Building Societies Association

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SOCIETY matters

March of the Mutuals

contents

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Hello and welcome to the summer edition of

Society Matters

Katie Wise
Channels and Publications Manager, BSA

Hello and welcome to the summer edition of Society Matters. What a busy few months it's been, both within the mutual sector and further afield. In late May, the Prime Minister took many by surprise, including some of those in his own Party, by announcing that the General Election will take place on 4 July. It's no surprise that at the time of writing, politics - both at home and across Europe - is dominating the headlines and we wait to see how it will all play out once the dust settles.

In the meantime, the BSA, along with other mutual trade bodies, continues to call for a meaningful covenant between mutuals and co-operatives, Government and society, based on the purpose-driven business model that is proven to deliver tangible benefits to our communities and wider society. We believe that co-operatives and mutuals should be at the centre of the new Government's plans for growth and will continue our work to achieve this goal.

The main focus of this edition is a follow-up to the Building Societies Conference which took place in Manchester in early May. The conference continues to grow, with almost 1,100 people attending across the two days, plus 54 exhibitors, 13 sponsors and 73 speakers sharing information and views on various platforms. It was yet again a wonderful opportunity to connect, learn and influence and we are all looking forward to Birmingham's event next year when we will be celebrating the 250th anniversary of the founding of the first known building society.

In this edition, Robin Fieth, Chief Executive of the BSA builds on his speech at the conference, where he looked back at the journey of the sector over the past 11 years to improved governance, rebuilding and refocusing the purpose and our role in society. Here, Robin focuses on the wider issue of financial exclusion and poses the question – how do we balance risk to ensure that we can continue to support those on the margins of the financial inclusion / exclusion boundary?

We ask Professor Trevor Williams, Economist and Lydia Prieg, New Economics Foundation what they would do as Chancellor to set the economy on a new path, following their engaging head to head session in Manchester (page 4). Professor Jason A. Lowe OBE and Professor Iain Clacher from the University of Leeds provide an introduction to climate financial risks and a new collaboration with the sector (page 5).

The first panel discussion at the Conference focused on the deployment of operational resilience within organisations and on pages 10 and 11 we build on this with Laura Moore, Protiviti and Dave Gardner, TLT LLP sharing top tips for building societies and credit unions getting to grips with the new requirements.

The benefits of collaborating on technology is the focus of page 7 where Frances McCann, CEO of ScotWest Credit Union outlines a significant collaboration with Capital and Glasgow Credit Unions to set up CU Share Limited. This new mutual organisation's vision is to develop and offer services to the credit union sector and beyond. Staying on the theme of technology, Rita Bullivant from Melton Building Society outlines the digital transformation journey the Society is undertaking (page 6) and Abby Foulkes from Sopra Banking Softwares focuses on the development of mobile apps (page 14).

We also have articles on the home energy efficiency problem and first-time buyers; the future of savings, utilising AI in the mutual sector and digitising the property market process. Enjoy!

What's with the elephants?

By ROBIN FIETH, BSA Chief Executive

I have always had a thing about elephants from childhood days watching Wendy the Elephant on Animal Magic with Jonny Morris, to visiting Wendy at Bristol Zoo when our children were very young. There is a photograph on the wall at home we took on our honeymoon of a stately row of these great beasts walking across the Maasai Mara in Kenya. And what better way to characterise the progression of our wonderful sector since the dark days of the financial crisis?

Looking back over eleven years since I accepted the role as BSA CEO – and you welcomed me into the world of building societies, credit unions, financial mutuals and co-operatives – we have travelled together on a journey of rebuilding, improving governance, discovering fresh understanding and insights into our purpose and role in society. Building societies have grown their share of the mortgage market from 19% to 24%. You have helped almost a million people fulfil their dream of owning their first home. You have paid a whacking £9 billion more in interest to your members than they would have got from high street abandoning banks. As the headlines lament passing the 6,000 mark in branch closures, you continue to support our towns and communities, increasing your share of high street presence from 15% to 28% - and getting more and more inventive about how you can sustain and use your branch networks for the benefit of those communities.

Our sector has a history of building co-operative technology businesses, co-operative estate agencies, even co-operative internal auditors. And now two building societies have set out on the road to mutualising bank assets, re-establishing a co-operative banking sector in the UK. Giving hope to small businesses, social enterprises and ordinary people up and down the country who want and deserve better from their banks.

And that brings me to a question that I have been pondering for a while, brought once again into focus recently by the shock-horror headlines about how many current mortgages will extend past the borrower's normal retirement date, and the increasing trends of lending into retirement. The question is one of balance. How do we balance all the benefits of home ownership with the risks that, for a mercifully small number of borrowers, their mortgage becomes a source of financial difficulty when their circumstances change?

This is part of a wider issue about financial exclusion that should be a major debate – what is the role of government, politicians, prudential and conduct regulators, ombudsmen, campaign groups and the media in increasing financial exclusion? Sounds like a weird question, doesn't it? But to what extend does every outcry, every regulatory clamp down, every demand that something must be done (however well justified in the individual circumstances) lead financial services providers to reduce their risk appetite by withdrawing products and services from the groups who may need them most? Typically those towards the margins of the financial inclusion / exclusion boundary?

Recent financial services history is littered with examples of good products and services (PPI and payday lending to mention just two) that have become bad products and services by massive over expansion and exploitation. But what replaces them? What does good look like? Who among all those groups mentioned above is up for working together to increase financial inclusion? We are.

Next steps:

Follow Robin on LinkedIn
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If you could do one thing as Chancellor to set the economy on a new path, what would it be?

This is the question we put to two economic experts following their engaging head-to-head session at the BSA Conference. Both agree that the incoming Chancellor faces a big challenge.

By LYDIA PRIEG
Head of Economics, New Economics Foundation

It's widely acknowledged that the UK is suffering from decades of underinvestment, which has produced stagnant productivity and crumbling public services. By following the government's "fiscal rules" around borrowing and spending, such as for government debt-to-GDP to be falling in five years' time, the UK will continue to see stagnant living conditions, and also fail to tackle the climate crisis.

