

Reinvigorating communities

Building societies' social
purpose in action

May 2019





The Building Societies Association (BSA) represents all 43 UK building societies, as well as 5 credit unions. Building societies have total assets of over £400 billion and, together with their subsidiaries, hold residential mortgages of over £320 billion, 23% of the total outstanding in the UK. They hold over £280 billion of retail deposits, accounting for 19% of all such deposits in the UK.

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Foreword



Community and social purpose are the bedrock of building societies and mutuality. The first building societies were created not by financiers or landowners, but by communities who understood that the difficulties that each person faced individually in buying a home of their own could be overcome by acting together.

Today's world would be unrecognisable to the founders of the first building societies, with technological and economic advancements, changes in consumer expectation and shifts in attitudes and public policy transforming the landscape in which we operate. But the ethos of putting customers first, personal connection and community remain central to the way building societies have continued to operate.

Building societies exist to help people to increase financial resilience by saving for their futures and to assist their members in securing a place they can call home. Members participate in asking their society to address the personal finance issues that matter most to them, sometimes working with partners to achieve a greater impact than they could alone. Societies are adapting to reflect the evolving needs of their members, providing digital services whilst maintaining face-to-face service and interaction for key financial decisions and to help members to manage their money in the way which suits them best. Societies seek to operate responsibly in every way, from ensuring they are financially secure and sustainable to always being on their members' side, giving back to the communities where they work, reducing their impact on the planet and ensuring they are great places to work.

At Yorkshire Building Society we call our approach Society Matters. As well as providing our members with the help they need to meet their financial aims which enable their life goals, we are working with causes which our members care about and which fit with our purpose. We're in the third year of our partnership with End Youth Homelessness and are working closely with schools across the communities in which we work to deliver Money Minds, our financial education programme. We're delivering this by asking our colleagues to volunteer their time and giving them paid leave to do so. Since 2007, more than 100,000 hours have been put towards good causes.

Other societies are addressing issues that matter in their communities in their own ways, all of which are based on the ethos of member ownership. This structure puts a focus on developing sustainable relationships with existing and future members, colleagues and communities.

This report shows the variety of approaches being taken across building societies and credit unions in engaging, consulting and partnering with their communities. There are many exciting and innovative approaches which could be replicated in other ways and potential partner organisations with which the sector can engage. But there's much more we can achieve. We look forward to building on these accomplishments together.

Mike Regnier

BSA Chairman & Yorkshire Building Society Chief Executive

Executive summary

Communities

- To building societies and credit unions, communities are defined by people and places, and united by a common purpose.
- Consumer survey results show that building society customers are more likely than bank customers to agree that their provider is an important part of its community. This may be because as customer-owned mutuals, often with historic links to the locations where they were founded generations ago, communities are at the heart of their businesses.
- Consumers say that they prefer doing business with organisations that support the communities in which they operate. This view is broadly held across different groups in society.

Branches and high streets

- Consumers are using high streets less for shopping and banking, meaning some branches will inevitably close. However, almost nine out of ten societies said that they would maintain or increase their branch network over the next 12 months. Building societies see an important role for branches in the future, focused more around being there to offer face-to-face service for the bigger and more complex decisions.
- The branch will also remain an important hub in the community, where people can meet and interact. Alongside this, social media is enabling the growth of digital communities.

Partnerships

- Organisations that share an interest in local areas will need to work together to make town centres more vibrant. Building societies already work with a wide range of partners, ranging from charities and schools, to local authorities and local businesses. There are examples of societies collaborating with others to shape the future development of their local areas.
- Building societies find that these partnerships are typically most effective when they are long-term and focused, are broader than simply monetary exchanges, and create an open and participative relationship between the organisations.

Investment

- A small number of building societies are investing directly in housing, and around half will lend mortgages on conversions of retail and industrial units to residential properties, supporting areas as they adapt to changes in the types of properties that are needed.
- Building societies draw their employees, as well as their customers, from their communities. They place considerable importance on developing the skills of their employees, and also help to develop the local workforce more broadly with sessions to develop people's employability.

The world around us

- Building societies and credit unions recognise that they need to make sure that they have a positive impact on the world around them. All societies are taking steps to reduce their use of resources and their impact on the environment. And all are tackling issues that matter to the communities in which they operate to make the world a better place. Case studies again demonstrate the importance of member participation, alignment with the building society's purpose, and the key role of partnerships with likeminded organisations.

Introduction

This report demonstrates why building societies and credit unions put such an onus on their role in their communities; from providing valued services and skilled employment, to working with and supporting local institutions and infrastructure such as town centres, and looking after the world around us.

The aim of this report is to help building societies and credit unions to learn from each other, to demonstrate to other potential partners how they could work together to strengthen the communities in which they operate, and to motivate all to act to strengthen and invigorate their local communities.

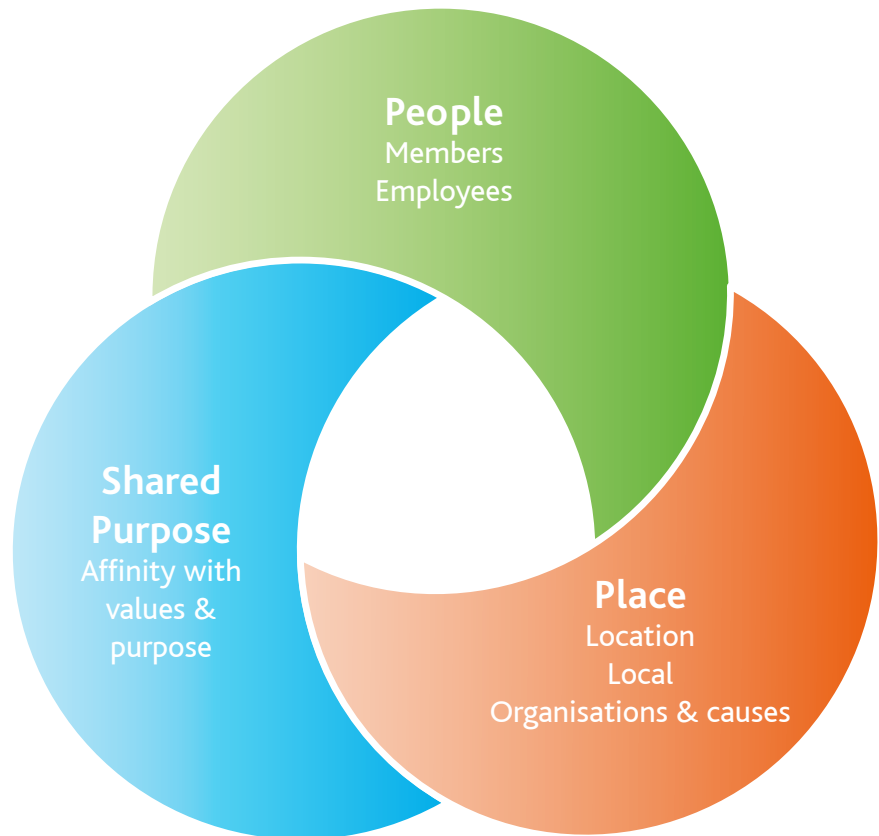
The BSA conducted a survey of its members, both building societies and credit unions, expanding on particularly interesting examples with follow-up questions. 25 BSA members completed the survey, representing over 95% of the sector in terms of assets.

Other material originates from an earlier survey of Chief Executives, from society websites, CSR reports and annual reports and accounts. Finally, these sources were complemented with consumer surveys run by YouGov.

The importance of communities

Defining communities

We asked societies and credit unions to define what they understand by the term 'communities'. The responses can best be described as a mix of people and places.



People included members (the customers that own building societies and credit unions), employees, and the people that matter to these groups.

These were often linked to *place*, particularly around branches and office locations, and other institutions linked to these locations.

Another unifying factor that was brought into many definitions of 'community' was some sense of shared values or *purpose*. Sometimes this took on a wider purpose such as environmental concerns or tackling homelessness or social isolation. Others cited shared objectives as the purpose of a community - such as mortgage brokers that work with societies to help homebuyers.

The balance between these factors differs. For example, small regionally-focused societies tend to see their community firstly through links to the local area.



"The communities in which we operate - Melton, Grantham and Oakham - matter to our organisation; not only our customers, but also organisations such as schools and charitable groups where we can have a positive influence."

The Melton Building Society

Larger societies typically see their community both in their operating locations and across wider social issues: social isolation, health and wellbeing, financial literacy and homelessness were all mentioned in survey responses.



"Our communities are defined as the places where our members and colleagues live and work, however we consider social issues as well as geography in defining where [the society] focuses its efforts."

Leeds Building Society

Societies that have models based on remote distribution, rather than branches, are weighted more towards groups of people with common interests or purpose.



"The environmentalist and ethical finance community, the green building and energy efficient building community, the community-led housing sector, as well as the areas of Yorkshire where we are based."

Ecology Building Society

Credit unions have an explicit common bond which defines their community at a basic level, and often this is based on where people live and work, but the concept of community extends to groups linked to that locality.



"Our common bond is 'Anyone who lives or works within the G postcode area' - but we are also invested in our wider 'Glasgow' community: individuals who live or work in our common bond area, and organisations (employers, charities, education establishments and community groups) that we can work with to improve the lives of those living or working within our common bond."

Glasgow Credit Union

Ownership, purpose and community

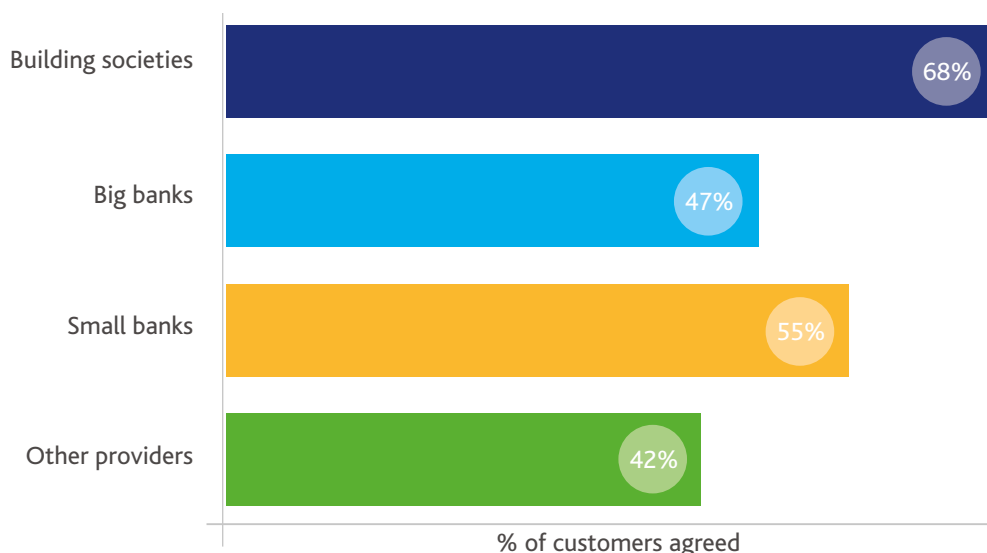
No organisation operates in isolation. Instead, they are embedded in and affect their social and economic environment. After the financial crisis, there has been a reawakening of organisations' duties to society, particularly in financial services. Andrew Bailey, Chief Executive of the Financial Conduct Authority, recently noted that all firms have public interest duties which help to steer their behaviour, saying, "The lack of connection between firms and societal duties in terms of the responsibilities of firms is where the culture debate and practice subsequently went wrong." (FCA, 2018(1))

The United Nations is currently completing a consultation on a set of Responsible Banking Principles to help banks to align their business strategy with society's goals, stating that "as society's expectations change, banks must be transparent and clear about how their products and services will create value for their customers, clients, investors, as well as society." (UN, 2019)

Mutual ownership does not guarantee that these public duties will automatically be fulfilled by building societies and credit unions. But the results in Chart 1 do suggest that significant differences are experienced in practice by customers of different types of financial service organisation.

