Building Societies Association

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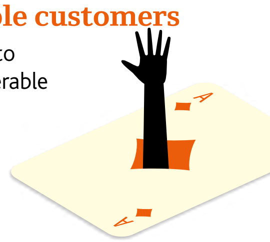
SOCIETY matters

Greener futures

For homes and businesses



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The views expressed by authors in this magazine are not necessarily those of the BSA.

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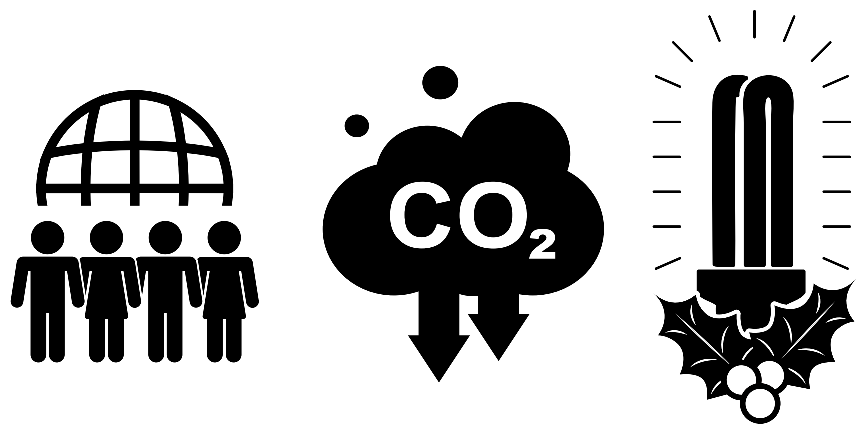
Hello and welcome to the Winter edition of

Society Matters



Making a difference - towards net-zero

Seeing a Government Minister in tears on TV is not a common occurrence, but it's what happened to Alok Sharma MP, President of the recently ended COP26. Allegedly the tears were the result of the watering down of commitments to move away from coal in the final COP agreement. This may have been the final straw after what must have been a highly stressful 12 days of negotiations. How do you get over 200 countries to agree? In reality you don't, at least not on everything. However a number of positive agreements were achieved, which, depending who you listen to, could (and must) go some way to reducing the global rises in temperature, which are already changing the world we live in.

For lenders, whose major asset – aka our homes - emit carbon, this is a huge issue which seems to have gone from nought to sixty over the past couple of years. It's high on the priority list for regulators, Government, pressure groups and the general public too. So it's no surprise that this edition of Society Matters has as its special topic: Climate change: Homes and businesses contributing to net zero.

There are lots of numbers used to describe this issue but I was particularly struck by the millions of homes in the UK which need work on them to make them energy efficient. Our own Paul Broadhead (Head of Mortgage and Housing Policy) says more on both the 'what' and the 'how' on pages 8 and 9.

Nationwide has been working for a number of years to get Oakfield, a development of 239 homes of a variety of tenures out of the ground. I am delighted to say that it is progressing well – you can see more, including pictures, on pages 12 and 13. Apparently their order for 239 heat pumps was the largest single order in this country – ever!

As the Christmas countdown starts – apparently there will be enough turkeys - I am looking forward to putting my energy efficient lights up and have every digit crossed that Covid Plan A stays on track. I wish you a very happy (non-Zoom) Christmas with plenty of fun with friends and family.

HILARY MCVITTY
Guest Society Matters Editor

days and counting...

Saltford Manor House near Bath is thought to be the oldest continuously occupied private house in England. Built in 1148, it has survived over 870 years. Over the next 28 years Saltford Manor House will presumably be one of the 28 million homes in the UK that will require greater or lesser adaptation as part of our national legal commitment to achieving Zero Net Carbon by 2050. That equates to just over 2,500 homes a day between the start of 2022 and the end of 2050. At first sight that doesn't sound too scary. The clock is ticking, for sure, but what's all the fuss about? There's plenty of time, no need to rush into decisions ....

By ***ROBIN FIETH****,*
BSA Chief Executive

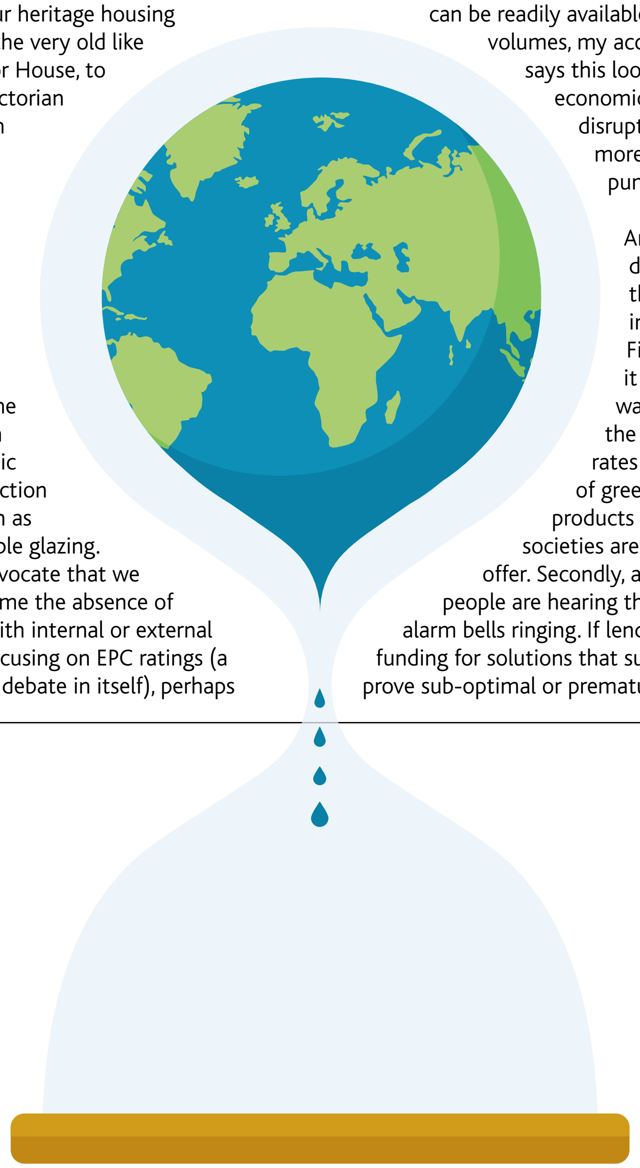
At one level, that might be right. What seemed very clear to me from the various debates and discussions at this year's party conferences is that the range of options and solutions for dealing with the UK's housing stock is far more complex than some would have us think. Let's be honest – the future is not all about heat pumps, no matter what the Government's Heat and Building Strategy says. They are undoubtedly part of the solution, but how big a part remains to be seen.

