

HMI Conference

8 October 2019



Raising Standards. Protecting Homeowners



Construction Quality

Steve Wood

Chief Executive, NHBC



Agenda

Drivers and expectations

Construction quality – how do we ‘measure’ it?

NHBC claims experience

Focus for further improvement

MMC and quality

Where next?



Quality – drivers and expectations

The message from successive Ministers calls for volume growth at the right quality

“More better faster”
Kit Malthouse

‘As new housing supply increases
it is crucial that quality does not
suffer’

MHCLG Consultation doc

“We are going to build the
right houses, champion home
ownership and make a centre
of excellence for building”

Esther McVey

“To be clear, that target is not just
building 300,000 new houses – it’s
building 300,000 quality homes”

James Brokenshire

“They’re greener,
cheaper and have
80% fewer defects”

Esther McVey

“If we embrace MMC, we can
solve the Great British Housing
Challenge”

Esther McVey

“I’m very grateful for the work NHBC does in driving up
housing standards and in helping us deliver good quality
housing”

Boris Johnson, NHBC Annual Lunch 2012



About NHBC

1936
established
as NHBC

Non-profit
distributing
organisation

Approx. 80%
market share
for warranty

Over 50%
of the Building
Control market
(E&W)

1.5m homes
under cover

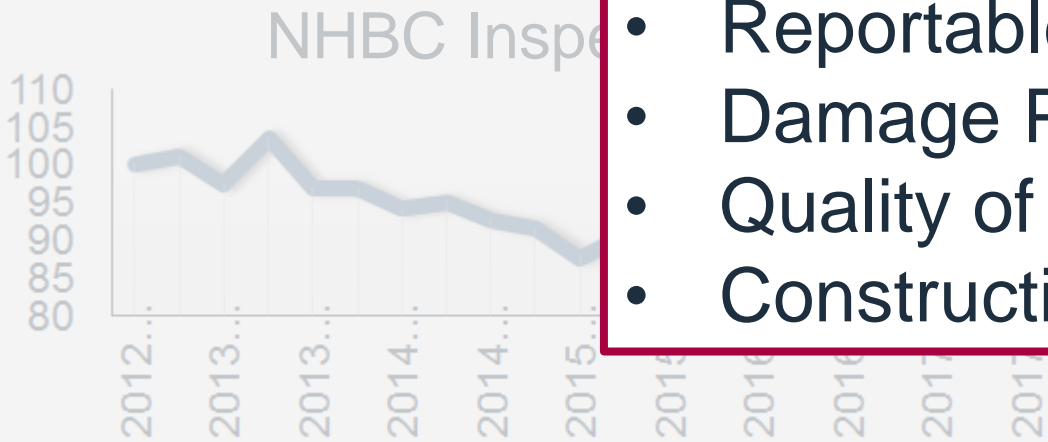
More than one
million
inspections
per annum

1,200+
employees

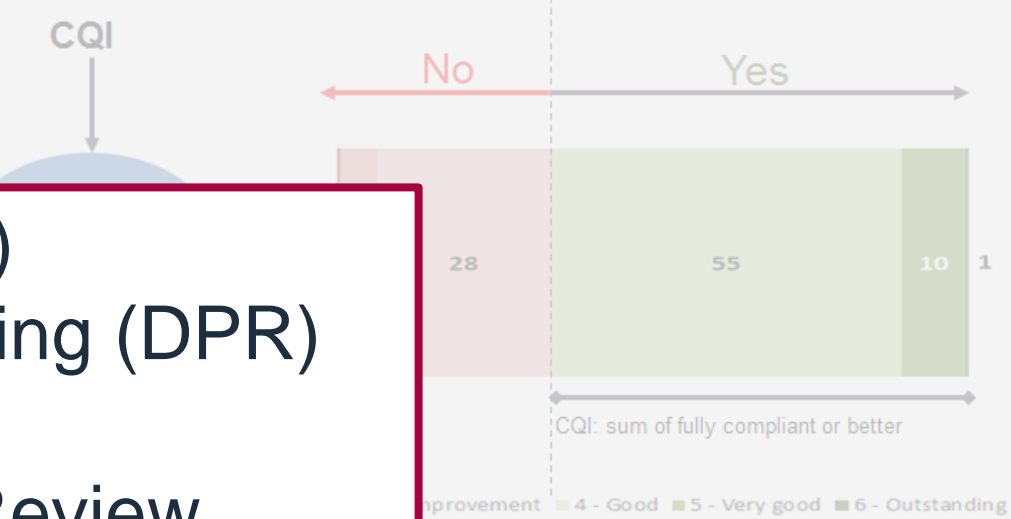
Raising standards. Protecting homeowners

NHBC Construction Quality Index

4 inputs from 3 sources across the build



- Reportable Items (RIs)
- Damage Potential Rating (DPR)
- Quality of New Home
- Construction Quality Review

