.0%
Housing for Older People	2,745	7.9%
Low-cost Home Ownership	2,317	6.6%
Care Home	38	0.1%
Private Rented Sector	0	0.0%
Other	3,957	11.3%
Total homes	34,911	100%

C3 – Share of new homes by rent type

Rent type	Number of units	% of units
General Needs	95	14.6%
Intermediate Rent	0	0.0%
Affordable Rent	402	61.8%
Supported Housing	0	0.0%
Housing for Older People	0	0.0%
Low-cost Home Ownership	154	23.7%
Care Home	0	0.0%
Private Rented Sector	0	0.0%
Other	0	0.0%
Total homes	651	100%

C4 – Reducing fuel poverty

Our corporate target to reach EPC C by 2030 means that we will have secured homes that are widely accepted as having a reduced risk of fuel poverty. Through our enhanced EPC assessment and incremental retrofit programmes we have accelerated towards the 2030 target. This year, in the homes we rent we reached 68% EPC C including across many of our more challenging post war archetypes.

Through the customer scrutiny team we have increased our recorded levels of active engagement with tenants to support energy efficiency and cut energy costs. Through the SHIFT methodology, we have recorded that around 41% of the homes we rent have received an interaction that supports energy efficiency. Central to this was engagement to support investment in energy efficiency measures from EPC assessments to our innovative triple glazing, solar PV reroofing and SHDF Wave 1 programmes. The team also lead the development of our new tenant [website pages online](#) that provide valuable advice to cut utility bills and use energy efficiently.

To help tenants with the additional bite of the cost of living our Money Advice team assess the opportunity to support tenants, alongside advice in dealing with debt and maximising benefits. This year the team processed 2,960 tenant referrals and maximised customer income by £2.5m, increasing income and reducing debt liability. This lead to 99% of tenancies being sustained. The Money Advice team also distributed winter warm packs donated by a contractor for vulnerable customers that were worried about turning on their heating.

C5 – Security of tenures

5.1% of our current tenancies are fixed term. These customers will be offered lifetime tenancies when they come to renew.



T2 – Building safety and quality

C6 – Gas safety compliance

100% of our homes with gas appliances have an in-date, accredited gas safety check.

C7 – Fire safety compliance

100% of our homes have an in-date and compliant Fire Risk Assessment.

C8 – Meeting the Decent Homes Standard

99.8% of our homes meet the Decent Homes Standard for quality.



Introducing our HomeChecker tool

HomeChecker has been created to provide assurance that our properties are safe, secure, and well-maintained.

The online form is completed by every colleague that visits a property, grading the condition as 1 (no concerns) to 4 (immediate concerns). The form prompts feedback on the exterior and interior of the property as well as the cleanliness, any safeguarding concerns, and the condition of fire doors, where required. This helps us spot concerns before they are flagged to us, enabling us to better support our tenants. Since its launch, our colleagues have completed over 56,000 HomeChecker forms.

In a recent example, a property was graded as a 4 on a routine property inspection. Our maintenance colleague raised concerns around the cleanliness, hygiene, and general upkeep of the home. The grade 4 triggered an emergency meeting between senior managers from Maintenance, Tenancy Services and Estates within 24 hours. A support plan was in place for the tenant, including a dedicated case officer, a referral to the Money Advice team, along with the planned repairs to the property.

T3 – Promoting tenant voice

C9 – Being accountable for our services

Listening to our tenants and acting on their feedback is at the heart of our Making What Matters Brilliant Corporate Plan and the centre of everything we do.

We continue to offer opportunities, through our My Voice framework, for tenants to hold us to account and challenge our performance. We do this in line with the expectations outlined in the Tenant Involvement and Empowerment standard, set by the Regulator of Social Housing. Some examples of the type of activities we offer include Resident Scrutiny Panels, Estate Inspections, Resident Audits and complaint moderator reviews.

This year we held over 100 different tenant meetings and captured almost 5,600 tenant views as part of our local community engagement and feedback channels. These activities, alongside the use of over c.17,000 transactional and perception surveys completed with residents have had a direct impact on our service and helped make sure we are accountable to our tenants.

C10 – Tenant satisfaction

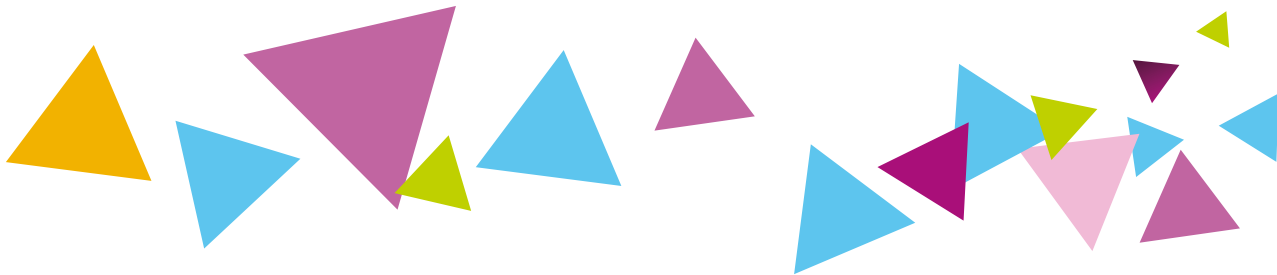
Our commissioned specialist supplier conducted interviews with tenants using the telephone and other methods to get feedback covering a range of core services. Combined, we completed c.17,000 surveys this year. The responses received contribute to our overall tenant satisfaction KPI and how we improve the performance of our services and our contractors.

