



**SOCIAL IMPACT
REPORT 2019/20**

MORHOMES



BORROW TODAY, BUILD FOR TOMORROW



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INTRODUCTION FROM THE CHAIR



Housing associations in England and Wales make up a diverse and growing sector in a strong financial position. They are individual, commercial enterprises united by a common social purpose – to ensure everyone can live in a quality home they can afford. Housing associations have a shared ambition to create thriving communities and improve lives. They have an excellent track record in achieving this but also an appreciation that more needs to and can be done. This is why, for socially conscious investors, housing associations are an excellent bet when it comes to achieving a strong return on investment both financially and in terms of social impact. No capital default on a housing association bond has ever been reported.

One in ten people live in a housing association home.¹ In the simplest terms housing associations manage and provide homes, but in reality they do so much more than this. A stable home is the bedrock on which all other life chances depend. Whether that's health, employment prospects, education, wellbeing or community cohesion. You can then see how housing associations play an absolutely critical role in tackling many of society's greatest challenges.

Despite a series of challenging circumstances housing associations have a track record of delivering. In 2017/2018, they built 26% of the total new homes in England.² The sector recognises the power of collaboration and that in some cases, more can be achieved by working together. It is out of this recognition that MORhomes was born, a bold new initiative to set up a borrowing vehicle for the social housing sector. MORhomes has been created, owned by and run for the benefit of housing associations.

For each of our borrowers, social purpose lies at the core of what they do but they take a commercial approach to their activities. This Social Impact Report summarises the social and economic impact that our borrowers have achieved for people and communities in England and Wales as a direct result of MORhomes funding. Looking at the collective impact of what they have achieved with MORhomes funding brings us a sense of pride.

As you can see from this analysis, not only are they providing desperately needed homes, they are creating communities, supporting jobs and opportunities, reducing isolation and improving health and wellbeing. They are borrowing today and building for tomorrow.

We believe private investment has an important role to play in improving housing supply and delivering strong social impact. For MORhomes, this is only the beginning of our story.

Neil Hadden
Chair, MORhomes

ABOUT MORHOMES' BORROWERS

**A2 DOMINION
ASTER
MELIN HOMES
POBL
MHS
LOCALSPACE
HAFOD
SOUTH YORKSHIRE HA
EMH HOMES**

ABOUT MORHOMES' BORROWERS

This report demonstrates the social impact of the £260m lent to MORhomes' first nine housing association borrowers in February 2019.

MORhomes' first nine borrowers collectively own and manage more than 134,000 homes across the Midlands, the South of England, the North East, Greater London and Wales. They employ more than 8,000 people and have a combined turnover of more than £1bn.ⁱⁱⁱ

**134,000
HOMES**

**8,000
EMPLOYEES**

**£1BN
TURNOVER**

BORROWERS' ACTIVITIES EXPLAINED

GENERAL NEEDS

General homes usually for singles, couples and families. Commonly these are self-contained bungalows, houses, flats or maisonettes. These are available for social or affordable rent. Social rents are based on a formula set by government and are linked to local incomes to keep rents more affordable. Social rents are lower than 'affordable' rents which are set at up to 80% of the market rate. Properties are allocated by a system based on housing need, which is usually managed by the local authority.

SUPPORTED HOUSING

Supported housing exists to ensure those with support needs can lead a healthy and fulfilling life within their own home and community. This can include, for example, mother and baby units, homelessness shelters and support for older people to maintain their independence. Supported housing costs differ from general needs social housing because support and care services are provided in addition to housing management. This means that more staff are needed, and often adaptations to homes are required, which both increase costs.

SHARED OWNERSHIP

Shared Ownership is a type of affordable home ownership when a purchaser takes out a mortgage on a share of a property and pays rent to a landlord on the remaining share. The scheme opens up homeownership to people who would usually be priced out. For example, someone might buy a 50% share in a property, and pay rent to the landlord on the remaining 50%. Purchasers then have the opportunity to 'staircase' up their share of the property, gradually increasing the proportion of their home that they own outright and therefore paying less rent on the remaining portion, until they own 100% of their home. The turnover in the chart includes sales of shared ownership properties and rent on the portion owned by the housing association.

PRIVATE RENTED

Homes available to rent privately at market rates. Allocation of properties is not based on housing need (as for socially rented). However, tenants generally benefit from the same socially responsible landlord services as other housing association tenants. Any profits from market rented are re-invested in the association's social activities.

CARE AND SOCIAL CONTRACT

Housing associations are commissioned e.g. by the local authority to provide contracted services such as older people's care.

