

COMMERCIAL BANKING

Sustainability in Housing



LLOYDS BANK

By the side of business

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Taking on climate change together

A sector rising to the challenge

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

Of all the sectors grappling with climate change, few are as acutely affected as residential.

Homes currently account for 23% of the UK's total carbon dioxide emissions and 35% of energy use, so the entire sector from housebuilders and developers to private and social landlords – and their funders – are rightly being challenged to explain their sustainability strategies.

For housebuilders, this means strategies for creating great places whilst delivering 'greener' homes that work for both the environment and the home owner. For residential landlords, and in particular housing associations, it requires them to face up to the huge challenge of retrofitting their portfolios that will ultimately benefit some of the poorest in society whilst also reducing carbon emissions.

In this report, we'll hear from three Lloyds Bank customers on how they're approaching the climate challenge: Urban Splash, the award winning regeneration company; leading social housing provider Paradigm Housing;

and Barratt Developments, one of Britain's largest developers of new homes, as well as Stewart Baseley, Chair of the Home Builders Federation, on delivering the Future Homes Standard.

I'm an optimist and, although the warnings about the effects of climate change – not least those contained in the recent Intergovernmental Panel on Climate Change report – are stark, I believe that UK housing providers' commitment to reducing their environmental impact will generate significant and broad based economic and societal benefits.

As part of Britain's largest financial services group, Lloyds Bank is also looking to play a leading role.

Take new-build first. We have become an executive committee member of NextGeneration, the national sustainability benchmark for developers of new homes. We are also supporting the new Future Homes Task Force and signing into frameworks that endorse industry-wide standards.

To help Housing Associations, we're a board member and actively supporting the new Sustainability Reporting Standards which gives housing associations a framework for implementation and reporting of their ESG performance as well as unlocking investment.

In support of the retrofit challenge in social housing, so far in 2021 we have provided over £3bn of funding, of which £2.2bn is linked to sustainability improvements. We are also working with Regeneration Brainery, which encourages school leavers from socially and economically deprived areas into real estate, construction & regeneration to help close the future skills gap.

Our specialist Sustainability & ESG Finance team is already supporting some of the largest companies and institutions in the UK to understand the scale of the challenge and to help them transition their business.

Finally, we're helping to boost the supply of high-quality homes in the private rental market by launching Citra Living which aims to increase new housing supply and the availability of affordable, quality homes whilst supporting our regional regeneration ambitions.

Lloyds Bank has a history of backing Britain's residential sector and we have never been more committed to maintaining our role, remaining by the side of housebuilders, developers and landlords as they boost housing supply across all tenures and support the transition to net zero.

Pioneering new ways of building

urbansplash

Creating well-designed homes that stand the test of time

Tom Bloxham MBE, Chairman and Founder, Urban Splash

Urban Splash was founded in 1993, investing in new buildings and neighbourhoods across the country to create contemporary new communities, starting out by transforming the fortunes of run-down and disused buildings. They needed sensitive interventions which would preserve the best of the existing fabric, while finding a new purpose for the building – one which would meet the demands of modern residents and be energy efficient.

In more recent years we've assimilated this experience, increasingly using Modern Methods of Construction (MMC) in our work, creating new neighbourhoods featuring our award-winning modular homes and apartments.

Our journey into modular housing began in 2012 when we developed a prototype house using volumetric, modular technology. Four years of research and development later and we had created our first House by Urban Splash town house, a customisable and adaptable house type which could be created sustainably off-site, to a blueprint determined by each resident.

By 2018 we had acquired the factory where these first homes were built, taking control of our supply chain, and we're proud to say that our factory is over 50% more energy efficient than the industry benchmark.

And by 2019 we had announced a £90m deal with one of the world's biggest housebuilders, Sekisui House, and the government's housing agency Homes England, paving the way for more upscaling.

Right now, we're onsite creating hundreds of new homes using MMC in neighbourhoods like Wirral Waters in Merseyside, New Islington in Manchester, Port Loop in Birmingham, Inholm Northstowe in Cambridgeshire and Grappenhall in Cheshire.



Pioneering new ways of building

urbansplash



By prioritising green and blue space, our neighbourhoods can absorb pollution, give our kids a place to play and repopulate our cities with wildlife. We are also promoting healthier routines for all ages, with neighbourhoods that make walking and cycling, and spending more time outdoors, in the park, on the water and in the garden a lot easier.

And we've made them available in different ways – outright purchase, Help to Buy and on long-term rents of up to five years, reinforcing our commitment to creating real communities. Lloyds Bank has been a valued partner along our journey, helping fund projects including the green redevelopment of the Copper Building in Bristol and Sheffield's Park Hill flats – the largest listed building in Europe.

More recently, Lloyds Bank provided a green development loan to our joint venture with Peel L&P to build the first phase of 347 modular homes at the Wirral Waters dockland regeneration scheme.

There's still much work to be done, but together we are laying the foundations for sustainable places that will help people to live well.



Transforming existing homes

Working with residents to create sustainable communities

Andrew Dench, Assistant Director – Strategy and Communications, Paradigm Housing

Paradigm Housing Group is one of the South East's leading housing providers, managing 15,000 homes. It also builds affordable homes while working to become a zero-carbon business.