Chart 1:
My provider is an important part of the community in which it operates

Source: YouGov 2019



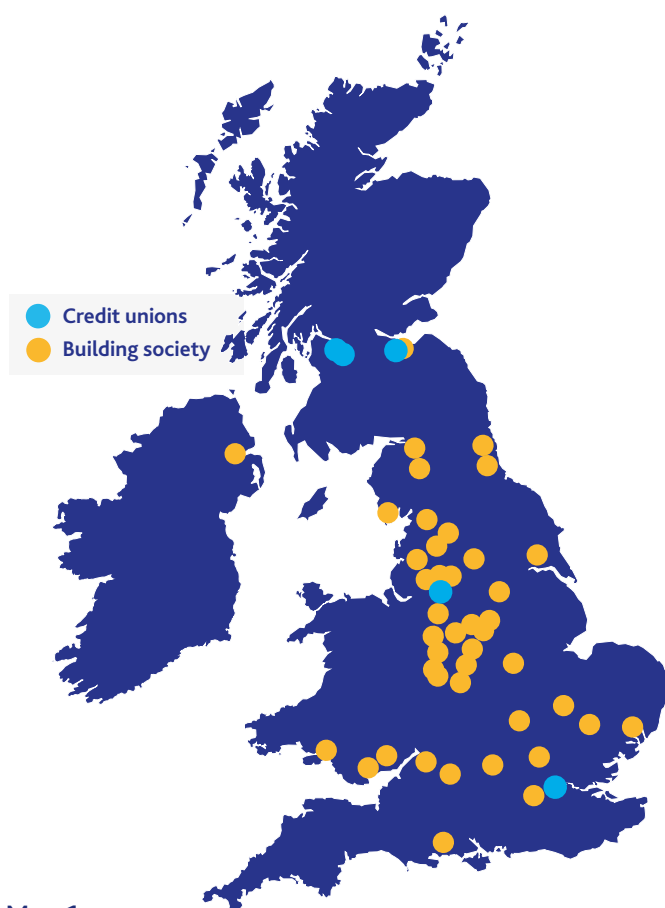
All building societies and credit unions surveyed agree they have a responsibility to support the communities in which they operate, and all agree that it makes good business sense. The responsibility to support communities relates to a sense of accountability to the areas and people that are served by and employed by the societies, and to others who live in those locations.

Nine out of ten survey respondents said they also believe mutuals have a greater responsibility to support their communities than do equivalent shareholder-owned firms.

They attribute this to their heritage, being established, based in and owned by members in their respective communities. The sense of responsibility also stems from a legacy of capital accumulated from previous generations living in the locality; and for many, having their identity intrinsically rooted within those local communities (See Map 1).

Even among those who accept that shareholder-owned firms have a broadly equal responsibility to their communities, there was believed to be a greater expectation for community support among a mutuals' stakeholders.

All building societies and credit unions surveyed agree they have a responsibility to support the communities in which they operate, and all agree that it makes good business sense.



Map 1:
Building societies' and BSA member
credit unions' headquarters are spread
across the UK

"Mutual organisations will, on the whole, tend to have a closer relationship with their local communities by virtue of the way their identity is intrinsically rooted within them. This, in turn, is likely to foster a greater affinity to their operating regions, which also reflects the mutual model of engagement and interaction with local communities."

The West Brom

"This goes to the very heart of why building societies were established in the first place: they were set up by people coming together to help others in their communities."

Cambridge Building Society

"The fact that we do not primarily focus on profit for its own sake allows us to balance our priorities in a more flexible and community-aligned way."

A Chief Executive in a BSA Opinion Survey

"Mutuality is about 'win win' benefits for all parties. The customer, the society and the communities in which it operates."

Sarah Howe, Harpenden Building Society

Community at the heart of the business

As mutuals, building societies and credit unions are not distracted by a need to maximise profit for institutional shareholders. This helps to foster clear buy-in and support for community activity from the board and senior management, which is empowering for members and employees, who are in turn encouraged to engage more with local groups.

A Demos report, *Reinventing the Firm*, written shortly after the financial crisis suggested this broader purpose of cooperatives and mutuals could be beneficial in supporting and replenishing social capital:

"One of the great virtues of cooperative governance structures is not that they enable companies to be run purely in the interests of consumers or purely in the interests of employees, but that a variety of ethical and social factors can be fed into decision making, for which the membership may not be technically responsible. Environmental concerns would be one such example."

(Davies, Demos, 2009)

Rather than having an absolute purpose of profit generation, for many societies the communities in which they operate are core to the businesses' purpose, objectives and strategy. They report it as being integral to the business rather than a separate Corporate Social Responsibility (CSR) agenda.

The concept of community features explicitly in societies' corporate vision and mission statements, in strategic plans, on balanced scorecards, in individual staff members' objectives and appraisals and in brand values. At larger societies, there are staff dedicated to community activities.

130 Coventry Community Champs:



Vernon Building Society has found that its community activities feature prominently in the comments left by members on independent review sites such as Smart Money People.



Newbury
Building Society

"As a mutual organisation, the community sits at the heart of the Society. We were founded to meet the financial needs of savings and borrowers within our local area. This principle still holds true today. We take direction from, and seek involvement from, those within the communities we serve and this is reflected within our purpose, vision and culture."

Newbury Building Society

Member participation

Members shape the way in which their building society or credit union has an impact on its community by giving feedback in branches, via Member Forums and Committees, at 'Meet the Directors' events, and at the Annual General Meeting.

Members can sometimes vote for charity partners, and they can also apply for grants and sponsorship for good causes themselves.

Increasingly societies are keen not to just hear from members, but to help them participate in the society's community activities.

Melton and Darlington Building Societies have committed to give 5% of annual profits to communities each year, and last year Newcastle gave 6%

Barriers to engaging communities

BSA members identified few operational barriers to them engaging with their communities: most are well-known, long standing institutions that have built up trust in their communities over generations.

Some mentioned a limit on resources that stopped them from doing more, so that the desire to support communities must always be balanced against the interests of the membership as a whole.

Some feel that they could be more impactful if they could get their messages out more effectively, and if there was better understanding in the community of building societies' objectives. Credit unions, generally being newer, feel they have to educate many consumers about what they can offer and how they operate.

Why communities now: a new settlement?

Communities were central to the establishment of building societies, so it is far from a new area of interest. And this is the fifth report by the BSA on this subject in almost twenty years.

Yet there is a renewed perspective on the topic of community, following the divisions in UK society that were revealed by the EU Referendum. For years prior to the vote, and prior to the financial crisis before that, the UK's consumption-based growth model obscured some underlying fissures, such as entrenched inequalities between people, places and generations (Pearce and Kelly, 2019).

For several decades the state has provided less support to individuals, a shift amplified by post-crisis austerity. Looking ahead, the UK's ageing population means that fiscal pressures will only grow, so that individuals must be more self-sufficient than ever.

"The referendum result... represented a reckoning with places that have never recovered from the shock of de-industrialisation and Thatcherism, as well as groups who have not been reconciled to the ascendance of ever greater social liberalism and the cosmopolitan remaking of Britain, or the European remaking of the British state."

Pearce and Kelly, 2019

"For too long in our country prosperity has been unfairly spread. Our economy has worked well for some places but we want it to work for all communities.

Communities across the country voted for Brexit as an expression of their desire to see change - that must be a change for the better, with more opportunity and greater control.

These towns have a glorious heritage, huge potential and, with the right help, a bright future ahead of them."

Prime Minister Theresa May, 2019

These trends are not exclusive to the UK. In the US, the Aspen Institute, a think tank, has developed a programme called *Weave: A Social Fabric Project* to try to foster the sense of community in regions across the country, and another, the Brookings Institute, has sought to develop strategies for left behind places.

(Aspen Institute, 2019, Brookings Institute, 2018)

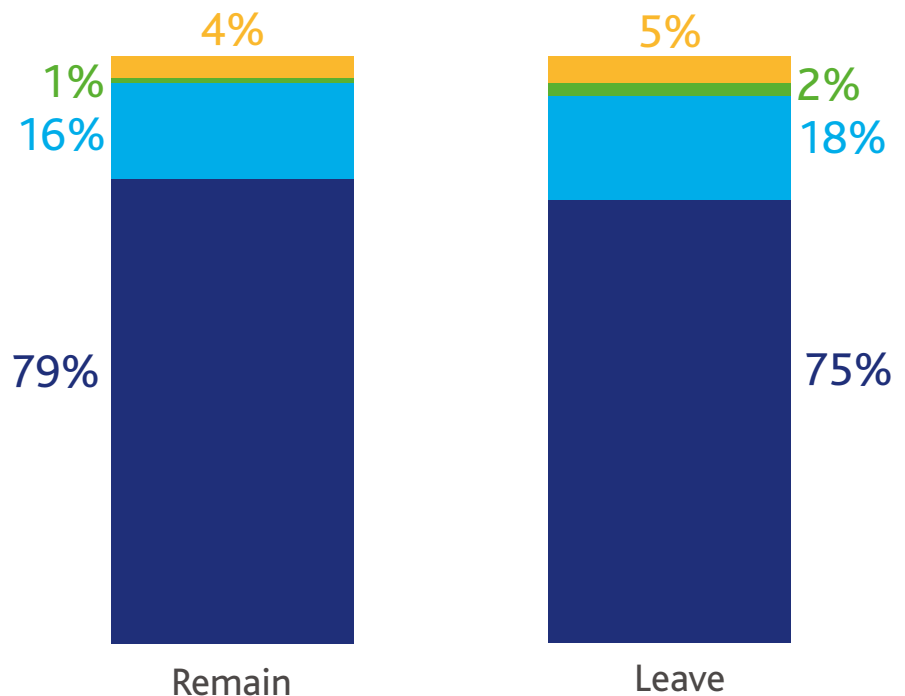
Technological advancement brings undoubted benefits, but also a risk of alienation and isolation as the nature and volume of human interaction changes.

Whatever the post-Brexit settlement, there is more need for the support that can be offered by communities than ever before. The emphasis is on relationships – across generations, within families and with colleagues, neighbours or those who share a common interest.

The BSA commissioned a YouGov survey after the EU Referendum. It found that over three quarters (76%) of people agreed with the statement "Businesses should have a positive impact on the communities in which they operate, not just maximise returns for their owners". Just 2% disagreed. Age and income made little difference. There were also generally similar levels of agreement irrespective of how people voted in the EU Referendum (Chart 2).

