Building Societies Association

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SOCIETY matters

Build Back Better

From Covid-19 to a new mutual economy

contents

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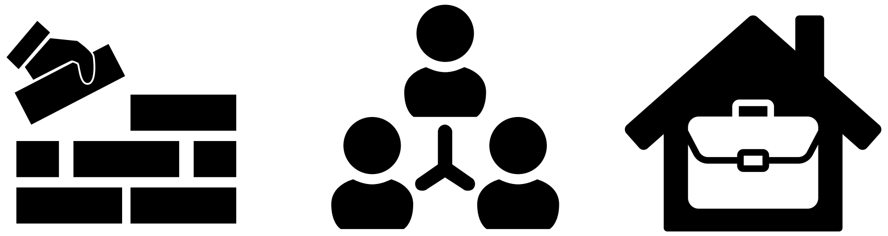
Hello and welcome to the Summer edition of

Society Matters



Build Back Better – Collaboration is key

The theme of the BSA Conference held in early May in a new virtual format was "From Covid-19 to a new mutual economy". This resonates with the Build Back Better concept which is the government's plan, launched in March, for growth in the UK following on from the Covid pandemic.

But Build Back Better is not a new concept and has been referred to after various disasters such as the Tsunami catastrophe on Boxing Day 2004. In a nutshell it's about recovering from disaster and preparing for the future. Prime Minister Boris Johnson said the formula for success is collaboration and he cited the example of industry, science and government working together that led to the rapid production of the Covid vaccines.

BSA Chief Executive Robin Fieth leads on the Build Back Better theme in his regular column. He is fully supportive of the CBI's Seize the Moment campaign which has similar sentiment to Build Back Better with collaboration being key, more on that on page 7.

Robin also discusses the importance of savings and in particular workplace savings and on page 11 we look at dormant accounts. Another example of collaboration between government and industry as £150m of dormant asset funding has been given to charities to help people in need due to Covid.

On page 8 there is a summary of a panel session at the BSA Conference on business-led recovery including discussions on sustainability, net zero and green finance. Meanwhile, Yorkshire Building Society has taken the green theme one stage further by issuing its first Social Residential Mortgage Backed Security.

Covid has changed the way we work and for many that change is permanent. More people will be working from home or a combination of remote working and going into the office. A recent BBC survey found that 43 out of 50 of the UK's largest firms intend to have hybrid working. One of those is Nationwide Building Society who explains the reasons on page 6 having conducted research among staff.

Leadership is ever more important at this time particularly for employee communications and welfare. This is discussed on page 9 and should be high on the board agenda following the changes and disruption over the past 15 months.

Pat McFadden MP, Shadow Economic Secretary to the Treasury, gives his views on page 15 of the changing economy including the rise of online business, different working patterns and changes in education.

The future is uncertain as we grapple with a new world dominated by Covid. It looks like we will have to learn to live with this virus, at least in the immediate future, so the need and desire to Build Back Better should be top of everyone's priorities.

JOANNE ATKIN
Society Matters Editor

From Covid-19 to a new mutual economy – a call to action

Building Back Better has become a popular government catchphrase for how as a nation we want to emerge from this awful pandemic, and the consequential disruption in our economy and our society.

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

As I said in my Conference speech in May, it is a phrase that has a great ring to it; something we would struggle to disagree with. Let's Build Back Worse doesn't resonate as something we would want to do. But without clear, concerted action and real determination, building back worse – exploiting the divisions and disparities; failing to address the growing inequalities that have characterised the last 15 months – is a very real possibility. We do not want to be looking back in 10 years' time, lamenting the missed opportunities for creating a fairer, more balanced, greener society.

Seize the moment

This is one of the reasons why I am a strong advocate for the CBI's Seize the Moment report and campaign, which Rain Newton-Smith writes about on page 7 in this edition of *Society Matters*. It is a deeply practical approach to turning government aspirations and rhetoric into sector by sector, region by region reality – for the benefit of both business and society.

CBI colleagues will tell you, and Rain generously acknowledged at the start of her speech to the BSA Conference, that we have been consistent and strong advocates for framing the Seize the Moment Campaign firmly within the context of the role and responsibility of business in society.

Building on trust

The year of the pandemic has seen trust in business grow for the first time in many years. Now is the time to build on that trust, genuinely to promote business as a force for good – and not just good for shareholders. It was noticeable that the Economic Secretary, John Glen MP, also talked more than once about responsible capitalism in his Conference speech.

And so this really does feel like a moment to seize the opportunity for us to be building a better future for Britain in financial services – for the mutual sector as the natural proponents of stakeholder and inclusive capitalism to be leading the way in creating a new covenant between business, society and government.

At a time when we are re-defining Britain's role in the world post Brexit, hopefully emerging from the worst pandemic in a century and the sharpest recession since 1709, now is a moment in our history where we have the collective opportunity and responsibility to help re-shape the UK's economy and society – and to take great leaps forward in our mission to embed mutuals at the heart of the future of UK financial services.

What do I mean?

Let me repeat what I said at Conference. I mean that we live and promote strongly the values of our purpose driven businesses that exist for the benefit of our members, our communities and our society. I mean that we continue to set the standards for fairness and great customer service; that we actively reach out to those who most need the support of building societies and credit unions. We do so in ways that are sustainable in the long term; that enable us to make fair returns, not excessive profits; that build our future generations of members, advocates and fans; that we are proud of the employment and career opportunities we provide; and that we are proud of the full fair share of taxes we pay, rather than how smart we are about minimising our tax contribution.

We have been talking and writing a lot recently about the Magic of Mutuality. We need to see that magic working every day for our members, our communities and our society. That's what we mean. That's what we should be proud and loud about.

Workplace savings

This year's Conference themes were designed to help us all turn the opportunity of the moment into the reality of a new mutual economy and many are explored again in this edition of Society Matters. So I will just focus on workplace savings – the great initiative that we were about to launch as the pandemic took hold last year, and which arguably is even more important now as we emerge the other side.

When we talk about reaching out to the people who most need the support of building societies and credit unions, let's reflect on the plight of the 22% of households who entered the first lockdown in 2020 with less than £100 in savings; and the Resolution Foundation's findings that the lowest income households were the ones most likely to have to draw down on reserves to survive. How do we reconcile that, other than holding our hands up in despair or horror?