Our commitment to both meeting net zero targets and building a more environmentally sustainable business are major strategic objectives in our new Corporate Plan.

A big step on this journey has been the issue of our first £350m sustainability-linked bond in 2021, which will fund affordable new homes and the installation of energy efficient heating systems in existing homes.

Decarbonising heating and hot water are among the biggest challenges facing housing providers. The debate is often focused on the technical and economic feasibility of alternative fuel sources and equipment.

But it's not just deciding which fuel to use or what zero-carbon appliances to deploy in which homes, it's about finding a solution that works for the residents.

Heat pumps are increasingly being incorporated into new homes, and we have some developments where they are being installed rather than traditional gas or oil fired heating systems.

On one of these new developments, we will be working with the residents to help them make the best use of the heating system and keep their bills low. The last thing we want is for a zero-carbon solution to create a fuel poverty problem.

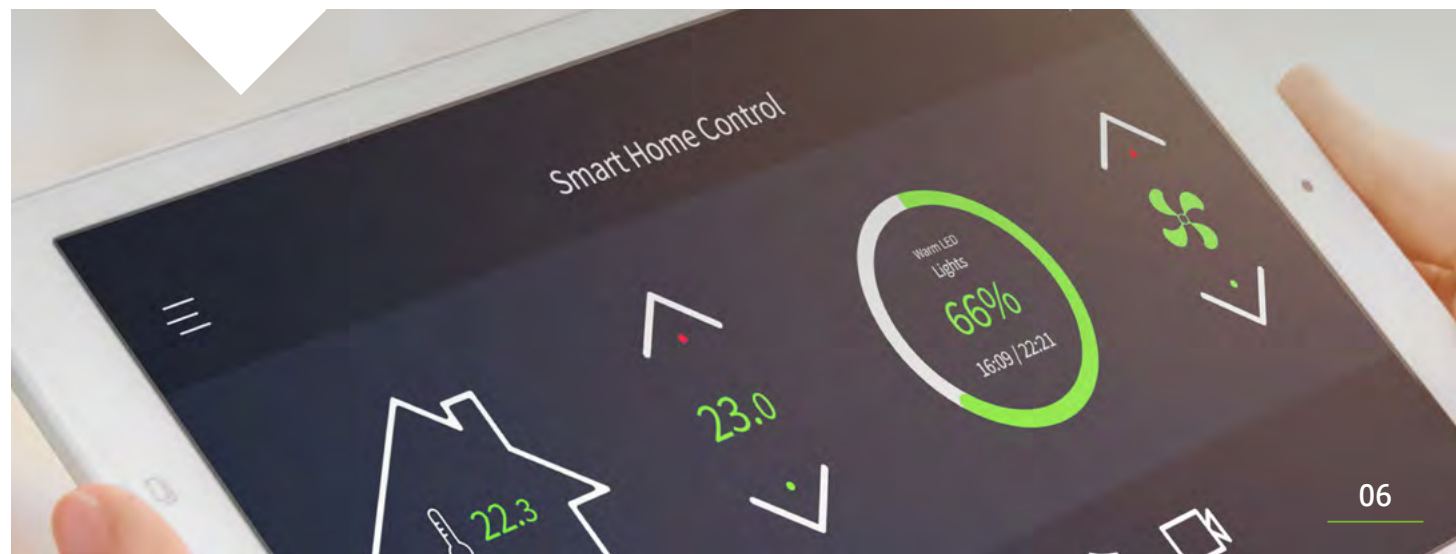
We are also looking at homes where air source heat pumps have been installed for a number of years to evaluate the cost, reliability and customer experience.

Some of our older developments have communal heating systems, so we're also working with expert consultants to carry out a feasibility study

to calculate whether currently available low or zero-carbon options are technically feasible, affordable and easy to use.

We're doing this with the backing of Lloyds Bank, which in addition to leading the bond financing, has also provided a £75m sustainability linked facility supporting our five-year strategy to deliver 2,250 new affordable and sustainable homes, as well as retrofitting our existing 15,000 properties to make them more energy efficient.

We want to do all we can to help customers keep their energy costs affordable, and ensure that energy use is controllable for households, so that they have comfortable homes which are affordable to heat as well as cutting their carbon footprint. At every stage, our approach is to work with our customers, rather than imposing change on them.



Creating sustainable communities

Building sustainable spaces for the communities of tomorrow

*Bukky Bird, Group Sustainability Director,
Barratt Developments*

Barratt Developments PLC is determined to be the leading national sustainable housebuilder. It is committed to building zero-carbon homes from 2030 and becoming a net zero business in its operations by 2040.

Building sustainable communities isn't just about bricks and mortar – it's also about creating places where people are healthy, safe and connected.

Our development on a brownfield former colliery site at Hollygate Park in Nottinghamshire is a fantastic example of that philosophy in action.

One of the main objectives of the development was to maximise open spaces, with several central green areas including the village green, playground, orchard and community gardens, as well as easy access to neighbouring Cotgrave Country Park.