Chart 2:
Businesses should have a positive impact on the communities in which they operate, not just maximise returns for their owners

Source: YouGov 2017



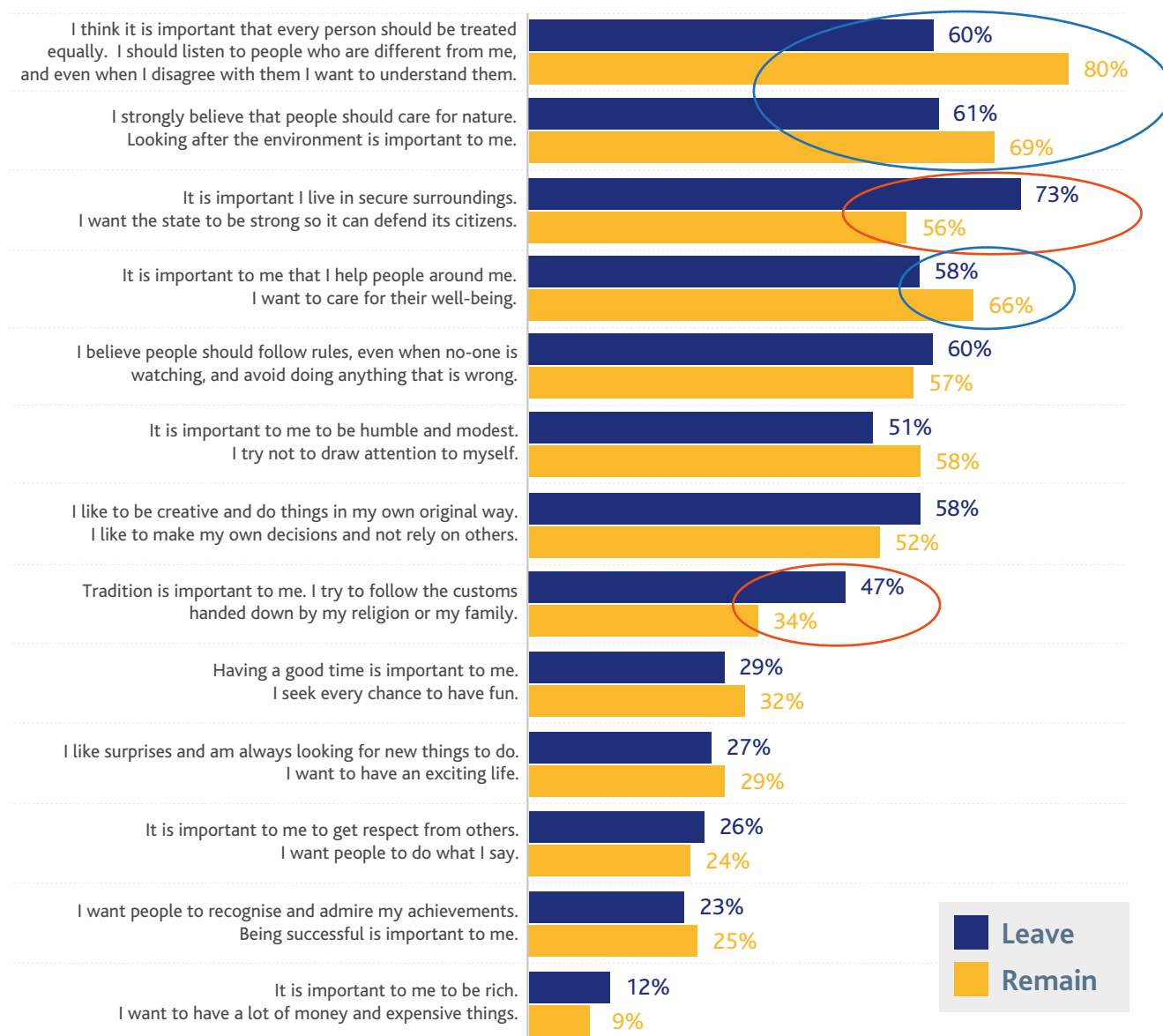
Fair Tax

Leeds, Ecology and Earl Shilton building societies have been accredited the Fair Tax Mark

Chart 3: Personal Values

% of people who identity strongly with each statement, out of 1,588 UK adults who agree that businesses should support the communities in which they operate, split by vote in the 2016 referendum.

Source: YouGov 2017



Both Leave and Remain voters therefore support businesses looking after their communities. However, in another set of questions some differences were revealed, in the extent to which people identified with certain value statements (Chart 3). These statements were adapted from the European Social Survey (ESS, 2019). People who voted Remain were significantly more likely to align with statements about living in a shared world and benevolence (results circled in blue on Chart 3), while people who voted Leave were more likely to identify with statements about security, heritage and tradition (circled in orange).

This suggests that while there is broad agreement that businesses should support their local communities, there may be important differences in approach that will appeal to these two groups. Alternatively, there may be some issues that resonate with everyone. Examples that might have broader appeal are conserving local natural areas, as this relates to concerns for the environment and a sense of stability, or intergenerational issues that reflect the concerns of older generations for those just starting out in the world.



"Having been established 140 years ago, Leeds Building Society considers itself part of the fabric of local communities - it is an active contributor, providing services to its members and employment opportunities for local people. Although having moved with the times, the Society continues to offer communities a sense of stability in an otherwise rapidly changing world."

Leeds Building Society

Serving communities

One of the main ways building societies serve their communities is by fulfilling their principal purpose of supporting savers and helping people into homeownership. Though many building society products are available to all consumers wherever they live, some have specific links to their communities.

Some, typically smaller, societies have geographic restrictions on who can open their savings accounts. Any accounts that can be opened in-branch only will also naturally have a narrower customer base.



"The communities around our branches have been instrumental to the Society's enduring success. Members have been able to save and own their own homes with us since 1858."

Dudley Building Society



53% of societies offer affinity accounts

A common product is an affinity savings account which links savings to local community benefits. For example, The Hanley has recently launched a new instant access savings account where it pays 0.25% of the savings balances to four local charities: as the society puts it, "You save, we give."

Variations on this include Ipswich's *Mutual Advantage* affinity account where the beneficiary is local to each branch, and Newcastle's *Community Saver* account where the donation is made to the society's fund with The Community Foundation which then makes grants to local, member-nominated charities and groups.

Some other products are also targeted at societies' heartlands. For example, Cambridge offers a *First Step* mortgage to help local first-time buyers where house prices are particularly high, and it has just launched a *Rent to Home* scheme. Similarly, Bath Building Society is looking at developing products for local key workers.

More broadly, some propositions are geared towards specific segments of the community. For example, The Nottingham views its *Lifetime ISA* as helping first-time buyers in its community, and Leeds sees its focus on underserved markets - such as later-life lending and affordable housing - as core to serving its communities. Almost all societies offer savings accounts for children to help to foster the saving habit.

Cambridge's *Rent to Home* scheme enables tenants renting two flats owned by the building society to receive a refund of 70% of rental payments made over three years towards their house purchase.

Chief Executive Stephen Mitcham said,
"Budgeting to save thousands of pounds for a deposit is hard, especially for those who earn an average wage in the Cambridge area. As a community-focussed organisation we recognise our responsibility to the people around us."

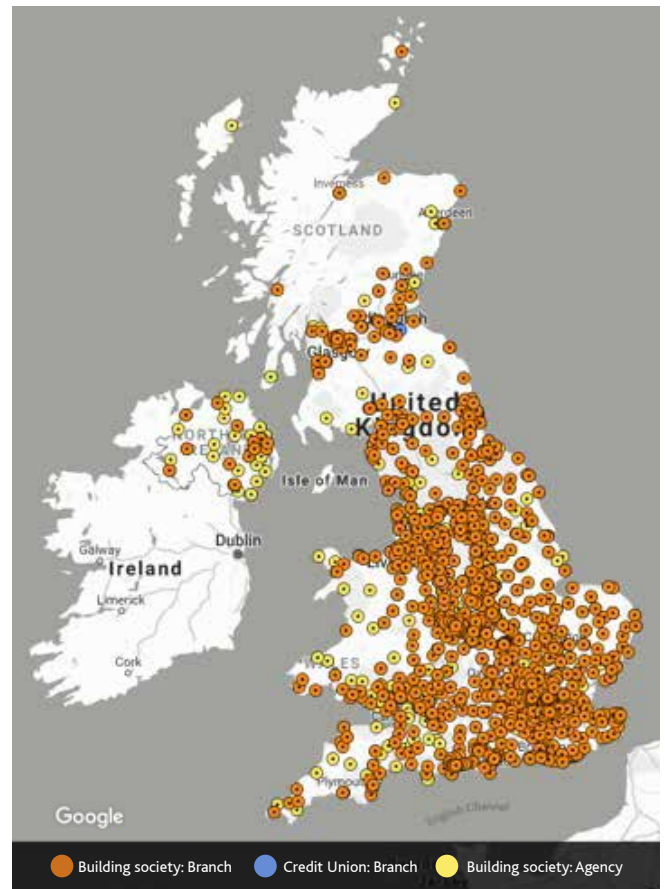
High streets and town centres

Building societies have around 1,450 branches across the UK (see Map 2) and are therefore very aware of the changes to high streets and town centres across the country, with footfall declining for ten straight years (Springboard 2018) as more people shop online.

A number of societies also operate agencies, over 250 in total, where they have partnered with other local businesses such as solicitors or estate agents to offer access to most of their services across a wider range of areas.

Within financial services, the use of smartphones to access transactional banking services is now widespread, cash transactions are reducing and day-to-day usage of branches is in decline (UK Finance, 2018). As a result, bank branches have been closing across all regions of the UK.

While the banks have seen over one in three (37%) branches close since 2010, the equivalent figure for building societies has been under a third of this (12%) over the same time (Chart 4).