	2020-21	2021-22	2022-23
Overall satisfaction	89.3%	89.3%	89.1%

C11 – Learning from complaints

We have had one complaint upheld by the Independent Housing Ombudsman over the last 12 months. In this instance the Ombudsman found that there was service failure in respect of our complaints handling. As a direct result of this we have introduced more stringent checks into recording and monitoring formal and review stage responses. In recognition of the sector wide increase in complaint numbers we have also increased the resource we have to support tenants who raise concerns to us.

We also regularly review the root causes of the complaints we receive and have identified that improving the timeliness of our responses, the quality of the repairs we deliver and ensuring we communicate effectively with our tenants is key to reducing the number of complaints we receive. We have worked hard over the last year to deliver training, lessons learned, and service improvement plans for our front-line teams and will continue to focus on these areas over the coming year.



T4 – Tenant support

C12 – Our tenant support services

We offer a range of support services, with tailored support given to tenants across our different tenure types. For example, our Retirement Living Schemes offer warden call support, in house catering and a dedicated lifestyle service.

We recognise that as a landlord, our responsibilities go further than just providing our tenants with a safe and secure home. We understand that sometimes, tenants may need a little extra support, and we have the dedicated teams on hand to provide it.

- We have a free, impartial Money Advice Service that can support tenants to maximise their income, claim additional benefits and get support with debt, budgeting and access our Hardship Fund. In 2022-23 99% of tenants who engaged with this service sustained their tenancy.
- Domestic abuse is one of the biggest issues in society today. We have joined CIH's Make a Stand for housing organisations and have pledged to support our tenants and members of staff who experience domestic abuse.
- Reducing energy costs is a topic close to our tenants’ hearts and we have trained officers who can give energy advice to our tenants, as well as making sure we have dedicated pages on our website.

Repairs Online

As part of our digital programme, we have rolled out our online repairs app to colleagues across the business to ensure we respond quickly when our tenants raise an issue with us.

Connect360 is our online colleague app which enables front line colleagues to easily view holistic tenancy and repairs information so they can help our tenants with a wide range of issues. This new addition to the app allows colleagues to proactively report repairs whilst on site. The next step in the digital programme, giving tenants the ability to raise repairs, was launched in April 2023. Following a successful pilot in Wolverhampton, this has now been rolled out across our geography.

T5 – Placemaking

C13 – Making places brilliant

We continued our intervention programme by improving overall property conditions as well as working with the Police and local authorities to tackle anti-social behaviour.

- This year we have completed 34 general needs schemes bringing the total to 120 out of the 150 schemes identified at the start of the corporate plan.
- Invested £1.0m in 2022-23 amounting to a total investment of £4.5m since the start of the 4 year programme.
- Collaborated with local councillors and community organisations to improve tenant experiences and increase community cohesion.

Intervention scheme – Charnwood House

Charnwood House had a history of anti-social behaviour, with locals targeting tenants and entering the scheme causing nuisance and distress. Allocating these flats was challenging and tenancy turnover was high.

We carried out perception surveys to understand what our tenants were experiencing, identifying that non-residents were frequently accessing the scheme. We liaised with the police, local councillors, and the Community Safety Team at Lichfield Council to understand how we could focus our efforts to improve our tenants’ experiences. The police carried out extra patrols to increase the presence in the neighbourhood, and we installed CCTV to help identify perpetrators and follow up on reported issues.

We upgraded the door entry system and internal and external lighting to improve security and discourage unauthorised access.

We also installed a new sprinkler system and refreshed the communal areas to make the scheme more appealing to tenants. After consulting with tenants, we also created a secured garden area for them to use. Since completing the interventions, we have seen a dramatic reduction in anti-social behaviour complaints, safeguarding concerns and tenancy turnover. Local businesses have also benefited as reported incidents of shop lifting have become non-existent and substantially fewer people loitering around shops.



T6 – Climate change

C14 – Energy efficiency of our existing homes (2022-23)

6,703 newly assessed and registered EPCs have captured the energy efficiency measures installed in the homes we rent as we work towards EPC C by 2030.