These green links have been designed to be rich in biodiversity to stimulate learning and play, including habitats designed to encourage butterflies, bats, badgers, birdlife, native plants and more.



Creating sustainable communities



BARRATT
DEVELOPMENTS PLC

A key feature of Hollygate is the inclusion of community allotments, placed directly in the street space to encourage community interaction, with a designated composting area to reduce waste.

To help protect and preserve water, a number of sustainable urban drainage features were used throughout the development. And to support nature on the development, three substantial green links have been created, as well as the creation of butterfly banks, installation of swift bricks and bat boxes and the creation of an artificial badger sett.

Creating sustainable communities like Hollygate Park takes a collaborative approach and we worked closely with local partners. The redevelopment provided extensive local employment opportunities such as, pre-apprenticeship training, 38 trade, commercial & technical apprenticeships, 27 work experience placements and the employment of 12 graduates. Through links with local schools and colleges, 23 curriculum support activities were delivered and, in partnership with the Construction Industry Training Board, we facilitated the delivery of the Sustainable Communities CREST Challenge Award, with 810 local young people benefiting.



We also provided funding for a community website, set up and run by local volunteers, to share local news, events and information from groups including the Neighbourhood Watch and Friends of Cotgrave Country Park.

The development has proven to be a catalyst for significant improvements in Cotgrave town centre, with Rushcliffe Borough Council building a new multi-service building including a health centre, library, police station, council offices and a new business centre.

Looking further ahead, we're also teaming up with Citra Living, part of Lloyds Banking Group, in a strategic partnership to develop green homes for rent. Working collaboratively will be crucial to making sure everyone can live in an affordable sustainable home.

Green Buildings Tool in social housing



In 2020 Lloyds Bank partnered with sustainability consultancy CFP Green Buildings to give clients access to a new tool to help identify, evaluate and understand the estimated outcomes of potential investments to make properties more sustainable and energy efficient.

The tool can analyse how a range of energy-saving initiatives could affect a building's Energy Performance Certificate (EPC) rating – the UK standard for measuring the energy efficiency of a property – and help reduce CO2 emissions.

It reveals which initiatives and/or properties offer the most potentially impactful business case, before engaging in detailed sustainability planning.

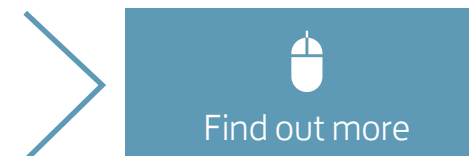
Lloyds Bank plays a vital role in Britain's social housing sector. Using the Green Buildings Tool, we have mapped the energy efficiency of 240,000 social homes owned and managed by our customers, so they can calculate the investment required to improve EPC ratings.

UK Housing stock has an average EPC rating of D^[1]. Across the Social Housing sector and Lloyds Bank social housing portfolio the average improves to an EPC rating of C.

As part of our Helping Britain Recover commitments we are working closely with our Social Housing customers to help them understand the CO2 emissions of their social homes and provide funding to invest in energy efficiency improvements to support the sector as it transitions to a low carbon economy.

Supporting customers to improve the average of the portfolio to EPC C from the current c. 60% to >96% through retrofitting measures requiring investment of £1.2bn could enable the saving of 632 kilo tonnes of carbon per annum, the equivalent of all the houses in Bristol.

Since 2018, Lloyds Bank has delivered £12bn of funding to the social housing sector. In 2021, we made additional commitments and are delighted that so far over £2.2bn of the funding has been sustainability linked.



^[1] <https://www.gov.uk/government/collections/english-housing-survey#2019-to-2020>



The next steps

*Stewart Baseley, Chairman,
Home Builders Federation*

Addressing climate change will require transformative change, but home builders can't do it all on their own.

The industry is often dependent on the actions and support of others to achieve its environmental goals, including lenders.

To that end, last year we set up the Future Homes Task Force, to guide thinking on what a strategic delivery plan for housing should include and how it should be implemented.



We surveyed home builders and other stakeholders on what they thought the plan should prioritise, and we have now published the Task Force's delivery plan, with four broad goals:

1 High-quality homes that are zero carbon ready and sustainable with target levels to be set for 2025

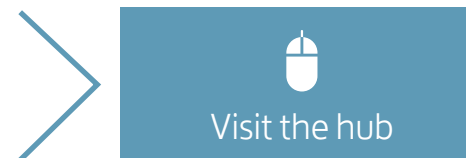
2 Places and developments that are consistently low carbon, nature-rich, resilient, healthy, well designed and beautiful by 2025

3 Production and construction methods that are net zero and sustainable by 2050 with substantial progress by 2025 and 2030

4 Business operations in line with the Race to Zero: that is to be net zero by 2050 with a 50% reduction by 2030

To achieve these objectives, we have set up an independent delivery hub to organise and oversee the necessary work programmes and bring all stakeholders together to progress them.

The initial focus will be on the significant challenges involved in delivering the Future Homes Standard, with a focus on supporting supply chains and SME developers to help them navigate the changes that lie ahead.





Want to know more?

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



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