So here is my current analysis, based on what I have learnt so far. Let's start with the 23 million homes that are connected to the natural gas grid. The Government has signalled that it will make a decision on the future of the grid by 2026; has already required boiler manufacturers to make new gas boilers readily convertible to hydrogen and has announced that the manufacture of gas boilers may end in 2035. For those 23 million households, the best course may be to hang on until at least 2026. At a domestic level, converting from natural gas to hydrogen should be straightforward and considerably less expensive than going down the heat pump route. For those of us old enough to remember the switch from coal gas to natural gas in the early 1970s, there is a readymade blueprint for working neighbourhood by neighbourhood, street by street. But – and this is a really big but – where is all the hydrogen going to come from? Domestic heating would have to compete with heavy industry, freight, aircraft and many other intensive energy users.

There is much talk about blue (bad) and green (good) hydrogen, but precious little progress in developing capacity for either.

And what of heat pumps? The consensus seems to be that performance will improve, physical size shrink and prices will come down quite quickly (more reasons for households to delay). It seems that heat pumps may be best suited for homes built with cavity walls before the 1980s and after about 2000. Older homes present the known difficulties of achieving effective insulation; micro-bore central heating systems installed in the 1980s and 1990s may not allow sufficient flow to be effective with the lower latent heat associated with heat pump systems. At least we are moving forward in one respect – it is now feasible to combine heat pumps with conventional (if larger) radiators rather than requiring underfloor heating systems, providing possible solutions for all those homes with concrete floors.

That leaves our heritage housing stock – from the very old like Saltford Manor House, to the rows of Victorian and Edwardian terraces and villas that are such a great feature of our cities, towns and villages. Anyone who owns a listed home will know about the restrictions on seemingly basic heat loss reduction measures such as installing double glazing. Few would advocate that we should overcome the absence of cavity walls with internal or external cladding. In focusing on EPC ratings (a whole area of debate in itself), perhaps we are looking at the wrong sorts of measure. If energy inputs are green, does it matter so much if some houses are cold and drafty, leaking heat in all directions?



> *"The future is not all about heat pumps. They are undoubtedly part of the solution, but how big a part remains to be seen.."*

It also leaves us with the more than 1.5 million homes that are not connected to the natural gas grid, which are disproportionately older and larger. I recently came across a couple of articles (possibly placed or sponsored, so to be treated with some caution), suggesting that switching from heating oil to liquid biofuel could be achieved for as little as £500 and reduce carbon emissions by 80-90%. If true – and if biofuel can be readily available in sufficient volumes, my accountant's mind says this looks much more economical and less disruptive than far more expensive heat pump solutions.

And where does that leave the mortgage industry? Firstly, I think it goes a long way to explain the low take up rates for the range of green mortgage products that building societies are starting to offer. Secondly, a number of people are hearing the conduct alarm bells ringing. If lenders promote funding for solutions that subsequently prove sub-optimal or prematurely obsolete, will they face a new wave of mis-selling claims? Will following government policy statements be an adequate defence? In lending now, are we serving the best interests of our members? You can see the read across to the proposed FCA Consumer Duty.

Thirdly, how do we square all of this with prudential regulation and requirements? This seems to me to be a particularly delicate area. On the one hand, it is absolutely right that lenders are required to assess and re-assess the risks in their existing books and their appetite for taking on new risks. A thirty year mortgage today takes us past 2050, and there is reasonable evidence (even for the sceptics) that climate events are already becoming more extreme, with consequential risks to housing.

But, again but, on the other hand, quiet signals from regulators (such as increased emphasis on climate related stress tests and even suggestions of supervisory questions about risk appetite) may result in unfortunate responses from lenders. If the outcomes from regulation start getting ahead of the housing market, if lenders start to shun houses below EPC C, there is a real risk that more and more homeowners become mortgage or home prisoners. Given the UK's obsession with the housing market, this could be a political hot potato that no one wants to be left holding!

We, like so many others, fully subscribe to the concept of a just transition. We are clearly not alone in recognising that the words are easy to say, and difficult to deliver. The solutions that we will need to achieve a good outcome are very complex, require real Government leadership on the big decisions, truly smart and sensitive regulation, and will test all our abilities to the limit.

Next steps:

Follow Robin on Twitter ***@bsaceo***

Decarbonising your business

Decarbonising your business is a daunting prospect. However at a BSA webinar on 22 November, part of our climate change series, there was some sage advice available from three expert speakers.