The amount a government can safely borrow is determined by a complex set of macroeconomic dynamics, not by a simple metric, such as the debt-to-GDP ratio. For example, Japanese debt-to-GDP has risen to over 250% in recent years, while interest rates have stayed low and affordable. Meanwhile, Ukraine defaulted on its debt in 1998 when debt levels were only 42% of GDP. Fiscal rules are a political tool to give the impression of financial responsibility; they are not a tool of effective economic policy.

The Chancellor should replace fiscal rules with "fiscal referees", an independent advisory committee that would more holistically estimate a target range for optimal government spending. Decisions over tax and spending would remain with the Chancellor, but if they disagreed with the proposed range, they would have to explain why, so improving accountability. The timeline for analysis should also be extended, so that costs and benefits of tax and spending decisions that materialise in more than five years' time can be considered.

By PROFESSOR TREVOR WILLIAMS,
Economist, Visiting Professor and Author

UK growth has been anaemic in the last decade. From 2 ¾% average annual growth between 1998-2007, it has been just 1.4% since 2010, well below the 2.2% 40-year average.

The key reason is the weakness of productivity growth, which has been just 0.2% yearly since 2010. Action is needed to boost investment in infrastructure and people to enhance skills, driving technological progress and productivity growth.

For this to happen, there needs to be a fundamental reform of the planning system to allow developments in commercial infrastructure such as wind farms, lab capacity, electricity pylons, and charging stations for electric vehicles to name a few areas.

Reform of planning for residential housing - now at a crisis with a low supply of housing across the country - leads to expensive costs for employees, about 40% of earnings or more for those on average household incomes, and costly for employers so that workers can live close to their jobs. Reform is thus crucial to achieving economic growth, meeting the challenges of an ageing population, and reducing the costs of climate change mitigation and adaptation.

Additionally, public sector support for government-funded R&D direct grants to businesses and R&D tax incentives are all required to complement a whole of government approach to boosting UK productivity in the long run.

Next steps:

To read more about fiscal rules and fiscal referees, see https://neweconomics.org/uploads/files/fiscal-referees.pdf

To read more on other important changes that could be made to OBR's regular assessments of government budgets and debt sustainability, see https://committees.parliament.uk/writtenevidence/128203/pdf/

When the future is not what you thought it would be: an introduction to climate financial risks

By PROFESSOR JASON A. LOWE OBE
By PROFESSOR IAIN CLACHER
University of Leeds

A new collaboration between the UK Centre for Greening Finance (CGFI) and the sector aims to better understand the major issues facing building societies when it comes to incorporating climate information into risk modelling and management.

Many of the conversations we have with organisations in the finance sector are, ultimately, about managing risk. Whilst we can bring expertise in climate science (Jason) and finance (Iain), we recognise that building societies already have vast experience of considering risks and benefits, and our aim is to help to join up your experience of risk-based decision making with the specialist information we can bring related to climate change finance.

Climate change is already here, with clear and measurable effects on extreme weather. The frequency of extremely hot days has increased, and we are seeing events, such as the 40.3°C temperature measured in summer 2022, which haven't been seen before in the UK. We are also seeing a shift towards more intense rainfall, which can cause flooding, and at the coast sea level is rising faster than it has in previous decades.

In the future, even with the most stringent reductions in greenhouse gas emissions across the world, some further climate change is now locked in, but the amount of climate disruption will depend on how much and how quickly we, as a global society, reduce these emissions. The UK has already made a good start on its share of emission reductions, but our emissions are less than 1% of the world's total. The consequence of the climate change that has already occurred and the future climate change that we are committed to means we need to plan to deal with the physical risks from climate change. What does this mean for building societies?

Since so much of the balance sheet of a building society involves lending in the form of residential mortgages it will be crucial to understand the exposure of properties to climate risks. This in turn will mean not only tracking the weather hazards but also the standard of protection for each property and maintaining a view on the long-term insurability of properties. To place this in perspective, even with current global policy in place to tackle climate change, warming over the next 25-year period could take us to levels not experienced on earth for at least 100 thousand years. There is also a need to consider the impacts of climate on the processes of doing business; from ensuring data centres are adapting to climate change, to considering the wellbeing of staff in offices and working from home in the future climate.

At the Building Societies Annual conference we ran a facilitated session on climate change risk, partly to raise awareness and partly to learn more about the risks to your sector and organisations. Whilst many building societies are well on their way to thinking about the contributions of their business to reducing greenhouse gas emissions, the consideration of climate resilience is much less comprehensive. Our research programme, CGFI (Centre for Greening Finance and Investment), and in particular the University of Leeds climate finance hub is here to help.

A key goal of CGFI is to accelerate the use of decision-useful climate information into different parts of the financial system. This requires collaboration with industry to understand their sector specific issues and requirements. At the same time, we want to support open data and models. Open data and open models enable better decision-making at a macro-level as transparency increases confidence in model outputs so that decisions are not based on a black-box solution. Transparency also allows us to explicitly acknowledge the limits of what climate models can tell us and where science understanding stops, and commercial imperatives begin as there are trade-offs.

To this end, our collaboration with the Building Society Association (BSA) is going to allow us to better understand the major issues facing building societies when it comes to incorporating climate information into risk modelling and management. Over the coming 9 months, we will be working with the BSA and a climate intern to do just that.

Next steps:

Find out more about the CGFI, visit https://www.CGFI.ac.uk

By RITA BULLIVANT, Director of IT and Change, Melton Building Society

Melton Building Society's transformation journey

An ongoing journey to digital transformation

In the fast-evolving landscape of the 21st century, businesses constantly face a critical need to adapt, or risk being left behind by their customers and the market. Add to this pressure the landing of a global pandemic event, for Melton Building Society, a financial institution deep rooted in its community, the situation became one of a need for a re-set.

For up to a decade before I joined there had been no meaningful investment in IT and modern technology solutions. It was clear, the road ahead was going to be an interesting one.

Motivation for change

The Melton is an ambitious, innovative building society – so we wanted to not only navigate the challenges we faced well, but also to grow and be around for another 150 years.

