

Building
HOMES

Building
VALUE



INTRODUCTION

A breadth of experience, a depth of purpose.

Bellway has over 70 years of housebuilding experience, having grown from a family-owned, local business in North East England to become one of the UK's largest house building groups.

Our operations not only impact the number of quality new homes we contribute to the national housing stock but also the evolution of local communities, and employment in sectors from building trades to sales. In the last year¹ alone we sold 10,307 homes (2017: 9,644) in a range of styles that reflect local influences and in

sizes that meet local demand and customer requirements.

We directly employ over 2,900 people, and hold the Home Builders Federation (HBF) 5 star rating - a long-standing, established indicator of quality.



INTRODUCTION

A period of challenge, and a uniquely placed company.

The UK's population has been growing at its fastest rate in 70 years, and housing availability is a major issue of concern at all levels, from policy makers and planners to would-be purchasers. Operating through 20 divisions covering the main population centres of England, Scotland and Wales, we are extremely well-placed for, and committed to, playing an active role in addressing this concern. Indeed we have increased the number of homes we have sold by 33% in the last three years, and by 82% in the last five years¹.

Investment in new homes is vital for regional economies as well as the broader national economy, playing a significant role in directly stimulating growth and supporting

jobs and employment. The HBF estimates that new house building generated £38 billion of economic output to the Great Britain economy in 2017².

We believe that housebuilding is pivotal in ensuring the sustained economic prosperity of the UK, and in this, our second Economic and Social Impact Report, we set out an overview of the benefits our construction activities deliver.

¹All 2018 Bellway figures in this report are for the Bellway financial year ended 31 July 2018.

²The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners.



This report aims to quantify these benefits, setting out our socio-economic impacts in the following areas:

-  Economic impacts
-  Contributions to public finance
-  Jobs and skills
-  Contributions to local authority finance
-  Investment in community projects

BENEFIT OF NEW HOMES

New homes – benefits far beyond numbers.

New homes deliver a wide range of advantages that not only benefit the customer directly, but also the broader economy and society. According to the English Housing Survey 2016 - updated in 2018 - which looked at stock condition and age, some 56% of the English housing stock was built prior to 1965. Private rented sector dwellings are on average older, with 35% built before 1919 compared to 21% of owner-occupied homes³. As a result, with each new development complying with the most up-to-date and increasingly stringent standards, from energy performance to security, new

homes can be viewed in terms of quantitative and also qualitative benefits, not only raising the number of homes but also the average quality of the housing stock.

A further study undertaken by the National House Building Council Foundation⁴, a body that carries out quality research in relation to the building industry, cited the salient features of new homes. These included their 'new blank canvas' condition, with no expensive home improvements or renovations required; the 10-year Warranty on structural work; and manufacturers' warranties on kitchen appliances.



³Source: English Housing Survey - Stock Condition 2016, (updated July 2018), Ministry of Housing, Communities, and Local Government.

⁴The Advantages of New Homes (2016) by the National House Building Council (NHBC) Foundation.

BENEFIT OF NEW HOMES

New homes are, by design, now highly energy efficient. Each new home effectively embodies an automatic upgrade to incorporate the latest standards of insulation, draught-proofing, and double glazing, as well as efficient modern heating systems and boilers. Indeed, a new home now costs approximately half as much to heat as a Victorian home of equivalent size.

New homes also come with modern wiring, circuit breaker consumer units, and mains-powered smoke alarms.

Toughened or laminated safety glass is utilised in doors and windows, which are also fitted with additional locks and security devices, part of an elevated standard of new-home safety and security.

Finally, for many people moving to new developments, a new home offers the opportunity to meet new friends and neighbours who are all part of a process of establishing a new community together. Well thought out public realm can help foster community, leisure and recreational activities,

as well as providing safe places for children to play. In other words, they help create not only new but sustainable communities.



ECONOMIC IMPACT

Multiplier effects - our macro economic impact.

Encouraging home ownership, especially for the young and for first time buyers, is a policy supported by all major parties. The government's Help to Buy schemes continue to be an important mechanism to support this universal aspiration and in 2018 39% of Bellway homes sold were via the various Help to Buy schemes.