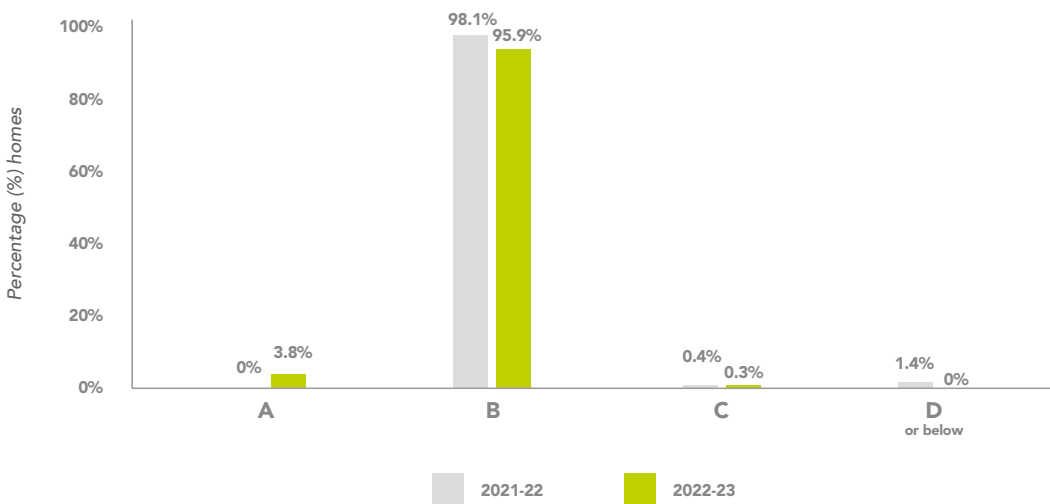


Figures taken as a snapshot at end of the 2022-23 financial year.

²No EPC F or G homes recorded in 2022-23.

C15 – Energy efficiency of our new homes (2022-23)

We have significantly increased the number of EPC As entering our portfolio including our Project 80 homes of the future which were handed over to tenants.



³ Accumulative total taken at the end of the 2022-23 financial year.

Our Streamlined Energy & Carbon Reporting (SECR) disclosure is available within our Financial Statements

[Click here](#)



C16 – Greenhouse Gas (GHG) emissions reporting in tonnes CO2 emissions

We have reduced our total Scope 1, 2 & 3 emissions by 20% against the 2019-20 baseline year. This keeps us within our WB2C pathway to net zero by 2050.

GHG Protocol Scope	2019-20 baseline	2021-22	2022-23	% change since baseline
Scope 1	7,529 ⁴	6,488 ⁴	6,220	-17%
Scope 2	2,825 ⁵	31	39	-99%
Scope 3	112,912	96,343	92,200	-18%
Total	123,266	102,862	98,459	-20%

⁴ Figure updated with newly captured fugitive emissions

⁵ Figure updated with new categorisation of office spaces

Activities by Greenhouse Gas (GHG) Protocol Scope

Scope 1 activities

Commercial vehicle fleet fuel consumption
Fugitive emissions
Purchased natural gas consumption in schemes and office spaces

Scope 2 activities

Purchased electricity use in schemes and office spaces

Scope 3 activities

Business travel
Commercial waste disposal
Employee commuting
Employee work from home
Independently heated homes
Key suppliers by spend in the supply chain
Transmission and distribution losses
Water use and water treatment

C17 – Energy efficiency action

Through enhanced governance of sustainability and net zero we have built key action plans and workstreams to achieve efficiencies and energy reduction in the homes we rent, the homes we build and the way we work.

Our Energy Plan has set out a programme that targets energy efficiency in our property portfolio. Under the plan we have rolled out **32 of our 2024 target of 550 smart or automated meters (AMRs)** and established our Energy, Carbon & Water Management Group to support continual improvement across workstreams.

Within the wider portfolio of homes and our operations, we have installed:

1,302 new energy efficient boilers

116 electric heating systems including storage and panel heaters

86 solar PV arrays on our homes, including in-roof solar PV through our re-roofing programme

64 received **LED lightbulb upgrades**

543 properties have received **new double-glazed windows**

25 properties have received **innovative wall-insulation-ready triple-glazed windows**

146 insulation top ups have been completed

6,703 newly assessed and registered EPCs have captured the energy efficiency measures installed in our homes as we work towards EPC C by 2030

C18 – Physical climate change risks

The summer of 2022 saw the UK exposed to extreme heat, record high temperatures and severe rainfall events. The Midlands region was no exception. A recent report on climate-fuelled pluvial flash flooding⁶ indicated the impact frequent and severe rainfall could have on vulnerable communities. Birmingham and Sandwell had some of the highest numbers of socially deprived homes at a medium to high flood risk. Through evaluating the risks and taking action we aim to ensure that our homes and operations have built-in resilience to these increasing events to continue to deliver our core services to tenants.

Our 2022-23 assessment of physical climate change risk found that:

13% of our homes are at medium to high risk of overheating.

4% of our homes are at medium to high risk of fluvial flooding.

8% of our homes are at medium to high risk of pluvial flooding.

The assessment uses combined GIS modelling with Environment Agency Flood Risk Maps and the SHIFT methodology for integrating physical climate risk factors.

We will incorporate any significant impacts into our risk management decisions and mitigations in 2023-24.

We continue to monitor the potential impacts from physical climate change risks in our homes and our operations. As part of our operational risk management arrangements, our Safe and Strong Committee monitor these risks alongside transitional risks in embedding low carbon interventions. We are taking actions to make our homes and operations more resilient to the threats from severe weather events, including:

- Installing knowledge and resource to plan and deliver the roll out of ventilation systems to our homes.
- Systems and processes in place to identify, control and report on building safety risk and performance.
- Listening to tenant experiences including questions in our Tenant Satisfaction Measures on thermal comfort.
- New build developments are required to complete overheating assessments and include technologies that meet the required standards.

Should the worst occur, our Emergency Response Framework (ERP) ensures that we can continue to provide critical services, generating a Strategic Response Plan to keep people safe and protect our assets. Quarterly assurance checks on ERPs make sure they are kept up to date should a critical event arise, such as severe weather and flooding.