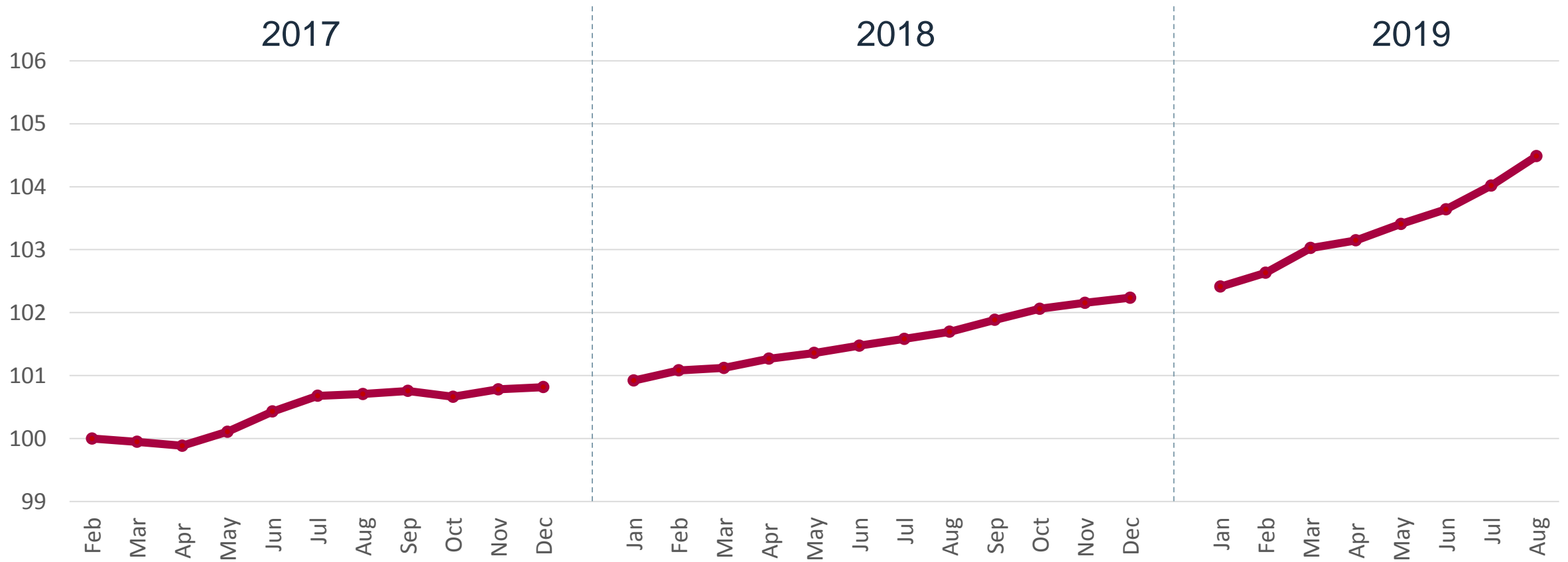


HBF Customer Satisfaction Data



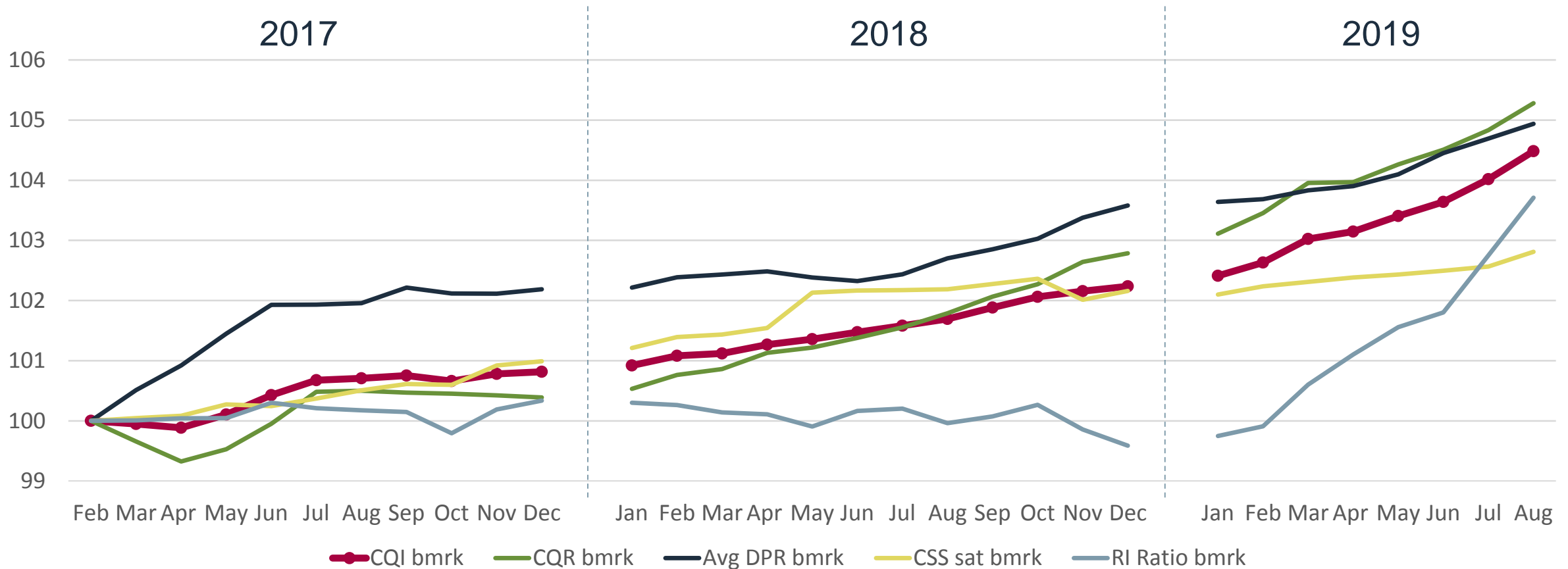
NHBC Construction Quality Index

Baselined at 100 February 2017 – 104.48 August 2019



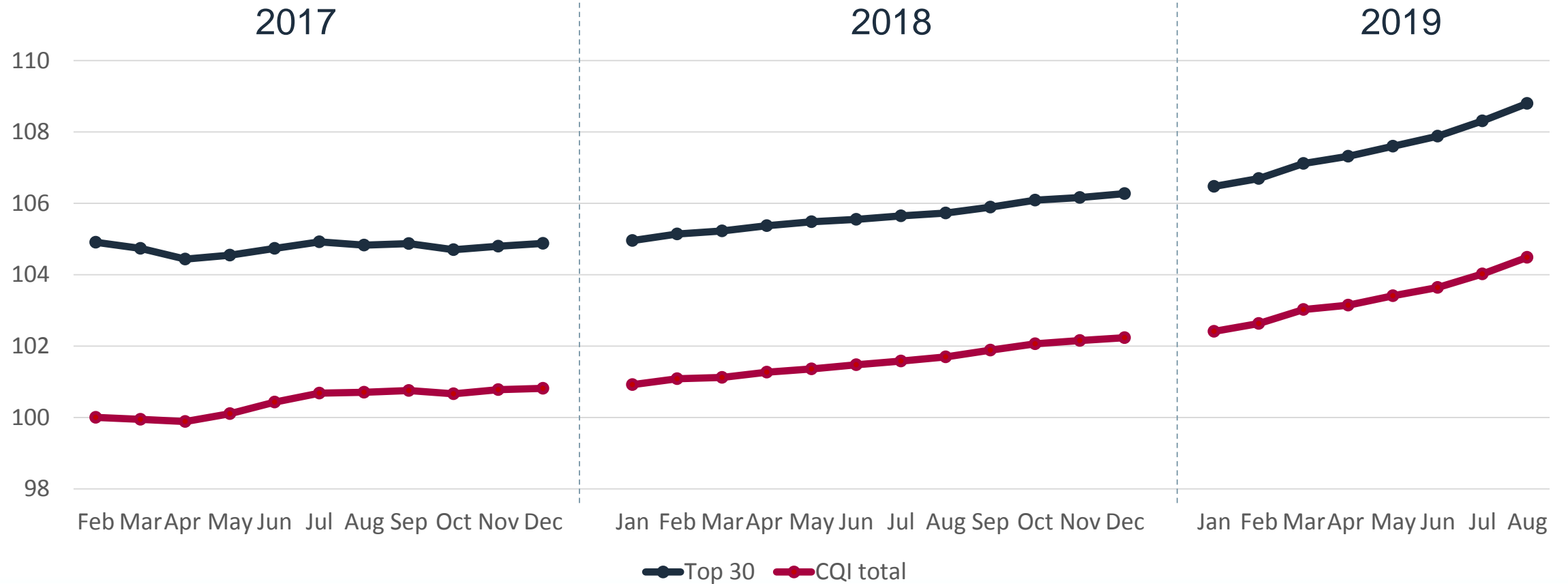