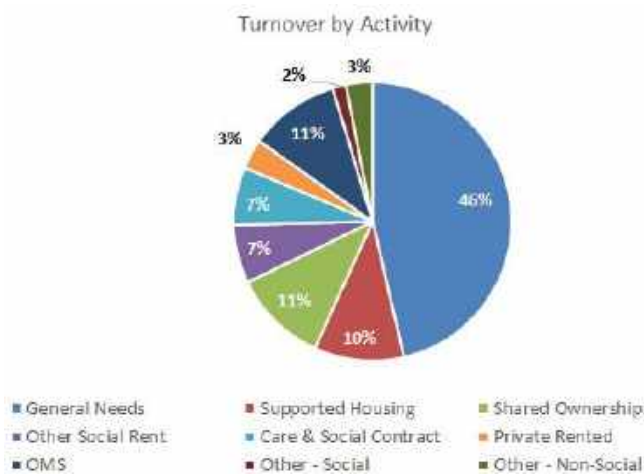
OPEN MARKET SALE (OMS)

OM sales are usually properties built as part of a development scheme that includes social housing. The sales proceeds help subsidise the social housing in the scheme. Also, the mixture of tenures helps create more stable, mixed communities. In all cases the profits generated from the delivery of OMS are reinvested in the association's social activities.

OTHER

Housing associations generate income from other social rented homes, social enterprises and commercial activities.

BORROWERS' ACTIVITIES EXPLAINED



This shows that a very high proportion of our borrowers' turnover (at least 83%) is directly related to high impact social activities. The remaining categories (private rented (3%), open market sales (11%) and 'other' (3%) generally have a social aspect to them, and critically any profits from such activities are re-invested in the association's social activities.

These housing associations have a demonstrable track record of delivery, helping not only those on the lowest incomes but also supporting those who are locked out of private renting and homeownership.

Collectively they have borrowed £260m via MORhomes which will support the increase in supply of good quality, affordable homes for those in social need, including both general needs and specialist housing. Our borrowers are outperforming the sector as a whole in terms of operating performance, particularly when it comes to delivering desperately needed new homes. On average they built 383 new homes in the financial year to March 2019, versus the sector average of 226.^{iv}

Tenant satisfaction ranges from 81% to 92%, averaging at 85% (slightly above the sector average). All our borrowers work on a not-for-profit basis meaning they can drive funds back into communities, services and new developments. In addition to managing and maintaining homes and building new ones, their commitment to improving lives runs through their business plans and activities.

Other activities carried out by our borrowers include;

- Apprenticeship schemes, free training and job clubs
- Money management support
- Health classes
- Holiday and lunch clubs for children
- Regeneration of existing communities
- Local employment initiatives



SOCIAL IMPACT 2019/20 HIGHLIGHTS

MORhomes has worked with our borrowers to identify the specific projects being funded by our loans. For the rest of the funding we have indicative numbers.

As a result of MORhomes funding our borrowers have achieved the following social impact;

536

FOR SHARED OWNERSHIP, ENABLING MORE PEOPLE TO GET A FIRST FOOT ON THE PROPERTY LADDER



IN

36

LOCAL AUTHORITIES



1,206

GENERAL NEEDS FOR SOCIAL AND AFFORDABLE RENT



DEVELOPED

2,233

HOMES



31

HOMES SPECIALLY DESIGNED FOR PEOPLE WITH SUPPORT NEEDS



288

FOR OTHER PURPOSES E.G. THE PURCHASE OF EXISTING HOMES TO CREATE MORE ACCOMMODATION FOR PEOPLE EXPERIENCING HOMELESSNESS



171

ARE FOR OUTRIGHT SALE, GENERATING PROFITS WHICH ARE INVESTED BACK INTO COMMUNITIES AND CROSS-SUBSIDISING SOCIAL HOMES TO BUILD MIXED COMMUNITIES



In turn these new homes will;

Add an estimated **£262.5m^{vi}** to the national economy

Support **4,686 jobs^{vi}**

MORHOMES' SOCIAL IMPACT



Through these 66 projects across the country, our borrowers are making a significant social impact, helping a wide range of people by providing a varied mix of new homes.

For example; Melin Homes' recent developments in Torfaen has seen them work closely with the local authority and partners in health and social care to provide specialist housing for people with additional and continuing support needs. An example scheme from A2Dominion is its new building in Rymers Lane, providing support, specialised services and shelter for homeless people in Oxford. Matilda House is offering accommodation for 37 residents and is designed to give homeless people access to the support they need to go on to lead fulfilling lives.

Local Space has used funding to purchase street properties mainly in East London and Essex to provide accommodation for homeless families in East London.

Whilst borrowers including Aster, EMH and South Yorkshire Housing Association are bringing forward homes for sale under shared ownership, to open up homeownership to more individuals, couples and families in their communities.





IMPACTING COMMUNITIES AND LIVES

The following examples illustrate the difference MORhomes' borrowers are making to people's lives.