C19 – Engaging tenants on sustainability and air quality

We are acutely aware of tenant refusals as one of the main barriers to our incremental retrofit programme. By working closely and collaboratively across our retrofit delivery and customer scrutiny teams we have increased our active engagement around energy efficiency with tenants across our key transactions. For example, our new handover pack provides insights to new tenants on how to be more energy efficient, save money and reduce their impact on the planet.

Through our updated customer website we have targeted information to support our retrofit approach and the types of heating systems and technologies like triple glazing and solar PV that our tenants will live with. We also hold regular online drop in sessions for tenants to learn more about energy efficiency and speak to colleagues who are experts in the field. Feedback from these has been overwhelmingly positive. Tenants have told us that these sessions have helped increase their confidence in how they can reduce their energy usage and made them feel more knowledgeable about what our retrofit programme means to them.

Through the 2023 SHIFT methodology, active tenant engagement has increased to 41% from 34% last year. Meanwhile we have created several different routes for more passive engagement including through our Live Well campaign, social media channels and seasonal advice campaigns.

Understanding the concerns of our tenants is vital to our ability to effectively engage and support tenant sustainability. Issues like cost of living and tenant health have been prominent in the sector and we have purposely increased our capabilities to effectively engage in these areas.

We provide tenants with leaflets regarding the causes of damp and mould, as well as the preventive actions they can help take to reduce the production of excess moisture within their home. Last year we introduced sensors into some of our homes that helped to monitor humidity and better understand the conditions inside. In some cases we saw 15% less humidity being generated as a result of being able to understand more about keeping our homes healthy. We also have dedicated Customer Liaison Managers who offer support to repeat or complex cases by working with tenants to allow further advice, awareness and understanding regarding heating, ventilation, and money advice.

⁶ Flash Flood Resilience Index, developed by Zurich Municipal

T7 – Biodiversity and nature

C20 – Promoting biodiversity in our spaces

We have continued our collaboration with SHIFT environment to calculate and report the biomass value of our estates where we manage the ground maintenance provision.

This year we recorded 4.76 tonnes biomass per hectare, a 13% reduction on last year’s 5.47⁷ tonnes. An increase in our estates grounds, overlay of the latest GIS dataset and the removal of trees that had been deemed hazardous had a negative impact on our biomass value.

To increase the biomass value of our estates and capture the benefits of greener spaces we have opened discussions with our grounds maintenance providers. Together we have been undertaking ecological surveys of our spaces to identify areas that require protection and regeneration. The survey outcomes will provide direct action to adapt and improve our practices to enhance our green spaces including practical steps such as, wildlife corridor creation, hedgehog fencing, targeted mowing, wilding of grasslands and habitats for invertebrates.

C21 – Reducing and controlling pollutants

We work with suppliers to identify and reduce the number of materials and substances that could be harmful to the environment. Our strict COSHH measures ensure that environment risks are managed effectively. We regularly review risk assessments to check their validity and apply suitable and sufficient controls before, during and after the use of harmful substances such as cleaning chemicals, solvents and other substances.

In our homes we have upgraded ventilation requirements in our incremental retrofit programme and Positive Input Ventilation (PIV) systems have been installed in some of our homes that are adversely affected by mould and damp. These units help to draw in fresh filtered air, increasing both air quality and circulation to provide a healthier living environment.

Housing quality and smart monitoring programme



Our new dedicated resource for priority repairs means that we can focus directly on risks to the comfort and environmental condition of our homes. The team has taken proactive steps to measure and increase the quality of homes and commenced a roll out of Aico sensors.

The sensors detect and measure environmental conditions from humidity to CO2 and categorise the data into risk areas and levels based on the static conditions of the home such as building age and energy efficiency. The team monitor the

data through intelligent software to drive key outcomes, sometimes before a risk could become a repair. In parallel, the Aico HomeLink tenant interface function provides a circular solution in the form of an app to tenants which will notify them of active risks in their home or whether their conditions are optimal. The app provides immediate recommendations to the tenant for how to improve conditions, an explanation for why maintaining optimal conditions is important and additional useful information.

T8 – Resource management

C22 – Responsible and sustainable materials

We challenge ourselves and our supply chain to increase the percentage of materials that we use that are deemed responsible and sustainable.

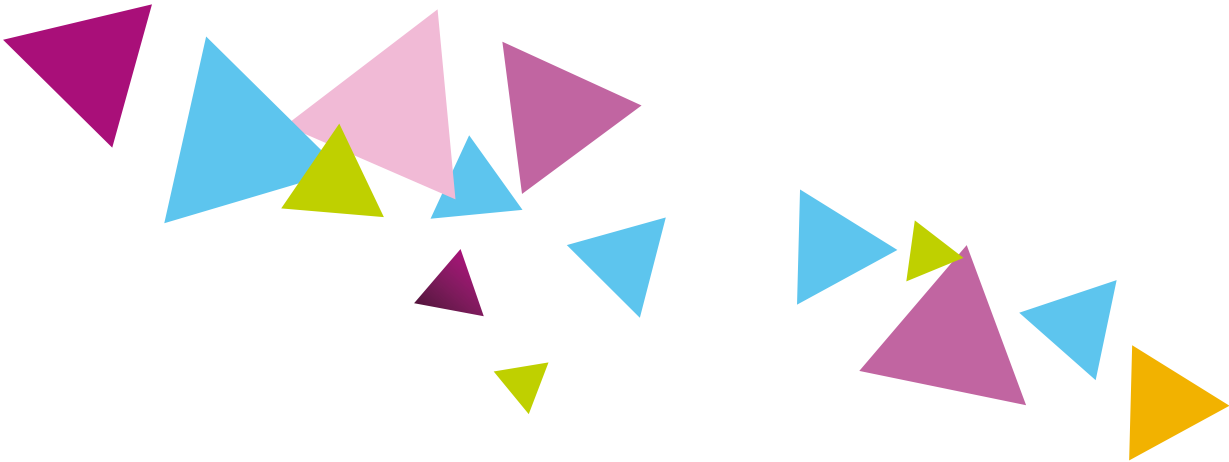
A core target of our Facilities & Offices Environment & Sustainability Plan is sustainable product spend. In our centralised purchasing of stationary and office supplies we increased sustainable product spend as a percentage of overall category spend to 62% from 33% last year. This has been achieved through the key supplier bringing in more defined ‘green’ products and our purchasing of these.