> *"Improving household financial resilience through saving is at the very foundation of the building society movement."*

Improving household financial resilience through saving is at the very foundation of the building society movement, going right back to the savings club started at the Golden Cross in Snowhill, Birmingham in 1775 that became Ketley's Building Society. Just as it was with the foundation of the UK's first savings bank in Ruthwell, Dumfriesshire in 1810, and rather more recently with the formation of the first UK credit unions.

> *"Roll on the Magic of Mutuality – collectively we really do have the opportunity to Build Back a Better Mutual Economy."*

We know that payroll savings works – a recent two-year project funded by the Money and Pensions Service and involving Leeds Credit Union concluded that payroll saving is effective in encouraging positive savings behaviours. Payroll savings promote financial resilience among lower to medium income workers earning between £17,500 and £25,000 a year, who typically managed to save £50-£70 a month.

Not only does this seem to me to be fundamental to our social purpose – our covenant with society – but in the face of the challenges highlighted in both the Whitecap report and the recent Ipsos MORI research for the BSA, payroll savings seems to me worth trialling as an alternative strategy for engaging new generations of members and developing lifelong strategies for members – rather than engaging in shoulder shrugging because most of us do not provide current accounts.

The lessons for many households from the pandemic point towards building up some rainy day funds. It seems likely that the optimal size of those funds will be seen to increase too – from something large enough to pay for an unexpected bill, to a fund big enough to see people through weeks and months of disruption. And the generational research points to younger people being more conscious of their financial position, more aware of the need to save, and more willing to do so provided we make it easy.

Roll on the Magic of Mutuality – collectively we really do have the opportunity to Build Back a Better Mutual Economy.

Next steps:

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

Housing and mortgage market challenges post-pandemic

By ***SARAH HOWE****, Chief Executive, Harpenden Building Society*

At the BSA Conference in May, Sarah Howe chaired a panel session exploring options to overcome the challenges faced by lenders and the mortgage industry as we emerge from the pandemic.

The panelists in the session at the BSA Conference wasted no time in getting to the heart of the key challenges facing the mortgage market. Whilst recognising government interventions, they questioned whether they will make a long-term difference or just prop-up the mortgage market in the short term.

There's no doubt that some of those interventions, such as the stamp duty holiday, have created a buoyant market; whilst others have supported struggling homeowners, with households financially impacted by the pandemic taking mortgage payment deferrals. One task for lenders is balancing resource between the demand for new lending and supporting borrowers in financial difficulty.

First-time buyers

Affordability for first-time buyers is front of mind when discussing mortgage market challenges. The panelists raised the issue of the 3% stress test not being fit for purpose; the usefulness of having affordability assessments that include rental payments and the possibility of a privately-funded Help to Buy scheme.

Post-pandemic there has been some positive news for first-time buyers, with the return of 5-10% deposit mortgages. However, with house prices jumping 10% in the past year, has this provided the lifeline first-time buyers desperately need? Or does the industry need to look creatively at minimum or no deposits and introduce new ways to mitigate risk, such as mandatory insurance?

> *"One task for lenders is balancing resource between the demand for new lending and supporting borrowers in financial difficulty."*

New builds

Considering the new build market, Kate Faulkner of propertychecklist.co.uk suggested the FCA should look at how to build appetite for new homes, on the basis that the better the demand, the more homes will be built and the more we can mitigate the housing supply crisis. She also highlighted the need to build new homes suitable for older people to free up family homes.

Robert Sinclair of AMI & AFB highlighted the lunacy of heating systems going into new homes that will need replacing before the NHBC guarantee expires, to meet net carbon zero targets. He noted that heat exchangers are currently the main alternative, but they may not be the solution to achieving longer-term targets.

Technology

In 2021 it would be impossible to have a discussion on such a key area of the financial market without considering the role of technology. Recognising the pandemic-induced move to a largely remote workforce, lenders are now looking at how technology can support a more permanent move to flexible or hybrid working.

From a customer perspective, the panelists considered the value of Open Banking. Daniel Broadhurst of nCino, highlighted the ability to streamline the underwriting process, enabling faster decision-making. When challenged on how this automation fits with the building society USP of manual underwriting in niche markets, he discussed that easy access to data supports a flexible approach with greater speed.

Also worthy of note, were comments around buy-to-let lending and how lenders can play a role in tackling unsafe rented homes. Should they only lend to landlords who can demonstrate their compliance with the letting rules and regulations?

In summary, it was clear that there are many examples of the mortgage market emerging well from the pandemic, but just as in any other time in our history there continue to be opportunities and challenges that the whole industry could and should be considering.

Panellists:

1. ***SARAH HOWE***, Chief Executive, Harpenden Building Society;
2. ***ROBERT SINCLAIR***, Chief Executive, AMI and AFB;
3. ***KATE FAULKNER***, Property Market Analyst & Commentator & Managing Director, Propertychecklists.co.uk;
4. ***DANIEL BROADHURST***, Regional Vice President of Sales, nCino EMEA

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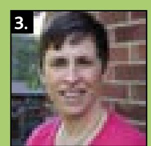
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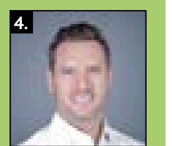