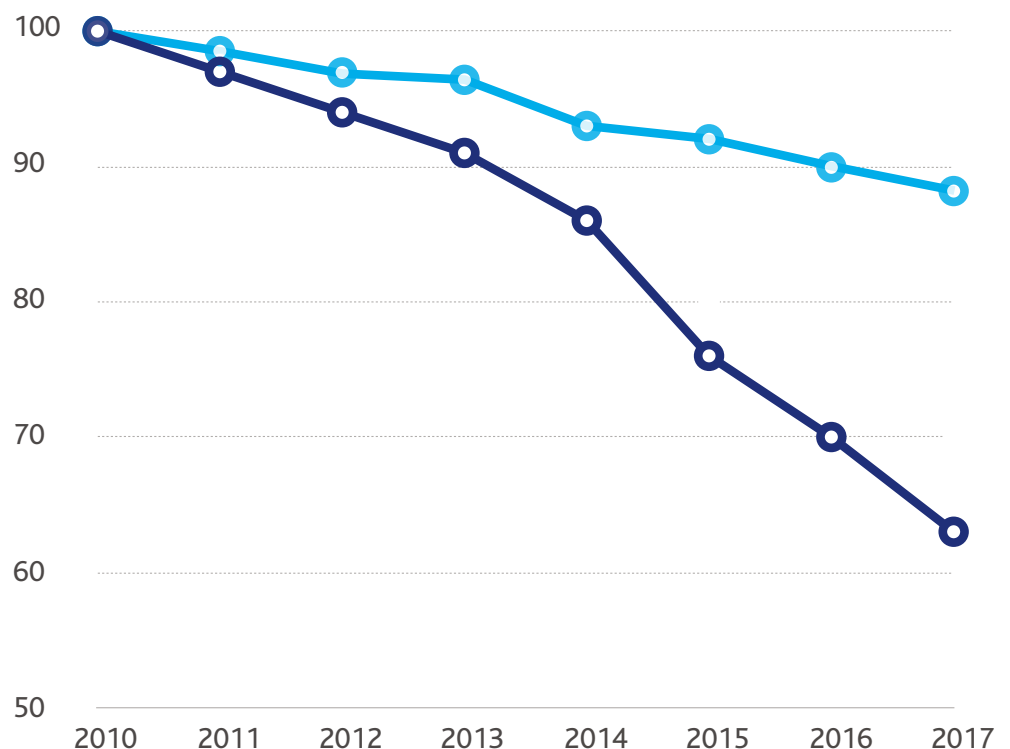


Map 2:
Building society
branches and agencies

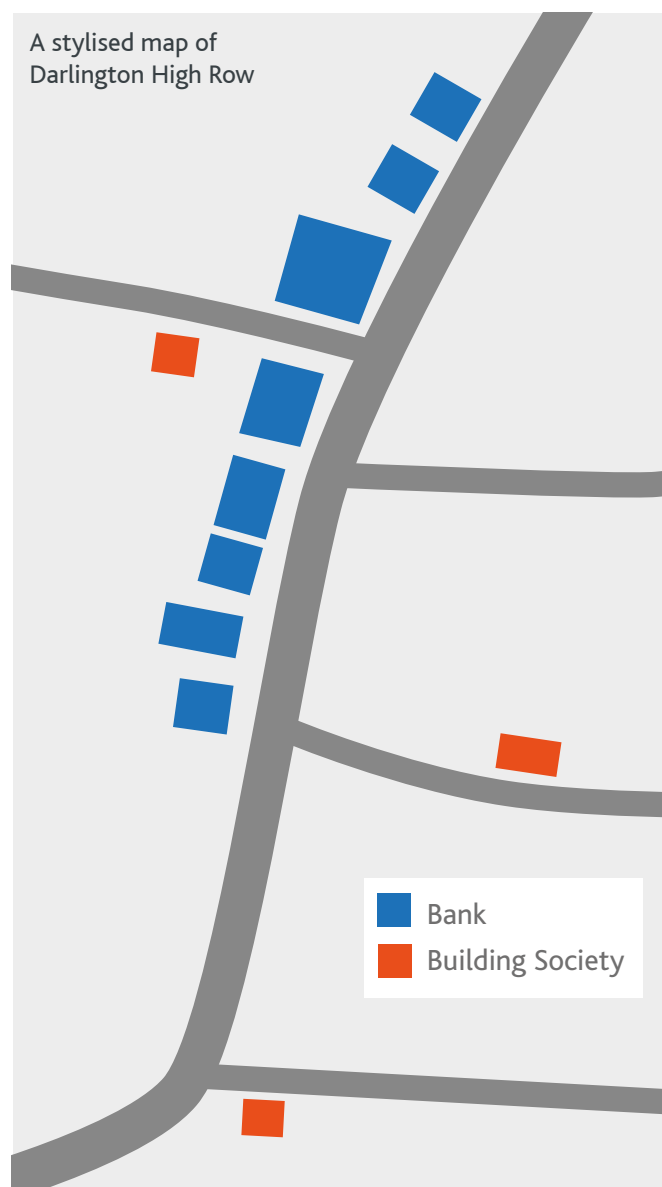
Chart 4:
Branch numbers
index

Source: BSA, BBA Annual Abstract of Banking Statistics

○ Banks
○ Building societies



The FCA has found that branch operating costs vary widely between firms. The major banks have higher cost branches than building societies, which is likely to reflect costlier prime locations, and larger branches which were necessary to handle current account transactions. In 2017 the average cost-per-branch was £590,000 a year for major High Street banks, for small banks this figure was £420,000, compared to £240,000 at building societies. The FCA suggests that building societies are likely to have lower branch costs because they often have cheaper 'shop-front' style branches in less expensive locations (FCA, 2018(2)). By way of example, a map of Darlington town centre below shows this pattern.



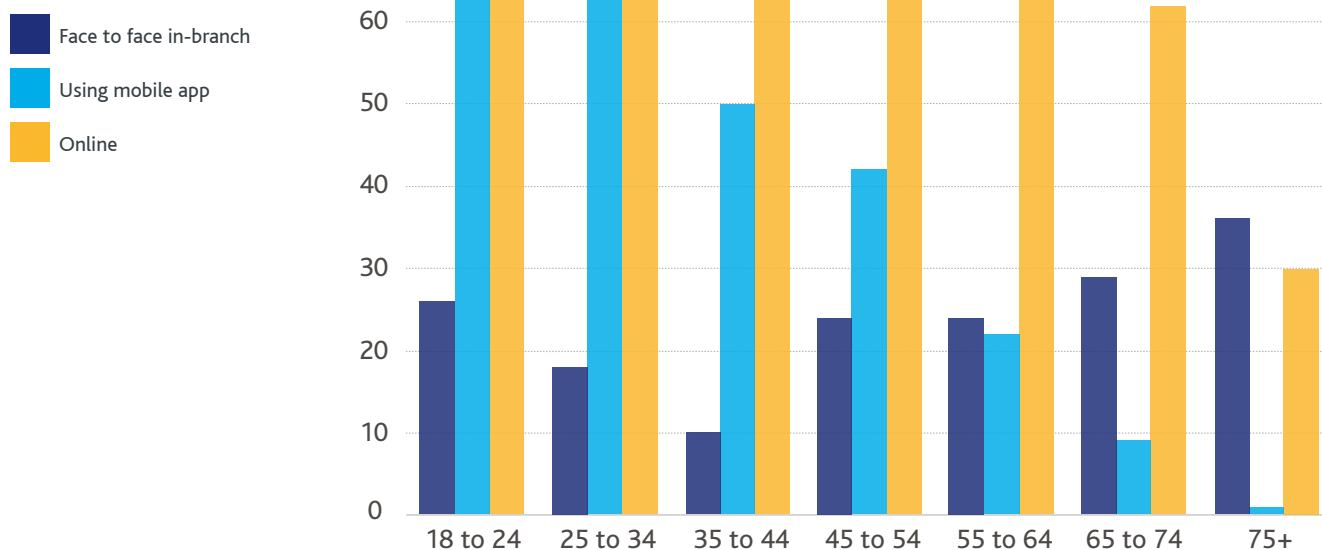
Such building society branch locations may be better suited to the role of the branch in the future, one that focuses more on interaction and relationship-building and less on transactions. A later section explores how a number of building societies have been investing in new branch formats to meet these changing needs.

A major reason that many people visit the high street is to do their banking. Research commissioned by The Nottingham Building Society found that of those people who still visit financial services branches, 46% say they do it as part of a trip into town to run several errands, including shopping. 36% of people who use branches said that if they closed, they would visit the towns or centre where they were based less often (Nottingham Building Society, 2018). In the same research, 33 out of 100 owners of local consumer-facing businesses said that bank branch closures had a negative impact on their business as fewer people visited the area. The loss of a bank or building society branch can have a significant impact on the health of a high street. This could have severe implications for people who are more reliant on branches and cash, who could become financially excluded (FCA, 2019, HM Treasury 2019).

The FCA's Financial Lives survey indicates differences across age groups in channel usage, with greater use of mobile devices in younger age groups, as might be expected. Chart 5 shows the data for some of the channels used for checking balances by way of example (FCA, 2017). One of the more surprising results is the relatively high proportion of the 18-24 age group that used face-to-face branch services to check their balance, with 26% have done so in the last twelve months. The proportion was higher only in those aged 65 or over. It is not clear whether young people interacting in this way will persist in their behaviour, or if it is a result of them enjoying the novelty of a branch visit, or of some having low financial confidence or capability, all of which may reduce over time.

Chart 5:
Proportion that have checked the balance on their main day-to-day account in the last 12 months

Source: FCA 2017

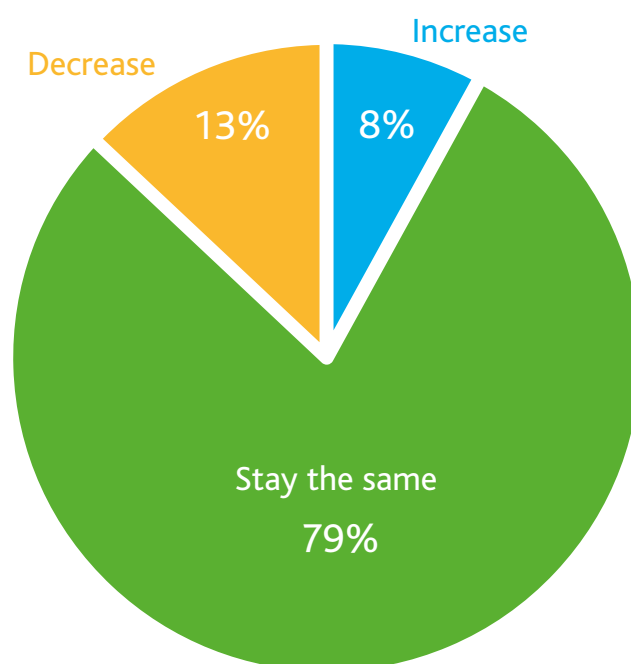


Changes to the way that consumers use branches make it inevitable that more will close in the years ahead. However, in the next 12 months, almost 8 out of ten building societies taking the BSA survey said that they would not reduce their branch network, and around another one in ten (8%) planned an increase.

In March 2019, Nationwide made its branch promise that every town and city with a branch will still have one in May 2021. With around 650 branches, this commitment provides the Society's communities with some reassurance that they won't be left branchless in the near future. (Nationwide, 2019).

The general commitment to branches shows that they are still valued by building societies, and demonstrates a deep interest in the health of high streets and town centres.

Chart 6:
Changes in branch numbers over the next 12 months



Reviving town centres

Recent studies conducted for the Ministry of Housing, Communities and Local Government (MHCLG) looked into which high streets and town centres are thriving; an analysis of footfall data reveals that the decline is not universal, with some high streets maintaining or even increasing footfall (IPM, 2018).

These studies conclude that for town centres - a broader concept than just high streets - to increase their vitality and viability they need to broaden the scope of activity. This goes beyond retailing into leisure, experiences and entertainment. It includes residential and public spaces, and ensures the centre's offerings are available at the right time to meet the needs of its catchment area. In addition, the studies reveal that people choose to live or shop in a particular location because of its distinctiveness; such as geographic, cultural or historic features. The findings were endorsed by the MHCLG Committee inquiry into High Streets. Excerpts from these studies are quoted in the orange box below.

The High Street Report set out the recommendations of the High Streets Expert Panel, which was chaired by Sir John Timpson of the Timpson Group of retailers. *"The town centre of the future should attract local people to take part in a variety of activities - including dining, leisure and sport, culture and the arts, entertainment, medical services, and many more uses. They should also contain business premises, offices, residential including affordable housing. We have more shops than we need and are short of housing in many parts of the country. It seems to us obvious that part of the retail estate should be converted into residential property where there is housing shortage."* MHCLG, 2018

High Street 2030 was written by Institute of Place Management (IPM). *"It is clear that whilst retail was still seen as an important element for the future of the high street by those participating, they also saw high streets offering other activities that served the community. They were places where individual and collective experiences should happen... calls for improved accessibility that is more environmentally-friendly, new public spaces or areas, centres that better serve older people, more central services, town centre living but also places for entertainment and leisure, another view strongly expressed by younger people who also wanted greater variety with more frequent use of pop-up retail and entertainment"* IPM, 2018

High streets & town centres 2030 inquiry, HCLG committee. This cross-party committee of MPs concluded *"We firmly believe that our high streets and town centres can have a better and more balanced future ahead of them.... This will require a shift from the retail focused activities of high streets and town centres today to new uses and purposes which foster greater social interaction, community spirit and local identity and characteristics."* HCLG Committee, 2019

MHCLG has established a *High Streets Taskforce*, a *Future High Streets Fund*, and a *Stronger Towns Fund* to support these aims.

"Healthy high streets are vital in keeping local communities alive. They are a major part of our history and identity - a space where we come together. But in many cases they have become almost uniquely transactional, despite consumer behaviour highlighting that people increasingly want to relax and enjoy themselves when out shopping. We need to rediscover the sense of belonging that has served communities for centuries and as businesses we need to open our doors to people and not just customers. It's not good enough that we succumb to the perceived inevitable and watch our local shopping centres fade away. We owe it to our communities to make ourselves relevant again."

Joe Garner, Nationwide (Nationwide 2019)



The changing role of branches

Building societies and credit unions find that their members still expect personalised, face-to-face service to be there when they need it. Those who rely on branches value them highly, particularly older or more vulnerable customers. In particular, branches are a major channel for attracting savings deposits. They are often the preferred channel for account opening and advice, and for many customers branches continue to be the first port of call for problem solving. The presence of a local branch therefore provides some reassurance and comfort. Branches help building societies to know, understand, and build relationships with customers, and as member-owned organisations, they are also important for engagement.

Newcastle Building Society:



"At the end of the day, people are social beings. And there's a lot to be said for the sense of community we have created. But we understand that the branch we had yesterday isn't the branch of the future. It's a case of embracing technology without forgetting that people will always need a physical space where the community can come together."

Hinckley & Rugby Building Society:



"The expectation for branches is for high quality, personal customer service and a range of competitive products available in branch. They expect to visit without an appointment and deal with their financial business in a friendly and relaxed environment where they won't be overheard."

Yorkshire Building Society:



"Despite the fact that many now access services online and on their mobile phones, they still want to know a branch is available when they need it (e.g. for bigger decisions or more complex queries). Members are looking for a personalised interaction, and many still feel that only face-to-face can build the level of relationship they're looking for."

Another key role for many building society branches is to serve as a community hub. Some building society members value the social interaction and see these hubs as an integral part of the community. Many societies hold events in their branches, which in the words of Ipswich Building Society, aim to "make membership more social".