In 2018 34% of our homes were sold to first time buyers (2017 - 32%), helping around 3,500 new homeowners get their first foot on the property ladder who otherwise may not have been able to purchase. In addition, a further 20% (2017 - 22%) of our homes were sold to affordable housing providers and councils, allowing them to be let at low rents or sold as affordable home ownership to people in housing need.

Additional economic benefits derive from the type of land we develop. Last year 53% of our new homes were built on land previously developed (2017 - 59%). Not only does building on existing

brownfield land make no impact on urban sprawl or encroach on green-belt, brownfield development also supports community regeneration and local economies.

Furthermore, our ongoing land purchases continue to inject significant sums of money into the economy and in 2018 we invested £784 million in land (2017 - £655 million), bringing the number of plots with detailed planning permission (DPP) that we currently own or control to 26,877 (2017 - 25,655).

An oft-cited criticism of developers in general is that they 'land bank' to the detriment of the provision of much-needed new housing. Our business model focuses on securing land which either benefits from outline planning permission, or is assessed as being likely to obtain DPP within the next few years. With a buoyant housing market and strong customer demand, we consistently aim to start construction on sites as soon as is practicable.



20%

delivered to affordable housing providers



34%

homes sold to first-time buyers



53%

brownfield land

ECONOMIC IMPACT

However the pace at which we can progress with developments is driven by a number of factors - how quickly detailed planning consent can be secured and implemented; market demand for houses; availability of a skilled workforce and materials; and the installation of utilities. A key issue we face is the shortage of skilled trades, which continues to be a pressing concern. Along with the rest of the construction industry we are investing in training and apprenticeships to ensure we minimise the impact that any skills shortage may have on our capacity to build.

The economic benefits that result from the direct employment of our 2,900 plus staff across our 20 operating divisions are significant, and include the contributions to the economy via PAYE tax and National Insurance, as well as their spend in the local economies. In addition our construction activities lead to significant indirect employment across our network of



sub-contractors and suppliers, who again contribute to the local and national economies. We estimate that in 2018 the total number of jobs created by Bellway's operation in the UK economy was between 27,000 and 32,000⁵ (direct, indirect and induced employment).

⁵ Using data and metrics from The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners.



£784m

invested in land



APPROVED

26,877

plots with
detailed planning
permission



**27,000 -
32,000**

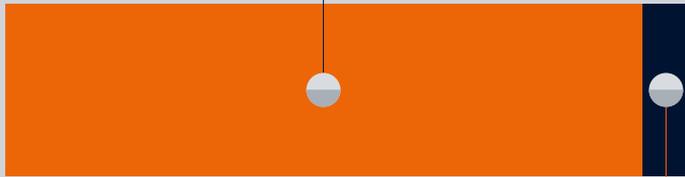
total jobs

ECONOMIC IMPACT

Supplier spend remaining in the UK

£1.3bn

Local contracts



£100m

Group contracts

TOTAL £1.4bn



£56m

in new household spend

Spend in our supply chain also provides a significant boost to the economy. Of our £1.6 billion spend, we estimate around £1.4 billion remains in the UK⁶, and with the vast majority undertaken by our local divisions, the regional economies where we operate are significant beneficiaries, in a context where structural regional economic imbalance is a real and increasingly high-profile issue.

In addition to this direct investment by Bellway in local economies,

new home-owner spend provides additional local investment. Using data from the HBF⁷, we estimate that new Bellway households contributed a one-off spend of £56 million (2017 - £48 million) to both the local and national economies. Ongoing local spend from these households (local shops and services) will contribute an estimated £270 million per year (2017 - £231 million)⁸.

⁶ The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners estimates that at least 90% of housebuilders' supply chain spend stayed in the UK.

⁷ The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners estimates one-off spending on a new home is at least £5,000.

⁸ The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners quotes data from the Office of National Statistics Family Spending Survey 2018 that show households across England and Wales spend an average of £503 a week.