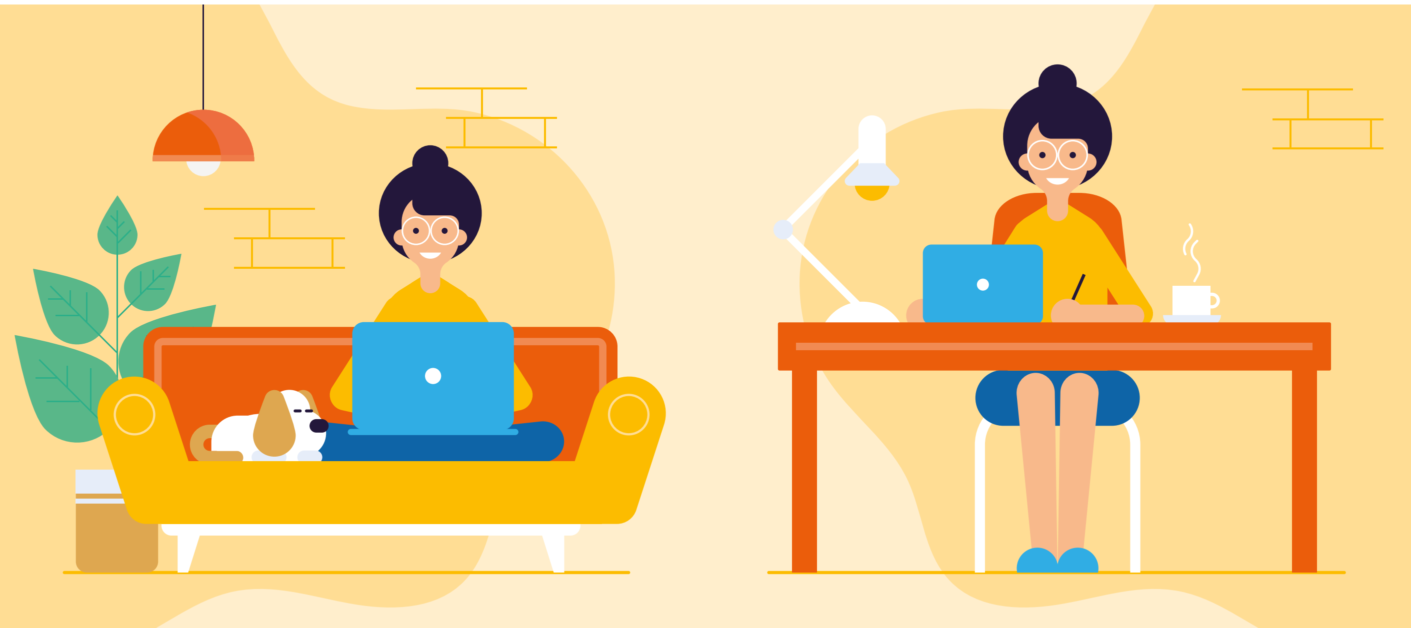
Next steps:

www.propertychecklists.co.uk
www.ncino.com/mortgage
www.a-m-i.org.uk

The future of work

By *JANE HANSON*, *Chief People Officer, Nationwide Building Society*

Along with many other organisations, Nationwide has faced the challenge of understanding *how* we work in the future. As we emerge from lockdown and restrictions are lifted we need to understand how to combine different ways of working as we move away from the period of lockdown-enforced working from home.



At Nationwide we've had around 13,000 office based employees working from home during the course of the pandemic and we've seen the organisation thrive during this period. Our teams adapted quickly to the pressing need to work from home last March and this approach has adapted and evolved throughout the last year. The one thing we now understand more than ever is that *how* we do our jobs is far more important than *where* we do them from.

This meant we felt there was no need to simply go back to 'normal' and work out how we'd get everyone back into the office. Instead, we asked how we could combine the experience of home working with the best of the pre-pandemic world to find a new way of doing things.

Being a mutual the obvious place to start was a survey of our colleagues to understand their views and earlier this year 8,500 Nationwide employees responded to this request to help shape future working practices.

What did the survey find? Unsurprisingly there was overwhelming support for a more flexible approach to working – 57% of people wanted to work from home full time and 36% want a blend of home and office work. Just 6% said they wanted to work in an office full time.

"The one thing we now understand more than ever is that how we do our jobs is far more important than where we do them from."

Alongside this colleague survey Nationwide also teamed up with Ipsos MORI to carry out wider research on the 'future of work'. This also showed significant support for flexible working with 90% of those currently working from home wanting to continue doing so for at least one day a week and 60% of people saying flexible working gives them a better work life balance.

Both surveys also set out the downsides of home working – those areas we need extra attention on to ensure people's wellbeing doesn't suffer as a result of flexible working. For example, we know there is a real need for meeting in the physical world, with 43% of remote workers needing face-to-face time with colleagues to do their job effectively.

Other potential challenges include workplace inequality, a worrying Covid 'generation gap' where young people are disadvantaged and the problems faced by those whose homes are not easy to set up for homeworking.

Taking all these factors into account, Nationwide will now be adopting a '*Work, Meet, Recruit, Live Anywhere*' ethos where we will be asking colleagues to 'locate for their day'. We'll be asking people to look at the tasks they have to deliver on a particular day and work wherever is most suitable for that activity. This could be time in the office for an end of year review, working from home on a report or presentation or meeting in a collaboration space to start a new project.

We believe this approach will deliver the benefits necessary for the Society to thrive into the future: people being able to find a way that works for them personally, accessing a more diverse pool of talent no longer tied to proximity to an office and more inclusive ways of working.

Next steps:

Visit ***nationwide.co.uk***

Seizing the moment

– the role of building societies and mutual values in the journey to a new economy

The triple shocks of Brexit, Covid-19 and climate change highlight the need for business and government to design an economic strategy for the next decade. This article outlines why a dynamic relationship between business, society and government can secure a sustainable, competitive future.

By *RAIN NEWTON-SMITH*, *Chief Economist, CBI*

Financial services are the lifeblood of a healthy economy, supporting all other sectors to develop, innovate and grow. The sector employs over 1.1 million people across the UK, two-thirds of these are outside of London with over £75.6bn in taxes paid last year.

Building societies and the thriving mutual sector are at the heart of financial services delivering for the regions, using innovation and their commitment to mutual values to help transform lives. From helping people get their first home to saving for retirement, what you do matters.

The sector has played a critical role throughout the coronavirus crisis and we now have a once in a generation opportunity to shape our economic future.

Seize the Moment – an economic strategy for the UK

The CBI's economic vision – Seize the Moment – sets out the concrete prizes to reach for, and help UK business and our people to prosper towards:

- A decarbonised economy, winning the global race to net-zero
- An innovation economy, breakthrough ideas and technologies, adopted by all
- A globalised economy, making the UK a trading powerhouse
- A regionally thriving economy, ensuring every region and nation has distinctive, global strengths
- An inclusive economy, where work enables all talent to progress
- A healthier nation, with health the foundation of wellbeing and economic growth

Within this vision, the financial services sector has a critical enabling role. The CBI has called on government, regulators, and business alike to create a new strategic dialogue on unlocking finance for growth and investment. Co-Chaired by HM Treasury, the Bank of England and the CBI, it will bring together the whole value chain – from hungry investees to private investors. To succeed, this strategy will need government support, including the creation of a strategic dialogue on Funding our Future.

"The CBI has called on government, regulators, and business alike to create a new strategic dialogue on unlocking finance for growth and investment."