NHBC Construction Quality Index

Baselined at 100 February 2017 – 104.48 August 2019



NHBC Construction Quality Index

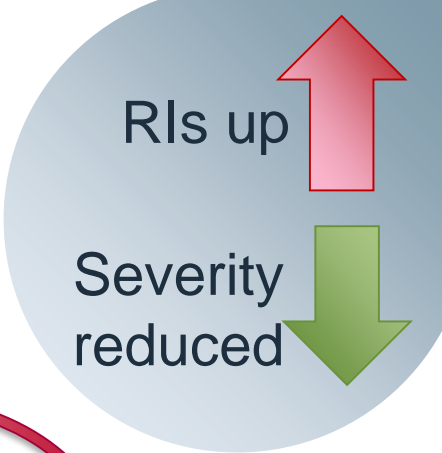
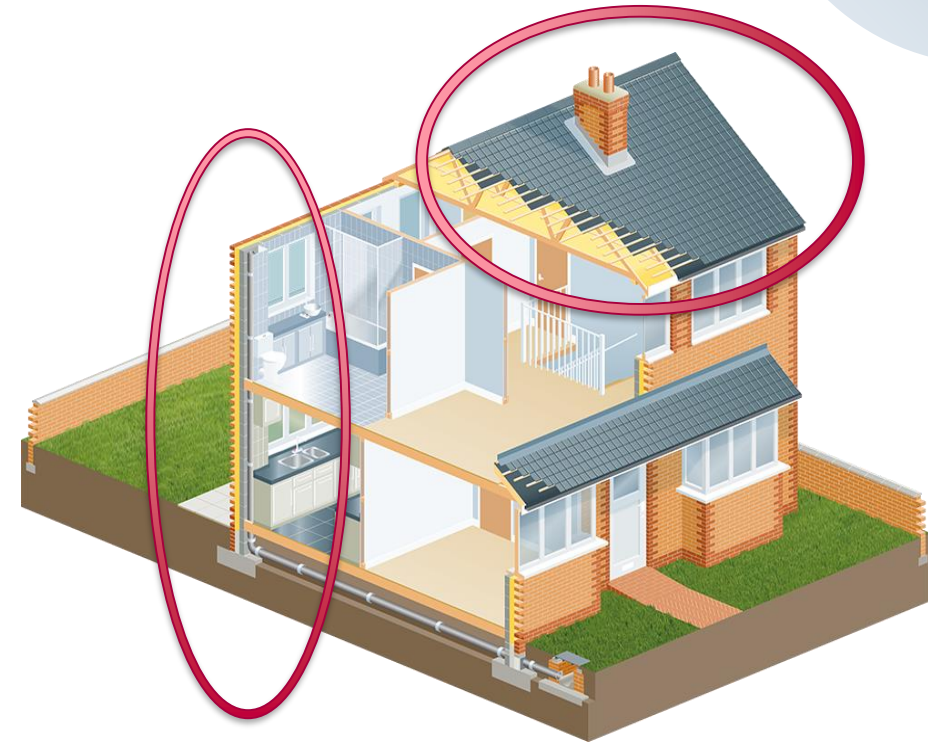
Top 30 builders outperforming 'all industry' by c. 5 points