This meant embarking upon a comprehensive digital transformation programme, the journey we are on offers valuable insight into the intricacies and challenges when making such a monumental shift.

The driving force behind our digital transformation was multifaceted. We began by eliminating legacy systems and initiating a cultural shift starting with a complete overhaul of our head office, Mutual House, creating a modern inviting working environment. Adopting an "affects everyone, involve everyone" approach, ensuring the views of our colleagues were considered in every step, from supplier selection to choosing carpet colours.

Our journey had a clear strategic vision and the Melton's leadership team were committed to a phased approach, two key milestones in the full programme, meticulously planning, and collaboratively executing each stage of the transformation with our partners. This approach allowed for structured incremental improvement and step-changes, reducing the risk of disruption through unforeseen events. The competitive landscape played a role too. As new fintech's emerge offering innovative solutions and superior user experiences, at the Melton we recognised that staying technologically relevant was crucial in retaining and expanding its customer base.

Our first digital initiative was a broker portal, testing our and our partners' capabilities. Its success led to the rapid deployment of our first programme milestone - a fully digitised mortgage origination platform with automated decisioning and underwriting.

This provided an intuitive interface that sped up and streamlined processes, eliminated internal paper use, simplified client ID verification/referencing and included an online payment system. The new system has been very well-received by brokers, clients and colleagues alike.

Colleague engagement

The importance of buy-in from all colleagues across all levels cannot be understated. Melton Building Society has invested heavily in change management initiatives, workshops, training programs, and regular internal communications ensuring everyone was informed and engaged in the transformation process. This helped build a culture of innovation, adaptability, inclusivity and trust.

Ongoing journey:

As we navigate our ongoing journey, we have regular reviews which ensure we remain on track at the programme level, as well as being at the forefront of technological advancements. Milestone two will be implemented in the first quarter 2025 which will position the Melton to navigate and adapt to the challenges of the digital age and continue to provide exceptional service to our customers.

Next steps:

Visit https://www.themelton.co.uk

Reaping the benefits of collaborating on technology

At the Building Societies Annual Conference in May, Frances McCann, CEO of Scotwest Credit Union, took part in a discussion on collaboration in technology. Scotwest has been running a Credit Union Service Organisation (CUSO) for its core banking system with Capital Credit Union for the last decade. She now leads Scotwest into its most significant collaboration to date, partnering with Capital Credit Union and Glasgow Credit Union to set up CU Share Limited, a new mutual organisation whose vision is to develop and offer services to the credit union sector and beyond.

By FRANCES MCCANN, Chief Executive, Scotwest Credit Union

Collaboration between different organisations can undoubtedly be challenging.

You are bringing together groups of people who may have different organisational cultures, conflicting priorities and potentially competing resources and interests.

However, in my experience, if you can overcome these barriers, there is an opportunity to reap considerable benefits. In particular, when it comes to the significant investment required for the adoption of new technology infrastructure.

Over a decade ago, that was the opportunity Scotwest and Capital Credit Union grasped when it came to investing in a new core-banking platform.

We were naturally ambitious for our members in that we wanted them to benefit from a cloud-based system that was efficient, effective and could adapt to a future we could see would be defined by rapid change in new technology.

At the same time, just as it is for any smaller financial institution, cost was a barrier.

By setting up the shared services organisation, we were able to afford a cloud-based core banking system, the type normally only utilised by tier 1 banks. In our case, that system was TCS BaNCS, provided by the global IT supplier Tata Consultancy Services (TCS). In terms of running the CUSO with another organisation, there were obviously challenges from bringing together different outlooks and views. Nonetheless, we found that if everyone is focused on a shared vision, then people always find a mutually agreeable path.

It also helped considerably that we had an excellent partner in the form of TCS, who were supportive throughout the onboarding process. They provided technology that enables rather than constrains our strategy and the service we can provide to our members.

The initiative symbolised a commitment to collaboration and that is the driving force behind the new CUSO that has recently been incorporated for the purpose of delivering a broader range of services.

The new venture has been part funded by grant money received from the Scottish Government in the aftermath of Covid.

For the newly incorporated CUSO, CU Share Limited, Capital and Scotwest have partnered with Glasgow Credit Union and we are currently going through a process of mapping out what we want this new shared services organisation to deliver. There are currently seven areas for consideration, including, governance, risk and compliance, HR, collections services, data analysis and technology infrastructure.

Although we have a primary requirement to spend the grant money for the benefit of Scotland, we are open to providing services to organisations outside the credit union sector, such as building societies.

By collaborating via sharing costs and our collective expertise with our existing CUSO, it has enabled us to punch well above our weight in terms of the systems and services we can provide.

I am genuinely excited by the possibilities that our new CUSO could deliver and the ultimate value this will provide to our members and communities for years to come.

Next steps:

Visit https://www.scotwest.co.uk

By: JENNIFER LLOYD,
Head of Mortgage Products and Proposition, Skipton Building Society

SKIPTON BUILDING SOCIETY Since 1853

Real solutions for real problems - let's keep innovating to help first-time buyers have a home

Supporting first-time buyers to achieve home ownership is a vital part of a functioning housing market. Regulators, government and lenders need to work together to ensure that this support is available, both now and in the future.

For many people putting their own key into their very own front door, of the home they own, is a dream. In fact, research we've carried out at Skipton Building Society* confirms that 91% of us believe it's important to own a home one day.

Unfortunately, getting on the property ladder is a lot easier said than done – for a whole host of reasons. The average cost of a home has increased a whopping 60% in the last decade, according to official figures from the Office for National Statistics (ONS), and with the price of rent being so high, many are struggling to put money away for a deposit – Zoopla reports the average rent in the UK is £1,223 per month^.

> 57% of people say their outgoings have increased over the last 12 months, with around nine out of ten people recognising it's become harder to save for a home*.