By ***HILARY MCVITTY****, Head of External Affairs, BSA*

Alison Vipond is Sustainability Policy and Innovation Lead at Ecology Building Society – a society that during its 40 year history has been focused on building a greener and more sustainable future. Ecology is rigorous about measuring, monitoring and reporting its carbon footprint, and involves all of its people on the journey, essential if they are to achieve their public commitment of net zero business operations by 2030 or sooner.

As Alison says: "The first critical steps to decarbonise your business are to equip yourself with knowledge – know what your carbon footprint is, and how it's made up. It is also essential to harness the power of your own people. Listen to them. Our staff have come up with some great ideas, and our green team volunteers keep things fresh. Achieving net zero is a team effort involving all our colleagues and members".

Amongst many other things, Ecology is on a mission to monitor and reduce its use of paper and move to low carbon heating. During lockdown, Ecology's 2020 carbon footprint (which included emissions from home working) dropped by 20%. The Society's travel and culture policies are now evolving, including being more mindful around the need for business mileage; an electric vehicle lease scheme and more. Overall, multiple micro steps add up, supported by regular communication and eco audits.

Imran Rasul, is Nationwide Building Society's Chief Procurement Officer, responsible for all Nationwide's sourcing and procurement operations, including oversight of the Procurement for Mutual Good programme for a greener, more diverse and more ethical supply chain. Nationwide, sees mutuality as a benefit as it moves to deliver its commitment to becoming net carbon zero by 2050. It is working to go green from the "inside out", including a 2016 agreement for solar energy which sees around 60% of its power generated in this way – a move that is also delivering financial benefit.

The society is routinely engaging with its suppliers, having conversations to encourage them to go green, and making it clear that this is a factor in Nationwide's procurement decisions. Nationwide has joined EcoVadis, which as a provider of business sustainability ratings is helping both conversations with and competition between suppliers. Imran also advocates the benefits of being ambitious: "Achieving net zero requires collective action which is why the supply chain is critical. It also helps to share positive stories with suppliers - making it clear that net zero is important to us".

Nick Harris, is sector lead on sustainable finance at the Carbon Trust and advocated a five step approach to business decarbonisation: Understanding your carbon footprint; an assessment of your value chain; setting ambitious science based targets, followed by the a long term sustainability strategy and action plan, supported by ways of measuring, certifying and disclosing progress. However as Nick says: "There is no single right way of doing this. The most important thing is that action is taken and quickly. As well as engaging staff and suppliers it's also helpful to talk to peers to share ideas. And don't forget that increasingly, job candidates will review you on what you are doing in this space".

Next steps:

BSA members and associates can view the webinar on the BSA website: ***www.bsa.org.uk/netzero***

Ecology Building Society: ***https://rb.gy/xvf5lj***

Nationwide Building Society: ***https://rb.gy/www2km***

Information about the Carbon Trust: ***https://rb.gy/2aae0y***

Decarbonising the UK housing stock

By **ANA BAJRI**, Head of Sustainability, Countrywide Surveying Services

UK housing is responsible for 23% of the country's total greenhouse gas emissions and with climate change rising up the agenda, the sector will have a key part to play in meeting targets and reducing emissions.

Although the Government has made great strides at providing a direction of travel for the sector following its publication of the Net Zero and Heat and Buildings Strategies, more clarity will be required on how the industry will be able to deliver on the challenge of decarbonising the UK housing stock in the immediate future.

As a leading provider of mortgage valuations and home surveys in the UK, Countrywide Surveying Services are committed to playing our part in advising our lender partners and consumers in minimising negative environmental impact. The role of property valuations in reflecting energy performance in homes is crucial, as well as our ability to provide expert advice to consumers in improving energy efficiency in their homes.

Looking at whether energy efficiency is currently reflected in value, at this point in time our valuers report that they are not observing any concrete evidence that energy efficient homes are valued more, with other factors still being prominent in home purchases.

This is echoed in a recent Residential Market Survey by RICS (published in November 2021) which highlighted that whilst one-third of respondents have seen an uptick in demand for energy efficient homes, it isn't currently impacting property value. Over three quarters of respondents see little to no impact of having an energy efficient property on sale prices.

As the regulatory landscape shifts, we are beginning to see a drive from lenders to start to consider energy efficiency and EPCs in mortgage valuations, with more lenders becoming increasingly concerned with EPC ratings. How this is reflected in the context of valuations will need to be a key focal point for our industry moving forward.

More joined up thinking is going to be required across the housing sector; from lenders, government and policy makers to offer extra incentives, rewards or penalties to tip the balance and attract home buyers to energy efficient homes as a prime feature.

As tackling the climate crisis is clearly now a priority, Government and the sector need to proactively engage to improve public awareness of energy efficiency standards; and address the skills capacity and competence on retrofitting and wider energy efficiency improvement works, especially for the existing housing stock which presents a bigger challenge and a skills gap in the market.

Climate change and environmental issues will continue to be centre stage for the sector moving forward and, although decarbonisation of the UK housing stock presents us with a multitude of challenges and many hurdles to get over, it also comes with opportunities for us as an industry.

However, while environmental impact has risen up the agenda for us all, we must not lose sight of social considerations, which will also need to be addressed alongside any unintended consequences that the industry and society may be faced with in our journey to decarbonise our homes.

We are currently developing our product range to ensure we are the leading the way in providing homeowners, buyers and landlords with enhanced expert advice on improving the efficiency of their home. This year, we developed a unique online self-service tool, EnergyFact, which offers informative advice and energy surveying support. It produces a report to include recommendations, costs and savings of potential home upgrades as well as other low- cost ways to improve the energy efficiency of a home, while supporting homeowners to make better informed decisions.