Through the Sustainable Procurement Framework (SPF) we have been working with suppliers on major tenders, where applicable, to collect responses to questions around sustainability and social value. The SPF drives integration of the ESG SRS framework and SDGs and this integration is displayed in our [infographic on page 45](#). Suppliers need to evidence their capability to provide policies, shared ambitions and related data and their response is recorded within the tender process.



The SPF has captured responses and data around responsible and sustainable sourcing of materials that we will measure and monitor within each year of the contract. In these first years transparency is key. We are aware that some suppliers may have difficulties in retrieving some data and we are determined to work with these suppliers to ensure data is provided and quality is upheld.

Our Project 80 homes of the future development has provided a key insight into the embodied carbon of the homes we build. The embodied carbon emissions were calculated as 462 kg CO2 e/m2 GIA from their lifecycle, performing better than industry calculations have projected that a modern semi-detached house with a heat pump would reach, <625 kg CO2 e/m2 GIA. This insight will support developments in material use in the sector and enable us to progress our understanding of embodied carbon modelling around the materials we use in the homes we rent and the homes we build.



⁷ Figure corrected to included updated methodology by SHIFT Environment

C23 – Waste management

We are developing a commercial waste strategy that manages relationships with contractors to deliver good practice waste management across our operations and estates.

This year we strengthened our compliance base through a central waste tracking to process to secure greater visibility over the compliance of waste management activities through our contractors and their sub-contractors. The waste tracker allows us to map contractor waste movements more effectively from our estates to their final disposal.

The strategy is being built on the compliance base and will install waste performance KPIs to future waste contracts to reduce our environmental impact and promote and support the transition to a circular economy model in our sector.

C24 – Water management

We have not yet established a water management strategy however, we have taken steps to establish wider water management planning through our Energy & Water Management Planning Group. The Group includes organisational leaders for energy and water management and legionella controls in the homes we rent, the homes we build and the way we work.

To understand and transition to RdSAP 10.2 members of the Group conducted an impact assessment which included SAP updates to water heating and bathroom devices. The expertise combined to generate a holistic transition plan that has shaped our retrofit approach and bathroom specification.

We are working with a large utility provider in one of our geographical areas to undertake water efficiency checks with tenants where homes are recording unusually high meter readings. The checks include, where possible, leak checks and fixes on taps and toilets, the installation of water saving devices, an assessment of current water use and advice with top tips on saving water at home. These checks will help our tenants save water and money on their utility bills. We are also investigating expanding these checks across our wider regions.

Through our new Facilities & Offices Environment & Sustainability Plan we have targeted a reduction in water use (m3) by 10% by 2030. Since re-baselining our total office water use to 2021 we have seen an increase in water use by 39% as our FTE figures and office activities continued to rise since Covid. The plan aims to reduce our usage through a series of behavioural campaigns and water saving measures.

T9 – Structure and governance

C25 – Registration and regulation

MIDLAND HEART LIMITED Co-Operative and Community Benefit Society Registration Number 30069R. Regulator for Social Housing with number L4466

C26 – Most recent regulatory status

G1 V1 status from the Regulator of Social Housing

C27 – Code of governance

National Housing Federation 2020 Code of Governance

C28 – Ownership

Not-for-profit status

C29 – How our Board manages risk

Our risk management process is designed to identify and mitigate key risks before they crystallise. This enables us to focus on assurance activity. The process also allows us to consider risk factors that could materially impact on our operations (e.g. financial and reputational factors). We use Enterprise-wide Risk Management (ERM) to support the identification and management of key risks and opportunities across all our business areas. Under ERM, our functional areas report on how their major risks are mitigated.

Our Board has overall responsibility for risk management and the system of internal control within the business. The Audit and Risk Committee reviews the system of internal control in place and receives internal audit reports to monitor the effectiveness of internal control mitigations.

We identify our key corporate risks through review of risks arising from our corporate plan, functional and project risk registers and external views on sector risk (e.g. the Regulator, Homes England and Moody's). These risks are actively monitored by the Board and include failing to comprehend and plan for decarbonisation. We horizon scan for emerging risks such as decarbonisation and changes to the Decent Homes Standard as areas where we could be exposed to new risks that could impact on ESG.