£1.6bn

supply chain spend



£1.4bn

spend retained in UK



£270m

ongoing annual spend from new households

CONTRIBUTIONS TO PUBLIC FINANCE

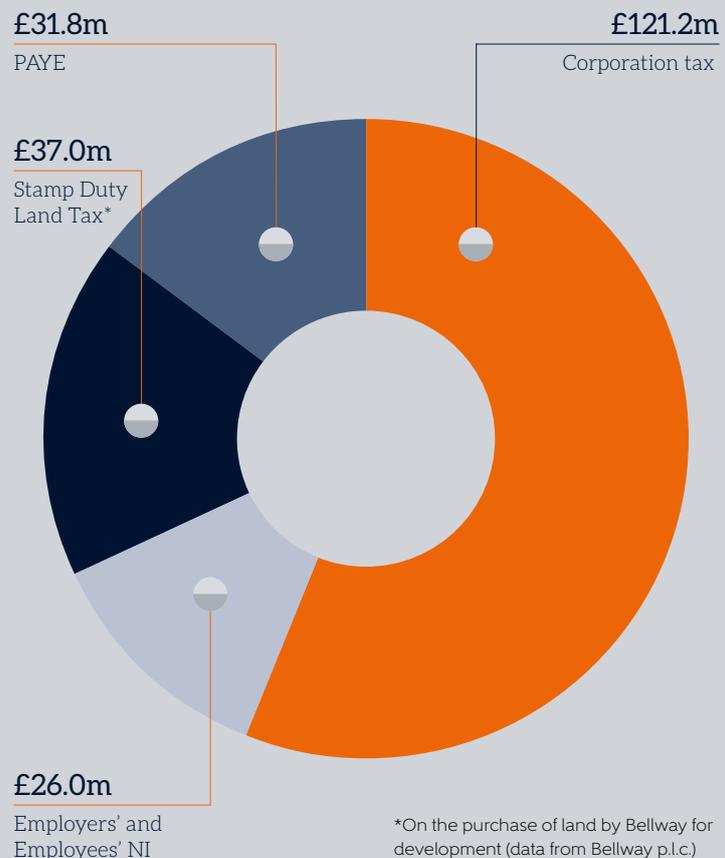
An ethos of responsibility - contributions to public finances.

Trust in business continues to be a topic of debate in the media. This is especially true around issues of tax, where government revenues are vital to the funding of public services such as the NHS, schools, and infrastructure, but which face growing pressure of demand.

Naturally, Bellway has an obligation to our investors, but we are also committed to paying our fair share of tax. Our strategy is to generate long-term sustainable value for shareholders, whilst being mindful of the spirit and legality of tax legislation.

In 2018 we paid £121 million in corporation tax (2017 - £107 million) and in total, across Bellway and our employees, around £216 million in tax revenues was paid to central government (2017 - £186 million). These amounts are on top of other contributions such as landfill tax, business rates and non-recoverable VAT. In addition, our customers pay Stamp Duty Land Tax to the government on the purchase of their new homes, and we estimate this to have been in the region of £34 million (2017 - £36 million) in 2018⁹.

Contribution to public finance



⁹Stamp Duty Land Tax has been calculated based on the average selling price of Bellway's private homes which was £323K in 2018. The fall in the total compared to 2017 is as a result of the government's introduction of a zero Stamp Duty Land Tax rate for first time buyers paying £300,000 or less for a property from 22nd November 2017.

*On the purchase of land by Bellway for development (data from Bellway p.l.c.)

CONTRIBUTIONS TO LOCAL AUTHORITY FINANCE

Stimulating local areas - contributions to local authority finance.

Our housebuilding activities contribute to public finances at a local level as well, where local authorities face ongoing and severe funding shortages combined with growing demand for services generally, and particularly for those required by an ageing population. We estimate that our new homes sold in 2018 generated around £7.6 million¹⁰ in new local authority council tax receipts (2017 - £7 million), helping to fund local services in the areas where we develop. In 2019 these same households will contribute a full year's council tax payment of around £16 million (2017 - £14.4 million).