Next steps:

Check out the Countrywide EnergyFact report ***https://uat-energyfact.solsticecloud.com***

Follow Ana Bajri on twitter ***@AnaBajri***

ESG: cutting through the cacophony

By **RICHARD SMALL**, Partner, Addleshaw Goddard LLP

Since the onset of the pandemic there has been a seemingly endless tsunami of ESG developments. But how to cut through the ESG cacophony? And what truly matters?

This article sets out eight key ESG-related requirements and expectations currently relevant to building societies. A few of these are new but many are existing requirements that need to be re-evaluated in the context of ESG.

The eight key ESG considerations

First, building societies, as PRA regulated firms, are required to have a nominated senior manager responsible for identifying and managing the financial risks from climate change. The PRA expectations in relation to managing financial risks for climate change is set out in Supervisory Statement 3/19 and should be met by the end of 2021.

Second, all PRA-regulated firms are required to develop and maintain an appropriate approach to the disclosure of climate-related financial risks. Firms can disclose material risks within their Pillar 3 disclosure as required under the UK Capital Requirements Regulation but may choose to disclose climate risks through a combination of audited financial statements, the annual report and Pillar 3 disclosures. The PRA has made it clear that "firms will be required to disclose material climate-related financial risks from the end of 2021."

Third, ESG-related claims by building societies must be clear, fair and not misleading so that consumers can make informed choices.

Fourth, under the PRA's General Organisational Requirements Part 2.1, building societies must have robust governance arrangements in place to identify, manage, monitor and report the risks it is or might be exposed to – this includes climate-related financial risks.

Fifth, under the PRA's Internal Capital Adequacy Assessment, firms are required to carry out scenario analysis, stress testing and capital planning to inform strategy setting, risk assessment and risk identification. These should now include ESG factors.

Sixth, under PRA Fundamental Rules 5 and 6 building societies must have effective risk strategies and risk management systems in place and organise and control their affairs responsibly and effectively. Whilst these rules are general in nature, they should now take into consideration ESG related scenarios.

Seventh, as both the government and the PRA have made it clear that the risk of climate-related losses could erode confidence in an institution or the financial system – building societies will be expected to take action to reduce the potential for physical and transition risks associated with climate change.

Eighth, some building societies are already publishing ESG policies disclosing practical matters relating to the environment including energy use, paper use, waste reduction and disposal, using electric vehicles, promoting sustainability, environmental awareness and engagements across employees, members, suppliers and contractors. Building societies should be monitoring such developments to make sure that they are meeting their customers' expectations.

Looking forwards

In November 2020, the Department for Business, Energy & Industrial Strategy published a consultation on Improving home energy performance through lenders which suggested that lenders should meet a voluntary target portfolio average of EPC Band C by 2030. A policy statement is expected shortly.

Finally, on 6th April 2022, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021 will come into force. The regulations expand s414CB of the Companies Act 2006 to include "climate-related financial disclosures". This will be of relevance to those building societies who disclose against s414CB in their annual reports.

Next steps:

Richard Small can be contacted at ***Richard.Small@addleshawgoddard.com***

SOCIETY matters
special

The BiG picture

By ***PAUL BROADHEAD****, Head of Mortgage and Housing Policy, BSA*

COP26 is over, the pavilions have come down and the thousands of people who attended have gone back to one of the 200 plus countries that they came from – hopefully not alone by private jet!

It seems that a number of meaningful promises were made during the 12 days, most hopefully the USA and China agreeing to co-operate on climate change. There were also pledges to reduce methane emissions and end deforestation. It is now down to Governments across the world to deliver.

The UK may not yet be seeing the levels of climate related disruption being faced elsewhere, but the incidence of flooding has increased in severity and frequency, making flood resilience for homes an important issue. I can't imagine the impact and reaction were large parts of the Outer Hebrides to disappear as a result of rising sea levels, a real risk reported during COP.

Climate change is already hugely distressing at an individual and community level as well as being economically damaging. It is a top-level risk for lenders and insurers and quite rightly much on the mind of the Bank of England, charged with oversight on risk and ensuring financial stability.

The time for action is now and it will be complex and hard. Much of it must of necessity come from governments, but all have a part to play and the hope is tangible. The big picture is scary but all, including lenders, brokers and all those involved in the housing ecosystem can make a difference by acting in the areas that they can influence.

Decarbonising our homes

Amongst BSA members, the focus is particularly on mortgage assets, our homes. These are responsible for an unhealthy chunk of all carbon emissions, up to a quarter if you include all the built environment.

Back in September 2019, we started work on a sector-led BSA Green Finance Taskforce, which rapidly decided to focus its attention on the need for and means to help people make their homes more energy efficient.

> *"There is a gap between the public's caring and doing. Demand for green finance remains low."*

Estimates indicate that of the 28 million households in the UK, up to 19 million live in homes that will need work to make them energy efficient, a must-do if the UK is to achieve our Governments legal commitment to reach Net Zero by 2050. It's a tall order, given that homes are owned mainly by individuals; vary in age, style and building materials and that right now there is a mismatch between the cost of the work needed to make a home energy efficient and the associated payback period.

BSA research from YouGov in September illustrates the gap between the public's caring and doing. Amongst the respondents:

- 72% said the energy efficiency rating of a property was important to them when looking to buy a new home.
- But 50% saw meeting the upfront cost of improving the energy efficiency of their home a barrier to action. Almost half (46%) felt it would take too long to recover these costs and 40% were unsure how much money they would save.
- The majority thought that some energy efficient improvement would add to a property's value, for example replacing the windows and doors (73%) and upgrading the central heating system (70%).
- However, just 15% have actually replaced their windows and doors and only 11% have upgraded their central heating system in the last 12 months.