Inspection

RIs increased in 2018 but 'severity'(DPR) reduced

- Increase in RIs – finishing type issues:
 - Painting and decorating
 - Services
 - Doors, windows and glazing
- But...also in areas giving rise to claims:
 - External envelope
 - Breather membrane and vapour control
 - Roofs



Construction Quality Reviews

Improving trend through 2018; early 2019 results encouraging



- Continuous improvement through 2018
- Strong half-year 2019 results from a range of builders
- 75% (+7%) of c13,500 build stages marked 'good' or 'better'
- Top focus areas all showing improvement:
 - DPCs and trays 55% 'good' or 'better' (+10% vs 2018)
 - Cavities and insulation 57% (+8%)
 - Fire stopping and sound proofing 58% (+10%)
 - Plaster and dry lining to walls and ceilings 60% (+10%)

*End of March 2019

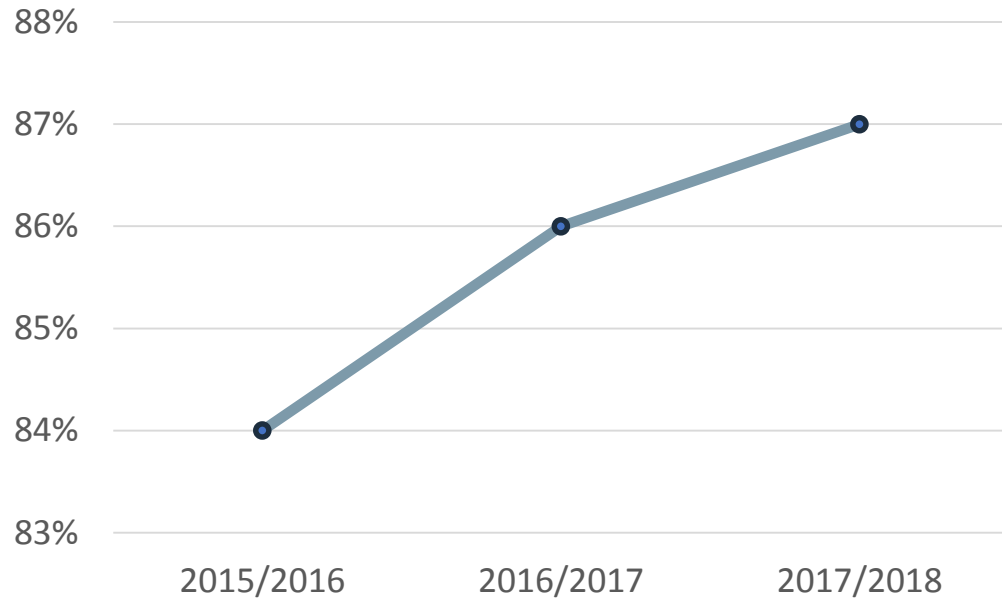


Customer satisfaction

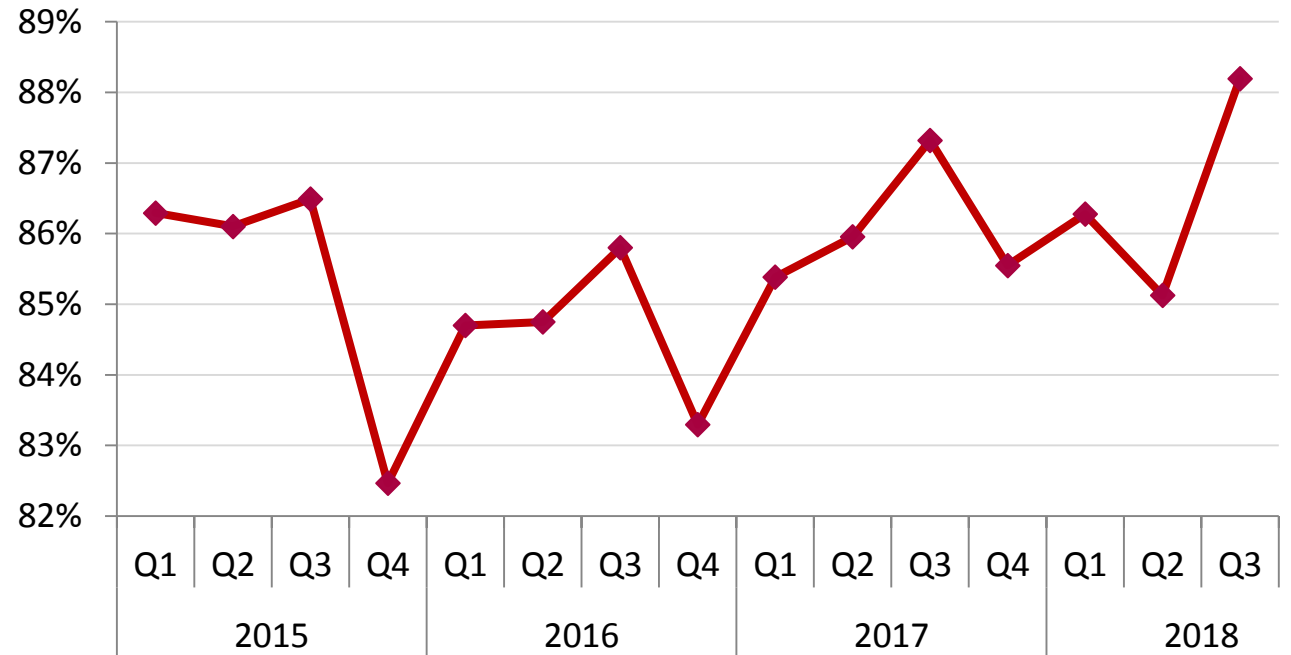
87% would recommend - up 1%
Quality score improved during 2018