A vision for the UK economy will set its role on the global stage but makes the most of talent around the UK and its route in local communities. And the role that building societies themselves are playing of building a mutual economy – one which supports local communities to tackle climate change and create greener high streets. The sector will also be crucial in providing the finance for companies to compete on a global stage and also business leaders to provide the partnerships to lead a truly global recovery with a global vaccine rollout and business leading the race to a net zero economy. Truly huge opportunities ahead.

Moving forward

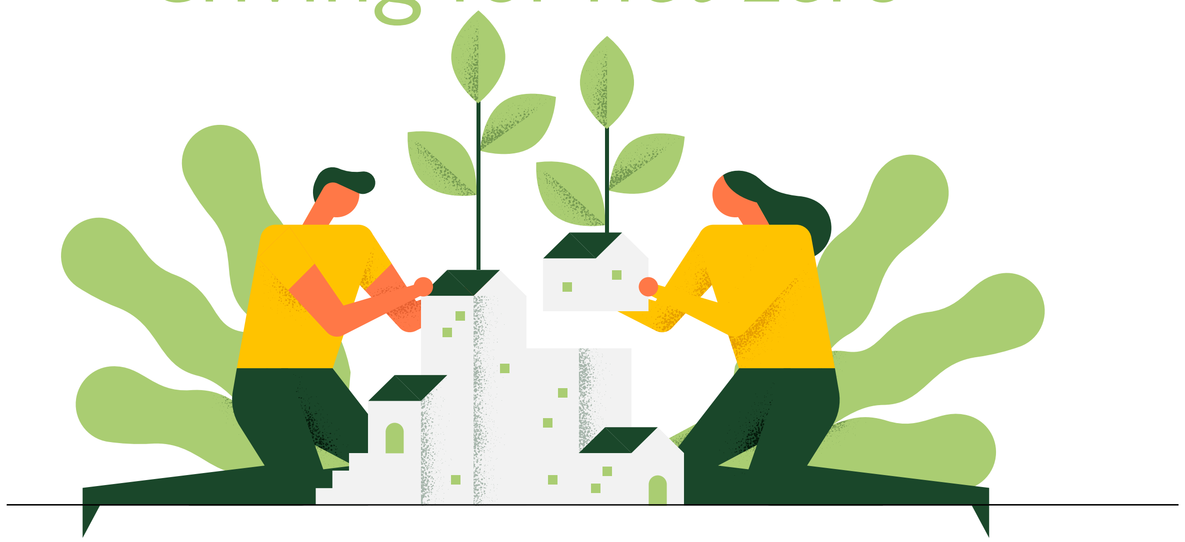
Financial services matter to the whole economy and building societies are playing a critical role in supporting their communities through change as we build back from the pandemic to secure a sustainable, shared future.

The CBI will continue to champion the work of building societies and the financial services sector as a whole to ensure politicians and policymakers know the enabling role the sector can play in securing a new economic vision for the UK.

Next steps:

The CBI launched 'Seize the Moment – An Economic Strategy for the UK' on 24 May 2021. Find out how your business can play a role in turning this vision into a reality: ***cbi.org.uk***

Green finance in action – driving for net zero



By **COLIN FYFE**, CEO, Hinckley & Rugby Building Society

The final day of the BSA virtual conference focused on business-led recovery and naturally included discussions on sustainability, net zero and green finance.

Dr Rhian-Mari Thomas of the Green Finance Institute set the scene with some hard-hitting facts – much of the climate damage has been exacerbated by humans.

The huge increase in CO2 emissions in the past three decades demonstrates that we have caused as much damage knowingly as we had previously done in ignorance. She also highlighted that in the UK, buildings are responsible for 59% of all electricity usage and 23% of the total UK carbon emissions, with homes accounting for around 77% of this.

It was therefore appropriate that the following panel discussion looked at the practical actions that the financial industry could and should take and what the experience was so far. I was joined for this session by Luca Bertalot, Secretary General of the European Mortgage Federation – European Covered Bond Council and William Carroll, CEO at Monmouthshire Building Society.

There was clear agreement that retrofitting existing homes – which represent circa 80% of all the homes that will exist by 2050 – provides the biggest opportunity for change, with 19 million homes requiring improvement. At an average cost of £23,000, targeting new homeowners who generally have the greatest desire to renovate their home is likely to achieve the most success, with the mortgage provider being the essential link by making the funding available.

And of course it's shocking that we're still building homes that will need retrofitting in the next few years. The government's New Homes Standard aims to ensure all new homes are future-proofed with low carbon heating and world-leading levels of energy efficiency, hopefully this means we'll soon stop filling the leaky bucket!

The biggest task in achieving action is educating consumers of the benefits an energy efficient home can offer, including lower bills (so more disposable income), reduced pollution in our communities and improved health benefits. This in turn should create an appetite to buy an energy efficient home or invest in a home retrofit.

It will only be possible to accelerate action against climate change if as an industry we work collaboratively with policymakers and regulators to change consumer behaviour. There were many ideas suggested, but the ones that struck me as having the most potential were:

- Building energy efficiency into affordability models
- Luca quoted an average 50-70% reduction in energy costs for retrofitted homes
- Stamp duty levies linked to EPC ratings – incentivise consumers through innovative green mortgage products
- Favourable capital treatment for green mortgages, reducing funding costs
- Lower VAT on energy efficiency measures

And we're not doing this from a standing start. Since the first green mortgage was offered by the Ecology in 2006 there have been a number of initiatives. Nationwide's green finance mortgage rewards customers who have the most attractive EPC ratings, whilst Newbury Building Society rewards its customers who retrofit their homes.

> *"The government's New Homes Standard aims to ensure all new homes are future-proofed with low carbon heating and world-leading levels of energy efficiency."*

Looking further afield, France is considering a law that will make any property transaction (rental or purchase) with a high EPC rating illegal.

It is clear to me that there is so much to do and building societies have a key role to play. But with a mix of innovation, collaboration and a desire for a better future for all, we can turn the nation's attention on climate change into consumer action – and really make a difference.

Next steps:

Read the New Homes Standard consultation paper here: ***gov.uk/government/consultations/raising-accessibility-standards-for-new-homes***

Building Back Better – people, senior leaders and boards

Leadership, communication and employee welfare are key to running a good business, and never more so than now as firms reassess their people agendas in the shadow of a pandemic.

By **DEBORAH COOPER**, Partner, Miles Advisory

The coronavirus has had, and is still having, an unprecedented impact on business operations. It has changed the way we think, and the way work is done, from how we meet to how we manage.

