



**SOCIAL AND
SUSTAINABILITY
IMPACT REPORT
2020/21**

MORHOMES

BORROW TODAY. BUILD FOR TOMORROW

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INTRODUCTION FROM THE CHAIR



Here at MORhomes, we are proud to be part of a sector which is at the forefront of socially responsible investment. In the UK, the sustainable investment market is growing rapidly, worth around £2tn.¹ As more investors look to prioritise ESG (environmental, social and governance factors), the social housing sector is perfectly placed to demonstrate the powerful, long-term impact it is having on individuals, communities and society as a whole.

Despite the obvious challenges of the past year, housing associations remain strong, stable and united in their common purpose to ensure everyone can live in a quality home they can afford. They have an excellent track record in delivering this and an ambition to do more. For socially and environmentally conscious investors, housing associations present an exceptional opportunity for strong financial, environmental and social returns. Furthermore, no capital default on a housing association bond has ever been reported.

This MORhomes Social and Sustainability Impact report provides a snapshot of this impact, by demonstrating how our 14 borrowers are investing the £408m lent by MORhomes to create social and environmental impact now and long into the future. The figures and stories showcased here illustrate the vital role housing associations play in ending the housing crisis but also the wider impact of creating communities, supporting jobs, reducing isolation and improving health and wellbeing.

Many of our borrowers are also going the extra mile in their sustainability credentials. They develop and build new green homes, including ultra-low energy homes, use more environmentally-friendly modern methods of construction and upgrade existing homes to a higher energy-efficient standard.

I commonly hear in our sector that housing associations provide ‘more than bricks and mortar’ and I believe this to be absolutely true. Private investment plays a vital role in enabling this ethos and we are proud to highlight some of this life-changing work here.

Neil Hadden

Chair, MORhomes

INTRODUCTION TO MORHOMES

A unique and innovative borrowing vehicle, MORhomes was created for the housing sector by the housing sector to help increase the supply of desperately needed affordable homes in the UK. It is constituted as a PLC and its shares are owned by more than 60 major not-for-profit UK housing associations. Its public debt is traded on the London Stock Exchange.

MORhomes raises finance on the bond markets and lends it on to housing associations, who must be shareholders. Our first public bond issue of £260m was completed in February 2019 and at the time of publishing this report we have issued and on-lent over £400m².

All our existing bonds were issued as Social Bonds in accordance with the ICMA Social Bond Principles 2018³. The Board of MORhomes confirms that the net proceeds of all bonds issued were immediately on-lent to eligible housing associations in accordance with our Social Bond Framework.

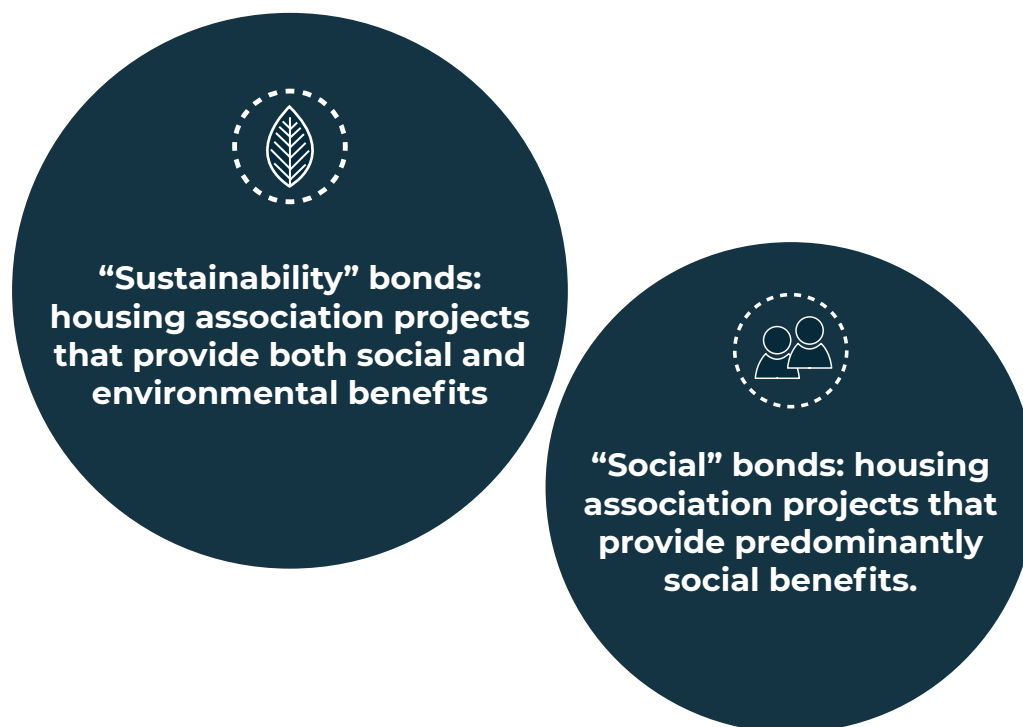
OUR COMMITMENT TO SUSTAINABLE AND SOCIAL IMPACT