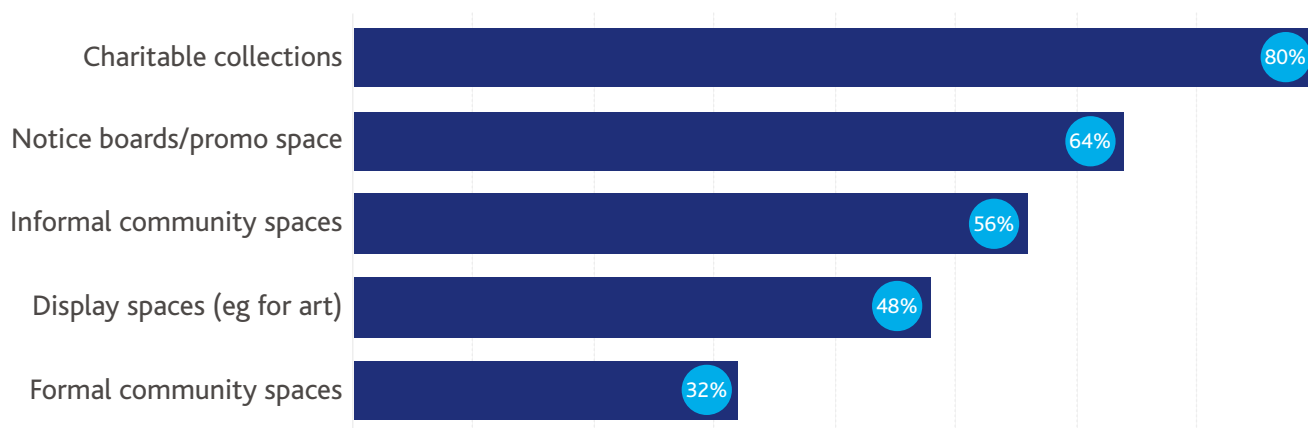
"As life becomes more dominated by digital technology, there is an increasing need to encourage social interaction. Face-to-face communication has an important part to play in wellbeing, by establishing the strong attachment with others that are a critical part of making us human."

Sir John Timpson, Chair of the High Streets Expert Panel (MHCLG, 2018)

The Melton has set up partnerships with local Wildlife Trusts in its branches to help to engage young people in understanding their local environment. Chart 7 shows that many societies provide community amenities that help people to come together. This can be to meet, display information or art, or just to have a chat or a coffee.

Hinckley & Rugby demonstrates this important role: all its branches are integrated into the communities they serve, and are well patronised by members. Many members visit as part of their weekly routine and strong relationships have built up, with long-serving staff knowing customers very well, often by name. In some village locations there are a limited number of other businesses, and the society's presence is appreciated. This also means that staff have a high level of interaction with the other local businesses, charities and community groups, and hold business and charity accounts for many.

Chart 7: % of societies offering these branch facilities



"Our mission is to place ourselves at the heart of the communities we serve to make a real difference. We will share our funds, people, resources, physical spaces and skills for mutual benefit. With this in mind, everything we do contains a consideration for our community, our members and our people.

As well as donating 5% of our profit each year to the community, our sharing promise means that the society welcomes charities, local businesses and organisations into the branches to spread their messages."

Darlington Building Society

So there is still a role for branches, but the commercial reality means that not all current branches will be needed in the future, and that the role of branches will change. Societies are transparent with their members that branches must be used if they are to be kept long-term.

Societies are also examining which services branches should provide, with a move away from a transactional focus towards a broader proposition that addresses more of their member's financial needs. Hinckley & Rugby has analysed its branch usage and developed a new-style customer service concept they call "Member services". This will offer a private environment for dealing with more complex and confidential queries rather than day-to-day transactions. The examples on the next page show how others are updating their branch networks.

Members expect societies to respond to their changing needs. This includes the rapidly growing demand for digital channels such as mobile apps and online banking, along with the flexibility, accessibility and convenience that such advancements bring. A common approach among societies is for digital to complement, not replace, the branch network.

Newcastle's objective is for technology in the branch to be unobtrusive, facilitating rather than reducing face-to-face interactions. Cambridge has introduced digital kiosks in its new store format, and increased staff numbers. It has found that the introduction of its app has changed the nature of interaction between members and branch staff, who are digital experts and can help to guide members online.

The Melton has introduced digital product literature in its branches so that advisors can discuss and then provide the most relevant documents and the member is not swamped with paper.

Frequently, consumers can choose how they want to interact with a society for specific transactions or advice. Technology can help to serve existing members more efficiently at any time, and new groups of customers can be reached more easily. The challenge is to make the service seamless, so that members can move between channels, but also so that the brand is reflected in a consistent way online and in-branch.

Examples of branch developments

- **Refreshing the look and feel:** Principality has revamped a number of its branches based around the theme of 'home', making them even more welcoming and relaxing places for members.
- **Changes to layout to increase interactions:** This might involve removing the traditional branch counter and security screens for a more informal feel.
- **Increased use of digital:** free Wi-Fi, access to online services, games or apps for younger savers and digital screens. Branch colleagues use tablets to guide members through and showcase digital channels.
- **Extended opening hours:** Cambridge is trialling early opening hours in its new store format.
- **Video conferencing:** Nottingham is testing a new branch format with video conferencing, as part of the society's "Nottingham on Demand" programme, and Newbury has launched video-based advice for both mortgages and savings.
- **Demonstrations:** Bath is considering using spare space in its branches to host workshops to help members access online and mobile services.
- **Introducing technology:** Including card machines that allow customers to credit accounts in-branch, coin machines to encourage children's savings etc.
- **Partnerships:** Leeds Building Society is also a landlord and as part of its refurbishment programme the society made the office attached to its Holbeck branch available to local charity, Holbeck Elderly Aid, rent-free for five years. The charity seeks to reduce social isolation among older people.

The **High Street 2030** report notes some of the changes happening in the way retailers use their high street locations, which matches the direction of many building societies' branch innovations.

"Retail is already changing and though examples may not yet be on your high street, they are being tested and developed elsewhere. We are seeing growth in the sharing economy which is now entering into retail, albeit slowly. Renting clothing, sports equipment, do-it-yourself products may well become commonplace in the future and is already happening online. Another development is the development of more sophisticated personalisation in retailing that suits customers and drives sales. We are seeing growth in pop-ups and temporary installations that vary the shopping or entertainment provision in a centre. We also seeing retailers now offering services and support that go beyond the sale of a good. Classes, courses, workshops are becoming an accepted part of many high streets. Meanwhile other retailers are seeking to provide a different experience, perhaps a drink or entertainment whilst shopping, something that changes the shopping trip and makes people want to return."

IPM, 2018



Coventry Building Society are refurbishing their entire branch network, and each upgraded branch has a dedicated "Community Heart" as a centrepiece. This is an area with screens and displays which staff and community partners can use to hold awareness sessions on everything from protecting against fraud, to mental health, tips on navigating the savings market, and showcasing the community activity of that branch team.



The refurbishment includes new layout and technology, but rather than being a property project, the Society's main objective is to promote "Human Touch", the personal interaction between staff and customers. It looked at everything from ergonomics to environmental impact, from security to the services they offer. Members and staff really love the lack of barriers, saying they find it easier to connect with each other.



Nottingham Building Society strongly believes that branches can have a future if their role is 'reinvented' and made more relevant to the needs of customers today. Many people find it increasingly difficult to access financial advice, help and service on key financial issues, and the Society believes that branches can play a key role in addressing this problem.

Alongside investment in new locations, the Nottingham's investment in enhanced digital capabilities will complement, not replace, the Society's branch network. Digital technology will allow members who wish to self-serve to do so through the channel of their choice, whilst branches will continue to play an essential role in providing expert face-to-face advice and help to those who need it, and the Society's research suggests this is in strong demand.



as individual as you

Earl Shilton Building Society has revamped its second branch, in Barwell, Leicestershire, to bring it on par with the Society's Head Office branch in terms of facilities and branding.

The new branch has greater accessibility, offers a pleasant, light and appealing environment, and strengthens the Society's commitment to the locality by providing a fresh and modern presence.

Building on its existing 'In the community' scheme, the Society has also introduced a charity voting system in its branches. This allows members to choose the local cause they would most like to see receive backing by placing a token into one of two selection stands; the two local causes are nominated by staff and customers and are changed each quarter.



By the end of the year **Newcastle Building Society** will have refurbished or relocated all of its branches to a better location on their high street in terms of access or space. The Society is committed to a branch network for the future, with a new branch in Barnard Castle on the way. Its new concept branches marry unobtrusive digital servicing with person-to-person service, supporting the long-term authentic relationships the Society builds with its customers.

Newcastle's digital offer to customers who prefer to deal online aims to deliver an immersive customer service. Its current challenge is how to develop its digital presence, not just to be an effective website but also to replicate the warmth and personality of the branch service.

It also considers how a more innovative approach can secure good outcomes for all. One example is the Society's Yarm Library partnership branch, a shared location which combined its need to find a way to create a new banking location on the high street whilst many were leaving and removing critical community services, with the desire of Stockton Borough Council to maintain local library services.

The Society has since partnered with a further 6 volunteer and council run libraries, sharing and supporting public spaces on the basis of providing a valuable local service in terms of colleagues running drop-ins, financial awareness talks and financial clinics. All these aspects have the intention of creating footfall for the libraries, events that can be promoted, and generally supporting the gap on the high street in these services.



Newcastle Building Society event in Whickham Library

Assessing branch viability

The list in the box below summarises the main factors given by building societies when assessing the viability of their branches. The most common factors are in bold, but the mix of these factors is not straightforward – there is a lot of context-specific information and a high degree of judgement involved.

What risk factors does a society consider when assessing the viability of a branch?

- **Current savings accounts and balances, and their growth potential**
- **Transactions and footfall**
- **Potential impact of closure on communities, including whether the branch is the last in town**
- **Profitability**
- **Proximity of the society's other branches**
- **The value of a visible high street presence**
- Customer feedback
- Potential to be upgraded
- Accessibility; in terms of transport links and access for disabled customers
- The nature of the high street it is on, and how this is changing
- Competitors' branch locations
- Colleague's local knowledge

Branches remain a major channel through which savings are attracted, and this was a metric that was frequently mentioned, and how much a branch is used is obviously important. The value of a visible, physical presence was also high on the list, not purely from a branding point-of-view, but adding to a sense of trust and confidence by being there when people need them.

There are also important considerations about how an individual branch fits within the network as a whole – having a number of branches in nearby locations can help to smooth staffing across the branches, as well as being more convenient for local customers. In considering whether a branch should continue to operate, the impact on the community is typically considered, particularly if the branch is the last in town.

A number of societies have consciously maintained branches in locations where other providers have withdrawn. Hanley Economic Building Society has seen this have a positive impact on their business levels and attracted new members.

Newcastle Building Society has sought to affirm its commitment to areas where banks have withdrawn with hyper-localised advertising, and it has made sure its own branch refurbishments were completed before the local bank branch closed. Ipswich will be trialling extended opening hours in a branch in a similar situation.

Hinckley & Rugby has taken the opportunity to relocate its Lutterworth branch into the exiting bank branch, which was larger and more accessible, while reinforcing the society's public commitment to the local community.

The Nottingham has opened new branches in premises vacated by other banks and building societies, selecting locations that complement its existing network and where there is an attractive target audience for its services which include estate agency and advice on a wide range of financial services.

However, Bath Building Society noted that a good range of other organisations, including banks and Post Offices, as well as shops, are ultimately needed to make a location thrive and support a branch or an agency.

Branch closures

With town centres changing and more people managing their finances via mobile apps and the internet, it is inevitable that branches must sometimes close. A building society's customers are also its owners, so the appropriate balance needs to be struck between providing the services individual members need and delivering value for money for the membership as a whole.

When reaching a decision whether to close a branch, Yorkshire also considers other options such as reduced opening times or working with a local business to open an agency. Many societies stressed that they ensure there is another branch nearby that can service needs, increasing its staff resources if necessary, and checking that transport links to other branches are acceptable. Leeds conducted an impact assessment to identify members that were in vulnerable circumstances in order to provide them with extra support.

