

## **Chief Operating Officer's Review**

*The Group continued its successful strategy of growth*

### **Introduction**

Having worked for Redrow for the last 16 years, it gives me great pleasure to present this report as Chief Operating Officer following what has been another year of record results.

Over the past year, the Group continued its successful strategy of growth and delivered 6,443 homes in the year, an increase of 13% from the previous year. Accordingly, revenues have risen by 10% to £2.1bn and profit before tax has risen by 7% to £406m (2018: £380m).

As part of our ongoing strategy to grow organically, we have opened a new office in Oxford. The new Thames Valley division will cover the growth areas around the county of Oxfordshire.

To reduce costs and operate more efficiently, we are consolidating our East and West London divisions into one office to be based at our Colindale development, where in time, we will be building a new purpose built office to house all our London operations. By making these changes, we will be able to share a number of functions across the two businesses, such as finance, planning and sales.

We are expanding the team at Harrow Estates who will now also have a satellite operation in the Thames Valley office to focus on the larger sites in the south helping to support our further growth in this area. The expansion of Harrow will also assist the divisions on larger more complicated schemes and forward land.

### **Investing in places**

The land market remains attractive with plenty of opportunities to acquire quality sites in good selling areas. However we continue to exercise some caution in the market and will continue to do so until the wider political uncertainty is clarified.

In 2019 we acquired 7,371 plots of which 2,909 were transferred from our forward land holdings. In the year, our average site size was around 200 plots. As we have mentioned before, these larger sites have the strategic advantage of relieving pressure on replacement by ultimately slowing down the rate of outlet closure. Larger sites also allow much more scope for us as a design driven developer to provide our customers with a more desirable environment to live within. Design of the overall site is just as important to our purchasers in their decision on where to live as the aesthetics of the home they buy.

Our current land holdings have increased by 936 plots despite our more cautious approach to land acquisition. It is pleasing to note our pull through from forward land of 2,909 plots representing just under 40% of all purchases. The current land holdings provide around 4.4 years' supply at our 2019 completions rate.

Overall, our forward land holdings remain strong and will continue to play an essential part in delivering the homes the business needs to maintain our growth projections.

By geography the current land holdings remain weighted to the south of the country and broadly at the same percentages as last year.

Our forward land holdings remain strong in the north due to the history of the business; however, we are continuing to search for more opportunities in the south. The expansion of Harrow, to focus on identified growth areas such as Thames Valley, will ensure forward land makes a valuable contribution across all areas of our operations going forward.

Our current land holdings in Greater London continue to fall reflecting our concerns over the market. London is the most affected by the political uncertainty around Brexit and the end of Help to Buy in 2023

will most profoundly affect the capital. We are particularly cautious about future investment and will continue to de-risk any investment through either PRS or partnership agreements.

The combined estimated GDV of our current and forward land holdings is approximately £20bn

## **Focusing on Customers**

### **Build Quality**

Redrow's aim is to build houses and apartments that our customers are proud to call their homes. We were therefore delighted to achieve an HBF five star award for customer service in their annual survey. In the most recent published 12 month rolling score we continue to trend above the five star builder status with a 92% recommendation score.

Our product is hand built by skilled craftsmen in all weather and consists of many components that require a large number of different trades to install. Notwithstanding this, we recognise that we can still improve our quality to deliver the best possible home every time.

In the year we launched our quality control iPad-based system for our site teams to ensure our hand built product is thoroughly checked and logged for quality. The system allows our site managers to identify faults in the home, record these with marked up photographs showing what corrective works are required. Every subcontractor has access to our portal that provides a detailed list, with photographs of any works requiring rectification. Once remedial works have been completed the subcontractor can close down the instruction by returning a photo of the remediated works. The data from this system will allow us to review common faults and improve our training and specification to prevent repeating faults. Ultimately the introduction of this system will allow us to identify faults and ensure they are correctly and quickly remediated. The new system will enable us to engage better with our subcontractors leading to improved quality and reductions in cost through shared best practice. The recording of the home at various stages of build also allows us to demonstrate to our customers the inspections we have undertaken and the inner-workings of their new home.

