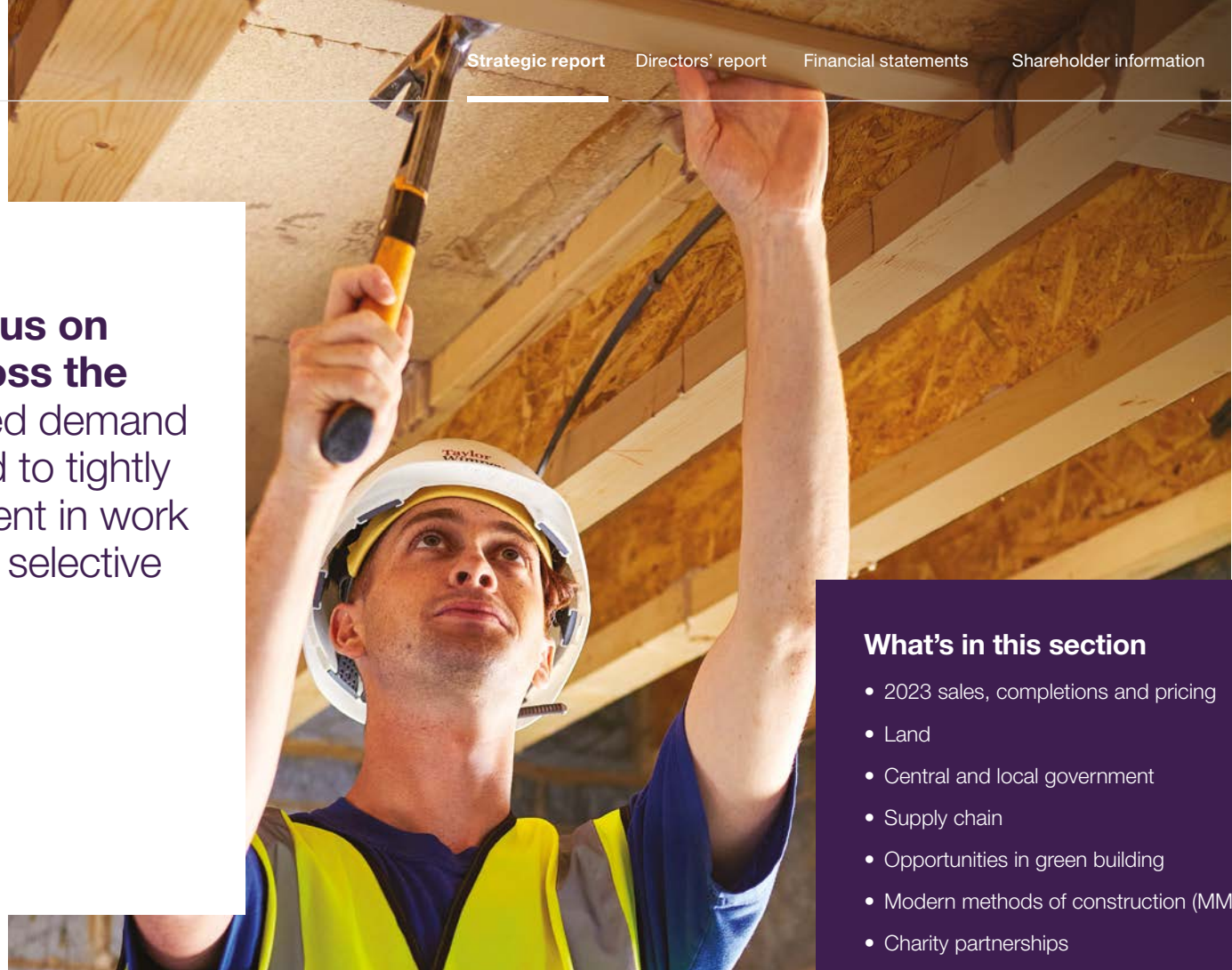




Operational review

In 2023 we increased focus on operational controls across the business. In light of reduced demand in our market, we continued to tightly manage costs and investment in work in progress and were highly selective in our land investment.



What's in this section

- 2023 sales, completions and pricing
- Land
- Central and local government
- Supply chain
- Opportunities in green building
- Modern methods of construction (MMC)
- Charity partnerships

Highlights for 2023

UK completions including joint ventures

10.4k

(2022: 13.8k)

Reduction in absolute operational carbon emissions intensity since 2019

35%

(2022: 26%)

Group operating profit margin*

13.4%

(2022: 20.9%)



Operational review continued

Our operational review focuses on the UK (unless stated otherwise) as the majority of metrics are not comparable in our Spanish business. There is a short summary of the Spanish business in the Group financial review.