CREATING OPPORTUNITIES IN SOUTH EAST WALES

It is thanks to MORhomes funding that Melin Homes is also able to work closely with shared apprenticeship scheme Y Prentis who have created more than 2260 person weeks' experience. This has given young people like Jak the chance to earn while they learn, giving a boost to the construction industry at the same time. Jak always wanted to become a bricklayer after seeing how his uncle built a successful bricklaying career.

Jak said: "I always wanted to follow in my uncle's footsteps. When he was 25, he told people that he was going to build a successful bricklaying career and be mortgage free by the time he was 40 - and he did just that. I look up to him and what he's done, and I want to be able to do the same. Maybe even set up my own company one day."

LIFE-CHANGING SUPPORT IN TORFAEN

One resident Melin has been able to help previously lived an hour's drive away from her parents. Now thanks to its new specialist housing development, she has been able to move in just around the corner from them.

TRANSFORMING LIVES IN WEST EALING

Funding from MORhomes has contributed to A2 Dominion's £500m wider development programme fund. It is investing in a major regeneration of its Green Man Lane estate in West Ealing Delivering new apartments, maisonettes and houses. The development started in 2013 and is a nine year, five phase project replacing 464 flats with a mix of 770 one to four-bedroom homes. Phase two delivered 187 new private sale and affordable homes, including over 20 homes for wheelchair users. The regeneration scheme also includes an eco-friendly energy centre, community café, public parks, play areas and a new primary school.

BORROWER TESTIMONIALS

CHRIS BENN, ASTER

“As a forward-thinking housing association with a diversified funding mix, it’s important for us to be part of the MORhomes initiative. The structure is flexible and efficient, particularly in regard to our shared ownership assets, which are an increasingly intrinsic part of our strategy and portfolio. As a member, it also means that when required, we’ll be able to access the markets quickly to support our development programme and on-going business needs. We’re confident MORhomes will continue to benefit its members, as well as other housing associations in time, allowing investors to deploy their capital in our sector and helping to finance the thousands of new affordable homes that Britain needs.”

MELIN HOMES

“MORhomes has helped Melin deliver its busiest development programme to date. For the first time we are building in all five of the local authority areas we work in and investing a total of £34million in building over 300 new homes. Through collaboration with our partners we have been able to deliver housing options for many people. The impact that we have as a housing association goes far beyond bricks and mortar and the services, we provide can really change lives, but we wouldn’t be able to keep providing homes and services for those who need it most without your financial support.”

PHILIPPA BUTLER, NORTH DEVON HOMES (NDH)

“Our Board was keen to progress with MORhomes as a funding option due to its flexibility and responsiveness and we are very pleased with the outcome. The credit and documentation process was straightforward and only took six weeks to complete from our initial expression of interest.

“Once our Board had formally approved the commitment to borrow, it took just two working days to secure the funding with MORhomes who were keen to secure a good rate in a volatile market.

“Overall the time and resources required from us were far less than for any previous funding exercise we have been involved in. The MORhomes funding was an attractive option due to the flexibility of the security arrangements and not being restricted by financial covenants. There was excellent collaboration from all involved and the MORhomes team proved their skill and efficiency in delivering the funding within our agreed targets. This is a great outcome for NDH, allowing us to continue and develop our plans to invest in services and bring forward more affordable homes across North Devon.”



METHODOLOGY

MORhomes worked with each of our nine borrowers to collect data on specific schemes which have benefitted from MORhomes funding. In some cases projects have yet to be identified or the funding has been allocated to a wider overall programme with funding from several sources.

In such cases, we have used data based on example schemes or averages from a wider overall programme delivered or planned by the association. Details can be found in the Appendix. The data provided included schemes, locations, number of homes and tenure split. We used this data to understand our impact across England and Wales. We also used the National Housing Federation and CEBR's Local Economic Impact tool to calculate the estimated combined impact on GVA and number of jobs supported. More detail on this tool can be found here:

<https://www.housing.org.uk/resource-library/browse/local-economic-impact-calculator-1/>

REFERENCES

[i] English Housing Survey 2016/2017

[ii] National Housing Federation research 2017/18

[iii] Borrowers' published accounts 2019

[iv] Analysis of borrowers' published accounts compared to sector data from Global Accounts 2019 (includes English HAs over 2,000 units).

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852013/2019_Global_accounts_of_private_registered_providers.pdf

[v] Ibid

[vi] National Housing Federation Local Economic Impact Tool. N.B Figures calculated based on local authorities in England

APPENDIX

This table lists the 66 specific projects to which Social Bond proceeds have been allocated by each of MORhomes' nine initial borrowers.

