

Healthcare Confidence Index 2022

Sustainability Overview

By the side of business



LLOYDS BANK

Overview



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Welcome to the Lloyds Bank Healthcare Confidence Index Sustainability Report, which offers an in-depth look at one of the most important considerations that businesses are currently facing: how to become net zero by 2050.

The pledge to bring all greenhouse gas emissions to net zero by 2050 is set in UK law. That may seem a long way off, and for busy healthcare professionals who are focused on achieving the best outcomes for their patients, sustainability may not seem like a top priority.

Indeed, the Healthcare Confidence Index results show that providers are facing other, more immediate pressures, such as rising energy prices, interest rates and inflation. But despite these squeezing budgets like never before, it's reassuring to see that four in five (80%) of the GPs, dentists and pharmacists we surveyed this year say sustainability is important to their plans for the future, up from 75% last year.

Reflecting societal awareness

No doubt this reflects the growing awareness of environmental issues in society generally, but we're also hoping to help generate an increased urgency in the sector, by raising awareness of some of the

more imminent challenges providers face. The net zero pathway requires a 78% reduction in carbon emissions by 2035, for example, and businesses face a 2027 deadline to achieve an energy performance rating of at least C, which will be a massive challenge for those in older premises.

We recently hosted a roundtable on the issue of sustainability in the healthcare sector, bringing together business owners from across the GP, dental and pharmaceutical sectors, to consider the wide-ranging and significant changes needed to reach the net zero target. The discussion addressed three key questions:

- What are the biggest challenges healthcare businesses face in becoming more sustainable?
- What are the biggest opportunities for healthcare businesses that do become more sustainable?
- What help and support do healthcare businesses need to achieve their sustainability goals?



Overview (continued)

Competing costs

There was agreement among the panellists that the cost of implementing change is a significant challenge, whether that's upgrading buildings, installing green technology, or adopting electric vehicles. This sentiment was also reflected in the latest Lloyds Bank Net Zero Monitor, which surveys more than a thousand SMEs about their sustainability strategies.

It found the healthcare sector's progress so far had been hampered by the rising cost of energy (81%), inflation (78%) and supply chain disruption (74%). The data also revealed that the biggest challenges for healthcare businesses going forward are insufficient budgets and high costs, cited by 48%, and distractions from competing issues (40%).

Better buildings

The energy efficiency of buildings was also raised by roundtable participants as a challenge for several reasons. These included the age of many of the buildings used by healthcare businesses and their often poor insulation, the need to avoid disruption to business while works are carried out, and the difficulties around upgrading leased properties.

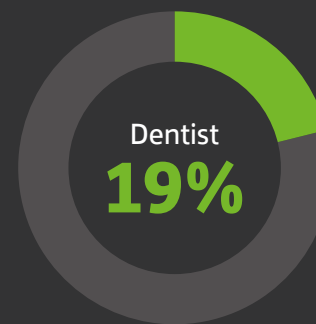
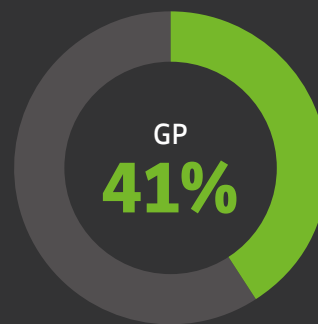
But despite these obstacles, the Net Zero Monitor found healthcare businesses are still focusing on what can be done, such as recycling and reducing waste (63%). Indeed, waste was a hot topic at the roundtable, as disposable Personal Protective Equipment (PPE) and other

single-use plastics are essential in healthcare settings. It was concluded that efforts should be made to reduce waste in other areas, for example in the packaging of supplies and equipment, and that there is a lot of opportunity to do this.

Other areas of focus for businesses looking to improve their carbon footprints included reducing energy consumption (54%) and sourcing renewable energy (48%). So there is perhaps an opportunity for practices to refocus their efforts on more imminent issues, chiefly the 2027 deadline to improve premises energy performance ratings.