An additional benefit comes from the New Homes Bonus (NHB) grant that central government pays to English local authorities to incentivise the building of new homes in their area. Based on the amount of extra council tax

revenue raised from new-build homes, NHB is currently paid each year for five years. In 2018 we estimate that local authorities will have received an additional £53.7 million boost as a result of Bellway homes sold (2017 - £52.3 million).

These combined contributions to central and local government finances highlight the positive impact that Bellway's activities have on the UK and regional economies, demonstrating the vital role that house building plays in economic prosperity throughout the country.

¹⁰ We have calculated this by multiplying the average national council tax Band D value for houses in England (Department for Communities and Local Government); Scotland (Scottish Government) and Wales (Welsh Assembly) by the number of legal completions throughout the year. Figures based on an assumption that each completed home paid an average of six months council tax in 2018.

Contribution to local authority finance



£7.6m

Estimated council tax

£53.7m

New Homes Bonus

J O B S A N D S K I L L S

Investing in the future - jobs and skills.

Estimates from the Labour Force Survey produced by the Office for National Statistics show that, between the periods of February to April 2018 and May to July 2018, the number of people in work was 261,000 more than for a year earlier. In addition the employment rate of 75.5% was slightly higher than a year earlier and one of the highest rates since comparable rates began in 1971.

Bellway is a significant employer in the UK. We directly employ over 2,900 staff, as well as providing significant indirect employment across our network of sub-contractors and suppliers. We

estimate that between 27,000 and 32,000 jobs were supported in 2018 as a result of our operations¹¹.

In addition to employment numbers, the skill-set and level of skills among employees is also vital, both at the individual level in terms of income, and in terms of broader measures such as labour mobility and productivity. There continues to be an industry-wide skills shortage in house building and so we continue to focus our attention on training and development within our workforce. We have developed a structured induction programme, along with a suite of training courses, which saw training days increase to 4.7 days per employee (2017 - 4.2) and the overall number of training hours increase to 69,688 (2017 - 63,101).

In total, 274 (61%) of our Site Managers now hold NVQ Level 6 (or equivalent) qualifications (2017 - 235 and 48%) and we increased the number of apprentices and graduates in our business by 54% to 142 (2017 - 92).

We are members of 'The 5% Club', recognising our commitment to ensuring that at least 5% of our workforce will be employed in these development roles.

We are also a major contributor to the Construction Industry Training Board (CITB) Levy and The Apprenticeship Levy, contributing £1.6 million to schemes that invest in and support the training of workers across the construction industry (2017 - £1.2 million).



¹¹ Using data and metrics from The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners.

INVESTMENT IN COMMUNITY PROJECTS

Investing from the ground up - investment in local communities.

It is acknowledged that while we need to build many more homes, this activity cannot be separated from the consideration of the social fabric, including the provision of social infrastructure, and long-term sustainability. As a result, our investment in local communities extends far beyond the creation of new developments.

Through section 106 agreements and the Community Infrastructure Levy payment, we provide investment in locally determined services and infrastructure, and in 2018 our commitments totalled £79 million (2017 - £118.1 million). An example of the type of project we participate in is our involvement with the North Solihull Partnership in the



West Midlands. One of the UK's biggest regeneration programmes, the partnership is aimed at transforming three North Solihull wards (Kingshurst, Smith's Wood and Chelmsley Wood) through improved homes, shops, schools, transport, health and community facilities.



Key outputs have included:



The provision of 1,400 new homes, including 670 for registered social landlords.



£52 million investment in new and improved primary schools.



Construction of a new high street, retail units, offices, housing and an assisted living scheme in Smith's Wood.



£3 million investment in improving open spaces and play facilities.



£49.7 million invested in new village centres in Chelmsley Wood and Smith's Wood.