Recommend your builder



Quality

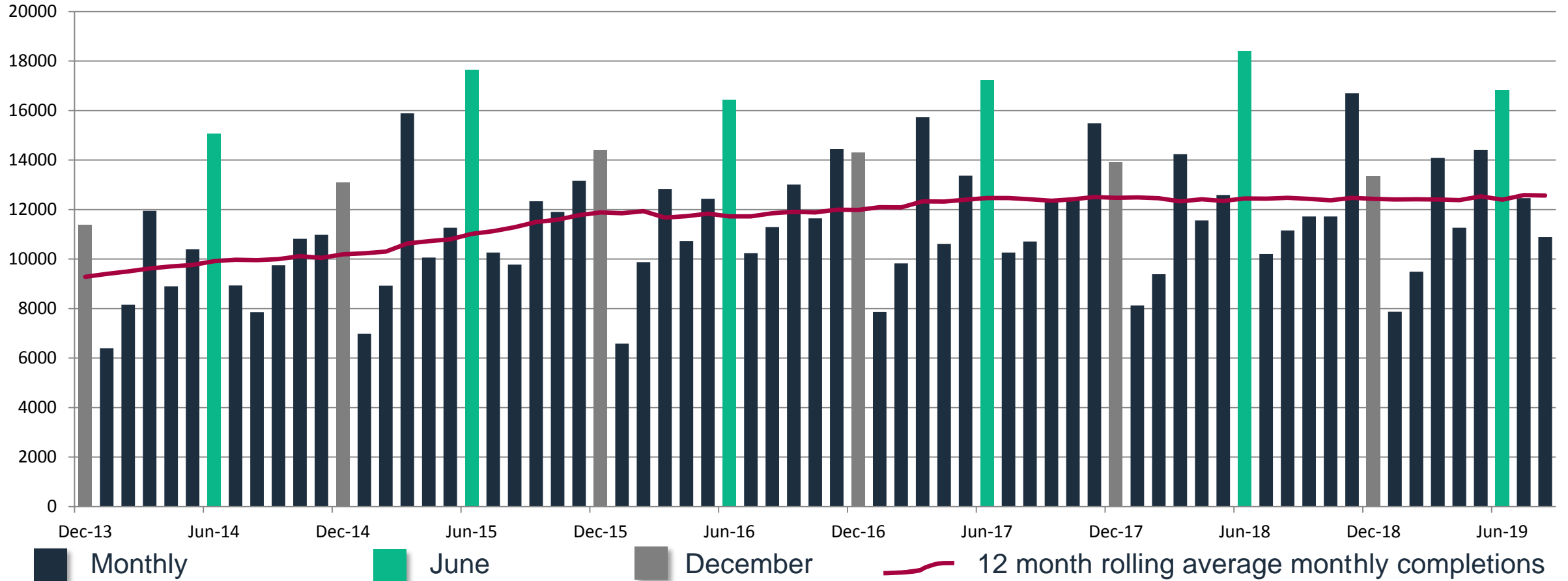


* HBF National new home customer satisfaction survey results 2017/18 published March 2019