Housing association	Scheme	Funding allocated/ £k	Homes	
Aster	Lowley Farm, Liphook	11,563	70	
	Yannons Farm, Paignton	6,399	58	
	Bishops Lydeard, Taunton	4,686	43	
	Folly Hill, Farnham	7,013	38	
	Longcot Road, Shrivvenham	2,582	24	
	Great Western Park, Didcot	7,757	82	
EMH	Romorantin Place	2,703	16	
	Billingsbrook Road, Northampton	9,195	73	
	Beeby Road, Scraftoft (18 units)	1,980	18	
	Leicester Road, Melton Mowbray (12 units)	1,115	12	
	Coventry Road, Broughton Astley (1,705	15	
	Scotlands Road, Coalville	1,506	14	
	Carey Street, Kettering (Block B)	1,997	24	
	Cropston Road, Anstey	784	8	
	Great Lane, Frisby on the Wreake	1,277	12	
	Sweepstone Road, Heather	995	10	
	Heather Lane, Ravenstone	178	2	
	The Plough Inn, Ravenstone (Land Only)	444	14	
	Annesley Road, Hucknall (Land Only)	1,279	56	
	Mill Lane, Gilmorton	998	8	
	Lutterworth Road, Blaby	1,014	9	
	Houghton on the Hill	1,954	13	
	Claybrooke Magna, Market Harborough	1,121	12	
	Unidentified schemes (S106)	6,366	49	
	Hafod	Aberdare Girls School	4,333	44
Elms Crescent		384	5	
The Canadian Pub		525	9	
Cross Common Rd		995	14	
Unidentified schemes		3,763	43	
Localspace	Street Properties purchased in LB Havering	7,740	39	
	Street Properties purchased in LB Barking & Dagenham	20,016	90	
	Street Properties purchased in LB Newham	12,061	48	
	Street Properties purchased in LB Waltham Forest	6,586	34	
	Street Properties purchased in LB Redbridge	764	4	
	Street Properties purchased in other London Boroughs	2,834	10	
Melin	Garden City Way	515	8	
	Panteg School	655	7	
	Brecon Law Courts	2,111	21	
	Greenacres Hostel	2,374	22	
	Llantarnam Rd	1,688	29	
	Bryn Serth	1,865	30	
	Blenheim School	910	17	
	James St	436	8	
	Brecon Rd	662	24	
	Kemys Fawr	1,286	32	
	MHS	Yeoman House	3,906	54
		Hallwood House	6,094	46
Charter (pobl)	Herbert Road, Newport (Phase 3)	7,151	85	
	Ty Mawr, Croespenmaen	4,200	50	
	Ladyhill, Alway, Newport	2,790	40	
	Llanwern Village Phase 1	1,166	17	
	Glan Llyn (Phase 2c)	913	15	
	Red Lion, Blackwood	857	17	
	Hillside, Newport	841	14	
	unidentified schemes	2,082	28	
	Gwalia	Goodig Hotel, Burry Port	9,606	105
Brithwen Road, Waunarlwydd		3,762	45	
Cambrian Yard Site, Pontarddulais		1,964	31	
Lon Brynawel, Llansamlet		1,224	16	
Buckleys Maltings, Llanelli		976	21	
St John's Church, Birchgrove		168	4	
unidentified		2,300	31	
SYHA		The Avenue, Chesterfield	2,692	27
	Church Lane, Finningley	5,250	36	
	Ankerbold Road, Tupton	3,202	39	
	The Pitches, Rotherham	3,039	31	
	Hallgate Lane, Pilsley	1,572	17	
	New head office	8,050		
	Unidentified schemes	6,195		
a2Dominion	investment in existing development pipeline assuming average outcomes for the whole programme	30,000	246	
	Total	259,111	2,233	

Average for all projects

Total MORhomes funding	Total gross scheme costs	Total homes	Average Scheme cost per home	Average MORhomes funding per home
£260m	£401m	2,233	159,000	101,000



ABOUT MORHOMES

MORhomes was established in response to the concerns about the capacity of the sterling bond market to fund the needs of housing associations.

MORhomes is an initiative created by the Housing Association sector, for the Housing Association sector. MORhomes is a new funding agency to allow associations regular access to the capital markets. MORhomes provides its Borrowers

- Flexibility to borrow in amounts from £10m upwards - saving the cost of having to borrow larger amounts which might be more than is needed at any one time
- Quick access to the market, reducing uncertainty over the price of funds
- Flexibility on types of security offered and efficient use of security
- Simple documentation and reduced costs and resources in going to the market
- No onerous corporate financial covenants
- Transparent predictable credit process and annual credit limit.

Over time, it aims to expand the investor base beyond the UK and is specifically targeting socially responsible investors. MORhomes is a plc 100% controlled by housing associations. It follows the UK Code of Corporate Governance and aspires to the highest levels of corporate governance and transparency. MORhomes is capitalized by equity and subordinated debt provided by its borrowers, and third-party junior debt.

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