It has forced the people priorities – including employee engagement and communications – to the top of the Board agenda. It has driven leaders to plan and deliver change and digital transformation in weeks, where before years would have been acceptable.

Over the last 12 months, we have continuously surveyed over 100 organisations across a variety of sectors. They shared with us what they have learned and what has changed about what they now believe constitutes great leadership. Whilst there was a crisis to manage there is an opportunity to review how we can use it to emerge in better shape, thinking and operating differently.

The challenge and opportunity most see now is how to hardwire the best of these ways of thinking differently into the way their organisations behave and operate going forward. Is this the beginning of a genuinely changed way of leading for many organisations? More human, more equal, more caring? "Crisis has brought out the human in us all – trust, empathy, authenticity, vulnerability"

We concluded that there were three key actions around the people agenda for building societies to embrace and enable them to build back better.

- ***Align your blueprint for leadership with the new priorities***
  Societies can take advantage of the opportunity to embed newer ways of working but only if the behaviour of their leadership is aligned. The example set in the 'tone from the top' is critical to signpost and trigger wider organisational change.

  It is important to create a shared vision of the mindset that all in the boardroom and leadership agree to bring to work. And support this with a clear benchmark of the expectations they agree should be set for their associated behaviours.
- ***Capture the leverage from improved and integrated communication***
  Direct involvement from the CEO and executive committees throughout the crisis forced a focus on the quality of approach to employee communications. Where this has been done well the level of engagement has risen, employees have understood what needed to happen and so have been supportive of what has been asked of them.

  The increased focus on employee involvement coming out of the pandemic will especially need this improved (honest, real-time, personalised) approach to communications to continue to be effective.
- ***Revise your "people deal" to be relevant for a changed set of expectations***
  The early priority on employee welfare moved quickly from an initial focus on communications to the introduction and re-energisation of more tangible employee programmes such as flexible working and mental health. These have become an important part of the employee value proposition for many organisations as they become written into policy and programme.

Despite the economic effects of the pandemic, finding diverse talent with the right skills and the right values or 'fit' will likely be even harder in the future. The crisis has made many skill shortages even more acute as the trend towards e-commerce has accelerated the dependency on acquiring large amounts of digital, data and software talent. Diversity and inclusion was high on the agenda previously but now it is underlined and in capital letters… a proactive, actioned oriented approach is a must.

> *"Whilst there was a crisis to manage there is an opportunity to review how we can use it to emerge in better shape, thinking and operating differently."*

Next steps:

For more information please contact Deborah Cooper, Partner. ***Deborah.cooper@miles-advisory.com 07464 675444***

"Magic of mutuality"

Yorkshire issues first Social Bond

By **DUNCAN ASKER**,
*Director of Treasury,
Yorkshire Building Society*

In a first for the building society sector, Yorkshire Building Society has issued a Social Residential Mortgage Backed Security, which was received with a great deal of positive interest.

At the end of May 2021 Yorkshire Building Society (YBS) issued its latest Residential Mortgage Backed Security (RMBS) from the Brass programme, Brass 10. This was consistent in many ways to the previous issuance having GBP and USD public tranches and a retained GBP tranche. However, Brass 10 had one significant difference to previous deals in that it was the first Social Bond issued by YBS, in fact, it's the first Social Bond issued by any building society.

So why did YBS decide to make this step into the Green, Social and Sustainable (GSS) Bond universe?

During 2020 the next phase of the YBS strategy was launched under the Societies Strategic Blueprint. This built on the focus of providing 'Real Help with Real Life' and has three clear statements of purpose to support this objective:

- Helping people to find a place to call home
- Improving financial wellbeing
- Delivering long-term member value

Following discussions with the arranger, Lloyds Bank Corporate Markets, it became apparent that there was clear alignment between our strategy and aspects of the International Capital Markets Association (ICMA) Social Bond Principles and the UN's Sustainable Development Goals. Specifically, ICMA Social Bond Principles, 'Access to Essential Services (Banking)' and 'Socioeconomic Advancement and Empowerment (Equitable Access to and Control over Assets)'. Given this the decision was taken to proceed with Brass 10 as a Social Bond.

To achieve our goal, we first had to draw up our Social Bond Framework. This defined where we would deliver specific outcomes that meet the objectives of the ICMA principles. We did this through defining our approach to 'Purposeful Lending' where we focus on areas

of the residential lending market that are not as well served by other market participants. In addition, we included member value creation where the retail deposit rates paid by YBS are higher relative to the rest of market.

> *"Once we got into the Deal Roadshow it soon became apparent that the Social aspect of the deal was raising a lot of interest."*

Following completion of the Social Bond Framework we engaged a Second Party Opinion provider to confirm that our Framework was valid, working with S&P Global.

Once we got into the Deal Roadshow it soon became apparent that the Social aspect of the deal was raising a lot of interest.

It was also pleasing to hear several investors noting that they clearly saw the alignment between a mutual business model and the Environmental, Social and Governance (ESG) agenda. We also received several ESG questionnaires from various investors looking to ensure that our bond aligned with their own guidance.

The outcome was positive. We managed to extend the investor base on both the GBP and USD tranches and saw good levels of oversubscription – allowing us to tighten the pricing to very acceptable levels. The extent that the Social aspect contributed to the success of the deal is not entirely clear but, based on the conversations it provoked, it without doubt played a part.

Next steps:

Visit ***ybs.co.uk***

"Magic of mutuality"

Dormant assets: Aiding recovery through enhancing local communities

Aligning the mission and purpose of building societies and banks could be key to unlocking dormant assets to enhance communities and Build Back Better, whether at a national or local level.

By **ADRIAN SMITH**,
*Chief Executive,
Reclaim Fund Ltd*

To be leading an organisation where we make it possible to provide funding to support social enterprises and charities across the UK, the outbreak of the Covid-19 virus served as a significant moment to look inwards. What could we do to help at a time when we could foresee a significant need for increased support, whilst fundraising and other revenue channels would be reduced?

Working closely with government, in May 2020, we were able to facilitate an accelerated release of £150m of dormant asset funding from our Main Scheme to be utilised to ease the impact of the Covid-19 pandemic on charities and social enterprises. This has been used, so far, to benefit over 250 front-line community organisations at a time when it has never been more needed.