The average cost of a home has increased a whopping 60% in the last decade

Hotel 'Mum and Dad'

In a bid to try and make saving for a first home that little bit easier, our research shows that some aspiring buyers are even moving back in with parents to cut costs. Four in ten people say they would consider moving back in with their parents, with just over three quarters agreeing it would help them to save for a home much quicker*.

> 86% believe they would only need to pay around £250 (on average) a month to live at home with their parents*.

And if they didn't have to pay rent, they believe they would be able to save around £800 (on average) a month towards a deposit*.

For those fortunate and willing to make this move, it could be an important first step in helping them to boost their savings. But for many - over half of those we surveyed in fact - this simply isn't an option. That's why it's imperative that lenders continue to innovate and bring real solutions to solve a very real issue.

There's still hope for first-time buyers

For budding first-time buyers, I know it feels like options are limited right now. Helping people to take their first step onto the ladder is a key focus for many of us within the sector and I'm encouraged by the innovation I'm seeing in this space, but I know there is more to do.

At Skipton, our goal is to help first-time buyers make informed decisions on whether the dream of home ownership can become a reality, and we've got a range of options, from our Track Record Zero Deposit Mortgage aimed at renters stuck in the rental cycle struggling to save a deposit, to Income Booster which gives buyers the option to boost their affordability with support from family or friends – we, along with our fellow building societies are here to make home ownership a reality for more.

Next steps:

Find out more at www.skipton.co.uk/mortgages/first-time-buyers

*Survey based on 2,000 participants carried out in February 2024.
^ as of April 2024

Building a fully digital property market

By JOHN REYNOLDS, COO and Co-Founder Coadjute

COADJUTE

Transforming the property market, one deal at a time

There's no two ways about it, the UK property market is fragmented.

In a bygone age, property transactions were much simpler and efficient. Physical cash, deeds, and contracts were exchanged in person as property changed hands in a fraction of the time it does today.

However simple it may have been, this was never a scalable solution for our society, and as a result we've seen pockets of technology brought in and adopted over decades to digitise individual areas of the transaction process.

The result has seen a mix of digital and analogue processes creating a disjointed and opaque property transaction, where buyers and sellers are the ones to suffer the most. Not only has the digitisation process made each transaction more complex, it has also led to an increase in the duration and failure rate of property transactions. Buying or selling property is a far cry from a seamless digital experience.

What we at Coadjute are working towards is what we call a truly digital property market. In a truly digital property market, the property transaction would look very different.

Property professionals, buyers, and sellers would experience a unified journey where there would be no need to log in to separate systems, no need to re-identify or re-key information, or repeat the same processes with different parties, and there would be a single and common view of truth.

It's not as simple as implementing more technology, or more software. It's not digitisation for the sake of digitisation. It's more holistic than that, more connected, more transformative. In order for an end-to-end digital transaction to occur we see five key areas that need to be implemented.

1. **Open and accessible data**
   All data shared during a property transaction needs to be FAIR – findable, accessible, interoperable, and reusable.
2. **Tokenised money and titles**
   This would see both money and property ownership represented as blockchain-based tokens in a completely digital format which would enable this to be done at any date and time once all other parts of the transaction were completed.
3. **Digital identification**
   The innovation required in the digital identification space centers around the ability to complete an identity check and share it across multiple verified parties.
4. **Smart(er) contracts for transactions**
   A smart contract is a truly digital (not just digitised) version of a legal agreement which holds the information as data, not words or images, and can be programmed to execute according to agreed conditions.
5. **Orchestration - a digital backbone**
   Orchestration is the missing piece of the digital property market puzzle. A market-wide infrastructure and intelligent backbone that connects systems and orchestrates the exchange of data throughout the property market.

Once the necessary technological, legal and process components are in place, the property transaction will be unrecognisably accelerated. We will then see the truly unified digital journey and experience the market has been striving towards for so long.

None of this is science fiction, it's all possible today, and Coadjute are committed to enabling that future. A market utilising open structured trusted data and technologies like blockchain to create a seamless, efficient, and trusted environment for property transactions to take place and complete. It's a future that benefits us all.

Next steps:

Visit https://coadjute.com/

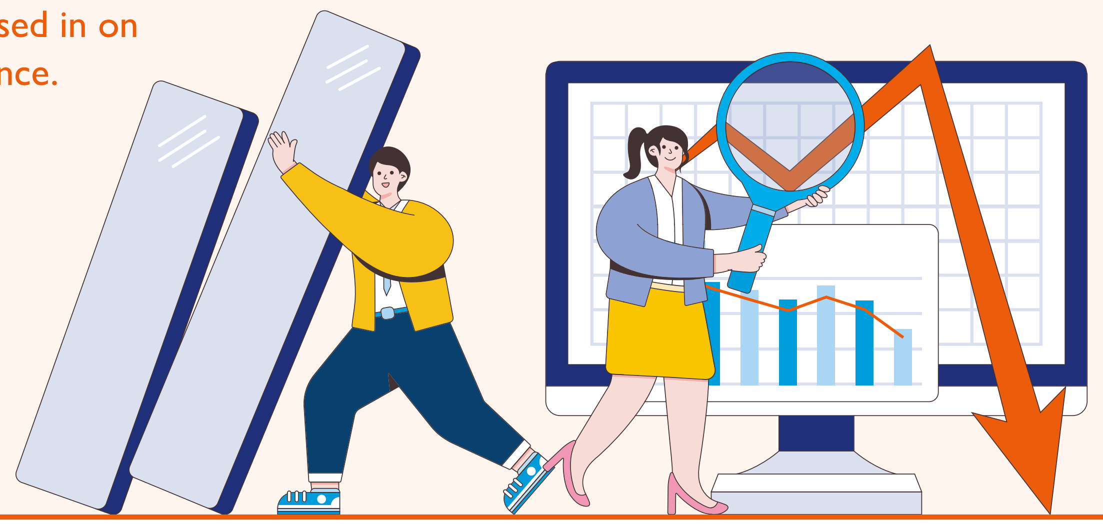
SOCIETY matters
special

Are you operationally resilient enough?

The first panel discussion at the 2024 Building Societies Annual Conference focused in on a live issue for building societies and credit unions in terms of operational resilience.