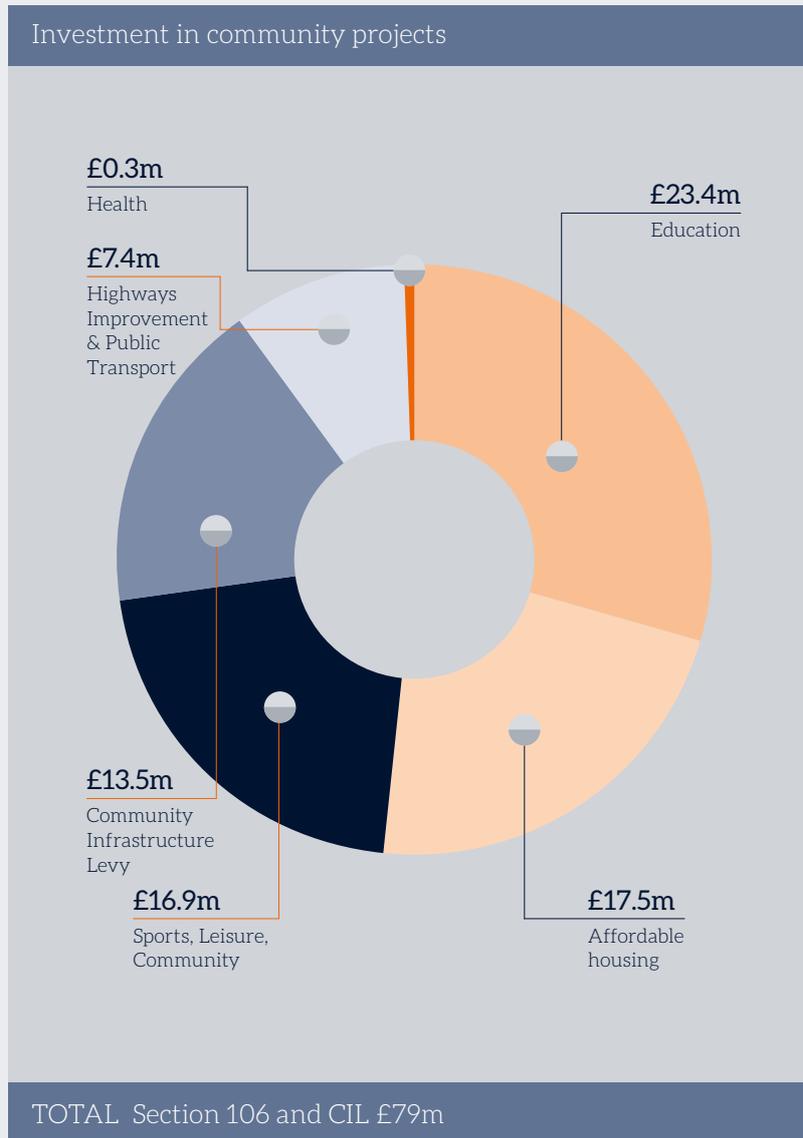


£1.8 million investment in social and economic projects.

INVESTMENT IN COMMUNITY PROJECTS

The partnership has already seen improved employment opportunities. Claimant rates for the North Solihull regeneration wards have fallen significantly over the past 5 years (9.2% to 5.7%) and 300 locally-based jobs have been created. In addition, total recorded crime has fallen by 26% and 12 Solihull residents have been offered apprenticeships with Bellway, with 47% of total site labour recruited from the local area.

Bellway and our employees also take a lead role in assisting non-governmental and charitable bodies that play a vital part in enhancing the quality of local life. In 2018 Bellway and our employees donated a total of £564,040 to charities, community groups and local good causes, an 8% increase on last year (2017 - £521,920). This included £394,453 raised and donated to Cancer Research UK, our corporate charity partner (2017 - £385,913), of which employees, sub-contractors and suppliers raised £198,953 (2017 - £184,793). We continue to 'double match' every pound raised by employees for Cancer Research UK and we 'single match' employee fundraising for other charitable causes.



Building a prosperous future.

This report highlights how investment in new homes plays a substantial, valuable, and long-term role in regional and national economies.

It directly stimulates growth, supports jobs, and ensures regional economic competitiveness through access to labour.

The housebuilding sector also generates significant economic output. The Home Builders Federation (HBF) estimates that new house building activity generated £38 billion of economic output in 2017¹². Overall we estimate that as a result of Bellway's construction activity in 2018, we have contributed a total of £1.2 billion in Gross Value Added to the UK's economic output (2017 - £1.1 billion)¹³.