C30 – Adverse regulatory judgments

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

T10 – Board and trustees

C31 & C32 – Demographics of our Board and Management Team

	Women	Ethnically diverse	Have a disability	LGBTQ+	Average age	Average tenure	Turnover
Board	27%	27%	9%	9%	56.5	4.6	18%
Tenants	62%	32%	n/k ⁸	2%	52		
Midlands region ⁹	51%	19% ¹⁰	18%	2%	40		

⁸ Disclosed disability data for tenants is limited

⁹ 2021 census data

⁹ Midlands region is a combination of East and West Midlands.

¹⁰ 20% of tenants have not shared their ethnicity

18% of our Board and Management Team have turned over in the last two years. One member retired in 2021 and the other retired in 2022.

Our Board and Management team are the Non-Executive and Executive Board.

C33 – Board tenure

Yes, there is a maximum tenure for a Board member of 9 years. However, with a provision that we can extend up to 9 years should there be a strong reason for doing so; and the extension is with the Board’s approval.

C34 – Executive status of the Board

64% of the Board are non-executive directors.

C35 – Board members on the Audit and Risk Committee

Three of our Board members sit on the Audit and Risk Committee. Two of these Board members are Chartered Accountants.

C36 – Executive involvement in remuneration decisions

None. This is set out as a requirement of our Governance and Control Framework.

C37 – Succession planning

Yes, a succession plan has been provided to Board in the last 12 months.

C38 – Auditing our accounts

We have used our current external audit provider, KPMG, for 17 years. KPMG operates a partner rotation policy.

C39 – Independent Board effectiveness review

December 2022 in line with our three-year cycle.

C40 – Separation of the Chair of the Board and the Chief Executive

Yes, the roles of Chair of the Board and CEO are held by two different people.

C41 – Conflicts of interest at the Board

Conflicts of interest are handled in accordance with the NHF Code of Conduct. Annual Declaration of Interest at the start of each financial year following by a standing item at the start of each meeting for any declaration to be made.

T11 – Colleague wellbeing



C42 – Paying the Real Living Wage

Yes. We pay more than the real living wage at £10 per hour.

C43 – Median gender and ethnicity pay gap

Gender	15.0%	Ethnicity	7.2%
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We have continued to reduce our median gender and ethnicity pay gaps since their integration in our reporting as we drive diversity and inclusion in our workplace.

This year we set out three clear aims that will help us continue to reduce our gender pay gap:

1. Increase the number of women in the upper quartile of roles, particularly at the higher levels.
2. Achieve a gender balance in the lower quartile.
3. Ensure our rewards and benefits enable everyone to balance their personal and professional lives.

We have taken considerable steps to achieve these aims by launching a programme to develop and retain high performing women and black colleagues. Our work with Balance has broadened our offering for all female colleagues through a series of career development workshops. This is amongst increasing efforts to listen to our colleagues and having conversations through inclusion networks and the sponsorship of our Executive Team.

Visit our gender and ethnicity pay gap reports and our commitment to an inclusive and diverse workplace here.



C44 – Chief Executive to median colleague pay ratio

11:1 Applying methodology Option B

C45 – Supporting the health of our colleagues

- We provide a range of options to help colleagues maintain and enhance their wellbeing, including proactive awareness sessions and activities, with specialist services available when they need extra support.
- Employee Assistance Programme (EAP) – Available 24/7.** - Immediate emotional support, up to eight free counselling sessions, bereavement support, practical advice on personal debt and legal concerns. Available to family members at the same address.
 - Maximus (Access to Work Mental Health support service)** – Providing a minimum of nine months’ practical support for any mental wellbeing concern, identifying triggers and establishing coping mechanisms to help individuals remain in or return to work.
 - Mental Health First Aiders (MHFAs)** – Colleagues trained with the accredited MHFA training to provide mental wellbeing support to fellow colleagues as required. This can include taking time to have a chat and basic emotional support, through to helping in a crisis situation.
 - Specialist counselling/support** – We will source specialist counselling or related support where the others are unable to help. We also have a good knowledge of public services to signpost people to, where appropriate.
 - Occupational Health** – To help colleagues and managers with guidance on support and reasonable adjustments potentially affect by or caused by their workstation set up. Assessors will review workstations, make adjustments, advise colleagues on posture and identify any further support needs.
 - Wellbeing activities** – Workshops with expert speakers covering mental wellbeing, nutrition, general health, motivation/productivity, etc. Also, fun activities to engage colleagues and promote wellbeing and the support available like our Sports Days, #MHMMoves challenges, crafternoons, etc.
 - Wellbeing benefits** – We have a number of wellbeing benefits as part of our reward package – Flu vaccine vouchers, Medicash, Wellbeing centre full of wellbeing resources and videos for colleagues to use. Plus, standard things like eye care vouchers and Cycle to Work.
 - Wellbeing lead** – A dedicated role to oversee the above wellbeing service delivery, provide guidance and support to colleagues and managers, and continue developing our wellbeing offering.
 - Colleague Champions** – A team of trained colleagues who champion employee voice, promote employee engagement, communicate across all levels of the organisation to ensure key organisational messages are disseminated and colleague feedback is shared with leadership.