With all firms regulated by the Financial Conduct Authority (FCA) facing a March 2025 deadline to operate within impact tolerances for their important business services, Laura Moore from consultancy Protiviti and Dave Gardner from legal firm TLT shared their expertise on deploying operational resilience within organisations.

We asked Laura and Dave to talk through their top tips for building societies and credit unions getting to grips with the new requirements.



DAVE GARDNER,
Partner, Tech, IP & Data, TLT LLP

LAURA MOORE,
Managing Director, Protiviti

1. Are you seeing any trends / common practices across the building society sector around how operational resilience is being tackled?

Laura: Building societies are focusing on embedding resilience within their firms in line with key roles and responsibilities. Also advancing scenario testing is a key priority for identifying vulnerabilities ahead of the March 2025 deadline; ensuring all loss scenarios highlighted by the regulators are covered.

Dave: The *FCA's updates*[1] on operational resilience have highlighted some variability in the interpretation of their requirements, for example in defining the impact tolerances for their important business services. From Member feedback at Conference, some building societies are looking for guidance on how best to meet these new requirements. It's likely that best practice and a degree of standardisation will develop over time, but every building society is unique and for the time being the focus should be on careful consideration and clear justification of your approach, rather than looking to follow a standard approach.

2. What tips do you have for firms to really take operational resilience to the next level and embed it fully in their organisations?

Laura: Firms should be asking 'How resilient are we?' and 'Are we resilience enough?' as opposed to 'Are we compliant with the regulations?'. Shifting focus in this way means firms will naturally look to foundational areas such as BCP/DR, Change Management, Third-Party Management, Cyber and others to consider resilience through an Important Business Service (IBS) lens. The right management information (MI) is also key to obtaining value-adding insight and enable more effective decision making, with firms maturing in this space as more MI becomes available.

Dave: *Recent research*[2] by Continuity Central found that 87% of respondents from the Financial Services sector said regulatory compliance was their main motive for implementing operational resilience. I agree with Laura that this is the wrong place to focus. Though the process can be challenging, societies should look at this as an opportunity to mitigate the real and significant risks of disruption to their organisations and improve the quality and resilience services to members. This requires leadership from the top of the organisation to drive thorough testing, learning and continual review as organisations change and external threats evolve.

3. Digital transformation is a burning platform for much of the sector - what principles of operational resilience should they be applying to working with new partners?

Laura: As the industry places more and more reliance on third parties (TP), it is essential that resilience is built into the traditional third-party risk management lifecycle. This includes considering 'resilience by design' when bringing on new TP or when there are changes to existing TP; conducting resilience due diligence assessments (initial and no-going); communicating IBS's and impact tolerances, updating contractual obligations and strengthening SLAs to incorporate resilience requirements; developing a testing strategy that considers third parties; ensuring effective exit and contingency plans are in place; and enhancing reporting.

Dave: My practice at TLT is focussed on building successful collaborations between FS institutions and third party technology providers. The *FCA's Operational Resilience*[3] Rules require some specific provisions and protections to be included in third party contracts, but like the EBA and *PRA Outsourcing Rules*[4] before them, many of those protections would be recognised by building societies (and providers!) as good contracting practice for prudent businesses contracting for critical services. The key is to ensure robust contracts are effectively managed, monitored and aligned to your overall operational resilience approach, for example by adopting a joined-up approach to reporting, testing, change management and communications.

4. What regulatory feedback have we seen coming from the FCA's thematic reviews on operational resilience and do we know what good looks like?

Laura: The FCA recently published their insights and observations for firms in the run up to 31 March 2025. Key messages include: ensuring supporting rationale for IBS determination, Impact Tolerance, Scenario Testing and Self-Assessments considers all FCA factors/minimum requirements; that testing also considers response plans, alongside recovery plans and plans are refreshed regularly alongside horizon scanning; reminding firms that, if a third-party supporting an IBS delivery fails to remain within impact tolerance, it is their responsibility; and the importance of embedding resilience.

Dave: The FCA's observations on third-parties are interesting because they highlight the breadth of the exercise that firms must undertake to be able to comprehensively assess their vulnerabilities and operational risks. The FCA highlights the importance of actively managing and incorporating third parties into scenario testing. As we discussed in the Conference session, this needs to be more than a paper exercise – thorough testing can be helpful in uncovering gaps where contracts don't align or communication plans don't work as expected.

5. What regulatory developments do you see coming down the tracks, especially in the wake of the EU's Digital Operational Resilience Act?

Laura: In the UK building societies will be awaiting the outcome of regulatory consultations on Critical Third-Parties. EU's Digital Operational Resilience Act (DORA) is also creating opportunities for firms to focus on risks relating to Information and Communication Technologies (ICT) and apply good practices from this prescriptive regulation across wider business practices which focuses predominately on ICT risk management, incident management and reporting, digital operational resilience testing and third-party risk management. The ability to consider and leverage good practice is also true of other global regulations which are adopting a more prescriptive approach to resilience regulation.

Dave: Operational resilience is rightly at the top of the agenda for regulators globally, given the substantial and ever-changing risk landscape that features increasingly complex supply chains, sophisticated cybercrime, the rise of AI and economic and political instability. The *FCA has recently closed its own consultation*[5] on Critical Third Parties, the outcome of which will be interesting for building societies given the concentration of specialist providers in the sector. DORA will have a real impact on building societies in the UK because of its extra-territorial reach and focus on big tech. More broadly, the *EU's AI Act*[6] represents a landmark in the effort to regulate AI and mitigate the risks it poses to individual organisations and business ecosystems. Closer to home, *as presented at Conference*[7], *developments in Open Banking*[8] also have the potential to disrupt the market for financial products. There is a lot to keep an eye on!