Social and environmental impacts sit at the core of MORhomes' aims and ethos. Our ultimate ambition is to ensure that everyone can live in a good quality home that they can afford. All the funds we raise are lent to housing associations – not for profit, social enterprises which provide homes, build communities and improve lives. Our housing association borrowers and shareholders up and down the UK are building new, sustainable homes and investing healthy surpluses back into more new homes, creating jobs and apprenticeships and improving communities and lives through countless social initiatives.



In 2020 MORhomes was awarded 'Social Bond of the Year' by Environmental Finance following a nomination from Barclays. They described our bond as 'pioneering' as it was the first sector bond to be priced under a social framework.

MORhomes is currently in the process of issuing a new Sustainability Framework to apply to all its future issuance. This Framework is designed to demonstrate alignment with the relevant ICMA standards, including the Sustainability Bond Guidelines 2018, Social Bond Principles 2020 and Green Bond Principles 2018⁴. Under this framework, MORhomes is able to apply two distinct labels:



We are also supporters and early adopters of the Sustainability Reporting Standard for Social Housing, working alongside other housing sector leaders to develop an Environmental, Social and Governance (ESG) reporting standard for the sector. The Standard aims to provide a voluntary reporting framework for housing providers so they can report on their ESG performance transparently and consistently.

MORhomes’ Sustainability Framework has been designed to align with the Sector Reporting Standard and we actively encourage all borrowers of funds raised from our Sustainability Bonds to adopt the Standard.

Our commitments to sustainability also influence how we do business. MORhomes efficiently outsources administrative functions with a small in-house team dealing with strategic activities. We have entirely digital paperless systems throughout the business. Our in-house team and Board operate remotely from across the UK without an office and minimising travel. These measures keep the company carbon footprint as low as possible.

ABOUT MORHOMES' BORROWERS

All MORhomes borrowers are housing associations; not for profit, social enterprises envisioning a world in which everyone can live in a good quality home they can afford. Housing associations are crucial to tackling the nation's housing crisis and are delivering ambitious programmes which will deliver lasting social and environmental benefits.

It is a specific requirement to borrow from MORhomes that the housing association has a corporate objective to 'to develop new housing or deliver other assets with high social impact'.

**MORhomes has made 17 loans to the following
14 housing association groups to date:**

**Aster
EMH Homes
Melin Homes
Origin
A2Dominion
North Devon Homes
Eastlight
Hafod
South Yorkshire HA
Localspace
Heart of Medway
Pobl
Thrive
Wandle**

This report provides detail on how the £408m lent so far by MORhomes has been spent by the housing association borrowers. It updates the information provided in last year's report on the first £260m lent by MORhomes to 9 borrowing groups and provides new information on the £148m lent to 5 new borrowing groups.

Our borrowers collectively own and manage more than 170,000 homes across Southern England, the East Midlands, the East of England, Yorkshire and Wales. They employ more than 8,500 people and have a combined turnover of more than £1.2bn.