Sustainability is a key challenge for my business in 2022 and 2023



Overview (continued)

Addressing energy

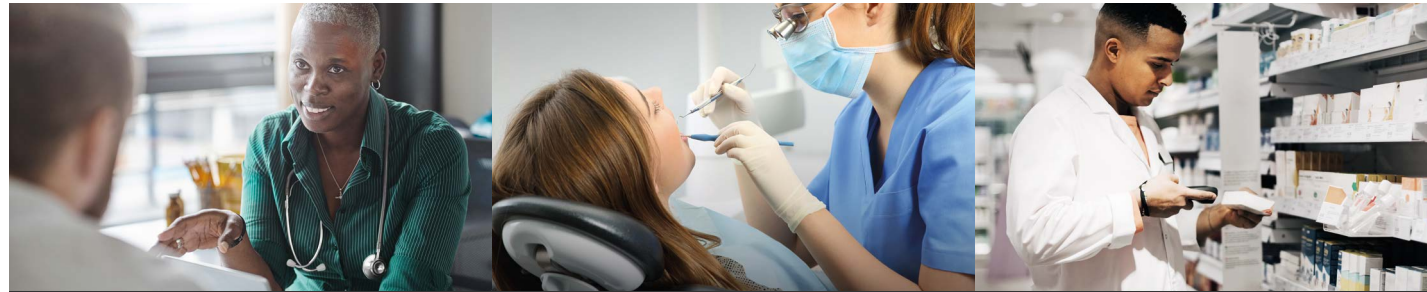
It's easy to understand why practices are prioritising actions to reduce energy use. A number of roundtable panel members expressed concerns about spiralling energy costs and the threat they posed to their operations. Energy saving measures are attractive for many managers, first and foremost, for the impact they could have in shielding against these costs.

While some of the fundamental changes, such as property improvements and electric vehicle adoption, will require significant investment, there are many small changes that can easily be made more affordably and quickly. These include smart systems to control heating and lighting and limit their use to only when and where they're needed. However, audits and implementation plans are needed to ensure these changes happen.

Simple solutions

The panel was in agreement that solutions for making sustainability gains that don't require a large time commitment would be very helpful. For example, an all-encompassing support package that includes audits, vision and strategy creation, financial support and implementation management would mean managers are able to set improvements in motion without being pulled away from other critical priorities.

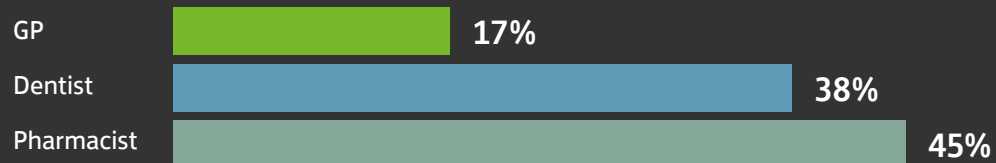
Keeping things simple, realistic and achievable will be a big part of this and will help ensure business owners and managers put recommendations into practice.



I've taken steps to make my premises more energy efficient



My business uses electric vehicles to improve sustainability



Overview (continued)



42%

of SMEs are collaborating with businesses they work with to reduce greenhouse gas emissions.

Although progress is being made, it is happening slowly: only 6% of SMEs in the human health sector have measured their greenhouse gas emissions and have a plan in place for reaching net zero.

Although a further 28% are in the planning stages of how to reach net zero, there is an added complexity challenge for healthcare providers as many properties are rented. Where tenants are investing in improvements to properties owned by landlords, conversations need to take place around rent reviews to ensure that the value added to the property is recognised and shared with the tenant.

This is an area where government could legislate to encourage landlords to pass the value back to those making the upgrades. Changing EPC requirements for commercial buildings will put pressure on landlords to upgrade their properties so that they can still be let, but more could be done to recognise improvements made by tenants.

In it together

I'm heartened to see the sector pulling together to tackle these challenges; 42% of SMEs are collaborating with businesses they

88%

say they are confident making sustainability-based decisions for their business.

work with to reduce greenhouse gas emissions. And it seems the support available is empowering healthcare providers to take the next step, with nine in ten (88%) saying they are confident making sustainability-based decisions for their business.