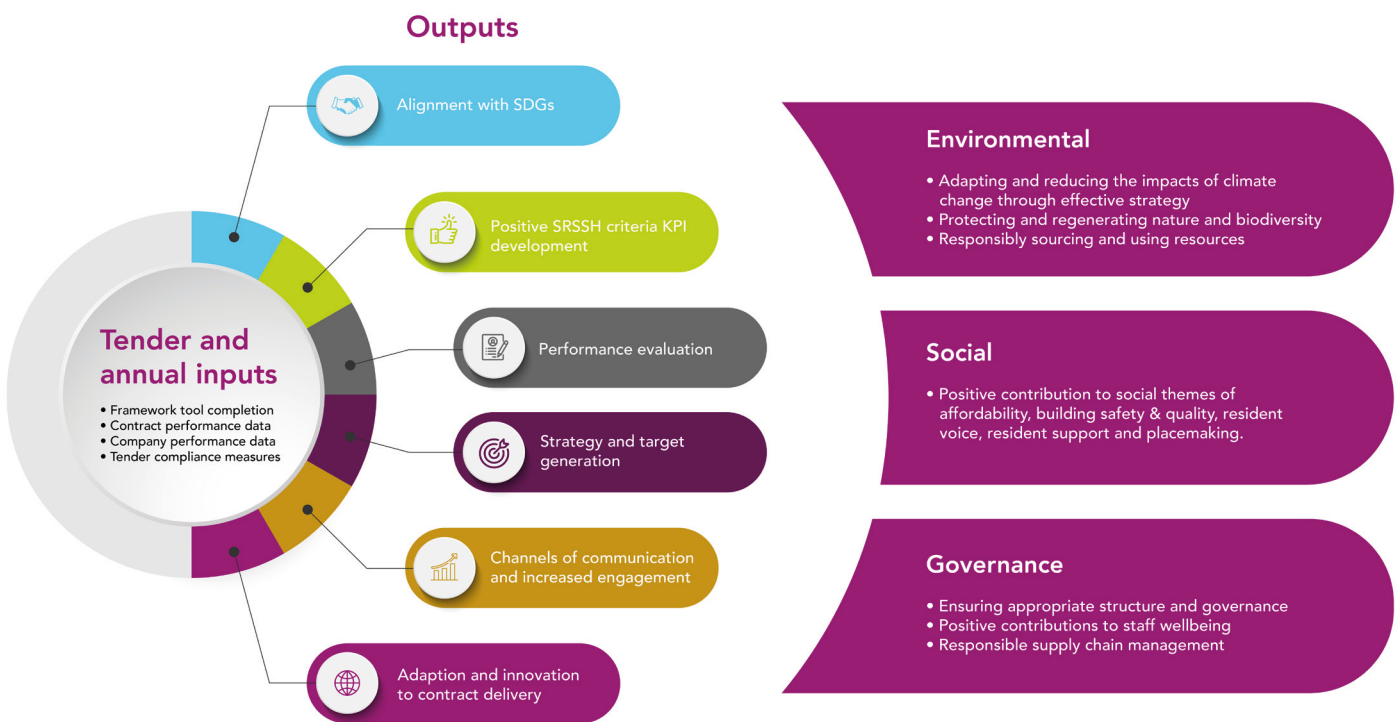
C46 – Sickness absence

5.3 days per colleague per year

T12 – Sustainable procurement

C47 & 48 Delivering social value and positive environmental impact through procurement

Our Sustainable Procurement Framework (SPF) is one of the first in the sector to embed our ESG and SDG commitments, aligning key procurement activities with the Carbon Reduction Plan and SRSSH. The SPF has been used to tender new key contracts and will sit within the contract to be updated and evaluated annually with the supplier. It broadens the engagement channel specifically focused on positive social and environmental impact through the contract and brings in central resources responsible for positive enhancement.



Our next steps will be to gradually increase the number of key suppliers that have the SPF integrated into our relationship and build on the positive outputs that are now achievable.

Summary

In the face of an ever-challenging economic and political climate we have remained steadfast in delivering our core purpose of providing good quality affordable homes across the Midlands. By concentrating on the issues that matter most to our tenants, and the challenges we are facing now and in the future, we have remained in strong health. This year, we sustained tenant satisfaction at around 90%, retained our G1 V1 status from the Regulator of Social Housing and maintained our A1 credit rating with Moody’s.

Our ESG framework has driven practical action through strategic leadership. The framework provides visibility to the Executive Board and strengthens decision making around ESG at all levels. The ESG Committee, at the centre of ESG Governance, led our Social Housing Decarbonisation Fund (SHDF) Wave 2.1 bid and aligned key internal stakeholders in drawing down an additional £2.4m to support the £10m already dedicated to achieving EPC D in all our homes by 2025.

We recorded significant progress on our journey to net zero carbon emissions for a third consecutive year since the 2019-20 baseline. The 20% reduction in tonnes of CO2 emissions was mainly achieved through uplifts to registered EPCs ratings in our homes. A success made possible through an enhanced programme of EPC assessments capturing the incremental gains from our extensive investment in energy efficiency measures in the homes we rent. Putting us on track to achieve our corporate EPC targets of 98% of homes at EPC D and 68% at EPC C ahead of 2025 and 2030 respectively.

A key success has been harnessing the expertise within our retrofit delivery teams to turn innovation into ‘business as usual’ and making our homes fit for the future. For example, making installation of integrated solar PV panels standard as part of our re-roofing programme. An approach, also adopted within our SHDF grant funded homes where we are utilising solar PV for energy generation and hot water storage to help our tenants cut their energy costs.

