

VIABILITY AND HOUSING SUPPLY

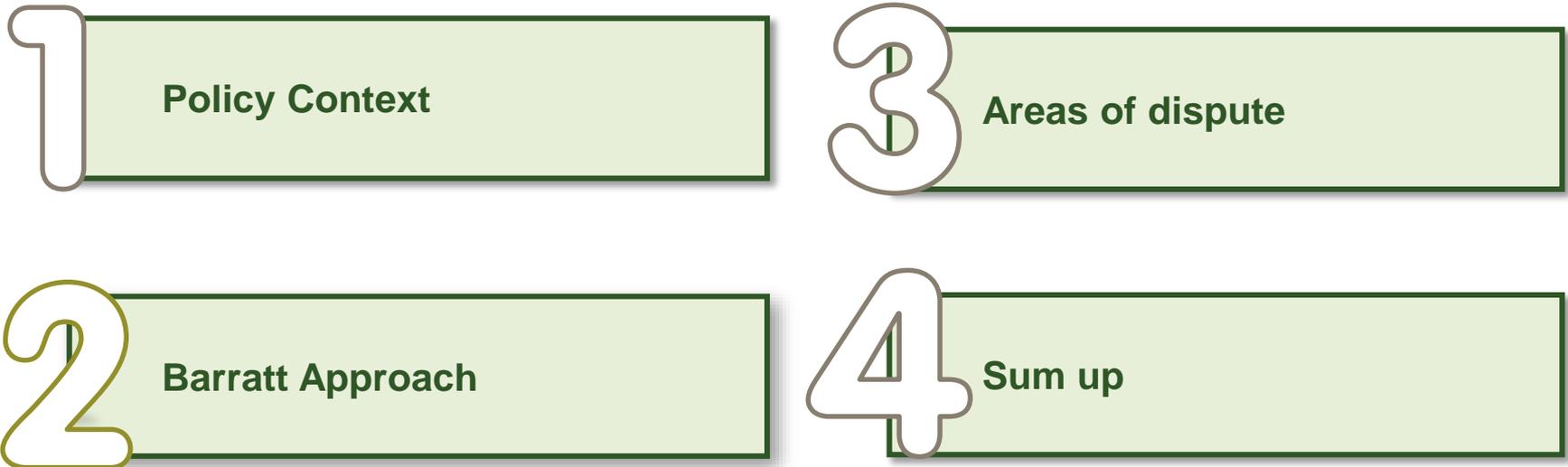
PLANNING SYSTEM CONFERENCE

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Structure



PART 1 : Policy context

- Betterment
- CIL
- Current guidance
- Need to balance priorities
- Future policy – starter homes



Viability testing = taxing land 'betterment'



- Gordian knot
- 1947 Act only 50% of intention
 - land nationalisation
- Planning = delivery
 - not just land and plans

CIL Review

Issues

- Complexity
- Unfairness
- Inconsistency
- Resources
 - CIL Army

Solutions ?

- Fixed levy for all sites?
 - wider infrastructure
- Simple correlation to local house prices
- S106 for site specific impacts
- Reduce complexity and inconsistency



Current Policy

Guidance & Objectives

- NPPF
- NPPG
- CIL
- Harman Review
- RICS guidance
- Housing crisis – national priority
- Accelerated delivery

Policy Requirements

- Competitive returns
- Willing developer and landowner
- Throughout the economic cycle
- Disclosure & transparency

Need for balance – can't have everything

- Lyons Review
 - No agreed approach
 - How can LA balance & prioritise?
- Harman
 - *'Workshop mentality'*
 - Often doesn't happen
- CIL is threatening delivery of affordable housing
 - JLL research, 2015
 - 14.5% fall in first 37 CIL areas
 - despite 11% overall increase

Wiltshire

- £308m infrastructure bill
- £CIL can pay = £57m
- Affordable housing??

Savills

- 30% affordable, plus £15k/plot CIL
- £350 p.s.f
- 85% of UK (exc London)
 - 30% AH & CIL unviable



Future Policy = Starter Homes

Current Position

- LA sets AH policy
- Barratt buys most sites on policy compliant
- Landowner funds AH
- Dispute where LV = insufficient
 - < 25% in South & Mids
 - > 50% in North