2023 sales, completions and pricing

Total Group completions (including joint ventures) were 10,848 (2022: 14,154). UK home completions (including joint ventures) were 10,438 (2022: 13,773), which included 2,388 affordable homes (2022: 2,920) equating to 23% of total completions (2022: 21%). Completions from joint ventures in the year were 82 (2022: 222). Our net private reservation rate for 2023 was 0.62 homes per outlet per week (2022: 0.68). The cancellation rate for the full year was 18% (2022: 18%).

UK average selling prices on private completions increased by 5.1% to £370k (2022: £352k) with the overall average selling price increasing by 3.5% to £324k (2022: £313k).

We estimate that market-led house price growth for our regional mix was c.1% for completions in the 12 months to 31 December 2023 (2022: c.8%).

Underlying build cost inflation in 2023 was c.8.5% (2022: c.8%). At the start of 2024, prevailing build cost inflation is running at around 1% and reduces to zero when taking into account the savings arising from our value improvement programme.

During 2023, we continued to focus on using the levers within our control to reduce cost including retendering of site phases and a full review of specification to identify savings without impacting health and safety, quality or customer satisfaction.

We ended the year with an order book valued at £1,772 million (31 December 2022: £1,941 million), excluding joint ventures, which represents 6,999 homes (31 December 2022: 7,499 homes). In the UK, we traded from an average of 238 outlets in 2023 (2022: 232). We ended the year with 237 outlets (31 December 2022: 259).

Land

We have a strong short term landbank of c.80k plots as at 31 December 2023 (31 December 2022: c.83k). During 2023 we acquired 1,572 plots (2022: 7,716) for the short term landbank. The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 13.7% (2022: 14.0%).

The average selling price in the short term owned landbank in 2023 increased by 1.6% to £327k (2022: £322k). Our focus is on progressing planning in our short term landbank to open new outlets and secure delivery from our strategic pipeline, transferring assets to the operational business.

As at 31 December 2023, we were building on, or due to start in the first quarter of 2024, on 99.6% of sites with implementable planning.

Our strong land position has benefitted from conversions from our strategic pipeline. We saw fewer opportunities to buy land at attractive valuations in 2023 and accordingly were highly selective in land acquisition with approvals at c.3k plots (2022: c.7k). The quality of our strategic pipeline of c.142k potential plots (31 December 2022: c.144k), continues to provide differentiation offering optionality and flexibility for the foreseeable future.



Benefiting from a strong land position

Our short term landbank is supported by a strong strategic pipeline, with 54% of our short term landbank strategically sourced



Our success in developing our strong strategic pipeline means that 54% of our short term landbank has originated from this source (2022: 50%). In the year, 45% of our completions were sourced from the strategic pipeline (2022: 52%).

During 2023, we converted a further c.8k plots from the strategic pipeline to the short term landbank (2022: c.4k plots) and added a net c.6k new potential plots to the strategic pipeline (2022: c.3k).

Despite continuing delays in plan-making across the country, our high-quality strategic pipeline remains a key strength, both as an important input to the short term landbank and in providing an enhanced supply of land with greater control over the planning permissions we receive.

Central and local government

During 2024, the UK will be holding local elections across the country, in addition to a General Election expected in the second half of the year. We welcome the recognition from both main political parties of the importance of housebuilding to the country and continue to engage with all stakeholders at every level of the business.



Operational review continued

The planning environment continues to be very challenging with delays and resource pressures impacting housing land supply. Amendments to the National Planning Policy Framework (NPPF) announced by the Government in December include positive measures to support improved quality of design and placemaking.

However, other changes, including softening of the requirement to meet local planning targets, the relaxation of the soundness test for plan-making and the removal of the need for planning authorities to maintain a five-year supply of deliverable housing sites, could result in further delays and a shortfall in the supply of sites.

We continue to engage with industry, water authorities and central and local government on the issue of Nutrient Neutrality. We have established our internal Nutrient Working Group to help our regional businesses develop effective responses to this issue.

During 2023, Biodiversity Net Gain (BNG) requirements in England were published and came into effect in February 2024. We have published guidance and have held training sessions for our regional businesses to support them to manage the risks, costs and opportunities associated with Biodiversity Net Gain. BNG was effectively introduced via changes to the NPPF in 2018 so we have factored the associated costs into our land acquisition since that time.

We published guidance on Mandatory Net Gain and land contracts in 2021 and run training sessions for our regional businesses and land teams to support them to manage the risks, costs and opportunities associated with net gain.

Supply chain

We have worked on improving our supplier risk process for a number of years and, as a result, our visibility and understanding of our supply chain has increased considerably. This encompasses risks across the whole supply chain, rather than just our first-tier suppliers.