### **Customer experience**

We continually review and ensure our customers are having a great Redrow experience.

In the year, we have enhanced our utilisation of social media as a means of communicating with our customers.

We have recently engaged with Trustpilot where customers can post reviews in addition to the HBF customer survey. Although in its infancy, we have been encouraging customers to leave feedback, and from an initial small number of responses we have now received over 570 reviews and have a Trustpilot rating of 4 out of 5 stars - 'great'.

### **Health and Safety**

We continue to commit to continuous improvement in health and safety. In 2018 we significantly increased our health and safety team and split this into the two distinct areas of responsibility and assurance. The distinction between the roles has allowed us to both support our teams to produce the safest sites and also independently audit the teams for compliance.

In the year, three of our site managers were awarded highly commended at the NHBC annual Health and Safety awards. They were among only 27 site managers nationally who were awarded this achievement showing our commitment to constantly improve our safety with the ultimate aim to have safer sites. We continue to engage with our subcontractor base to ensure they work to the same high standards.

## **Cost initiatives and Modern Methods of Construction**

The business continues to focus on tight build control and reducing costs. Whilst maintaining quality is key to this success, focusing on a number of small initiatives rather than wholesale changes can cumulatively have a significant effect. The business is currently highlighting reducing build times to save costs in overall prelims as well as improving build quality to reduce defects and waste.

Reducing build times is not about expecting trades to build faster; it is about reducing the gaps or standing time when plots are not being work on. By focusing on eliminating the standing time the overall build time reduces.

Whilst we do use modern methods of construction (MMC) across the Group, such as timber frame and steel frame, this is more specific to the site and the product we are building. As referred to above, we are looking at various smaller areas of efficiency rather than wholesale changes and a move to MMC. Although we pride ourselves on our traditional homes being built by skilled craftsmen, wherever possible we look to use off site manufactured components: for example, large off site manufactured arches for houses or the service pods for our multi-storey developments.

Our efforts to improve quality and efficiency do not stop with build. This year we launched our online reservation system. In the past a customer would need to set aside a significant amount of time with a sales consultant to run through all aspects of the property before making a reservation partly to ensure compliance with regulations. This was a time consuming process for all and could be a daunting process for our customers.

Our new system allows the customer to review all the information they require in the comfort of their own home at a pace they are comfortable with, being able to dip in and out of the process until it is complete. Once they have reviewed all the information and agreed and signed the relevant documents online they can progress to paying the reservation fee and securing their property.

Although this process makes the administration easier, it does not undermine the relationship with the sales teams that remains an essential part of the sales process and our service. It is another way where we are enhancing the customer journey whilst both improving the efficiency of onsite staff and strengthening our compliance to regulations.

## **Valuing people**

In response to our continued growth we now employ over 2,300 people directly and many more times this through our supply-chain.

In our most recent employee survey 95% of our employees said they were proud to work for Redrow, testimony to our commitment to ensure our employees are engaged with the business.

In the year we have also increased our engagement directly with our subcontractors as well as our own employees. Looking forward, we expect to continue our work with them to improve the wellbeing of all people working on our sites. We have introduced dedicated help lines to support our subcontractors and also arranged Health Kiosks on sites where our subcontractors' personnel can measure their basic health statistics and receive advice.

In response to growing mental health issues across the building industry, we have trained a number of mental health first aiders and have plans and volunteers to train a total of 120.

We have a number of strategic partnerships with colleges across the country. The first group of students have completed their first year of our dedicated housebuilding degree which has been developed in conjunction with Liverpool John Moores University and Coleg Cambria. Our second cohort have commenced and in total we now have 23 people working towards their BSc in Construction Management - Housebuilding

## **The market and outlook**

The market for new homes remains resilient despite political and economic uncertainty brought about by ongoing conjecture over Brexit.

The business is in excellent shape to react to any changes and challenges we may face with an outstanding product which will not lose its desirability even in a shifting economy.

There remains strong demand for a quality product which continues to be supported by low interest rates.

We are well placed for the future with a strong order book, an excellent product and a dedicated team to deliver for the future.

Matthew Pratt  
Group Chief Operating Officer