**170,000
HOMES**



**8500
EMPLOYEES**



**£1.2bn
TURNOVER**

BORROWERS' ACTIVITIES EXPLAINED

An explanation of the main activities of housing associations is as follows:

GENERAL HOUSING 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 where a purchaser takes out a mortgage on a share of a property and pays rent to the housing association on the remaining share. The cost of the property is usually subsidised with Government grant. 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 housing association 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 homes 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 e.g. older people's care.

OMS (Open Market Sale)

OM sales are usually properties built as part of a development scheme that includes social housing. The sales proceeds help to 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

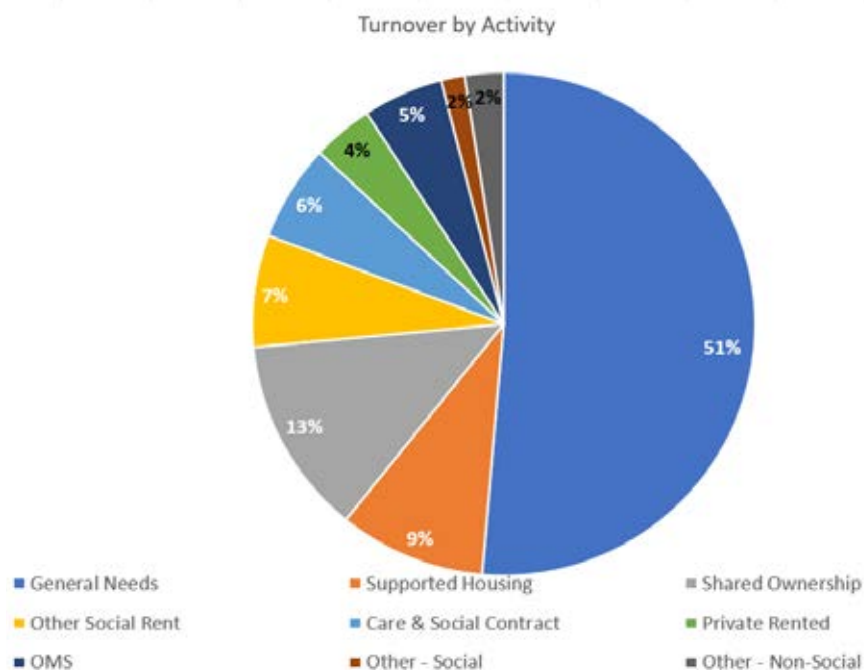
Housing associations generate income from other social rented homes, social enterprises and commercial activities. Any profits are reinvested in the association's social activities.



BORROWERS' ACTIVITIES EXPLAINED

Social impact and responsibilities sit at the heart of our borrowers' activities. In the past year, a very high proportion of our borrowers' turnover (89%) was directly related to activities which have a societal benefit. The remaining categories (private rented (4%), open market sales (5%) and other (2%)) generally have a social aspect to them such as adding community benefit and supporting local suppliers. Critically, any profits from such activities are re-invested back into the association's social purpose.

The following chart shows a breakdown of the turnover of our 14 borrowers for the most recent financial year⁶



The sector as a whole is beginning to address the target the Government has set of decarbonising social housing by 2050. Savills has estimated that the average upgrade cost per home owned is around £17,000⁷ which amounts to a huge investment overall as well as a huge logistical challenge.

These 14 housing association groups have a demonstrable track record of delivering new homes, supporting those on the lowest incomes but also those who are otherwise priced out of private renting and homeownership. On average, they built 290 homes each in the financial year to March 2020⁸, contributing to the supply of new, good quality, affordable homes for those in housing need. In addition to managing and improving homes and developing new ones, their commitment to improving lives is demonstrated through their activities and ways of working.



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SOCIAL IMPACT HIGHLIGHTS

MORhomes' borrowers have collectively borrowed £408m from MORhomes.