As we look to how we can encourage the financial services industry to Build Back Better, our Alternative Scheme provides a great opportunity for smaller building societies to place their own mission or vision at the heart of responsible business strategies and enhance their communities; whilst also protecting the consumers right to reclaim and moving the liability for reclaim to Reclaim Fund Ltd.

The Scheme enables building societies and banks with an asset balance of less than £7bn to transfer an agreed proportion of dormant asset monies to the Scheme and the other to an aligned or local charity. Both of our Schemes go on to benefit social and environmental purposes whether at a national or local level. It is simply for the organisation to choose to voluntarily participate.

By **VICTORIA STUBBS**,
*Chief Risk Officer,
The Cambridge
Building Society*

Prior to the pandemic we had been working to join the Dormant Assets Scheme and were keen to deliver a grant giving fund that would be distributed locally and supported our Cause. This all came to fruition in the midst of the pandemic at a time when local people have been keenly interested in being part of a building society which actively supports their communities.

Our Cause forms the basis of our community fund, 'To actively find ways to help people have a home by supporting people who couldn't buy without our help and working with groups in our community who offer services for shelter and housing.'

Facilitated by Reclaim Fund Ltd, funding of £500,000 has been released and The Cambridge Building Society Community Fund has been established utilising the expertise of Cambridgeshire Community Fund (CCF). The monies are ring-fenced for local use and we were able to add application requirements which means that the monies are dedicated to support homes and housing.

Moving forward we are hopeful to provide grants of c.£250,000 over the next 10 years, with the specific aim to impact smaller local charities who do not have the resource to drive income through other means.

In the current climate, where people are facing financial challenges, joining the Scheme has also given us an increased focus on our reunification processes; and of the funds identified as dormant we have been able to identify, verify and reunify a number of customers with their savings.

Joining the Dormant Assets Scheme has been rewarding across our business; reunifying customers with forgotten funds, being able to provide funding locally and for our teams who take great pride knowing the organisation they work for is positively impacting their local communities.

Next steps:

For more information and how to join the Dormant Assets Scheme please visit ***reclaimfund.co.uk/how-to-join/***

The balancing act: Single Customer View and omnichannel excellence in banking

By GUY GRIFFIN, Client Partner, Banking & Capital Markets, DXC

and PATRICIA MOORE, Client Executive Lead, Financial Services, DXC

To thrive and evolve with the times, building societies need an end-to-end, configurable, and scalable solution that enables them to take data from multiple locations, platforms and different infrastructures to create a Single Customer View.

The Single Customer View (SCV) needs to be applied across different customer touchpoints to realise its true potential and that data can then be processed to create unique user insights. The goal of collating this data is to extract actionable insights to allow a building society member to gain a better experience, and for building societies to realise loyalty and revenue. We can refer to these organisations as being insight-led.

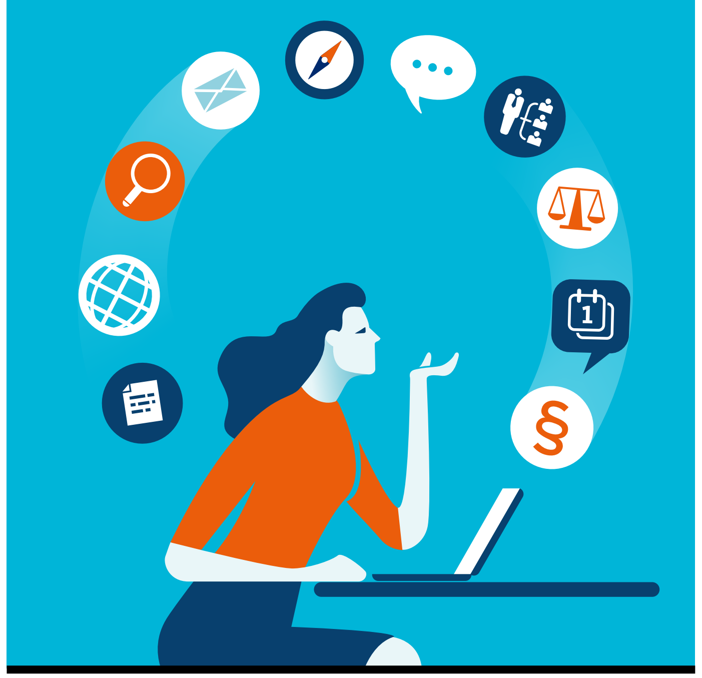
Building societies can structure their data to enable a more connected experience for their members, and help them benefit from insights, which in-turn keep them loyal, engaged and productively using products and services.

SCV – empowered by an omnichannel strategy

By understanding where all the data sits, building societies can better understand how they can interface with their data. Once they have that insight, coupled to an SCV, they can truly build an omnichannel contact strategy that allows them to consistently interact with their members in whichever way the member chooses to interact.

For example, a building society can use data from mortgage bills (from a specific provider) to guide users relative to how much they are spending above or below market, and possibly suggest more cost-effective alternatives. Furthermore, the insights derived from this process can enable the building society to build further value for its members through personalised, competitive offers. Data-driven insights are the key to building a relationship as a trusted advisor to members by consistently delivering high-quality experience and insights. Once the experience is delivered, members can derive greater value from the partnership and are likely to rely on, and invest more in, their building society.

"The proliferation of devices and interfaces gives building societies the ability to meet their members across multiple touchpoints and deliver a highly personalised, high-quality experience, consistently."



One size does not fit all

Some building society members have never visited a branch and prefer to engage digitally, while others prefer the branch experience; so it is important to provide a consistent experience for all members. That's not just because the member feels they should get the same level of care, but because it also protects the building society's business model. Essentially, building societies cannot make good decisions if they aren't consistent in how they look after their members, learning from them, and building products and services for them.

This approach to managing risk in the business model is crucial because it enables decision-makers to strategize based on consistent data across their whole operating environment. So, when difficult decisions around cost optimisation need to be made, the insight is there to make the best decision.

Delivering excellence

The proliferation of devices and interfaces gives building societies the ability to meet their members across multiple touchpoints and deliver a highly personalised, high-quality experience, consistently. To engage with ever-evolving demands and uncertainties, building societies must take advantage of real-time information from members to deliver valuable experiences, in the exact micro-moment the members require those experiences. DXC's Connected Bank-as-a-Service (CBaaS) solution enables and equips building societies to do this.