When asked what would encourage work to improve energy efficiency, over half said lower Council Tax (56%) or a cheaper energy tariff (53%). A cheaper mortgage was cited by 43% and evidence that the improvements would add value to their home was a strong incentive for 39%.

We already have 11 building societies offering green mortgages or further advances and there are others amongst the banks. For the Ecology Building Society there is no change as they have been leading the charge on all this since their launch 40 years ago! So the funding is there but consumer demand remains low.

These factors are guiding the next stage of work by our Green Finance Taskforce with the focus on two areas: best practice learning for additional BSA members looking to enter the market; and the delivery of a comprehensive consumer guide in collaboration with partners. With this we aim to help people understand which energy improvements would work for their property; how to find a trusted supplier; information on payback period and be signposted to appropriate finance options.

Across all of this is we are looking to ensure that the language we use with consumers is not: "do it or we are all doomed" but shows the benefits of cleaner environments due to lower carbon emissions; safer for the environment and our futures, and healthier for people, their pockets and their communities.

We are also continuing our work with the Green Finance Institute (GFI) and the Coalition for the Energy Efficiency of Buildings (CEEB). This includes a range of activities, including a Trustmark-held roundtable exploring how the finance and industry trades can work together to support investment into home retrofitting.

> *"Just 15% of the public have replaced windows and doors in the past 12 months and only 11% have upgraded their central heating.."*

Government action

Of course we need Government action too. In particular a multi-parliament, joined-up policy framework which gives consumers for one clarity on the plan to 2030, 2035 and 2050. Many will hold off doing work on their homes in the expectation that government subsidies to pay for some or all of it will come. Others will wait for heat pumps to get smaller and cheaper or for the assurance that they won't become the Betamax of the central heating world, with Hydrogen taking the role of VHS. It is a shame that the decision on Hydrogen has been delayed until 2026. There is also a role for governments in protecting homes from the effects of climate change.

That said, in its Heat and Buildings Strategy, published on 19 October, the Government tipped its hat to a lot of helpful moves, amongst them – the need for the approach to be fabric first (insulation); the recognition that improvements need to be appealing to the consumer and that raising consumer awareness is critical.

Much media air time was given to the non-availability of mortgages for less energy efficient homes. We wait for the BEIS response to the full consultation on the role of lenders in this space, in the hope that a two tier market is avoided and a just transition achieved. There seems little point trapping anyone in an energy inefficient home because they can't afford to improve it and the person who wants to buy and improve it can't because lenders can't lend because their portfolios are mandated at an average of EPC C. I am positive that common sense will prevail.

Next steps:

Read about the Government's Heat and Buildings Strategy at ***www.gov.uk/government/publications/heat-and-buildings-strategy***

Finance sector mobilises on climate change

By **EMMA HARVEY**, Programme Director, Green Finance Institute

The finance sector is mobilising to take its place at the climate table, with leading organisations across private and institutional finance committing to strategies, targets and products that will unlock the capital needed to mitigate and adapt to the climate crisis.

One area that is experiencing significant levels of innovation is our built environment and the financing needed to help it rapidly decarbonise. The UK's building stock accounts for 23% of our national greenhouse gas emissions, and the Climate Change Committee has estimated that £250 billion needs to be invested in UK homes by 2050. Given the significant investment gap to achieve a net-zero built environment, financial services is well-placed to play an important role in helping homeowners and landlords access the finance needed to retrofit their properties, while generating attractive returns at the same time.

We are already seeing pioneers in property and mortgage finance positioning themselves to both help consumers and embrace the huge opportunities the retrofit revolution offers. In 2021 alone, we have seen more than 20 UK mortgage lenders launch a green mortgage, and 12 lenders have aligned or committed to align one or more of their products to the Green Finance Institute's Green Home Finance Principles that offer a consistent and transparent framework for green products.

As demand from 'able-to-pay' owner occupiers continues to grow, driven by the economic benefits and personal values, there is a clear opportunity for banks and building societies to respond. At the same time, the Bank of England has introduced climate-related stress tests for financial institutions and the sector awaits the UK Government's response to its consultation on the proposed introduction of disclosures and targets for lending to improve home energy efficiency.

So what must be done to boost consumer demand for energy efficiency, and support lenders to expand their offering of green products?

Firstly, initiatives to catalyse innovation will be essential. For instance, the UK Government's recently launched Green Home Finance Accelerator will provide up to £10 million grant funding to UK lenders to design, develop and pilot financial products that help homeowners achieve a more energy efficient home. And the Green Finance Institute's Coalition for the Energy Efficiency of Buildings continues to provide a community of best practice for green home finance, bringing together over 360 global experts to develop and launch innovative financial solutions, data tools and enabling frameworks that support investment into net-zero homes.

> *"The GFI's Green Home Finance Principles offer a consistent, transparent framework for green products."*

Secondly, early conversations with homeowners are vital to raise awareness about retrofitting and its benefits. Mortgage intermediaries are responsible for around 80% of mortgage originations, therefore are in a position to explore and support customers' net-zero ambitions – however, the intermediary community need to be supported in their own journey to understand green mortgages and the regulatory landscape.