Through a series of pilots, we have delivered many UK and sector firsts.

- The first domestic homes built to what is anticipated to be the Future Homes Standard.
- A critical infrastructure first to install and connect smart storage heaters with the national electricity grid and enable demand side response (DSR).
- The first solid wall homes to receive a new triple glazing frame that effectively supports wall insulation types and increases thermal comfort whilst reducing the risk of pollutants.

We regularly share our learning with the sector to encourage continual improvement and maximise benefits for all tenants of social housing.



To support our tenants through the cost of living crisis, we maximised tenant income by £2.5m, increasing income and reducing debt liability. We supported 2,960 tenants with referrals to our dedicated Money Advice Team and sustained 99% of tenancies; maintaining our commitment to provide support services alongside good quality affordable homes.

We maintained our status as a leading regional employer, increasing our Best Companies ranking as a great place to work in housing, in the Midlands, and as a large employer. By utilising 100% of our Apprenticeship Levy contributions, we have built greater capacity for people development and benefited from internal movement of colleagues. A key highlight has been our focus on building a diverse and inclusive workplace, once again disclosing our gender and ethnicity pay gaps [here](#), and demonstrated by our ranking on the Inclusive Companies’ Top 50 inclusive employers list.

We are always thinking about how we can work with others to make our communities better places to live; last year we became the first housing association to set up and support an All Party Parliamentary Group (APPG). The APPG on Anti-Social Behaviour (ASB) published its first report into how we can work together to better address ASB, focusing on a pilot of a specialist housing court. We also have plans to ensure that the West Midlands is better represented at regional and national government.

Overall, we have shown a unique ability to adapt collaboratively to overcome the key challenges faced by the sector. Strong governance and purpose-built resources have driven ESG performance which has been recorded effectively using robust data quality processes.

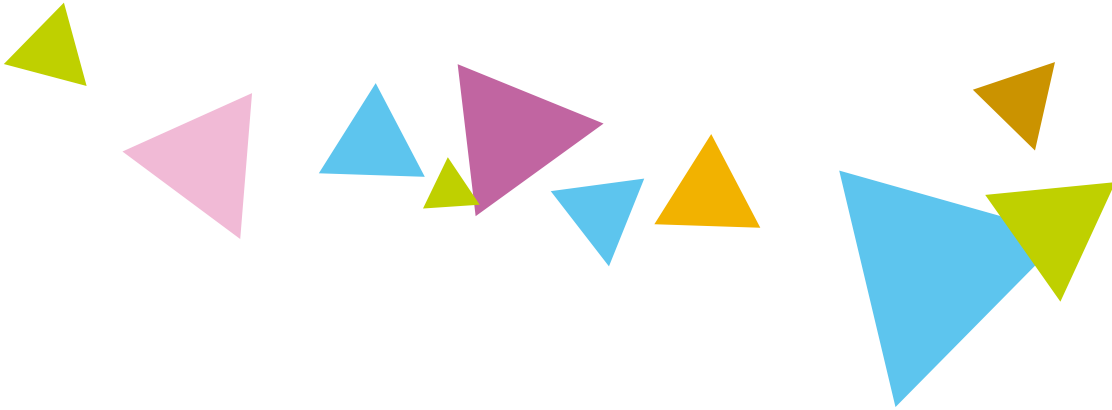
Looking ahead

Scientists have indicated that limiting global temperature rise to acceptable levels can still be achieved but only if we act now¹¹. Missing this narrow window of opportunity will have disastrous consequences with the rapid escalation of future risks. We will continue to monitor and disclose, in alignment with recognised reporting standards where applicable, the strategic and operational risks associated with climate change. Our ESG Governance framework will build resilience in the homes we rent, the homes we build and the way we work. Meanwhile, we will deliver energy efficiency and positive social impacts through our c.£80m investment in the Business Plan to achieve EPC C 2030, harnessing sustainability linked financing.

Establishing a mechanism to allow our financial instruments to be recognised and formally linked to ESG will be an important milestone in our journey to become a more sustainable organisation. The establishment of sustainable financing will align our social purpose and carbon reduction plan with our funding and financing strategy. Our strategy will be launched in 2023/24 alongside improved reporting transparency as we evolve in line with any applicable new standards and taxonomies.

We will draw the SHDF Wave 1 programme to completion and make the transition into our Wave 2.1 programme of homes. We will make the transition with a clear approach, developed for Wave 1, to install sufficient fabric measures and install new solar PV that has a diverter to enable hot water storage as well as energy generation. Targeting more affordable energy and hot water will maximise the benefits of solar PV and prepare our homes for the transition to low carbon heating.

As we near the end of ‘Making What Matters Brilliant’, we are looking ahead to shape our organisation beyond 2025, and in the process of building our new corporate plan. By consulting with our tenants and colleagues we will ensure that our future strategy continues to deliver our social purpose and what matters most to stakeholders, delivering quality affordable homes across the Midlands. ESG and net zero will be at the heart of our plans and form the basis for the corporate targets that we will be reporting against.



¹¹ IPCC, 2023: Sections. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 35-115, doi: 10.59327/IPCC/AR6-9789291691647