1. https://www.fca.org.uk/firms/operational-resilience/insights-observations
2. https://www.continuitycentral.com/index.php/news/resilience-news/8517-operational-resilience-growth-seen-across-all-industry-sectors#:~:text=More%20than%20three%2Dquarters%20(76.6,were%20banking%20and%20finance%20organizations.
3. https://www.fca.org.uk/publications/policy-statements/ps21-3-building-operational-resilience
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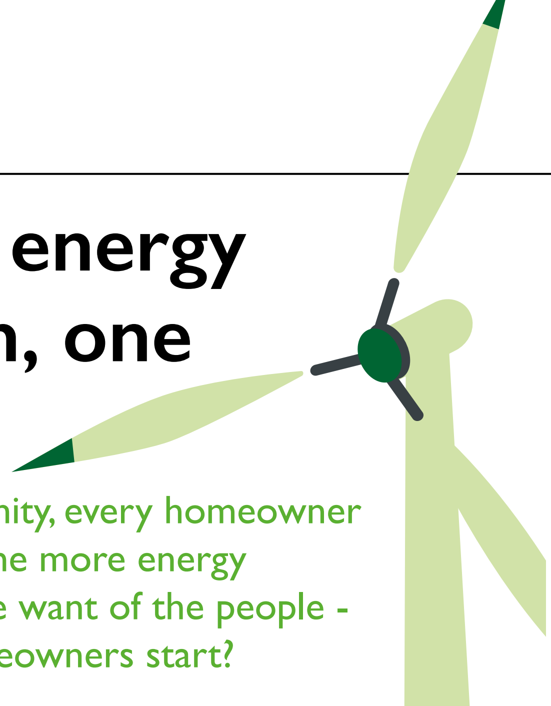
By COLIN CALDER, Co-Founder, Digital Buildings Limited

Digital Buildings

Solving the home energy efficiency problem, one retrofit at a time



Without a doubt, if given the opportunity, every homeowner on planet earth would make their home more energy efficient. However, the issue isn't in the want of the people - rather the question of, where do homeowners start?

Unless you have been living under a rock, you will know that climate change has been a hot topic in recent years. With all the negative headlines and lack of spotlight aimed at solutions, it's understandable why homeowners are still hesitant to take matters into their own hands and action their home retrofit journeys. In fact, UK Energy Poll suggested the following reasons have a part to play in the matter:

1. **Upfront costs**
   Two-thirds of people did nothing to improve the energy efficiency of their homes in 2023, due to upfront costs.
2. **Lack of incentives**
   1 in 10 people believe they are not worth the investment.
3. **Knowing who to trust**

Lack of Information.

It's critical to break this down and understand why consumers feel this way. If we revisit the 'want' element, the numbers would suggest people do in fact want to improve their properties. In 2022-23 the repair, maintenance and improvement market, turned over an estimated £29 billion. According to KPMG, one of the immediate reasons driving this market globally is ageing housing infrastructure.

Consumers are simply under informed on the benefits of retrofit solutions and are unaware as to what is available to them. Whether it is the local trade store, builders merchant or contractor, the issue occurs when a homeowner is faced with representatives who don't have all the answers and businesses equipped to sell one thing rather than a multitude of solutions required to make a property more energy efficient.

Responsibility of the industry.

As representatives of the industry, here at Digital Buildings we believe that buyers need to feel like they are getting something back from their investments. Simply put, they need to be made aware of exactly what and how. We believe that lenders should be incentivising all homeowners to improve their Energy Performance Certificate (EPC) rating through providing green mortgages.

With the introduction of last year's Consumer Duty regulations, the wheels are in motion, with lenders having to prioritise their responsibility to provide their consumers with the best and correct information.

Working with brokers and lenders

This is where we come in, working with lenders, brokers and landlords to provide the consumer with a legal framework from the get-go, taking on accountability for actioning their retrofit into reality. Digital Buildings provides the knowledge and professional support they need to understand how they can begin their journey to improved energy efficiency in their home in four main steps:

1. **RetroPlanner** - Our home planning tool to map out a customised, interactive and costed digital replica for achieving greater energy efficiency in a home. From the start consumers are able to see which measures have the biggest impact and greatest financial return.
2. **RetroAssure** - Organised home assessment carried out by our TrustMark approved assessors. Followed by a consultation, specification and supplier contracting service.
3. **RetroVerify** - A trusted quality assurance framework that coordinates the contractors for managing energy efficiency improvements.
4. **RetroHealth** - An energy monitoring service for controlling cost and reporting on the energy efficiency of your home.

Addressing energy efficiency concerns requires informed action and we are working to empower homeowners to retrofit effectively, reducing carbon emissions in the long run.

Next steps:

Digital Buildings has already announced their relationship with H&R Building Society and we are expecting to make several more significant announcements this year.

Find out more here:
https://digitalbuildings.co.uk

The future of savings: Innovation opportunities for building societies

One of the panel discussions at the Conference focused on what the future might look like for savings. Panellist Peter Neufeld helpfully outlines key areas building societies should focus on to positively impact their members' saving experiences.

EY Building a better working world

By PETER NEUFELD, Partner & Head of Business Transformation, Innovation & Experience Design for Financial Services, EY

There is no doubt that the UK has faced a challenging macroeconomic environment in recent years – from COVID-19 lockdowns to high inflation and interest rates, both businesses and households have been impacted by cost pressures. These events led to many households dipping into their savings, accessing funds set aside for milestones like home purchases.

While interest rate cuts are expected in the coming months, they will remain high for some time, meaning savings accounts continue to be a particularly attractive asset class for UK households.

As we move further into the digital age, it's crucial for building societies to innovate and continue to offer compelling savings solutions to both retain and attract members. Here, we explore key areas where building societies can positively impact their members' saving experiences.

Educate first-time savers

Building societies are already purpose-led through their commitment to members and mutuality. There is an opportunity to take this a step further by educating more new savers on how to begin saving effectively. By demonstrating positive saving habits and helping to set realistic financial goals, building societies can leverage their member-focused ethos to foster a culture of smart-saving.

Lead workplace savings

There is an opportunity for building societies to partner with local and regional UK businesses to offer employees innovative savings options. These collaborations – which could also involve third-party platforms and FinTechs – can harness the power of Open Banking and Open Finance to simplify the savings process from one pay cheque to the next, helping employees to achieve personal financial objectives.