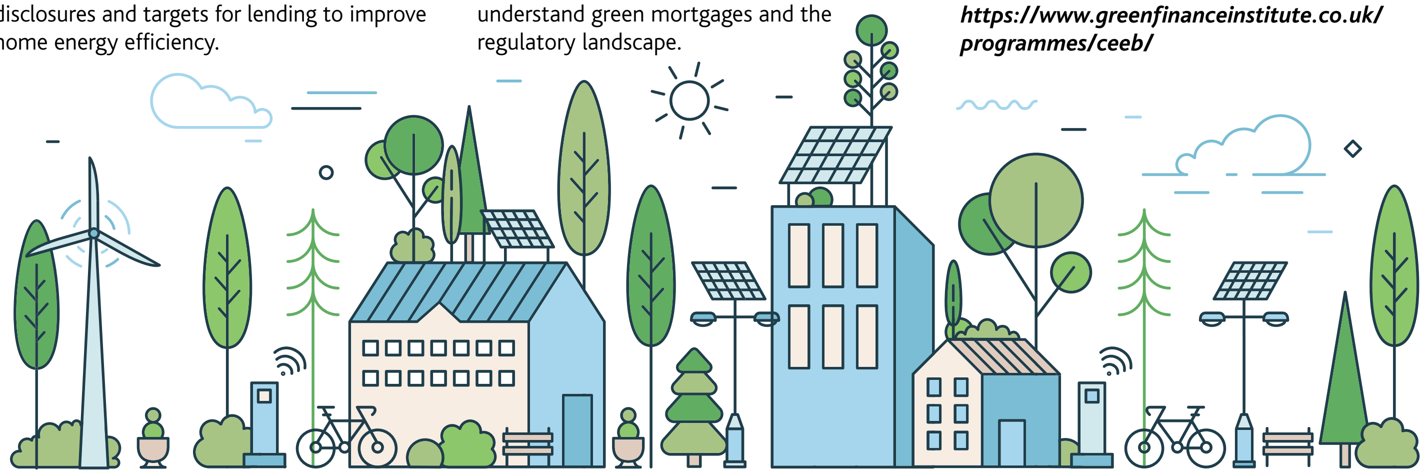
"We see innovation by lenders being a positive, market-led development and a catalyst for real change. This presents the industry with huge opportunities to continue the momentum and engage with consumers at different touchpoints in the buying and selling transaction timeline. Crucially, brokers have a significant role to play in enhancing customer awareness and driving demand of green borrowing products", Ana Bajri, Head of Sustainability at Countrywide Surveying, says.

And lastly, policy and fiscal stimuli will play a vital role in driving demand for retrofitting across UK homes. There are many opportunities to support the retrofit finance market, including public capital to offset interest rates or provide low-cost funding for green mortgages, a national loan guarantee scheme, and favourable capital treatments for green lending. In addition, an energy-adjusted Stamp Duty Land Tax – as developed by the UK Green Building Council – could help to nudge consumers to undertake energy efficiency projects at the optimum time in their home ownership journey.

Funding the decarbonisation of UK homes represents a £250 billion investment opportunity. Public and private finance will play a significant role in helping homeowners decarbonise – and the early movers and pioneers will see significant rewards for helping their customers and the planet.

Next steps:

Find out more at
https://www.greenfinanceinstitute.co.uk/programmes/ceeb/



The value of partnership in raising climate risk awareness

Talk about climate risk is all around us. Whether it is COP 26, the almost daily reports of extreme weather, our firms' climate strategies or TV and radio shows. It can be overwhelming, particularly when the reports and insights leave contrasting messages about the road ahead. If it's challenging for us, I am sure it's more daunting for many consumers, with the fear of climate change and the potential risk of falling house prices making more noise than the clamour to take steps to decarbonise your home or investment property.

By **COLIN FYFE**, Chief Executive of Hinckley & Rugby Building Society and Chair BSA Green Finance Taskforce

So, what are those steps forward and how do we point towards the thinking and direction that consumers need to take?

At Hinckley & Rugby, we decided that we need to test what works and how to build awareness and understanding. The solution lies in partnerships and thankfully this is not new thinking for us. The combination of two towns and two counties regularly leads us to think about who we can work with and there is growing expertise in the home retrofit space.

First of all, we linked with the Sero Group which has been working with Monmouthshire Building Society and with local councils in Wales to look at retrofitting opportunities. It is with Sero that I first heard the phrase 'Pathway to Zero' and thought "Yes! That's exactly what we want to talk about". With Sero we have identified a cohort of our property-owning members to illustrate the steps along this pathway - introducing the concept, building an understanding, completing a whole home survey and then laying out a personalised roadmap for their journey. We can't predict whether these members are ready to start making the required changes to their homes, but we will learn from them in the process.

Another firm that caught our attention is IRT Surveys. They combine infrared technology with a mobile app to show consumers the work that is required on their property and what better way than an image that demonstrates where heat is escaping. This test involves a range of Society employees and is highlighting how to bring climate risk to life, using their own homes and providing them with recommendations on improvement opportunities. This exercise also enables our staff to speak about home energy savings with first-hand experience.

> *"The solution lies in partnerships and thankfully this is not new thinking for us."*

We are also lucky to have active Rotary Clubs locally and none more so than in Rugby. Climate concerns have caught their imagination and we are working with them on two initiatives. The idea of regular climate supporting ideas was one recommendation from the clubs and has led to the creation of Rotary World Savers. Each week local subscribers will receive suggestions for how they can actively play their part in combatting climate change. Again, the focus is on raising awareness and understanding within the local community.

On a more ambitious front, the Rotary Clubs would like to support the town of Rugby to be a centre of excellence for climate awareness. Early days but it's this type of idea which encourages our communities to collaborate and learn from each other.