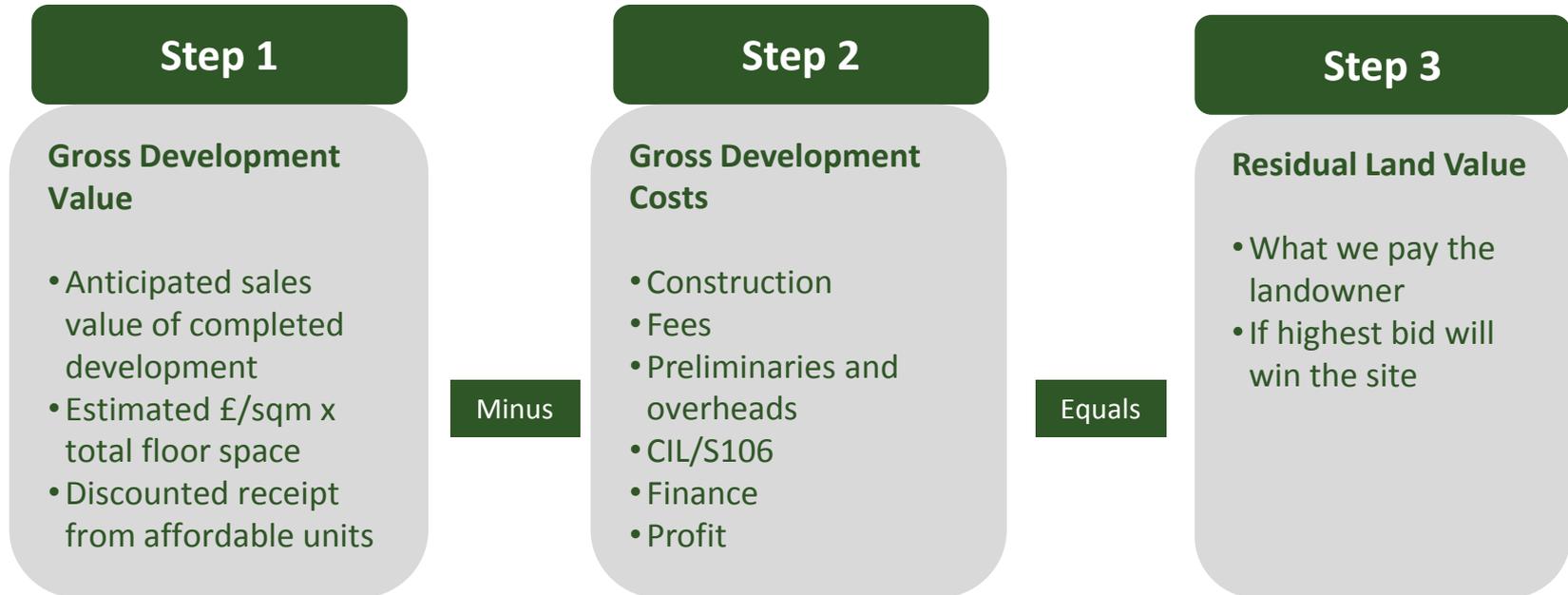
Starter Homes

- 20% top sliced for SH
- Residual AH policy??
- If residual policy applied
 - no scope for policy compliance
- Viability assessment = every site?

PART 2 : The Barratt approach

- Basics
- Ground rules
- The role of the landowner

Barratt approach : the basics



- We need land – fierce competition for our raw material
- To win:
 - Give landowner highest price
 - Low costs (ensuring BfL12), plus
 - High revenues (sales teams)

Barratt approach : our golden rules

- Profit is a set cost (green/brown/large/small)
 - Varies with risk
 - Failed sites cost £18m in last 3 years
- Site level profit is NOT operating margin
 - Average <10% over last 10 years
 - *'Through the economic cycle'*
 - We are spectators not contractors
- Profit and build don't move much
- GDV, below ground and land value = key variables
- Land value = OUTPUT not input
- 2nd hand market sets the GDV
 - 93% of transactions

The role of the landowner

The Rise, Newcastle

- 50/50 JV with landowner
- HCA helped secure land
- RTPI National Award

Derwenthorpe, York

- Joseph Rowntree
- Focussed on legacy and quality
- 40% AH, biomass heating

Hanham Hall, Bristol

- Code 6 sustainability
- 12 biodiversity areas
- Cutting edge design



PART 3 : Areas of dispute

- Profit
- Costs and values
- Land value

Areas of dispute

Profit at 20-25% GDV

- Shinfield
- Savills for HBF
- Shareholders need a reason to invest in Barratt
- Share price falls = less finance for development

Cost and values

- Selling prices not window prices
- BCIS and abnormals and externals
- RICS guidance on GIA
- Bespoke costs where available
 - All homes not the same

Land value

- Key impacts:
 - ROCE on large greenfield sites (early infrastructure)
 - Ground costs on brownfield
- Shinfield = EUV or CUV will not incentivise landowner
 - 50% share of uplift in that case
- State cannot *'buy at agricultural'* and *'sell at housing'*
- Sideshow for homebuilders
 - Land value = output not input
- What does the landowner want?



Sum up

Issues

- Off plan vs allocated
- Land promoters
- CIL is mandatory
 - affordable housing
- Complexity

Solutions

- CIL review
- Common evidence for local plans
- Fast track arbitration
- Closer partnerships, communication and guidance

Don't forget the wider benefits

Barratt Developments PLC socio-economic footprint in 2016

The infographic below provides an illustration of our socio-economic footprint for the financial year 2016.

