

Decarbonisation of the UK Housing Sector



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By the side of business

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Introduction

David Cleary Managing Director, Head of Housing, Lloyds Bank

The events of 2022 have shone a spotlight on the importance of sustainable housing.

Unprecedented disruption to energy supply chains has elevated gas and electricity prices, piling ever more pressure on households and prompting large scale government intervention.

But it doesn't have to be this way. By building more efficient homes, we can significantly reduce the amount of energy they use, bringing down bills for good and making homeowners less vulnerable to the fluctuations of global markets.

At Lloyds Bank we're supporting this shift through focusing on three pillars: supply, accessibility and sustainability.

New homes are a vital piece of the puzzle. It's been estimated that the UK needs around 340,000 new homes every year, including 145,000 affordable homes, just to keep up with demand.¹

New homes are an opportunity to incorporate modern building techniques and technologies that make homes more energy efficient, such as insulation and heat pumps.

But retrofitting existing homes is also essential; as many as 80% of current homes will still be being lived in by 2050², when the government has committed to achieving net zero emissions.

A force for good

As the nation works to create a more sustainable and inclusive future for people and businesses, our vision for housing is to enable accessible, quality and sustainable housing that meets the UK's long-term needs.

In 2021 we provided £2.4 billion of sustainability-linked new funding³. Our **Housebuilding Sustainability Financing Framework** outlines the steps needed to ensure a new build home is classified as sustainable, then helps developers access finance through our green and sustainable finance propositions, including discounted lending.

To support the retrofit challenge in social housing, we're also helping property owners prioritise the most effective energy-efficient investments in their buildings by developing and sharing our free **Green Buildings Tool**.

It's already been used to assess more than 240,000 social homes, generating insights that will inform ongoing investment in their green credentials.

These resources support housebuilders, developers and landlords to give everyone access to the kind of secure, affordable and energy efficient homes they deserve.

¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/>

² <https://www.ukgbc.org/climate-change-2/>

³ Lloyds Banking Group ESG Report 2021 – Page 27

NextGeneration Benchmarking

What is NextGeneration?

NextGeneration is an industry-leading sustainability benchmarking system for UK homebuilders.

By providing guidance on best practice, NextGeneration aims to use its sustainability services to drive positive change in the industry. The built environment accounts for around 40% of CO₂ emissions in the UK⁴, so it's important that action is taken in this vital sector.



As we've seen in the past 12 months, sustainability is top of the agenda across the housing sector, with a clear focus on expanding provision through green investment. As organisations continue to refinance and pursue growth, we'll no doubt see much of this converted into ESG-linked activity in the coming years with the ultimate aim of addressing the country's changing housing needs.



David Cleary, Head of Housing, Lloyds Bank

⁴Sector-summary-Buildings.pdf (PDF, 1.45MB) (theccc.org.uk)



The Hill Group: Developing zero-carbon homes

The Hill Group is an award-winning housebuilder and one of the leading developers in London and the South, delivering both private for sale and affordable homes. They also rank as the UK's most sustainable privately-held housebuilder based on the NextGeneration Sustainability Benchmark⁵.

The family-owned and operated developer rank highly on the NextGeneration Sustainability Benchmark due to their efforts to achieve net zero status by 2030. As part of their plans, they have secured a new £220m green funding arrangement to support them in developing a portfolio of zero-carbon homes from construction through to operation.

As sustainability co-ordinator on the new funding arrangement, Lloyds Bank linked the loan margin to a series of ESG targets which include: Net biodiversity gain, Scope 1 and 2 emissions and the sustainability standards of Hill's homes.



We've set out ambitious objectives for the next decade in terms of growing Hill sustainably as we look to play our part in addressing the UK's housing demands. As a key built environment stakeholder, it's our responsibility to lead the charge towards net zero and ensure our developments are delivered to the highest standards and encourage greener living.



Andy Hill, Group Chief Executive, The Hill Group

⁵ NextGeneration's executive committee consists of Homes England, UK Green Building Council and Lloyds Bank, and the funding arrangement includes targets based on the ongoing improvement of Hill's performance against the benchmark.

Green Buildings Tool

An interactive digital tool that can help you identify energy-efficient investments in your buildings.

From a single property through to larger portfolios, the tool helps identify, evaluate and understand the estimated outcomes of potential investments to make your property more sustainable and energy efficient.

The **Green Buildings Tool** calculates potential savings by combining benchmark data from CFP's expert systems⁶ and the information provided about a building. The dashboard generates a tailored recommendation of cost-saving measures that could improve the green credentials of a property.