Building societies closing branches also ensure staff can support members with other ways to service their accounts, such as registering for online access or a postal service for customers of the closed branch.

It is important to communicate the change to members clearly, and well in advance, and to engage with the community and its representatives.

Digital communities

To complement their physical presence, many societies foster digital communities on social media, via corporate websites and online panels and forums.

Many societies use social media to have a conversation with their communities, with the intention of listening, amplifying the brand and stimulating engagement. Topics go well beyond products and services, with content often aimed at raising awareness about community activities and positioning the society as a local values-based employer. Some larger societies have a dedicated customer service profile which acts as an extension of the face-to-face service that members receive in-branch.

Glasgow Credit Union's social media audience is made up of members and non-members, they have particularly good engagement with Facebook posts about charitable donations made by Giving Glasgow, the credit union's charitable giving fund.

Vernon Building Society is encouraging its members to sign up to an occasional newsletter to keep up to date with the society's activities via email.

Community areas on websites are very common, and a key channel for taking applications for funding and grant-giving to local causes.

Some society websites have online communities. For example, Yorkshire Building Society's *MyVoice* is a representative group of customers who regularly take part in group discussions, mini Polls, surveys and other engagement. These members can have their say on potential new products, services and other society and community initiatives to help inform and shape the society. Nationwide members can make suggestions - and see the suggestions of others and how the society has responded - via its Connect community. Members can also find out about charitable projects being supported in their area and contribute views.

Networked society

One of the main recommendations of the studies into keeping town centres vibrant is that partnerships are vital. For example, the HCLG Committee commented, *"With a properly planned strategic intervention led by the local authority, with the backing of local stakeholders and the wider community, we can redefine our high streets and town centres and ensure their long-term sustainability for future generations to come."* (HCLG Committee, 2019)

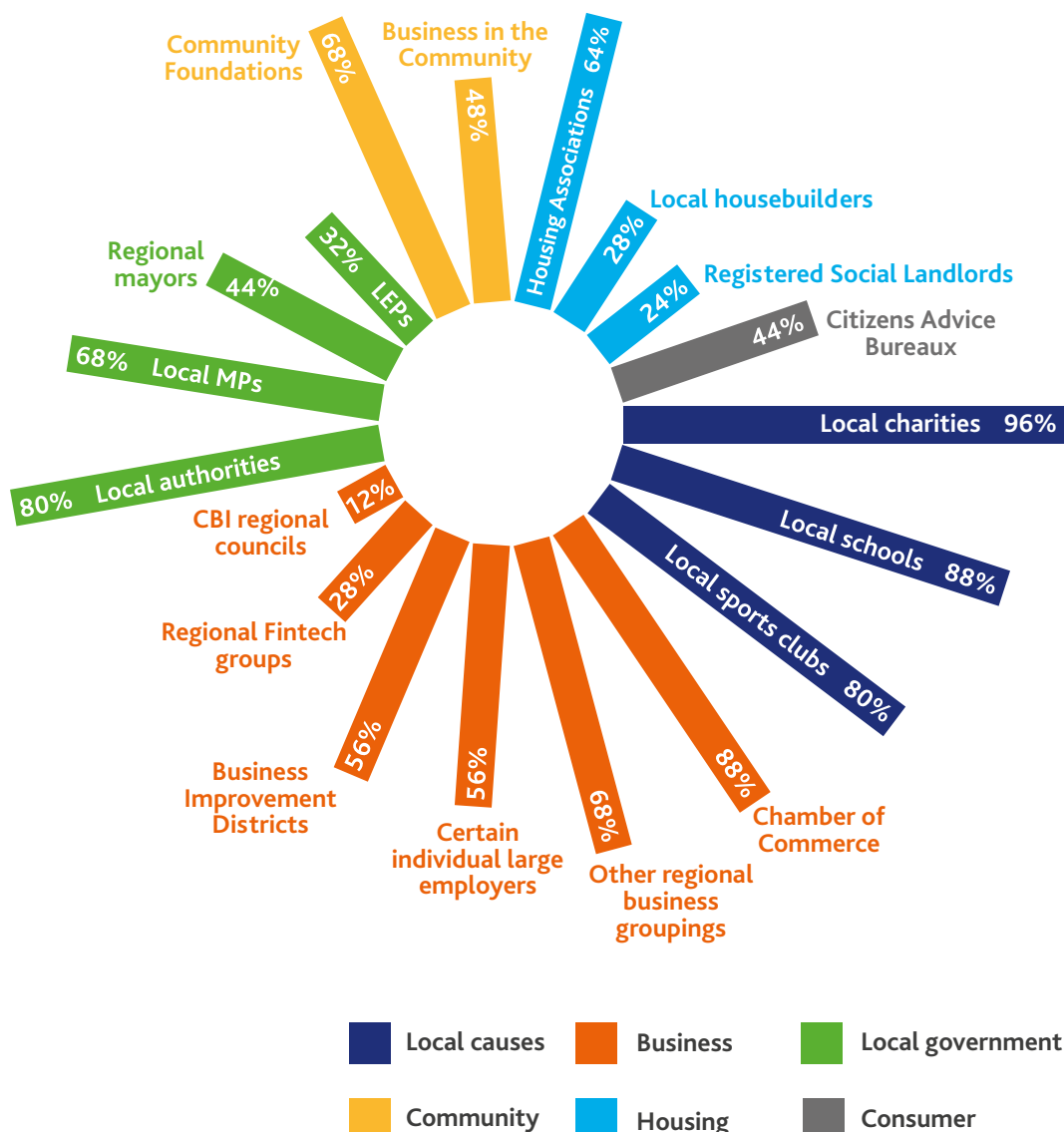
Building societies and credit unions have long recognised that their desire to support their communities can't be achieved in isolation and that by selecting the right partners, a greater impact can be achieved. For example, *Collaboration* is one of the core elements of Principality Building Society's community strategy.

The diagram below shows which of the links to local institutions and community groups are already in place. The most common partners are local charities, schools and sports clubs. Local business groupings are also very common, as are links with local authorities and community foundations.

Chart 8:
Links with local organisations

% of societies with these links

*LEP is a Local Enterprise Partnership



The partners are selected for their good fit with the strategic aims or purpose of the building society or credit union, helping them to have a greater positive impact. The relationships raise awareness and the profile of the society with customers and potential employees.

For example, the West Brom says it forms relationships with organisations that have an immediate and active connection with their communities and, as a result, allow the Society to have a more immediate impact on the lives of the people these organisations work with. Many actively engage with the local high streets and towns, investing time in managing the relationships with local charities and partners, get involved with and support events taking place and share community news via their social media channels. Market Harborough has developed links with a number of local retail businesses to offer its members discounts when they shop with them.

Other links with business groupings help to share local knowledge and combine resources to tackle local issues. The Dudley Building Society has recently set up a Community Support Fund to embed the relationships with partners and to ensure that the process of grant giving is more transparent. The Society hopes to develop stronger, ongoing links in the community, with the Society and its partners supporting each other to make a difference.



Nationwide has set up a Community Board in every region of the country. The Boards arose from a member suggestion as a way to distribute community grants to address a social issue that matters to the society's membership.

Made up of member and colleague volunteers, as well as housing experts, the Boards have awarded over £4 million so far to housing projects across the country. Local housing charities are able to apply for individual grants of up to £50,000.

Skipton Building Society is one of the employers collaborating with York College, which has been chosen to host one of twelve new Institutes of Technology that offer young people an alternative to university, and recognising the importance of education to an area's future (Lybeck, 2019).

Similarly, Nationwide is an anchor partner for Swindon's new Institute of Technology. Along with other local employers it will play a key role in the management, leadership and delivery of the new institute which is scheduled to start operating next year, after the site is redeveloped.

Ipswich delegates a lot of networking to its local branches. Each branch has an annual branch charity which can be suggested by members, and which is the beneficiary of the branch's *Mutual Advantage* affinity account. Branch responsibility for school relationships also works well, with branches managing and fulfilling the Society's own comprehensive financial education programme.

"Vernon's annual Community Awards is an enabler for us to connect to multiple organisations across Stockport and engage with them on a regular basis. For example, in 2019 we have partnered with one of our 2018 winners to host a 'coffee and catch up' morning to bring the local community groups who won in 2018 together to help maintain the relationships. We also find the local council is keen to grow and foster relationships between non-profits and other businesses in the area.

We continue to develop and grow our community connections, reviewing the strategy annually to make sure we are engaging with them in the most productive way and continually breaking down any perceived barriers for engagement."

Vernon Building Society



Newbury Building Society partnered with West Berkshire Council to launch *First Step, Next Step Equity Loan*, as a way of helping potential buyers raise the deposit required for a mortgage in an area of high house prices.

The scheme is open to those living and working in West Berkshire and combines an interest-free equity loan from the Council with a buyer's deposit to enable them to get a mortgage with the Society. It can be for purchases of new or existing properties.

West Berkshire is the heartland of the Society and therefore, it is only fitting Newbury and the local council worked together to further support the community they serve.

The Nottingham has also seen particular success when it connects with external partners on a local level, connecting branch teams with counterparts in organisations and groups in the local communities. They say, "There is a shared understanding of local issues and opportunities and shared commitment to doing the right thing for the community."

An example of a new form of partnership was Cambridgeshire County Council Pension Fund's £15 million investment in Cambridge Building Society in the form of Core Capital Deferred Shares. The local authority pension fund was the ideal partner for The Cambridge as it shared the vision of delivering long-term benefits for residents and the local economy. It will support additional lending for people to buy a home in Cambridgeshire. This local benefit was a key driver for all involved.



Being the only financial institution in Chalfont St Giles, **Buckinghamshire Building Society** is actively involved in the local community. It supports local schools, clubs and charities and the village with donations and staff involvement. With most staff being local, the Society has a sense of belonging to the community and working together with customers and local groups to create a better environment.

Kathleen Martin, Chairman, Chalfont St Giles and Jordans Revitalisation Steering Group commented, *"The Buckinghamshire Building Society has always given the village of Chalfont St Giles great support. They generously contribute to events, such as the Literary Festival and the Christmas celebrations, which are designed to encourage visitors to the village and which in turn help the prosperity of the community."*

Facets of effective partnerships



Long-term: Principality notes the benefits of sustaining its partnerships over a number of years as this enhances communication and understanding, and means that activities of a bigger scale can be taken on.



Focus: Coventry focuses its support on a small number of local schools, achieving a bigger impact, as opposed to spreading its support more thinly across a larger number.



Non-monetary support: Darlington looks for partners where it can share skills, spaces and contacts, not just offering monetary support.



Open dialogue: This moves the community from being commentators to actively engaged contributors and partners. Glasgow Credit Union has regular workplace visits with Glasgow City Council, one its Employer Partners. Nationwide's Community Boards developed from members being at the heart of its strategy, allowing them to co-create the structure for giving Community Grants to meet local needs.



Saffron Building Society's Claire Hunnable is part of the Steering Group for the Saffron Walden Business Improvement District (BID).

A BID is a democratically elected organisation that focuses on delivering specific initiatives agreed on by businesses in a defined geographical local area, over a five year period. There are now over 300 BIDs operating in the UK.

Saffron Walden, a market town in Essex, has an historic centre with a range of shops, businesses and an award-winning market, but it is not immune to the changes in consumer behaviour.

To thrive, businesses in Saffron Walden have recognised that they have to be more creative, dynamic and customer-focused. The BID gives the local businesses the power and funding to make significant, targeted and sustained improvements to the town.

The plan is to bring almost half a billion pounds of investment over five years, focused on attracting and engaging more people to spend their time and money locally. This could be with new events or other opportunities for a great experience. We are looking for the community to be heavily involved and help to direct the investment. An example of an initiative was to run vintage buses from local sites such as Audley End House with visitors encouraged to expand their day out with a trip to the local high street for lunch, tea and shopping. This was very successful, achieving increased footfall and more spending locally.