Next steps:

Gain support to move quickly. Contact:

Patricia Moore: ***patricia.moore2@dxc.com***

Guy Griffin: ***guy.griffin@dxc.com***

More information at: ***dxc.com***

Elevating the borrower journey through cloud migration

By DANIEL BROADHURST, Regional Vice President, nCino

The global pandemic – and the government's subsequent response – has reshaped the UK mortgage sector's approach to digital lending faster than any event in recent history.

Covid-19 triggered an innovation acceleration not only in communication technologies, like Zoom, but also cloud lending technologies. This enabled lenders to continue business operations in a remote environment and still meet borrowers' rapidly changing expectations and needs.

After the onset of the pandemic, house prices fell sharply but quickly recovered, mainly driven by policies that supported the housing market, businesses and consumers. For example, the Stamp Duty Land Tax holiday and mortgage guarantee scheme provided an economic boost evident today, with lending data showing the biggest net application increase on record in March, according to the Bank of England.1

To manage the surge in mortgage applications and service payment holiday requests, lenders had to re-examine their resources and find ways to support additional operational capacity and reduced service hours while also providing better borrower support. Quicker access to products and personalised service continues to be important as mortgage options for borrowers have increased for the seventh consecutive month.[2]

The opportunity to buy at a discount has also led to a surge in buy-to-let mortgages. Over a third of landlords have expanded their buy-to-let portfolios through the purchase of an additional property or with plans to within the next nine months.[3] Additionally, 43% of landlords lowered their rents, and 22% refinanced their mortgages during the pandemic. This increased activity sparks a need for lenders to have access to a comprehensive customer and member view that enables them to proactively contact their borrowers. As a result, personalised offers to borrowers seeking to expand their real estate portfolio or refinance their property can become a reality.

"Mortgage lenders who have migrated to the cloud have access to a 360-degree view of their customers and members before any interactions take place."

Mortgage lenders who have migrated to the cloud have access to a 360-degree view of their customers and members before any interactions take place, which facilitates better informed business decisions and more tailored engagement. This engagement extends beyond customers and members to brokers. According to the Association of Mortgage Intermediaries (AMI), 75% of UK mortgage lending originates via an intermediary. Now more than ever, brokers play a vital role in providing consumers guidance. APIs can help connect brokers and advisors directly with lenders, resulting in less rekeying of data, seamless and secure transfer of information and a faster and more transparent mortgage application process for all involved.

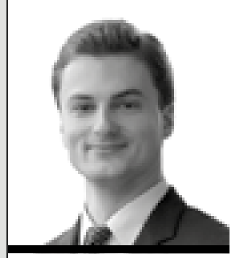
Cloud technology not only kept internal operations running during branch closures, but provided cost-effective ways for lenders to self-service. Institutions now have the flexibility to provision storage and launch applications in real-time without the need of an external service provider, enabling them to cut costs on previously high maintenance services and upgrade fees from legacy, on-premise systems. Cloud technology also offers improved security and privacy than on-premise storage options, which can be lost, stolen or destroyed. These risks are dramatically reduced with cloud data storage and transfer methods.

Covid-19 has had devastating global impacts, but an acceleration toward digital transformation is one positive takeaway that lenders can no longer afford to ignore. By partnering with the right digital provider, institutions can reap the benefits of a cloud-hosted solution that enables an optimised journey for their lenders, third parties and most importantly, borrowers.

Next steps:

Visit ***ncino.com***

1. https://www.reuters.com/world/uk/uk-mortgage-lending-rises-by-most-record-boe-2021-05-04/
2. https://www.mortgagefinancegazette.com/lending-news/mortgage-product-choice-climbs-back-toward-pre-pandemic-levels-10-05-2021/
3. https://www.propertyreporter.co.uk/landlords/over-a-third-of-landlords-are-expanding-their-portfolio.html



Reinventing member relationships for building societies

2020 changed many aspects of our lives forever. From member expectations to accelerated digitisation at scale, last year changed the way building societies need to engage with their members. How can they keep true to their values of trust and community while embracing the digital future and fulfilling member expectations?

By ***CAMILLO BARATTA****, Industry Advisory FinServ, Salesforce*

Building societies have always been at the heart of their communities, serving the needs of members who value a personal, branch-based service and face-to-face value and trust.

The year 2020 has accelerated the challenges of delivering such a personalised service in a digital age. Even before lockdown, building societies faced the erosion of their main margins due to macro/regulatory forces and competitive forces (c. 75% and 25% of total erosion, respectively[1]), and the need to provide services beyond savings and mortgages.

Neo-banks, fintechs and bigtechs encroaching on market share demand a more agile and entrepreneurial approach than building societies. Costly branch networks, legacy systems and an older customer base are all issues that fintechs and neo-banks do not face.

We believe now is the time to reinvent the 'member first' philosophy to retain trust and strengthen member relationships in the 'new normal'.

Covid: A five-year jump into the future

2020 has amplified existing industry trends by 3x: whilst branches and ATMs were used 5x and 2x less, respectively; member interactions via chat, mobile and video increased 3x – all this underpinning the need to be agile and digitally enabled across channels[2].

Member expectations are changing and building societies are struggling to meet them, whilst challenger banks and ecommerce providers have set the satisfaction bar high. Finance apps have increased customer engagement and expectations are continually rising.

The traditional society value is diluting. The face-to-face value of the retail banking and building society industry has been reduced as services migrated online. Members now expect to be able to borrow up to an agreed limit at any time, be told what they are spending money on and how they can save, and are willing to share their data for value-adding services. They want to enjoy a personalised service in their banking, having seen personalisation in other areas of their life, such as commerce and streaming services.

E-commerce providers have been working hard to provide a seamless experience and frictionless onboarding, prompting members to expect the same levels of service in all aspects of their lives. They want to be rewarded for their business and to pay for goods and services instantly using whatever device they choose.

> *"Technology enables you to provide seamless processes, personalised journeys, relationship intelligence and goals-based advice for your members."*

Digital transformation also significantly impacts employees, who need to be given the opportunity to up-skill and translate their skills from human interaction to digital interaction to continue delivering trust and value to members.

How technology can help to become future-proof

We see three pillars of success for building societies:

- Differentiate through member experience
- Enable employee success through collaboration and integration
- Accelerate innovation using platforms

Ask yourself, is your current process truly customer-centric? Technology enables you to provide seamless processes, personalised journeys, relationship intelligence and goals-based advice for your members.
For example, Salesforce is working with The Nottingham to create a secure omni-channel member experience that supports growth. This has allowed members to access products and services when and how they want: face-to-face, phone or online.
It has provided a secure and improved mortgage platform for brokers that allow them to streamline processes to benefit from faster turnaround times.