The report also provides an overview of the wide-ranging and significant benefits, both

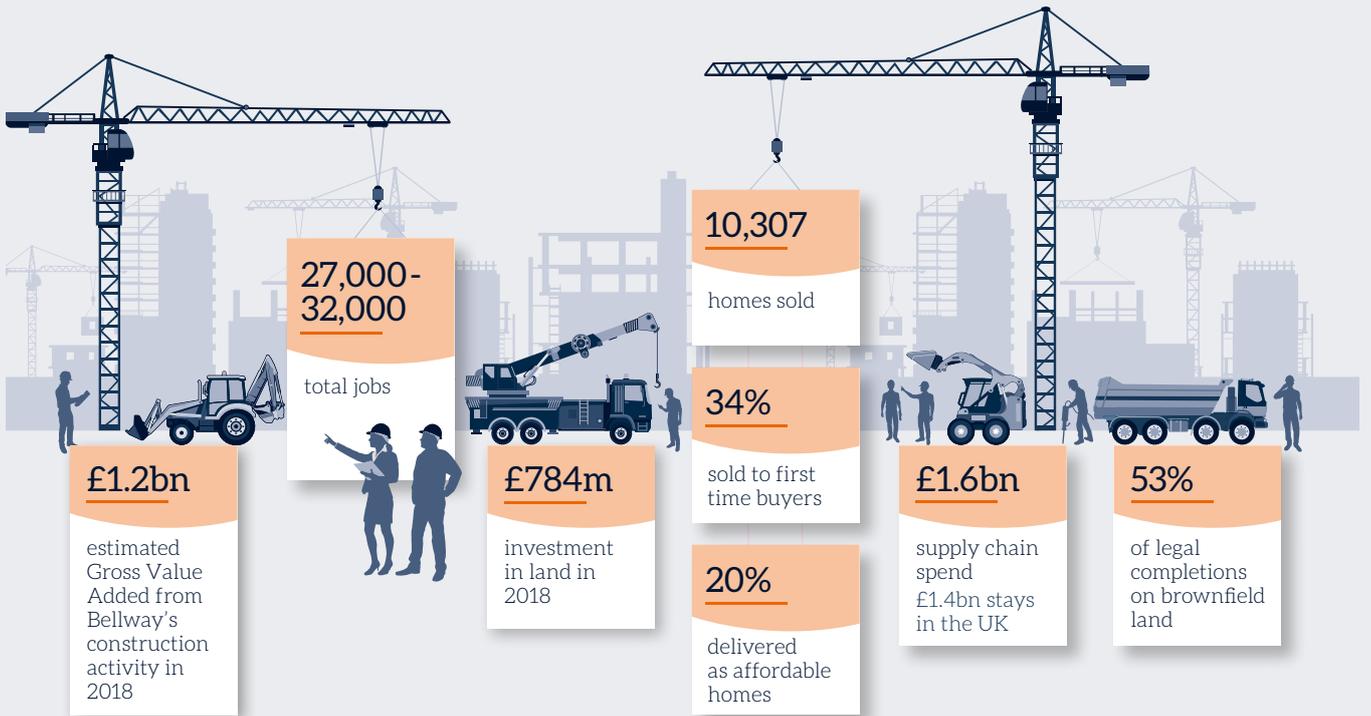
direct and indirect, that arise from our activities. It also sets out the reasons underpinning our view that house building is vital in providing sustained economic prosperity in the UK. For more information our Annual Report and Accounts 2018 provides details of our business strategy and financial performance, while our Corporate Responsibility report sets out in detail our CR strategy and performance.

Both these reports can be viewed at www.bellway.co.uk/corporate

¹²The Economic Footprint of House Building in England and Wales (2018) by Home Builders Federation and Nathaniel Lichfield & Partners.

¹³This figure has been calculated for Bellway by Nathaniel Lichfield & Partners using their 'Evaluate Framework' and is based on an estimated 11,000 direct jobs supported by Bellway in the house building industry.





Bellway Homes Economic Footprint 2017-18



Bellway