The BID will encourage local businesses to share knowledge and skills, as well as joining together for marketing initiatives, and we'll also call on outside partners where necessary.



"The BID will enable growth, relevance and strength, ensuring the town works together for its future." **Claire Hunnable, Saffron Building Society**

"Local initiative is an essential ingredient for success. [There is no] standard, off-the-shelf process because a one-size-fits-all solution will not work. Local teams, which may comprise local government, businesses and community groups, in each town must discover a culture and central purpose that unites their community and attracts them to the town's central hub. We have found that each successful town has its own brand and understands its unique selling point."

Sir John Timpson, Chair of the High Streets Expert Panel (MHCLG, 2018)

Investments in the community

Housing

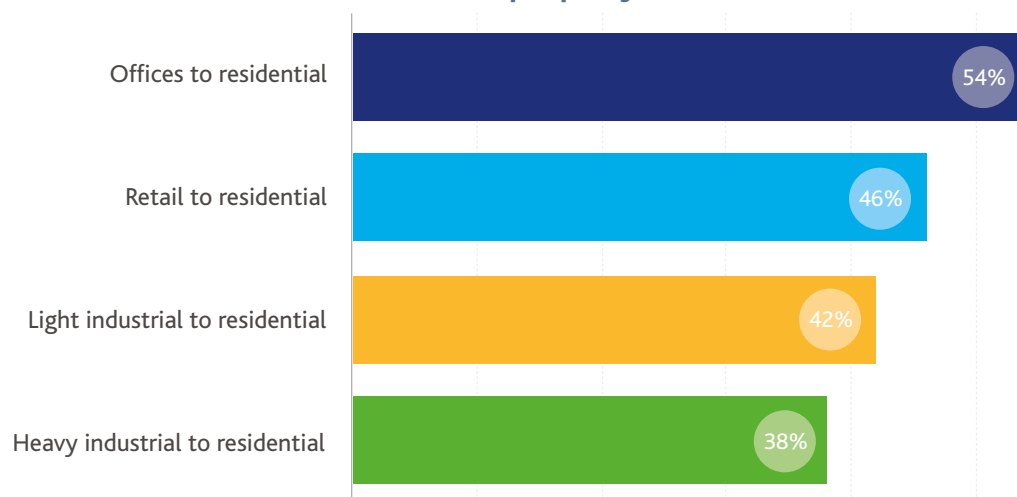
As high streets change fewer shops will be needed, so empty properties should be put to better use. In many areas it is likely that more residential conversions will take place to meet local housing needs.

Just under half (46%) of building societies said they will provide mortgages on former retail properties that have been converted to residential (Chart 9). Similar proportions of societies will lend on conversions of offices and industrial buildings. These will all be based on the merits of the individual property and will be subject to a valuer's appraisal.

A couple of larger societies have invested directly in house building in recent years.

Chart 9:

% of societies that will lend on the following conversions to residential property



The Mill in Canton, west Cardiff, is a collaboration between **Principality Building Society**, Tirion Homes and the Welsh Government, together with housing developers Lovell and Cadwyn. The initiative brings affordable homes to west Cardiff on a former derelict site, which has lain dormant for over 20 years. Of the 800 homes developed at The Mill, half will be allocated for affordable rental and owned by Tirion Homes while being managed by Cadwyn Housing Association. The long-term vision of creating an affordable, high quality neighbourhood is now a reality for new residents. Community facilities, a riverside park and local shop will be developed as part of the scheme.





Nationwide Building Society is building 239 homes on a brownfield site in Swindon close to its head office. Working hand in hand with those who live, work, learn and play close to the site, Nationwide's approach to this project has been different from the start, employing Community Organiser Keith Brown to help local people actively participate in the process. Keith began talking to the community more than a year before any planning applications were submitted to find out what people living locally wanted and needed from a new development. Keith continues to be based in the community, working with local people and groups to create positive social change.

The designs of the new neighbourhood have incorporated a lot of local feedback. Older and younger people have said they'd like to live side by side, which is unusual in new developments and through clever design people will be able to stay in their homes

through later life. And this is about more than just building houses, it's about community so there'll be a focus on fostering neighbourliness through shared gardens, extensive places to meet and play and a community hub, which everyone can benefit from.

As well as creating the development explicitly around the needs of the community, Nationwide's approach to developing differently is part of their commitment to find local solutions to the national housing crisis. Nationwide will share what they're learning and encourage other responsible businesses to think about their role in increasing housing supply, as well as challenging housing suppliers and policy makers to think differently.



Community organiser
Keith Brown





By working in partnership with the London Community Land Trust (CLT), **Ecology Building Society** pioneered an innovative solution to provide mortgages for permanently affordable homes. 23 affordable homes have been built in Tower Hamlets, London. CLTs are set up and run by ordinary people to develop and manage homes as well as other community assets. The Trusts act as long-term stewards of housing, ensuring that it remains genuinely affordable, based on local earnings, not just for now but for every future occupier.

The London CLT homes are being sold to local residents who meet certain income criteria. The sale prices are pegged to local earnings at around half their open market value. In order to keep the homes permanently affordable, if the homeowners choose to move, a resale price covenant ensures that they have to reapply the same formula based on average local incomes at the time.

Without access to the CLT homes, many of the buyers would not be able to afford to stay living in their local community.

As the London CLT scheme challenges the traditional mortgage market reliance on open market value for underwriting, in order to provide mortgages for the buyers of the CLT homes, Ecology had to develop a bespoke solution in order to take account of the resale price covenant, which ensures that the homes remain permanently affordable. At the time Ecology was the only lender that was prepared to consider lending on such an unusual resale price restriction, but this now provides a model for similar schemes in the future.

The first of Ecology's CLT borrowers moved into their new affordable homes in June 2017.

"Ecology is a long-standing supporter of community-led housing, which puts people back in control of their local housing provision, creating genuinely affordable homes and strong communities. This is often realised through energy-efficient housing, and developments that enable a more sustainable approach to everyday living."

Other investments

A number of societies and their charitable foundations make donations with the intention of improving infrastructure in their communities. For example, Newcastle Building Society provides £50,000 building improvement grants to help local groups to improve their community buildings, and Melton Mowbray's Charitable Foundation provides kick-start investments to encourage other donors to provide support. Market Harborough's Charitable Foundation also gives grants for items of capital expenditure.

Some societies are investing in new head office locations that will bring colleagues together in a modern workspace at the heart of their communities. Hinckley & Rugby is aiming to source all its suppliers from within an hour's travelling time of its new head office location.



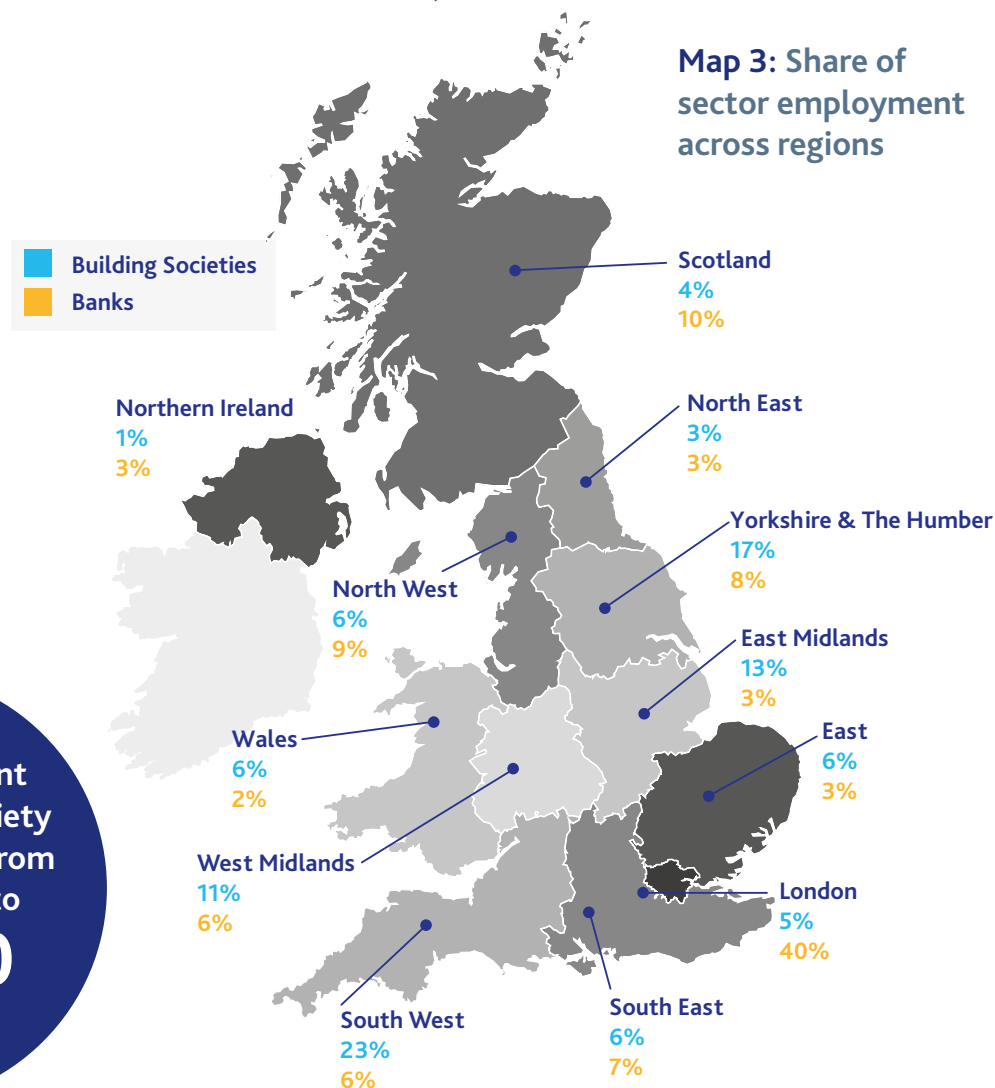
West Brom's new Head Office in the heart of West Bromwich, opened in 2016

Hinckley & Rugby Building Society has supported Leicestershire Police's dedicated evidence centre for young people for two decades, providing facilities for child victims and witnesses of crime. Since 1999 Hinckley & Rugby has donated use of the house, enabling the Police to save money which can be spent on support services for children. Last year, Hinckley & Rugby supported the refurbishment and modernisation of the centre, including the latest remote link technology so children can give their evidence from the centre without having to attend court.

Regional employment and skills

It is no surprise that employment in the wider banking sector is concentrated in London, with 40% of all banking employees based in the capital. By contrast, employment at building societies – none of which have their headquarters in London – is more evenly spread (Map 3). The people that work at building societies and credit unions are drawn from the communities in which they operate. The concentrations are where the largest societies are based – in the South West, Yorkshire and the Midlands.