Connect across families

Building societies can also play a pivotal role by facilitating savings strategies across entire families. Our research finds that it often takes more than five years and assistance from family for first-time buyers to accumulate a mortgage deposit, so building societies can create tailored solutions to bridge the gap between young savers and the financial support of their relatives. This intergenerational approach not only helps individuals to save for a home, but also cements the role of building societies in supporting financial wellbeing across families.

Embracing data to personalise solutions

Building societies are widely viewed as trusted, community-oriented providers, and as the landscape of Open Banking and Open Finance continues to evolve, members will find managing their finances with building societies more straightforward than ever. Even if firms don't offer a transactional account, they can now gain deeper insights into members' financial habits to offer more tailored solutions. However, it is imperative that building societies continue to prioritise cybersecurity and fraud protection to ensure members' data is protected.

Next steps:

Building societies should now consider how best to implement these strategies, focusing on member education, workplace partnerships, family financial planning, and leveraging technology to enhance the savings experience while maintaining the highest security standards.

For more about how EY can support your savings transformation and broader member-first digital transformation, talk to Peter Neufeld at pneufeld@uk.ey.com

Going mobile? Redefining omnichannel member experiences

As building societies face increasing pressure to deliver personalised products and services at scale, the race is on to attract and retain members by rethinking their approach to digital experiences.

By ABBY FOULKES, Marketing Operations Manager – UK & Ireland, Sopra Banking Software

Transcending the traditional bricks-and-mortar experience, mobile banking users are shown to be significantly more engaged with their finances - with over 71% of UK account holders projected to use a banking app this year. The rise of mobile banking, though, is not a trade-off. Members who interact digitally demand the same quality of service they would receive in branch or telephone, with 62% of Brits mentioning that they would change bank after a poor experience with its mobile banking services.

Over a third of consumers expect their banking experience to be more personalised, and mobile apps are helping pave the way for societies to excel in this space. By leveraging advanced mobile technology, building societies can offer a seamless, intuitive user experience that meets the evolving demands of their members. This integration not only enhances convenience and accessibility, but also fosters a deeper connection between members and their societies, ultimately driving loyalty and long-term engagement.

Though, to build true customer loyalty, it's not just about adopting a 'one-size-fits-all' approach. For some members, digital solutions are not fit for purpose - they may find it easier to visit a branch or speak to a colleague over the phone. A truly personalised experience needs to be inclusive; and applying generalised personas across certain demographics is no longer enough.

Combining the best of digital and physical touchpoints to deliver a seamless, tailored offering is the key in securing lasting customer relationships. By integrating online and offline channels, such as mobile apps, websites, and in-branch services, each member can navigate their banking needs with confidence, regardless of how they choose to engage with your society.

As we navigate through the ever-changing terrain of mobile banking, one thing remains clear: adaptation is key. Embracing digitalisation is not just a choice, it's a necessity for building societies to remain relevant in the digital era, while preserving their unique identity and commitment to their local communities.

Newbury Building Society's commitment to an omnichannel approach

Newbury Building Society is the first financial service provider in the UK to benefit from Sopra Banking Software's fully integrated mobile app, as part of their ambitious digital transformation journey. The utilisation of a modern technology stack not only accelerates the Society's time to market, but also guarantees a secure omnichannel experience for the member.

The new mobile self-service capabilities provide Newbury Building Society's members with the convenience of managing their savings and mortgage information and handling deposits seamlessly, among other valuable features. The soft launch of Newbury's mobile app in March 2024 has so far seen almost 2,000 downloads and a steady increase of transactions week on week.

Newbury Building Society will continue to benefit from Sopra Banking Software's continued innovation, with a mutually ongoing commitment to the integration of new features to continually enhance the member experience.

Darren Garner, CFO & Mobile App project sponsor at Newbury Building Society:

"The mobile app is a great example of balancing digital functionality with the human touch that we know is so highly valued by our members. The launch of a fully integrated app coincides with continued investment in the modernisation of our branch network, further demonstrating our commitment to providing a consistent omnichannel experience and award-winning service to our members through whatever channel they choose".

Next steps:

Visit: https://www.soprabanking.com

What AI means for building societies, credit unions and their members

By KATIE CLINTON, Partner and Head of Regional Financial Services, KPMG UK

It's been a few weeks since the 2024 Building Societies Annual Conference, where KPMG hosted the BSA CEO Forum to kick off the two-day event.

The forum set out to bring the power of artificial intelligence (AI) to life for the mutual sector, demystify the technology and, reflect on what it means for building societies, credit unions and their members. This was all underpinned by how to approach AI safely and confidently.

It was important that we demonstrated AI solutions aligned to the values, culture, and propositions of the mutual sector, focusing on key questions AI could potentially answer:

- How can I increase staff productivity?
- How can I increase customer satisfaction and empathy – at scale – but reduce cost?

Given all the talk about AI, it was important to bring the power of AI to life through real use cases tailored to the mutual sector. This really helped to show how AI can help meet and exceed customer expectations and enhance staff productivity by summarising long email threads or capturing meeting actions in seconds!

Rewriting the rules of customer experience

In the sessions, we invited attendees to challenge their perceptions of the art of the possible with AI. We looked at *KPMG's 2023/24 Customer Excellence Report* where adoption of AI was synonymous with many top-ranked organisations. This included personalising experiences, such as adjusting website content or anticipating which products a customer might be interested in, showcasing how relevant products could be shared with members before they even search for them.

Trusted AI

Topics such as AI often trigger concerns about privacy, security and fairness. So it was important for us to take participants through how to use this technology safely.
We explored the growing challenges AI presents, the importance of controls and how to adopt trusted AI principles to be able to use the technology safely. The need for transparent and ethical use of data really resonated with the participants.

Let the conversation continue!

The mood in the room was unanimous. In order to drive the development of trusted AI principles and a clear AI control framework, board accountability is required, a theme which was repeated on the second day of the conference. This underscores AI's impact on an organisation's purpose and ensures mutuals stand out even more for the right reasons.