That said, a large part of the challenge concerns the availability of funding, and particularly support from the NHS, so lobbying government for added support will be key in the years ahead. Three in five (69%) healthcare firms told the Net Zero Monitor they would turn to the Government for help on their journey to net zero.

The argument for improving energy efficiency has never been stronger. I hope you find this report revealing, and I'd invite you to also read the individual reports on the GP, dentistry and pharmacy professions for even more insights into the state of the healthcare sector at lloydsbank.com/healthcare-index

Expert opinion



Rosemary Jones
Chartered Surveyor,
Invicta Surveyors

Healthcare professionals are still largely unaware of the impact that new sustainability rules will have on their operations.

While the country is working towards achieving net zero emissions by 2050, they have looming deadlines in 2027 and 2030.

The main issue is Energy Performance Certificates (EPC) – the mechanism that rates how energy efficient a building is, giving it a rating from A to G. By 2027, any property that is sold or let must achieve an energy performance rating of at least C by 2027 and by 2030 that rises to B.

There are currently a huge number of GP surgeries which are below level C, particularly owner-occupied ones. Many don't even have an EPC, so they don't know what their existing rating is. On a recent webinar, 98% of those

who attended needed to take action, from obtaining or renewing an EPC to carrying out improvements to raise their EPC rating to the minimum by 2027.

For owner-occupiers, that's going to be an issue if a partner sells their share in the premises or a new partner buys in, as the practice could be hit with a significant bill to bring the building up to standard.

If premises are leased, it's not currently clear whether the responsibility for upgrading these buildings sits with the tenant or the landlord. On lease renewal, the preferable option would be to press landlords to carry out any improvements at their own cost, otherwise

it will be illegal to grant a new lease if the premises fail to achieve the minimum EPC rating.

Currently, the NHS does not provide any funding towards the cost of green improvements and that position is not expected to change at present.

When we asked GPs, dentists, and pharmacists about their awareness of the UK net zero target and the implications for their businesses, almost half (average 47%) say they are aware of net zero, but don't yet know what it means for their business.

That doesn't surprise me. While healthcare professionals have a job to do to understand the implications for them, there's a dearth of specific guidance at the moment.

That said, the proportion of professionals surveyed who were completely unaware of net zero or what it means for their business has fallen from an average 21% to 7%, so we're moving in the right direction.

98%

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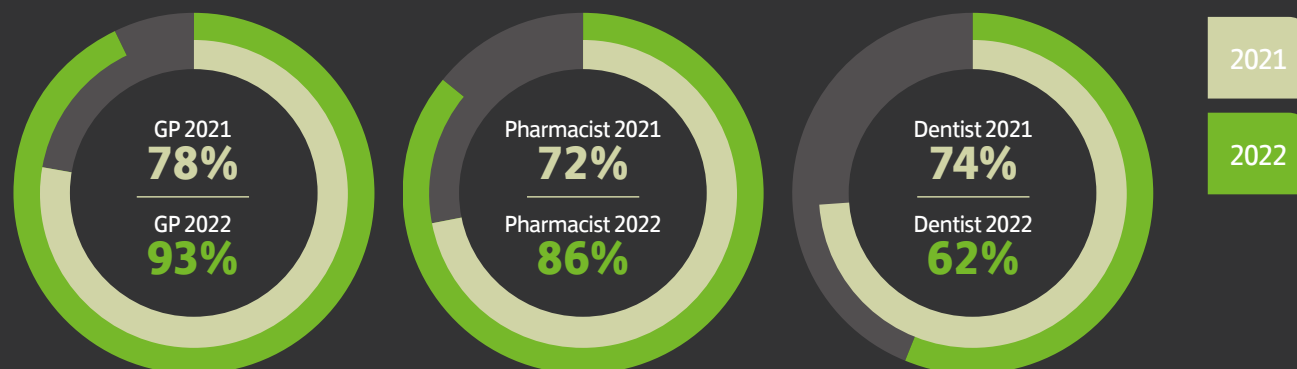
Expert opinion (continued)

For all three professions, the most popular actions are reducing waste (average 65%) and reducing energy use (average 49%).