341

are for other purposes e.g. the purchase of existing homes to create more accommodation for people experiencing homelessness



1,626

are general needs for social and affordable rent



Funding has supported

3,163

new homes, directly benefiting people in 41 local authorities



57

are homes specially designed for people with support needs



173

are for outright sale, generating profits which are invested back into communities and cross-subsidising social homes to build mixed communities



967

are for shared ownership, enabling more people to get a first foot on the property ladder



We have worked with each of the 14 borrowing groups to collect data on the specific schemes which have benefited from MORhomes funding. We have identified 81 specific schemes accounting for 86% of the funds lent by MORhomes. For the balance of the funds, 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 averages from the 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 (Gross Value Added) and number of jobs supported⁹.

In turn these new homes will:
add an estimated £399.6m to
the national economy; support
7,140 jobs¹⁰

Average
scheme cost
per home:

£190,000

Average
MORhomes
funding per home:

£130,0000

Other borrower initiatives supported by surpluses include;

Apprenticeship schemes, free training and job clubs
Home exercise schemes
Mental wellness support
Art and creativity initiatives
Digital support and training classes
Money management support
Holiday and lunch clubs for children
Regeneration of existing communities



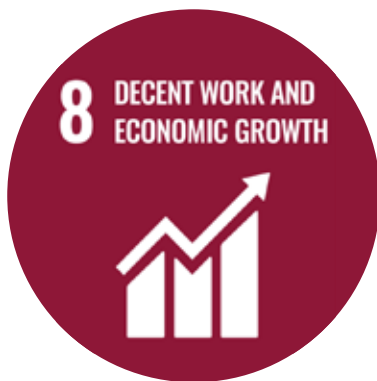
EMBRACING UNITED NATIONS SUSTAINABILITY GOALS



The statistics and case studies detailed in this report demonstrate that our borrowers are making a significant contribution towards achieving several of the United Nations' Sustainability Goals (SDGs).

“The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.” – United Nations

Our borrowers are specifically taking action on the following goals



Goal 8: Decent Work and Economic Growth

Creating conditions that allow people to have quality jobs

Goal 11: Sustainable Cities and Communities

Creating a future in which cities provide opportunities for all, with access to basic services, energy, housing, transportation and more



Goal 13: Climate Actions



Tackling climate change, a global challenge that affects everyone, everywhere

WHAT DOES THIS IMPACT MEAN?

Numbers tell one part of the story, but here we can see what this social impact means for people and communities.

Helping to end the housing crisis in North Kent

MORhomes enabled Heart of Medway to make a start on two developments last year. Yeoman House and a portion of its Lenham project is where these funds have been invested and by August 2021 there will be 69 more bedrooms available in social and affordable rent properties, and another 191 the following year.

Heart of Medway, said;

“Our partnership with MORhomes has allowed us to take significant strides in achieving our ultimate ambition by providing more safe, affordable housing for those that need it.

Even better yet, our Lenham site is being built to a high sustainability level, which leaves no doubt that the work MORhomes has done with us, will impact the local community and environment positively. The administrative process was efficient and straightforward, leaving us with more time to get stuck into what really matters to us - helping to end the housing crisis in north Kent.”





Happy residents are putting roots down in the East of England

Eastlight Community Homes formed in July 2020, through a merger of Colne Housing and Greenfields Community Housing.

One of the major reasons behind the merger was an ambition to deliver more homes in the East of England. As two separate landlords, they were aiming to build 500 new homes a year. Together Eastlight is stronger and aims to deliver 1,300 more homes than would previously have been possible over the next five years.

In October 2020, MORhomes raised £30m for Eastlight, becoming the 17th housing association to borrow through the aggregator. David Hall, executive director of resources at Eastlight, said:

“The terms of the funding model offered by MORhomes suited Eastlight very well and we are very pleased to have been able to access the market so quickly. This will enable us to deliver our significant investment commitments and continue to build more affordable new homes in Essex and beyond.”

Creating desirable affordable homes



Notley Court is an attractive new courtyard development in Abbots Langley from Thrive Homes.