Map 3: Share of sector employment across regions



ONS Business Register and Employment Survey 2017
Data for Northern Ireland for Banks from NISRA and is for All Monetary Intermediation, and for building societies from BSA calculations

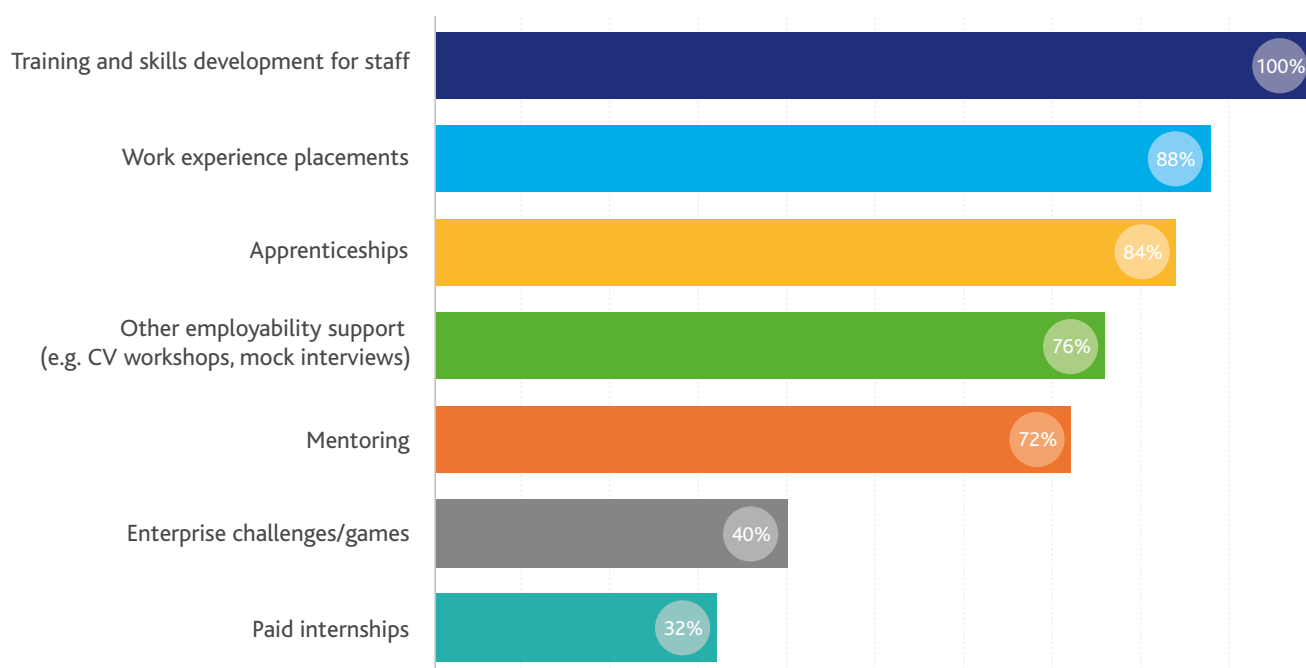
Previous research by the BSA showed that building society and credit union employees were more likely to say that the value created by the organisations that employed them went to customers, local communities and wider society than was the belief of people working for shareholder-owned companies, where shareholders were unsurprisingly considered the greatest beneficiaries of the value created by the business (BSA 2017). These findings, together with the spread of employment across the regions, suggest that building societies play an important role in creating and retaining value in local economies.

Skills

Being based outside London's financial centre means that building societies don't generally benefit from the capital's clustering of workers with finance sector-specific skills. Half of the societies and credit unions responding to the survey said that they had at least some problems finding people with the required skills in their locality. Often this was related to specialisms such as risk and compliance, finance and IT. They have addressed this challenge by advertising positions across a wider geographic area, using agencies and job boards and approaching potential candidates directly via social media.

There has also been an increased focus on training and developing existing staff, including one society looking at a graduate programme for finance roles, and others developing apprenticeships. The BSA also has a role in providing training, such as in treasury management and mortgage underwriting, and the development with societies and Loughborough University of a Masters in Strategic Leadership. Others stressed the importance of local partnerships that give insight about where to target recruitment efforts, for example via local careers events or opportunities for employees being made redundant from other local employers. However, the challenges demonstrate the importance of fostering financial centres outside of London so that there is a reasonable supply of specialist workers in different parts of the country.

Chart 10:
% of societies offering the following skills development



All societies and credit unions surveyed train and develop their staff, as one might expect of any business, and offer various ways to improve the skills of their employees.

The majority offer work placements and apprenticeships to help to develop young people and those that may soon be entering the workforce (see Chart 10).

Newcastle Building Society has worked with the Prince's Trust TEAM programme that works with young unemployed people, two of whom have gone on to join the Society as apprentices.



The West Brom has set up an Employee Council, a consultative group of employees that will articulate views to the Society's board and senior leadership team.

Made up of 14 employees with a diverse range of backgrounds and experience, the Council will provide important contributions to the society's future direction, and challenge existing thinking. The Society has also established a Member Council along similar lines.

The Council will meet quarterly to discuss specific business matters, broadly aligned to topics the Board itself needs to address.



Mortgage Adviser Joshua Lee was one of dozens of volunteers from The Nottingham who have helped young people to discover more about the world of work. Joshua took part in an event attended by more than a hundred college students, organised by Leicester and Leicestershire Enterprise Partnership.

Joshua said, "It was great to hear from students about their career prospects and they reacted really positively when I talked to them about the wide range of opportunities that are available at a growing society."

Beverley Building Society engaged with its local community in the recruitment of its new Chairman. As part of the process, a group of members from the locality were able to meet and challenge the candidates. This is part of the society's approach of putting its community and members at the heart of its thinking and giving them a voice.

Staff volunteering

Eight out of ten societies that took our survey said that they have a formal employee volunteering scheme. Such schemes typically give members of staff the option of taking time off work to apply their skills towards a good cause. Volunteering policies allow employees to donate a set amount of their working time, on average 19 working hours a year. Some building societies direct volunteers to their charity partners, others enable the employees to select a cause that matters to them, where their skills can be put to good use

66%
The average proportion of staff who have participated in volunteering, fundraising or payroll giving



In 2018 Yorkshire Building Society celebrated the milestone of 100,000 hours of volunteering time donated to charities and good causes since the launch of the programme in 2007.

Louise Neill, Community Manager said: *"In 2014 we reviewed our volunteering programme as we wanted to understand why only 25% of colleagues were taking part. We found that colleagues wanted more flexibility to support their communities, in particular by sharing their specific skills and expertise."*

"Over the past few years we've refreshed the programme and introduced lots of new opportunities such as elderly befriending, school financial literacy lessons and mentoring, alongside increasing colleagues' volunteering allowance from 14 to 31 hours a year."

"As a result, colleague engagement has doubled and we've been able to better support local charities and good causes throughout the UK."

Benefits to the societies from volunteering:

- Staff develop skills such as public speaking and teamworking
- Make a local difference
- Staff build confidence, morale and job satisfaction and wellbeing
- Strengthen relationship between colleagues
- Recruitment as more potential employees see the society in action

"Colleagues cite the support provided to our local communities as central to why they like working at Newcastle Building Society."

The world around us

Environmental impact

Societies recognise the importance of mitigating their environmental impact. Yorkshire Building Society has identified energy, water, business travel and waste from their buildings as the main sources of its emissions. In 2018 it reduced its carbon emission by 16%.

Steps being taken across the sector to reduce the impact on the environment span from reducing paper use, internally and encouraging members to receive electronic communications where appropriate, and installing LED lightbulbs across branch networks, to installing charging points for electric cars at their offices and switching to renewable energy. Head office locations are being made more energy efficient, with solar panels at some, and others being rated BREEAM Very Good, meaning they are highly energy efficient. A number have their carbon footprint independently audited by specialist agencies.

Ecology Building Society has taken many steps to reduce its impact on the environment. As well as shrinking its own carbon footprint, all of Ecology's lending has a positive environmental or social impact. Their C-Change mortgage incentivises energy efficiency by providing discounted interest rates for the most energy efficient properties helping people to buy or build sustainably. The Melton's *Eco Self Build Mortgage* provides a special discounted rate that recognises investment in energy efficient features.



The Melton Building Society has championed sustainability in creating mortgage and savings products that recognise eco-friendly behaviour for many years, so forging a relationship with our local Wildlife Trusts was a natural connection for the Society.

The Melton has initiated a number of activities to support the partnership, including providing special Wild Ones Packs for children who open a Young Savers Account. The Packs contain a pocket wildlife guide, wildflower seeds, notebook and more to encourage young people to enjoy wildlife and get into the habit of saving. The Society also offers customers a discounted membership to local Wildlife Trusts.

The partnership has continued to evolve and last year the Society launched a Wildlife Fund to provide opportunities for school children to learn outside and broaden their knowledge and understanding of wildlife. The Society invited local primary schools to apply for a share of the Fund and thirteen local primary schools have received grants to create or improve wildlife learning areas or take part in a Forest School. The programme was delivered by the Leicestershire and Rutland Wildlife Trust.



Since 2016 Leeds Building Society has reduced its carbon from its office sites by 95%, the equivalent of taking 560 cars off the road. The Society holds the Carbon Trust Standard for Carbon, a voluntary certification of the steps taken to reduce its carbon footprint.



Good causes

Over 6 in 10 of those surveyed said that they have a distinct community programme. In most cases, this is integral to the society's strategy, and generally these are run internally. Some however, are operated through community foundations.

Around half of societies said that they work with an independent charitable foundation, making regular donations. Some of these foundations were set up by but are run independently of the building society, others are independent community foundations that societies work with. All have objectives to support local causes, or tackle issues - such as poor housing conditions or financial capability - that align with the society's broader social purpose.

Nearly all societies and credit unions have charity partners. In many cases they have been in place for a sustained period, in some cases, for decades: Bath's relationship with the local Rotary Club goes back 45 years. The Hanley has relationship managers who contact the charities on a regular basis to stay engaged. Societies support a wide range of good causes that matter to their members. The next couple of pages give a flavour of these.

Hinckley & Rugby and Leicestershire Cares:

Since 2012 Hinckley & Rugby Building Society has been an active member of Leicestershire Cares, which brokers partnerships between local business and offers volunteering opportunities for the society's staff across Leicestershire. Recently the Society presented finance skills sessions to young care-leavers as they learn how to live independently. All projects supported by the charity contribute to the growth of inclusive, safe communities and aim to support and inspire children and young people in their transition to the workplace.



Coventry City of Culture:

Coventry has committed to donate half a million pounds over five years to Coventry's City of Culture campaign. The Society has over 200,000 members and 2,000 staff who live or work in the city, and it believes being City of Culture will bring huge benefits to Coventry communities.



Leeds and parkrun:

Leeds Building Society place great importance on building and strengthening local communities, which is one of the reasons they partner with parkrun UK, a not-for-profit organisation that delivers free, timed 5k events across the country. Last year they launched their Community Reward Scheme, which provides funding and volunteer support to projects that help and improve local parkrun communities. They've funded projects including new playground equipment, park seating and new paths for park communities across the UK. This year they will fund a further £31,250 to be shared across successful projects.



Principality Financial Education:

Principality has targeted its support for selected secondary schools across Wales through a collaborative Business Class programme. A projected 5,000 pupils are set to gain a London Institute of Banking & Finance qualification in managing their finances by the end of 2020. Colleagues from across the business continue to lend their expertise through the Society's volunteering programme and the Society has developed significant competence in school-wide support.



Newcastle and Dementia Friends:

Newcastle Building Society has trained all 1,100 of its employees in dementia awareness so that they can recognise and help people showing signs of dementia, and reached out to provide sessions to another 400 people across local groups such as charities and sports teams, and have even trained other financial services organisations on their high streets.



Harpenden and Youth Talk

Harpenden Building Society supports the well-being of young people with 300 paid-for counselling sessions over three years, to be delivered by St Albans based charity, Youth Talk. The funding agreement between Youth Talk and Harpenden Building Society has been facilitated and will be managed by the Hertfordshire Community Foundation (HCF), an independent charity that aims to encourage local philanthropy to help support local communities.

Working closely with both the Harpenden Building Society and Youth Talk, HCF identified youth mental health as being a key concern for both organisations during their Hertfordshire Matters research, which led to HCF matching the two as funding partners. The funding agreement has been hailed by the Foundation as a fantastic example of how local businesses are able to help local charities.



Conclusions

Building societies and credit unions exist to provide savings, mortgages and other financial products, but their purpose goes much wider than the products and services they provide. Many explicitly refer to the local communities where they were founded generations ago, or the groups of people that have an affinity with their organisation's values. They place huge importance on their role and responsibility in their members' communities.

This report has demonstrated that they are looking to connect with current and future members in new ways, investing in their branches and digital channels to continue to be there for members when they need them.

Building societies are investing in housing, infrastructure and workforces to support local economies.

They have strong local ties, and welcome expanding these to work with new partners and community organisations that want to develop the networks and relationships that can help areas to thrive, addressing wider social issues, and they are engaging the people around them to help to sustain the vibrancy of their communities, now and into the future.

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