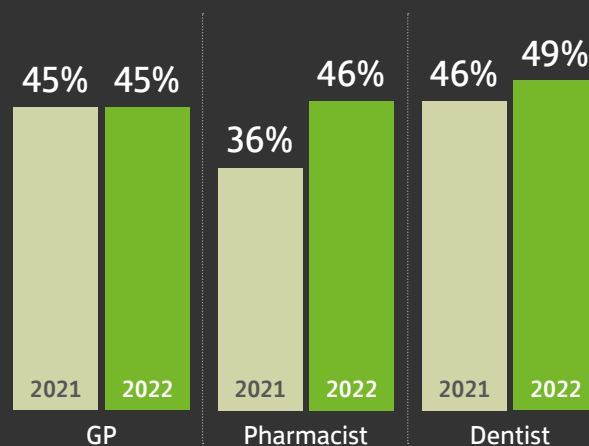
Fewer than a third (average 30%) had taken action to make their premises more energy efficient, which might be a better focus for their efforts, bringing down bills and helping futureproof practices.

My advice is for medical professionals to start planning for sustainability now: if you have costs to incur, it's better to have a work plan in place so you can phase those costs over the next five years – or get a nasty shock in 2027.

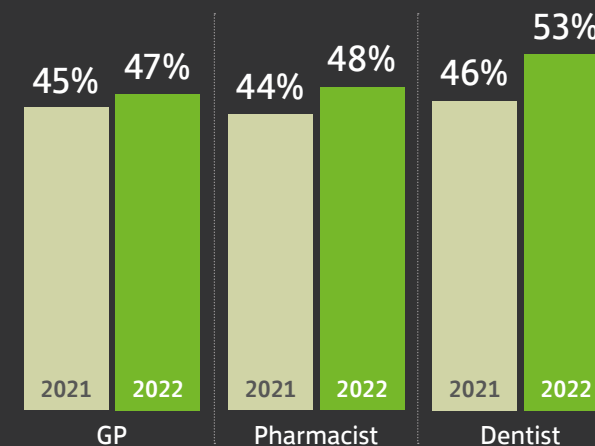
Sustainability is important in my plans for the future



I'm aware of the UK net zero target but don't yet know what it means for my business



I've put measures in place to reduce my energy use



Supporting your net zero journey

We're supporting our customers' transition to net zero, providing financial support including help with the purchase of green tech, retrofitting buildings to improve energy performance ratings and supporting the adoption of electric vehicles.

Our **Clean Growth Financing Initiative**, for example, offers discounted lending for green investments, such as those that reduce carbon and greenhouse gas emissions for core business processes, properties and infrastructure, energy efficiency and renewables, or investment in low carbon vehicles and transport.

We also offer a range of practical advice to help those customers who are starting out on their sustainability journeys. Our **Green Buildings Tool** helps identify and prioritise energy-efficient investments in buildings that can reduce carbon emissions and energy costs, while our **Clean Growth Audit guide** provides step-by-step instructions for carrying out a sustainability audit covering energy, waste and recycling, transport and water,

alongside a checklist to help easily record findings and identify which areas to prioritise.

Taking this practical advice one step further, our **From Now to Net Zero report** guides SMEs through the full journey to becoming net zero by 2050.

For more of the latest insights into the issues affecting GPs, dentists and pharmacists, check out the Lloyds Bank Healthcare Index 2022 sector reports [here](#).

For further information on how Lloyds Bank can help you on your sustainability journey, visit our Sustainability Hub at lloydsbank.com/sustainability



Important information

All lending is subject to status.

This article is produced for general information only and should not be relied on as offering advice for any specific set of circumstances.

For more information on our support for healthcare businesses and to read the results for all our sectors visit lloydsbank.com/healthcare-index or speak to your Relationship Manager.

Please contact us if you'd like this information in an alternative format such as Braille, large print or audio.

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