Thrive Homes is a professional landlord creating homes where people enjoy living. Its business is built around the importance of a home as the foundation that enables individuals and families to build and sustain the lives they want. They are focused on increasing housing availability and affordability in one of the most expensive parts of the UK

“With MORhomes funding, Thrive’s ambitious development programme will provide even more homes, at a range of prices and tenures to appeal to a wide range of prospective tenants and homeowners across Hertfordshire, Bedfordshire, Buckinghamshire and Oxfordshire”

More than bricks and mortar

The Communities Team at Melin has worked tirelessly through the pandemic to help residents stay connected as safely as possible.

They recently hosted a socially distanced sing-along in the car park of Aneurin Bevan Court, one of Melin’s sheltered schemes.

“Well that’s the best way to start the day. I feel full of beans now”

Resident



APPENDIX

All schemes funded by MORhomes

Housing Association	Scheme	Funding allocated/ £k	Homes	
Aster	Lowsey Farm, Liphook	10,563	70	
	Bishops Lydeard, Taunton	4,657	43	
	Folly Hill, Farnham	7,012	38	
	Longcot Road, Shrivenham	2,582	24	
	Great Western Park, Didcot	7,781	82	
	Bartons Road, Havant	7,405	53	
EMH	Romorantin Place	2,703	16	
	Billingsbrook Road, Northampton	9,195	73	
	Beeby Road, Scruptoft (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
Pobl (Charter)	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
Pobl (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	Example scheme	30,000	250
	<i>Sub-total original loans</i>	<i>259,111</i>	<i>2,232</i>
Wandle	Summerstown Road, Wimbledon	43,429	107
North Devon	Easterly Park, Braunton	1,173	19
	Mariners Court, Braunton	1,607	20
	Beechfield Road, Barnstaple	222	2
	Deans Lane, South Molton	265	2
	Martin Road, Barnstaple	463	6
	Oakland Park, Barnstaple	843	10
	Pill Gardens, Braunton	397	8
	Beaufort Walk, Barnstaple	1,287	19
	Mount Sandford Green, Barnstaple	2,765	35
	Unidentified schemes	3,477	47
Thrive	Estimate based on sample average	25,000	216
Melin 2	Tredegart Court	3,926	47
	43 Hereford Road	323	5
	Former Newbridgend Inn	701	9
	Edlogan Wharf Phase 3	1,750	26
	Deri Farm	3,300	49
Origin	Dellar Palmerstone - Rented	21,164	105
	Dellar Palmerstone - SO	8,836	81
Eastlight	Land off Mount Hill, Halstead	18,016	71
	Unidentified schemes (pro rata)	11,984	47
	<i>Sub-total new loans</i>	<i>150,929</i>	<i>931</i>
	<i>Overall total</i>	<i>410,040</i>	<i>3,163</i>

WHY MORHOMES?

“As a member of MORhomes, we have found the initiative to be an excellent way to access funds to support our development programme. With a diverse funding mix, it’s essential for us to have access to a lending structure that is flexible and efficient to underpin our strategy to ensure everyone has a home, which can only be achieved through the growth of our portfolio and assets.

“The scheme also offers good value for money and provides housing associations of all sizes with the opportunity to access the market to support the delivery of the much-needed new, affordable homes. As a result of the MORhomes programme, and with other housing associations joining the scheme, it is likely to only have a positive impact on the funding route for future borrowing.”

Chris Benn, Aster Group Finance Director

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2. Total on-lent as at December 2020 was £407.5m. This was funded by the issue of £391.1m of social bonds (MORhomes 3.4% 2038 notes) with the remainder from other sources.
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A close-up photograph of a brick wall with a variety of red and brown tones. The bricks are laid in a traditional pattern. In the foreground, there is a patch of bright green grass. A large, dark blue circle is superimposed over the center of the image, containing the text 'BORROW TODAY. BUILD FOR TOMORROW' in white, bold, uppercase letters.

BORROW TODAY. BUILD FOR TOMORROW



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