So, the challenge is significant but starts with small steps forward, rather than being overwhelmed. That is what we are doing at Hinckley & Rugby and we will continue to share our learnings through the BSA Green Finance Taskforce.

Next steps:

More information from
https://www.hrbs.co.uk/; https://sero.group/ ; https://irtsurveys.co.uk/

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special

Delivering the good quality green home of the future

By **SARA BENNISON**, *Chief Product & Marketing Officer, Nationwide Building Society*

At Nationwide the core principle that guides everything we do is ensuring everyone has a good quality home they can call their own. Over the years this has meant many things: our founders helping people escape poor quality rented housing, supporting "homes for heroes" after both world wars and supporting first time buyers after the financial crisis. With the threat of climate change, good quality homes must now also be green homes.

We have a long way to go to meet this challenge. Most of the UK's 29 million homes will have to be retrofitted to some extent. This will involve interventions including better insulation, installing solar panels and replacing gas boilers with heat pumps. The problem isn't limited to existing homes. Only 1% of new homes in the UK are EPC A rated so many homes being built now will need to be retrofitted in the future. With around 20% of carbon emissions coming from our homes, improving them will be essential to meet 2050 net zero goals.

Part of the reason we undertook the development at Oakfield was to gain experience of housebuilding and understand if it could be improved by applying our mutual approach. One way this has already been demonstrated is the 18 months of community engagement ahead of submitting our planning application. This resulted in planning being approved with no formal objections which is unheard of for a development of this type.

The green aspects were a relatively late addition to our plans, showing how quickly sustainability has risen up the agenda, and as the green homes discussion grew louder, it became an area where we wanted to show leadership.

Some steps had been taken from the start of the development process to make the homes sustainable. We built in provision for cycling, by ensuring everyone had cycle storage facilities and worked with landscape architects to ensure there was green space throughout the development. Reflecting this, the development was recently awarded the industry leading Building with Nature accreditation.

Terraced town housing has been adopted to use land efficiently and the homes are built using standard methods to ensure broad market appeal. They had been designed from the start to be high quality in terms of material used and insulation levels and without any further intervention would have still been at the leading edge of energy efficiency.

These measures had been in place since the initial stages of the project as part of our desire to have good design and high build quality. The increased emphasis on sustainability meant that in October 2019, having already received planning permission and close to starting on site, we chose to install solar panels on all suitable properties and use air source heat pumps instead of gas boilers. This moved high quality but standard new builds into EPC A territory.

As a result of this decision, all the houses at Oakfield and the small block of flats will have solar panels on their roofs. This will enable people living in the development to generate green electricity to run their home and potentially also supply green power back to the electricity grid.

While solar panels are increasingly common on new developments, Oakfield will be a pioneer in the use of heat pumps. Just 1% of UK households have heat pumps installed (compared to 60% of Norwegian homes) and we believe the 239 heat pumps for Oakfield is the largest single order in the UK. Electric heat pumps produce significantly less carbon emissions over their lifetime than gas boilers and in doing this, the development is pre-empting Government plans to stop new homes being connected to mains gas from 2025.

One way in which we have been able to use the development to challenge misconceptions around heat pumps is by using them in the flats we are building. This is a more difficult challenge than installing them in houses and we have achieved this by locating the air source heat pump on each flat's balcony, giving every home on site low carbon heating.

> ***"The green aspects were a relatively late addition to our plans, showing how quickly sustainability has risen up the agenda."***

Other aspects also make the homes green. Electric cable points will be installed in bike sheds in gardens, to securely charge an electric bike and people living in flats will have access to similar storage space. All houses will have water butts and some homes will have bamboo floors, a more sustainable material than traditional wood flooring.

The way all these aspects come together was recognised at the Housing Design Awards 2021 where Oakfield won the Building for Healthy Life award which recognises developments built to benefit people and nature.

While Nationwide decided not to make a profit on Oakfield, we understand this would not be a sustainable model for others. As well as learning about how to green a development, we have also learnt where time and money is wasted in the development process. Solving issues like the lack of resources within local authorities, the constant negotiations over different permissions and the lack of construction sector skills would help fund green enhancements as well as increasing the speed of delivery, which in turn would bring the price down.

By delivering homes in this way at Oakfield we hope we have demonstrated that with thought and a desire to challenges industry norms, it is possible to deliver green new homes. As the Government's Future Homes Standard comes in over the next few years, we hope this becomes the standard approach, providing high quality homes where every effort has been taken to reduce their environmental impact. As the homes go on sale, we hope there will also be a positive response from potential purchasers.

Next Steps:

*The Oakfield show home will be opening in January 2022. Further information is available at **www.oakfieldswindon.co.uk***

By *JAMES O'SULLIVAN, Policy Manager, BSA*

Supporting vulnerable customers who gamble

A new guide published by the University of Bristol and GambleAware offers advice and best practice on supporting vulnerabilities created by harmful gambling.

Most people who watched former England football international Paul Merson talking about the impact of his gambling addiction in the BBC documentary "Football, gambling and me" will have been shocked by the impact that gambling had on Merson and his family.

But, other people watching will already be living with the harm created by out of control gambling. Recent research by the University of Bristol highlights that:

- Up to 1.2 million adults in Britain are classified as 'problem gamblers'.
- Groups of people likely to be at risk of problem gambling include men, young people aged 18-34, people from a lower socio-economic background and people from minority ethnic backgrounds.
- The real number of people at risk of harm is much higher and includes 3.1 million adults who are affected by someone else's gambling plus unknown numbers of children.

Typical vulnerabilities created by harmful gambling are problem debt and reduced financial resilience, inability to make good decisions, poor mental and physical health and parallel substance addictions such as alcohol or drugs. People harmed by another person's gambling are vulnerable in the same way and may also be vulnerable to theft, fraud or coercive control by gamblers needing funds.