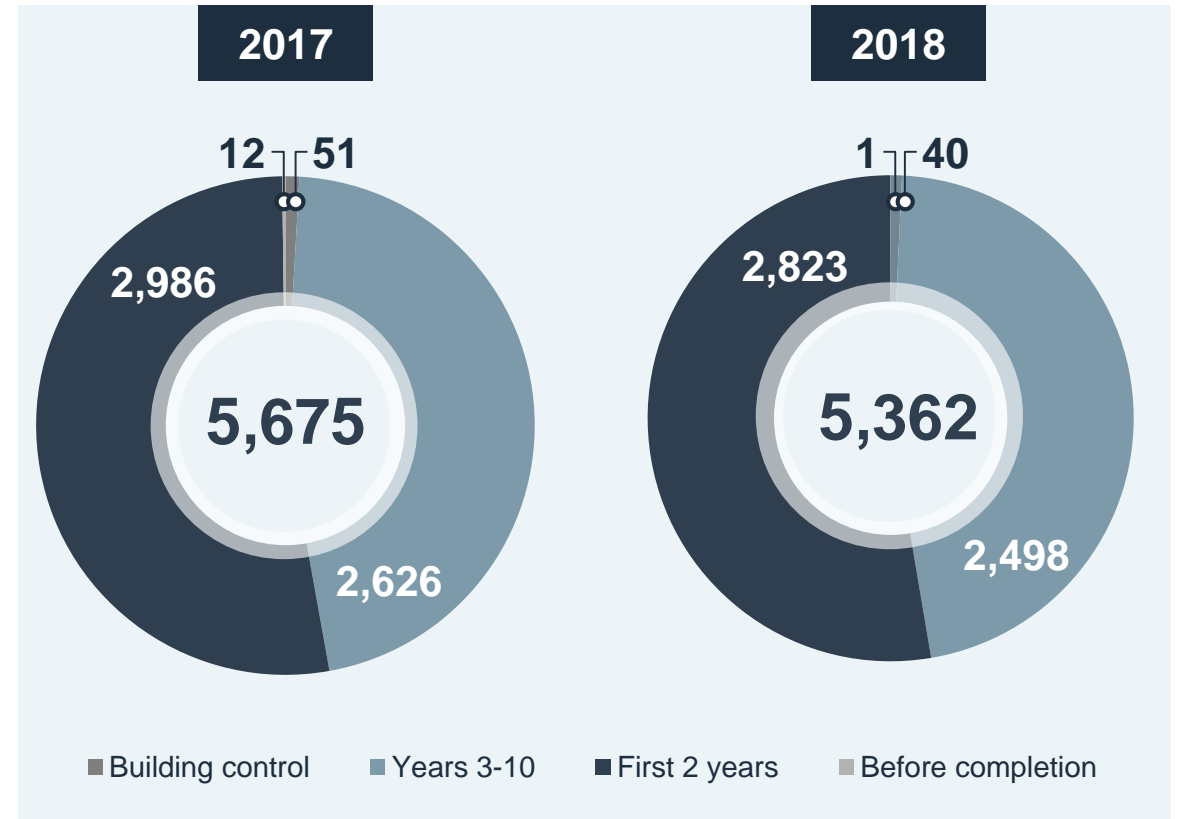
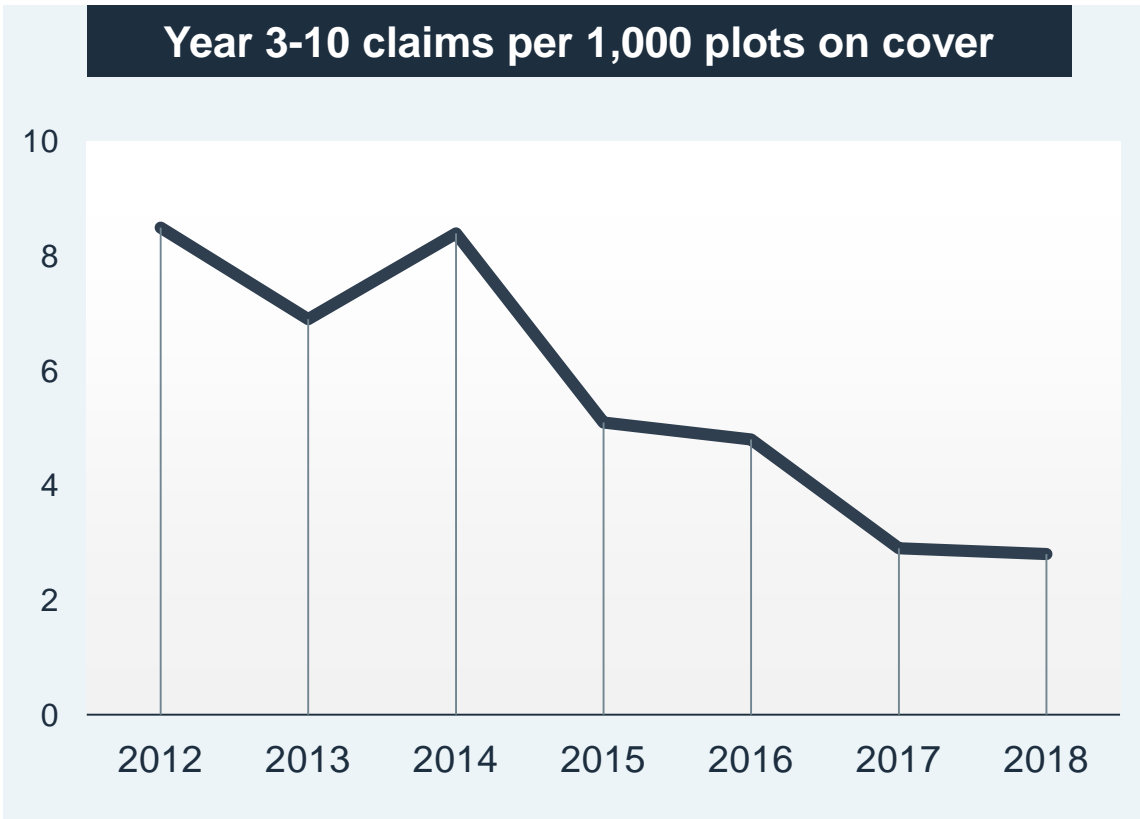
New Home Completion volumes

Peaks in monthly completions at year and half-year ends remain significant



Claims volumes reducing

Claims volumes continue to decrease – pitched roofs and external walls in particular



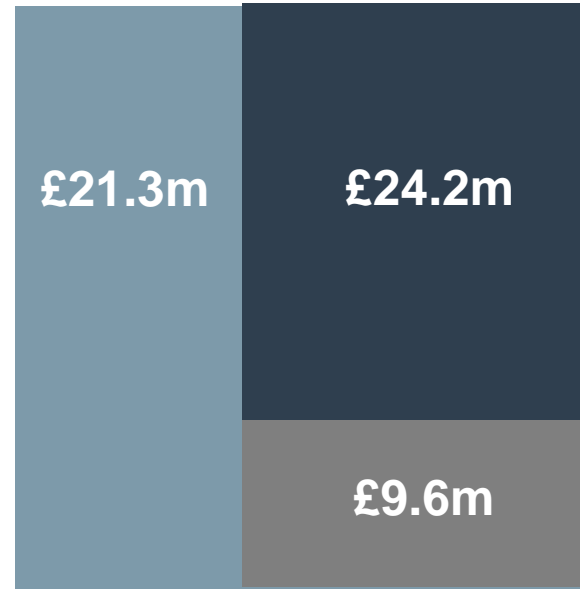
Year 3-10 costs

Significant costs from small number of claims, years 3-10

Number



Cost (£m)