The session closed with attendees contemplating their next steps on what they would do first when they were back at their desks. However, I can assure you the conversation didn't stop there as the conference was only just beginning!

Next steps:

Participate in our AI Rapid Maturity Assessment and we'll be in touch with the findings https://forms.office.com/e/6pA19T3tfG

If you'd like to speak further, please contact me at Katie.Clinton@kpmg.co.uk*, or visit* https://kpmg.com/uk/CustomerExperienceExcellence *and* https://kpmg.com/uk/TrustedAI

Dates for your diary

The BSA delivers a range of knowledge sharing and educational events that increase awareness of business issues and provide the tools and skills that industry professionals need to develop their roles.
View the latest listings and register at www.bsa.org.uk/events

Treasury risk and balance sheet management

16 July 2024 | London

This course provides participants with an overview of the financial and balance sheet risks a building society faces as a consequence of being a mortgage lender. We'll consider all key risks including liquidity, interest rate risk, credit risk and operational risks, and the regulation and governance that goes with it. We'll also examine the role of board governance and the relevant committees, especially the Asset and Liabilities Committee.

The course is either a follow-on from the introductory course, or for those who already have some treasury/balance sheet management understanding and want a deeper understanding of the balance sheet impacts of the risks.

Cost: £490 (VAT exempt) - BSA members & associates
£695 (VAT exempt) - Non-members
www.bsa.org.uk/risk-july

Advanced treasury risk and balance sheet management

17 July 2024 | London

This course takes a deep dive into liquidity risk and interest rate risk using practical workshop sessions. We will also analyse the output from management information and see how to read and understand key reports. It's aimed at those who want a hands-on, in-depth day analysing balance sheets and discussing the nuances of liquidity and interest rate risk. Those attending would benefit from already having attended the treasury risk course before-hand.

Cost: £490 (VAT exempt) - BSA members & associates
£695 (VAT exempt) - Non-members
www.bsa.org.uk/advancedriskjuly

Mortgage underwriting course

10 & 11 September 2024 | London

In recent years the recognised career path to mortgage underwriter has changed substantially, partly due to the changing nature of mortgage advice. This intensive two-day course, in partnership with the Chartered Insurance Institute (CII), has been designed to equip underwriters with the knowledge required to carry out their role effectively. It has been designed for trainee underwriters, mortgage advisers that wish to broaden their skillset and those employed in a product development or risk capacity.

Cost: £895 (VAT exempt) - BSA members & associates only
www.bsa.org.uk/UnderwritingSept

Annual meet-up for mortgage professionals

18 September 2024 | London

This September our Annual Mortgage Meet-Up returns with a packed agenda. Proposed topics include a market overview looking at current key trends and things we need to think about for the future. We'll also provide insights from a political, policy and regulatory point of view, with the latest thoughts from the FCA, plus panel sessions and fireside chats giving you the opportunity to ask lots of questions.

Cost: £495 (VAT exempt) - BSA members & associates
£695 (VAT exempt) - Non-members
www.bsa.org.uk/meetup2024

Women's leadership programme - "The Becoming Journey"®

19 September - 12 December 2024 | Online

The BSA is delighted to partner with Becoming International to offer this programme for women leaders across the BSA membership. "The Becoming Journey®" is for women who are highly capable, senior leaders, with the potential to go further and achieve more. It is for women who do not need to be 'taught' more leadership skills, but would benefit from working alongside other women to reflect on themselves, their leadership style, and their impact.

Delivered as a high-quality, flexible, virtual learning journey, the programme combines rich and interactive media with experiential virtual workshops. Participants will build connections with other women from across the BSA membership, supporting and challenging each other to apply their learning whether that is in their leadership role or wider life.

Cost: £2400 (VAT exempt) - BSA members only
www.bsa.org.uk/BecomingJourney

Promoting your event via the BSA website

As well as advertising BSA events, BSA Associate members are able to advertise up to 5 of their own events per year free of charge, with registration and hosting managed independently of the BSA.

Visit: www.bsa.org.uk/AssociateAdvertising for more information.

Collections and recoveries training

24 - 26 September 2024 | Online

The BSA, in partnership with Arum, have developed a brand new series of Collections and Recoveries Training Courses for all BSA Members and other financial institutions. Aimed at collections and recoveries professionals with an emphasis on mortgage specific training skills the 3-day online courses are a comprehensive, interactive, and accredited set of modules covering all aspects of dealing with customers within the regulated arena of mortgage products and services. Each day ends with a knowledge test which attendees must pass to receive Arum Certified Status.

Cost: £1500 (VAT exempt) - BSA members & associates
£1850 (VAT exempt) - Non-members
www.bsa.org.uk/collections-training-sept

Risk, regulatory, audit and accounting seminar

Early October 2024 | Birmingham

This year's annual update will be held in Birmingham at the beginning of October. The event will include the latest updates and key topics from leading organisations and is primarily designed for building society delegates (finance, risk and regulatory staff and non-executives) but some content will also be relevant to credit unions. Visit the BSA website for further confirmed details.

Cost: £495 (VAT exempt) - BSA members & associates
£695 (VAT exempt) - Non-members
www.bsa.org.uk/events

An introduction to treasury management

29 October 2024 | London

This course will introduce participants to treasury management. It provides an overview of treasury operations within financial services, more specifically within building societies and within the regulatory environment. The course assumes no Treasury or balance sheet management experience and is aimed at those who would like to understand where Treasury fits into the business, de-bunk the jargon and understand the external forces at work.

Cost: £490 (VAT exempt) - BSA members & associates
£695 (VAT exempt) - Non-members
www.bsa.org.uk/intro-oct

Building societies annual conference 2025

7 & 8 May 2025 | Birmingham

After a successful event in Manchester, the 2025 Conference will be heading to Birmingham to celebrate the 250th anniversary of the first ever Building Society. The conference is the leading event in the sector bringing together over 1000 attendees. It has been running successfully for over 30 years and attracts high profile speakers from finance, business, politics and the media. Join us to celebrate this landmark anniversary!

www.bsaconference.org