All of these are vulnerabilities recognised by the FCA, so firms are required to support these customers according to current FCA guidance as they would for any other vulnerable customer. For most BSA members, the main opportunities to identify gambling-related vulnerability are:

- Applications for credit, for example a re-mortgage or further advance.
- Arrears and wider debt problems created by gambling.
- The impact on joint account holders and / or families of another person's problem gambling.

Members who provide current account or credit card services have a much wider opportunity to support problem gamblers manage the impact of their actions – for example pre-set withdrawal / card spending limits.

The University of Bristol and GambleAware have worked with financial services firms to produce a guide to help firms support people made vulnerable by problem gambling – Gambling, Vulnerability and FCA Compliance - How financial services firms can achieve the best outcomes for vulnerable customers who gamble.

Professor Sharon Collard of the Bristol University Personal Finance Centre commented: "Building societies and other mutuals are well-placed to address the financial harms linked to the gambling-related vulnerability that their members experience. Our practical guide shows them how they can do this, with lived experience case studies, tools and resources, and practical examples of what financial services providers are already doing."

This guide explores how the FCA's expectations around treating vulnerable customers fairly can be applied to vulnerabilities created by harmful gambling. It offers practical examples of how firms are already identifying and supporting customers who are at risk of gambling-related harm and best practice techniques for encouraging disclosure of gambling issues.

It also provides a comprehensive list of specialist sources of help available to help gamblers tackle their addiction and to support others affected. Nobody expects building societies / credit unions to be experts in addressing harmful gambling or to take on the whole responsibility of supporting a problem-gambler in tackling their addiction but there may be opportunities for signposting individuals to expert help.

Next steps:

*Link to the full report - **https:/xrAqlZY***

For BSA Members: Policy Brief: ***www.bsa.org.uk/problemgambling***

Dates for your diary

The BSA events diary is regularly updated. View the latest listings and register at **www.bsa.org.uk/events**

Arrears handling course

18 January 2022 | online

This bespoke virtually presented course, in partnership with the Chartered Insurance Institute (CII), is designed to help navigate the complex area of arrears handling. The course will provide an overview of regulatory requirements as well as a basic understanding of the legal process of repossession. In addition, the regulator expects an arrears handler to be able to identify vulnerable customers, deal with them in an understanding and sensitive way and take into consideration their vulnerability when discussing missed payments on their accounts.

The course is regularly updated to reflect the most recent impact of Covid-19 on arrears functions now and in the future.

Cost:
£325 (VAT exempt) - BSA members and associates
£450 (VAT exempt) - Non-members
www.bsa.org.uk/arrearshandling

BSA Associates meeting

20 January 2022 | London

This free-to-attend meeting is to help BSA Associate members understand what it is really like to work with building societies, the business conditions facing mutuals and how they are reacting to market changes. Chaired by Robin Fieth, Chief Executive of the BSA, the event will also help Associates understand how they should tailor their approaches to BSA members in order to maximise their opportunities for working with mutual businesses.

This event will be a face-to-face meeting in Central London, subject to prevailing Covid-19 guidance

Cost:
Free of charge for BSA Associate members only
www.bsa.org.uk/Associates2022

Meet-up for mortgage professionals

26 & 27 January 2022 | Online

Our next meet-up for mortgage professionals will assess the current state of play in the housing and mortgage markets, reflecting on the impact of the pandemic and looking forward to what comes next.

Held online and split over two half-day sessions, expert industry speakers will explore market trends and future risks and opportunities for lenders. The event will also touch on the operational challenges and opportunities of a new way of working, and what the proposed FCA Consumer Duty means for lenders.

Cost:
£295 (VAT exempt) - BSA members and associates
£395 (VAT exempt) - Non-members
www.bsa.org.uk/meet-up

Preparing for successful regulatory visits

2 & 3 February 2022 | Online

Regulatory visits have become more intrusive than ever and can lead to capital and liquidity add-ons, follow-up work and/or other regulatory interventions, including s166 notices or even enforcement action.

This online workshop, split over two half-day sessions, is especially helpful for those who have not yet experienced a regulatory visit or have a critical visit approaching. It will help you know what to expect from such a visit, how to prepare effectively and how to have a positive effect on the outcome.

Cost:
£495 (VAT exempt) - BSA members only
www.bsa.org.uk/reg-visits

Mortgage underwriting course

7 & 8 March 2022 | Online

In recent years the recognised career path to mortgage underwriter has changed substantially, partly due to the changing nature of mortgage advice. This virtual course is delivered over two half-days and has been designed to equip underwriters with the knowledge required to carry out their role effectively. The course will be interactive with several group discussions and case studies for attendees to consider, discuss and apply the knowledge and skills gained from the course.

Cost:
BSA members and associates only: £595 (VAT exempt)
www.bsa.org.uk/underwriting

Building Societies Annual Conference

4 & 5 May 2022 | Liverpool

We are delighted to be returning to face-to-face events in 2022 and look forward to welcoming delegates to Liverpool for our flagship Annual Conference. The conference takes place on the 4-5 May at the ACC Liverpool and also includes plenty of networking events from the Conference Welcome Party on the 3 May to the Conference Reception and Dinner at Liverpool Cathedral on the 4 May. As well as the chance to reconnect with friends and colleagues, the event also includes leading keynote presentations, focused breakout sessions and our exhibition hall where you can meet leading industry suppliers to discuss your business requirements.

Full conference details can be found at
www.bsaconference.org