The tool is designed to provide live updates as measures are implemented, so that a clear view of the property portfolio is always available to review.



⁶ The Green Buildings Tool has been built in association with sustainability consultancy CFP Green Buildings

Onward Homes: Helping tenants save energy

Onward



We're a social housing landlord with around 35,000 homes across the north west of England and we currently have a big focus on retrofitting our properties to ensure they are energy efficient and that our customers are warm and comfortable.

Our strategy is to identify those homes that will most benefit from improvements and assess the most effective measures by following the Energy Hierarchy. That's a recognised approach to minimise energy consumption of a building.

By prioritising fabric-first measures, like insulation, we can enhance the thermal performance of a home in readiness for cleaner heating systems, such as heat pumps or solar panels, to be installed.

We're currently in the process of bidding for match funding from the government's Social Housing Decarbonisation Fund to improve 1,000 homes and have already secured funding through Wave 1 and the European Regional Development Fund (ERDF).

We have a longstanding relationship with Lloyds Bank and I was introduced to the Green Buildings Tool by the Lloyds Bank Sustainability team.

What I immediately found really useful about the Tool is that it was great at amalgamating all our Energy Performance data including a high-level assessment of CO₂ emissions, energy costs and practical interventions.

However, as well as being able to see the big picture, you can also drill down into the data for individual buildings.

The tool then performs various calculations and suggests which properties could be prioritised for retrofit, the measures that would work most effectively for that property and the impact those measures would have on energy performance, CO₂ emissions, cost and payback.

We then follow that up with retrofit surveys of those homes before commissioning the work.

In the first instance, the Tool helps you to achieve quick wins but it also gives you the next steps too, so you have a roadmap to hit your energy targets.

The Green Buildings Tool has also been a real help for initial strategic project planning, preparing funding bids, individual retrofit assessments and even corporate ESG reporting too.

In short, it's an incredibly versatile and useful Tool that's informing every stage of our drive for sustainability.

Claire Rainsford,
Sustainability Manager, Onward Homes



Decarbonising the Midlands largest housing association

The largest housing association in the Midlands⁷, Platform Housing, is developing 4,600 new affordable homes and plans to decarbonise its existing portfolio with a sustainability-linked loan of £235 million and a £250 million grant from Homes England.

Centered on the provision of affordable, sustainable and quality homes for new and existing customers, Platform plans to upgrade existing homes to a minimum EPC C by 2030.

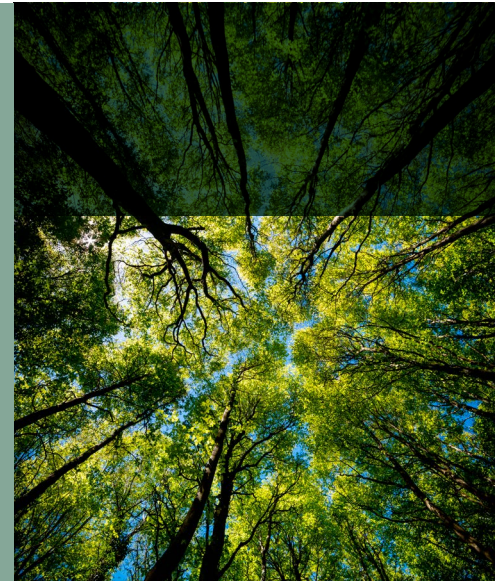
Upgrades will begin with improving the fabric of buildings and installing low carbon technologies to heat and power homes. Platform's goal for new builds is to introduce high energy performance standards and move towards an average of 'A' within the next five years.



The Midlands has one of the most acute housing shortages in the country. That means developing stock that is both fit for purpose and fit for the future is crucial.



Rosemary Farrar,
Chief Finance Officer,
Platform Housing



Platform Housing is committed to enhancing its ESG offering to its communities and within the social housing sector. This funding will make a lasting impact on the quality and availability of housing across the Midlands.



Jatinder Dhaliwal,
Relationship Director
and Regional Head of
Housing, Lloyds Bank



⁷ <https://www.platformhg.com/investor-centre>

Want to
know more?

Want to know more?



If you would like more information on how Lloyds Bank can support you with your sustainability housing strategy, please contact your Relationship Manager.



David Cleary
Managing Director, Head of Housing,
Lloyds Bank Commercial Banking

Important legal information

All lending is subject to status.

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