Furthermore, building societies can harness the power of intelligent automation to supplement and enhance high levels of engagement across channels. By leveraging analytics and intelligent notifications powered by AI, members can save more effectively and be incentivised to keep saving. Finally, a high degree of integration can ensure members feel valued along the whole member lifecycle.

Next steps:

Visit ***salesforce.com***

1. State of the FinServ Industry 2020
2. Global consultancy Bain & Company

A better post-Covid future

By ***PAT MCFADDEN MP****, Shadow Economic Secretary to the Treasury*

So much has changed since the coronavirus pandemic took hold and a different type of economy is emerging, with more online business, different working patterns and changes in education.

Covid-19 is the biggest public health crisis in living memory. The biggest hit to our economy in 300 years. 130,000 dead. Our government borrowing hundreds of billions of pounds. The reach of the state extended. An amazing multinational effort to develop vaccines in record time. New variants springing up in different countries. After all of this, how should we try to shape the UK's post-Covid recovery?

As well as its direct health impact, Covid-19 is The Great Acceleration. It has been described as 10 years of change in one year, revolutionising how we work, pay for things, deliver education and healthcare, where people want to live and so on.

Government support for the economy has been vital in helping the country through. Furlough, business grants and tax holidays have helped avoid carnage in the jobs market. That support should be kept in place until we are properly through the crisis and the periodic attempts to withdraw it prematurely that we saw last Autumn should not be repeated.

Of course, this support has been expensive, but the economic and social costs of not supporting the economy would have been much greater. Even then, many self-employed and freelancers have fallen through the cracks, unable to get any meaningful support.

Secondly, the inequalities exposed by the pandemic have to be addressed. The key workers that we relied on and clapped on Thursday evenings are often low paid. Nor are workers at equal levels of risk. Many workers had no choice but to go out and put themselves at significant risk. So we need a reassessment of what work we value and how much it is rewarded. Any meaningful recovery means a new deal for key workers with investment in their skills, fair pay and decent job security.

Our social care system which found itself at the heart of the battle against Covid must be made more sustainable. The recent Queen's Speech is a lost opportunity to begin that task.

Children have lost so much education and social interaction that recovery could take a long time. And as education becomes more digital, it must not become more unequal. That's why it is important to ensure no child is denied opportunities because they do not have the right computer kit or wifi connections at home.

> *"We are at a fork in the road and must match the moment we are in by crafting a fair economic recovery for all."*

And for those jobs which simply won't come back, or for the new areas opening up, we need an adult skills and training programme that enables the UK to deal with the consequences of the pandemic and make the most of the changes it has accelerated.

In short, a different type of economy will emerge, with more business being done online, different working patterns and changes in education which are likely to be permanent. In this environment, any political party turning up at the next election with a pre-Covid manifesto will not meet the moment. That's why Labour has begun a far-reaching policy review that Keir Starmer has confirmed will not have as its starting point the election manifestos of recent years. We are at a fork in the road and must match the moment we are in by crafting a fair economic recovery for all.

Next steps:

Visit ***labour.org.uk***

Dates for your diary

BSA events have moved online. View the latest schedule and register at **bsa.org.uk/events**

An introduction to treasury management

7 & 8 July 2021, online

The objective of this virtual course is to 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. Following this there is an in-depth study of treasury operations, focusing on liquidity, wholesale funding, credit risk and financial risk.

The course will be of interest to non-executive directors, senior management, risk officers/managers new to the building society world, those in related areas who require some background treasury knowledge, as well as those who have recently started work in the treasury function.

Cost: £350 – BSA members and associates
£495 – Non-members

Information & registration:
bsa.org.uk/treasuryintro

Treasury risk management

14 & 15 July 2021, online

This course provides an overview of the financial and balance sheet risks a building society faces as a consequence of being a mortgage lender, and how these risks are managed by the treasury function.

It will consider key risks such as liquidity risk, credit risk, market risk and interest rate risk within the new regulatory framework, and examine the role of board governance and the relevant committees, focusing on the Asset and Liabilities Committee. Additionally, the course will discuss 'best in class' management information and how to read and understand key reports.

The course will help those with some treasury experience, who need to improve their grasp of treasury risk – including NEDs and senior management, as well as recent starters in treasury, and other staff who need to upskill in treasury. It may be particularly useful for staff with some "second line" responsibility over treasury or balance sheet management who need to refresh, update and extend their technical knowledge.

Cost: £350 – BSA members and associates
£495 – Non-members

Information & registration:
bsa.org.uk/treasuryrisk

By ***AMY MCCLUSKEY****, Press & Publications Officer, BSA*

Will we escape to the country if house prices rise post-pandemic?

People are expecting house prices to rise, and more of us are thinking about moving to the country and reducing mortgage payments, the BSA's Property Tracker survey reveals.

The pandemic has been life altering on numerous levels. For many, 'old school' commuting to the office every day may give way to a more hybrid approach, with some level of homeworking likely to continue across many firms.

If daily commuting is no longer the norm, the opportunity to move further afield becomes more realistic – swapping big cities for more rural affairs. As budgets typically stretch to more square footage the further you venture from a metropolitan area, will people buy their forever homes sooner than they planned? Half of BSA Property Tracker respondents (50%) said they expect house prices to rise in the next 12 months, so is now an opportune time to fast track to the 'Countryfile' dream?

The figures continue to stack up: of those likely to be moving home or buying their first home in the next six months, more private outdoor space (73%) and getting away from built up areas to be closer to nature (62%) were key factors being considered.

Covid-19 has also shone a spotlight on financial resilience, with people re-evaluating their own positions. Job uncertainty (45%) conceded to raising a deposit (59%) as the biggest barrier to home ownership this quarter, but still depicts an uncertain picture of job security. People surveyed also said that they were considering moving to reduce mortgage payments (51%) compared to just over a third (37%) in December.

Ultimately we'll have to wait and see if 'the big migration' happens. As restrictions are lifted and we ease back into more permanent ways of working, a more definite picture of what our home lives – and the view from our office windows – might look like.

The next Property Tracker survey results will be published on 29 September.

Next steps:

You can read all Property Tracker results at ***bsa.org.uk/propertytracker***