Supplier risk is measured as instability in the supply chain and can cover any number of scenarios, such as global or national shortages of products, supplier insecurity, including financial issues or supplier quality and delivery problems. Our supply chain strategy is to understand the risks at the various stages of the supply chain and put in place accordant strategies.

This work has resulted in a change to a number of our supply chain routes to improve material availability.

We are also developing our approach to environmental and social risks in our supply chain, integrating disclosure requirements into our tender processes for key group suppliers.

Taylor Wimpey Logistics (TWL)

TWL provides value added services to our regional businesses primarily by providing pre-kitted build packs of products when they are needed at each build-stage of production on-site.

“TWL provides value added services to our regional businesses primarily by providing pre-kitted build packs of products when they are needed at each build-stage of production on-site.”

Nick Wright
Manufacturing and
Supply Chain Director

This aids production, improves speed of build and significantly reduces site traffic. In addition to delivery of pre-kitted products to site, it provides services that support our regional businesses including:

- Take off and scheduling services
- Strategic stock holding with annual pricing to safeguard against fluctuating supplier performance and price volatility
- Ensuring adherence and alignment to our standardisation / stock keeping unit reduction procurement strategy

The benefit of TWL can be seen in our site deliveries. TWL supplies our businesses 99% on time in full (OTIF), compared to receiving its supplies 87% OTIF.





Operational review continued

Opportunities in green building

Over the next five years there will be significant changes to new build homes in the UK reflecting the UK's climate change targets. Our target is to reduce emissions from customer homes in use by 75% by 2030, and we are testing a range of technologies and enhanced fabric standards to achieve this.

Changes to Building Regulations

2023 was a transitional year for our build teams as we successfully adapted our production to meet the revised Building Regulations. Our homes have enhanced fabric standards following the phasing in of the Part L (conservation of fuel and power), and Part F (ventilation) of the Building Regulations in England from June 2022 (with a one year transitional period), Parts L & F from November 2022 for Wales, and Section 6 in Scotland from February 2023. Additional features in our homes include wastewater heat recovery systems, triple glazing and photovoltaic (solar) panels. Collectively, this will achieve a 31% reduction in carbon emissions compared with our previous specification across England and similar carbon reductions across Wales and Scotland.

Future Homes Standard 2025

We are also preparing for the phase-out of gas central heating and hot water systems from 2025 in England and Wales and 2024 in Scotland. In 2023, we delivered the UK's first zero carbon ready homes on a live development site at Sudbury to understand the opportunities and challenges posed by the Future Homes Standard.

“2023 was a transitional year for our teams as we adapted our designs, specifications and production to meet the revised building standards. We were also proud to deliver the UK's first zero carbon ready homes on a live development site.”

Stephen Andrew
Group Technical Director

75%

target reduction in carbon emissions for homes in use by 2030

Over 450

stakeholders visited our future homes prototypes

This included industry leading interactive augmented reality models which will help communicate the benefits of the new technology to customers. Over 450 stakeholders have visited the site and we have shared best practice and our lessons learnt with small and medium enterprises (SMEs).

Feedback from the visits and a customer focus group showed that 81% of visitors felt that the use of low carbon technologies enhances the value of new homes.

i Read more on [page 36](#)

Modern methods of construction (MMC)

Componentisation and other modern methods of construction also form part of our strategy for dealing with a skills shortage in our industry. Whilst products such as smart roofs (where the roof structure is manufactured off site and the components are craned into place on site), which we use for our 'room in a roof' homes, provide both health and safety and efficiency benefits.



Developing our own timber frame production

A key part of our strategy is to increase the use of timber frame in our construction, to 30% of our production by 2030. Alongside efficiency benefits, use of timber frame can reduce embodied carbon in materials by around 15%, compared to traditional brick and block building techniques, supporting progress towards our net zero target.

In 2023 we established our own timber frame facility that will enable us to increase security and reliability of supply. In combination with our existing suppliers, our own facility will help us in our goal to increase timber frame usage to 30% of our production by 2030.

i Read more on [page 34](#)

Charity partnerships

During 2023, we continued our partnership with our national charities as well as local charity partners across the UK. Our national partners are Youth Adventure Trust, Every Youth (previously End Youth Homelessness), Crisis, Magic Breakfast, and St Mungo's.

In total, during 2023, we donated and fundraised c.£1 million for registered charities (2022: c.£1 million). This included supporting St Mungo's Construction Skills Training Centres to help people recovering from homelessness to gain new skills and find employment in the construction industry.

* Definitions and reconciliations of our APMs to the equivalent statutory measures are included in Note 32 of the financial statements. Please see page 81 for definitions.