Costs less than £100k

Cost between £100k - £499k

Greater than £0.5m

Substructure and ground floors

4 claims with NHBC expenditure totalling c£8.1m in 2018

Fire safety

4 with c£5.5m

External walls

4 with c£4.4m

Flat roofs and balconies

4 with c£3.8m

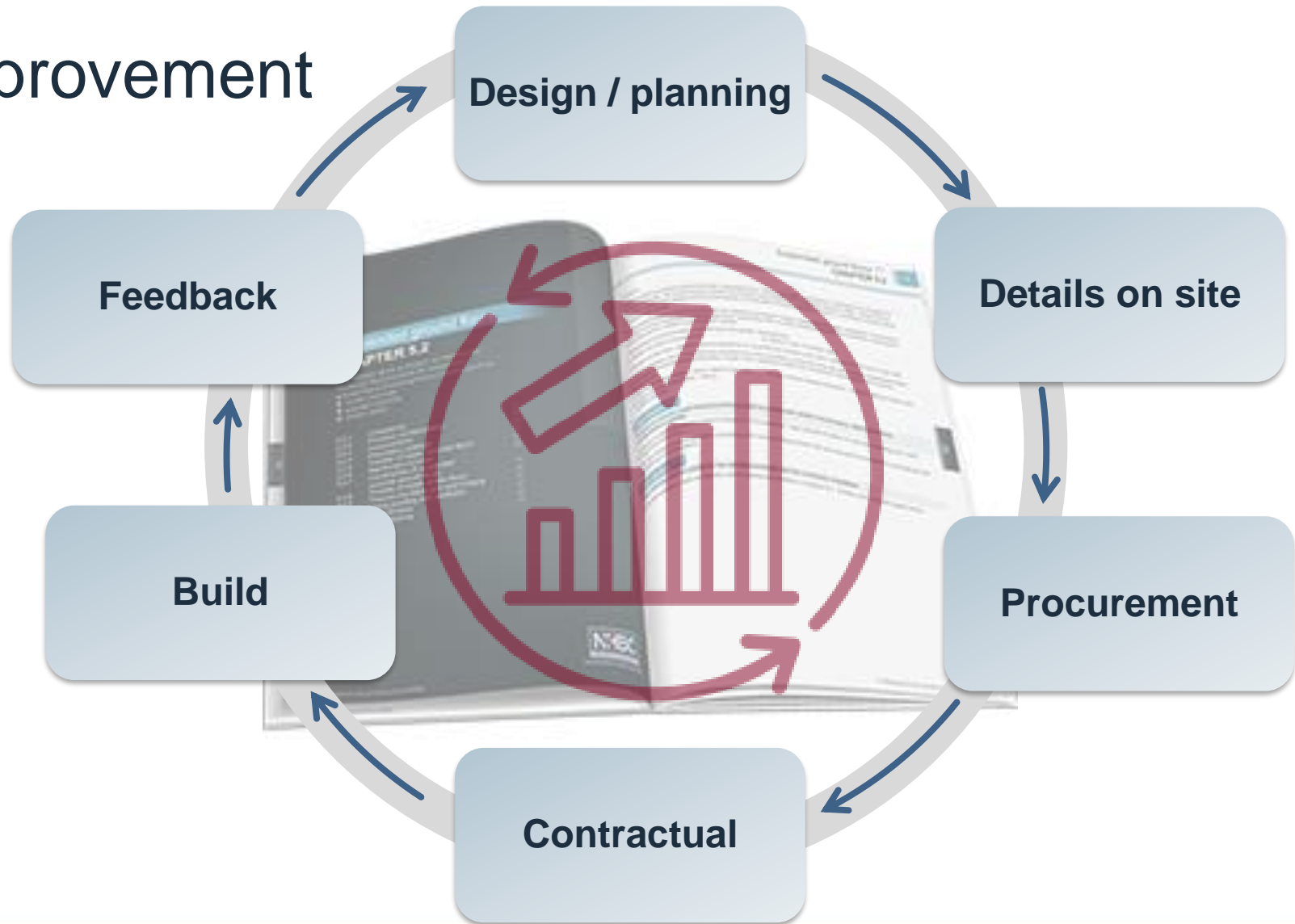
Curtain walling and cladding

3 with c£2.4m

Opportunities for improvement

**Opportunities
across the supply
chain**

**Not just a site
issue**



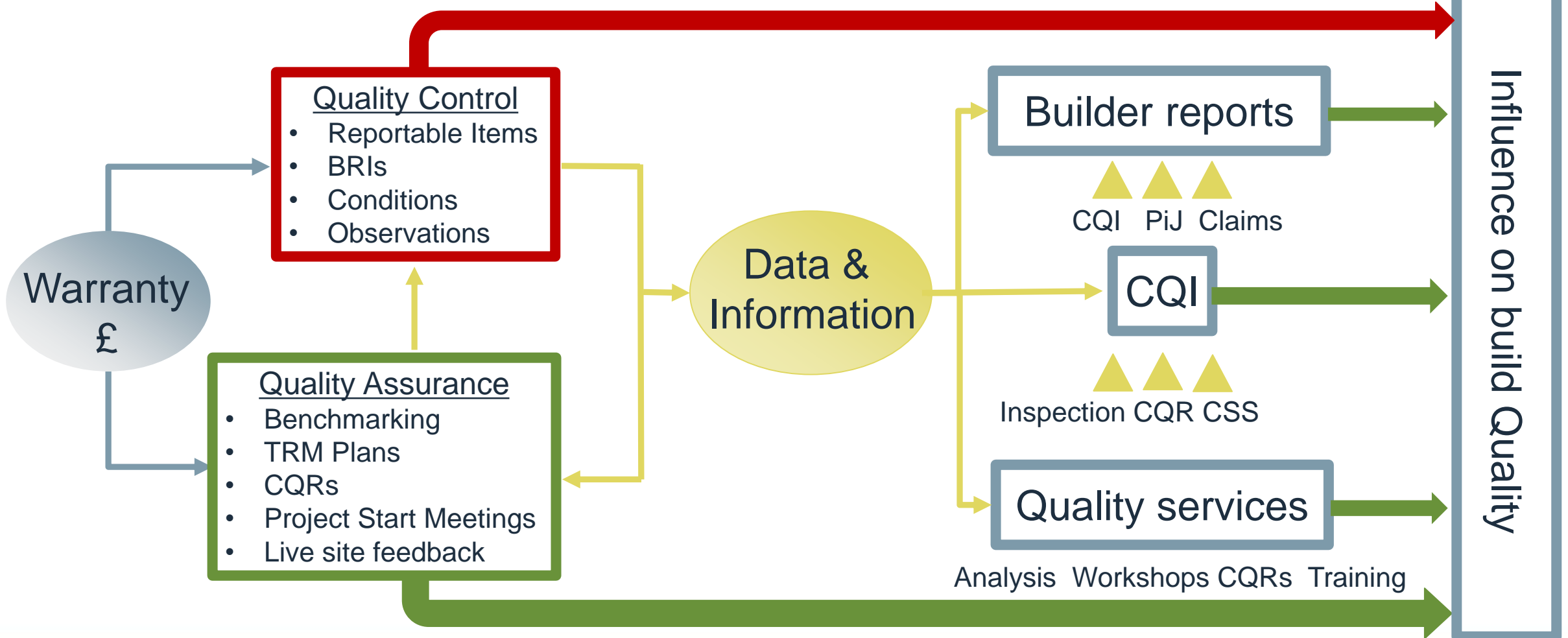
Industry action

Many builders have been taking action

- Simplification
 - Contractual
 - Procurement
 - Pre-start reviews
 - Information to site
 - Feedback
-

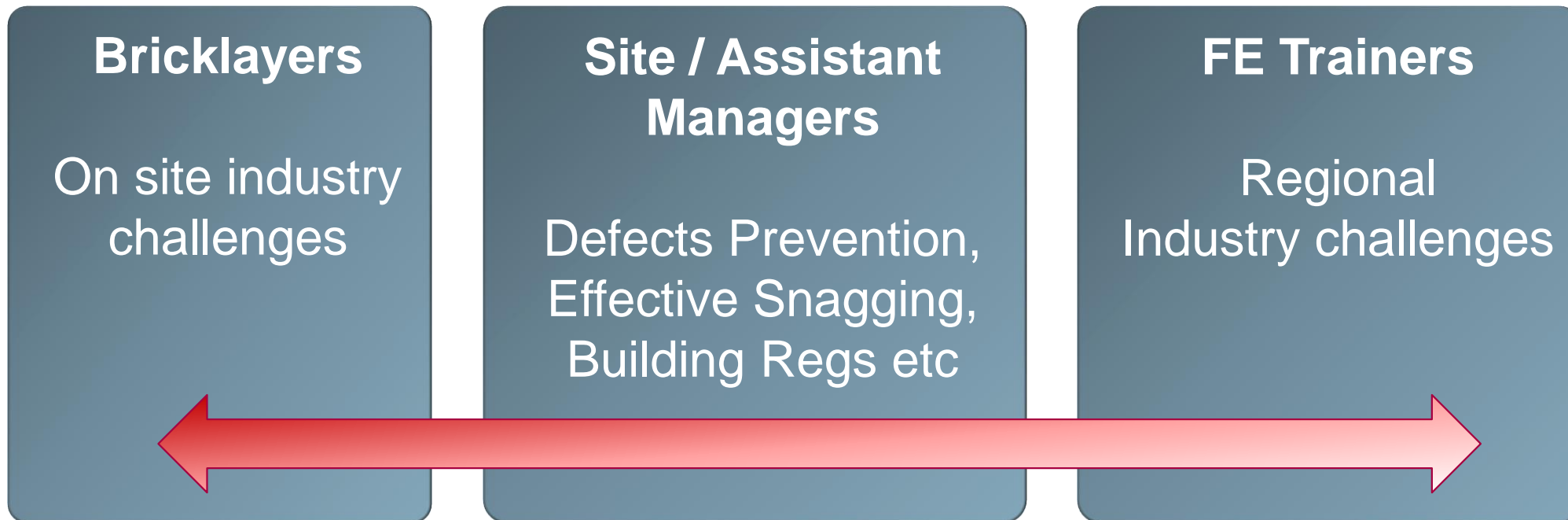


How NHBC influence and support construction quality



Training delivery. Improving standards. National interventions

With funding support from CITB, NHBC continues to support the industry to improve quality in key areas with key audiences



MMC: Opportunities and risk

Offers many opportunities – technical rigour essential

- NHBC is involved with all major MMC manufacturers
 - 47 accepted systems
 - 136 systems under review
 - Rate of system acceptance very low
Six in the last year. Why?
 - Quality of design
 - Design for manufacture and assembly
 - Manufacturing production controls
 - Coordination onsite
-



Our current focus

NHBC continues to help the industry deliver high levels of construction quality

Improving construction quality

1. To influence builder behaviour using insights from NHBC data and experience

2. To maximise the impact of our investment in technical risk management, gradually moving focus from Quality Control to Quality Assurance

3. To influence the industry's response to the skills agenda, aiding the development of the right construction skills for the future

Summary

Volume growth presents challenges to construction quality

Gradual improvements in construction quality

Warranty claims frequency continues to improve

Increasing role of data analytics allied to technical excellence

MMC – opportunities and threats

Steadfast focus on Safety, Quality and Customer



Raising Standards. Protecting Homeowners
