

Homes for Londoners Board

Date of meeting: **12 June 2018**

Title of paper: **Homes for Londoners Board Construction Quality Sub-group Report**

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Cleared by: **James Murray, Deputy Mayor for Housing and Residential Development and
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Classification: **Public**

1 Executive Summary

- 1.1 This is the report of the Homes for Londoners Construction Quality sub-group, which was commissioned by the Board to examine concerns around the construction quality of new homes.
- 1.2 The sub-group met four times between November 2017 and April 2018 and at its meetings considered a range of evidence, including presentations from external stakeholders and sub-group members.
- 1.3 Following its discussions, the sub-group Chair has agreed recommendations in the following areas:
- Vision and policy context;
 - A new shared aspiration for Zero Defects;
 - Sharing lessons and experience;
 - New technology and skills; and
 - Aftercare.
- 1.4 This report gives an overview of the sub-group's recommendations in section three, with detail about how the sub-group reached its recommendations in the main body of the report.

2 Recommendations

- 2.1 The Board is asked to:
- a) Note the report and the recommendations made by its Construction Quality Sub-Group as set out at section three; and
 - b) Discuss how these should be taken forward.

3 Sub-Group Recommendations

- 3.1 The sub-group makes the following recommendations, which are explained in detail in later sections of this report.

Vision and policy context

1. The Mayor and the homebuilding industry should support the recommendations of the All Party Parliamentary Group (APPG) for Excellence in the Built Environment's report *More Homes Fewer Complaints* and work together towards their implementation.
2. The Mayor should lobby for a strong role for the proposed new single housing ombudsman in resolving disputes about new build homes and in advance of its implementation should explore how he can use his position to provide clear information to Londoners on existing routes for redress.
3. The Mayor should consider how construction quality issues may affect London differently from the rest of the country, with a particular focus on design, aftercare and consumer education issues related to building at higher densities, and take these findings into account when developing his new Supplementary Planning Guidance on housing design.
4. The Mayor should commit to continue to measure affordable housing delivery through the number of starts on site.

A new shared aspiration for Zero Defects

5. All London homebuilders (including private developers, contractors, local authorities and housing associations) should engage positively with work to achieve Zero Defects in new homes, and the industry should consider what lessons it can learn from its success in improving health and safety on construction sites and how it can apply these to efforts to improve construction quality. This work should include the development of a voluntary charter for Zero Defects and working collaboratively to ensure its implementation.
6. The Mayor, London boroughs, housing associations, developers and contractors should consider how they can promote uptake of the Zero Defects charter and celebrate those who have committed to its implementation.

Sharing lessons and experience

7. The homebuilding industry, represented by the Home Builders Federation, the g15 and National Housing Federation (NHF), should establish a framework to enable them to share information and data about construction quality issues and solutions more systematically to support an increase in levels of construction quality.
8. The Mayor should work with housing associations to explore opportunities to use their unique position as both developers and buyers to support industry improvement.
9. The Mayor should work with the homebuilding industry to investigate what information on construction quality would most effectively influence consumer behaviour in order to improve levels of construction quality. The Mayor should support industry to make use of this information to develop an approach to sharing publicly more detailed data on construction quality, including the performance of individual homebuilders, both after eight weeks of living in the property and a longer period thereafter.

New technology and skills

10. Homebuilders should ensure that they proactively provide comprehensive, specific, plain-English information to new home buyers on the specification of their property, particularly in relation to how to operate any new technology. This information should be provided as early in the purchase process as possible.
11. Given the specific challenges to construction quality posed by some heating and energy technologies, the Mayor and the homebuilding industry should actively support the development of regulation and customer service standards for heat networks.
12. The Mayor should consider how to use his Construction Academy and other construction skills initiatives to support the development of a more skilled construction workforce in order to improve construction quality. This should include support for the skills required to support precision manufacturing and other new technologies, as well as promoting specific, skilled on-site roles related to oversight, such as clerks of works.

Aftercare

13. As part of a Zero Defects charter, homebuilders should commit to minimum standards for consumer care through the development of service level agreements to govern the relationship between homebuilders and consumers. This should include a clear and efficient complaints process.
14. Homebuilders should engage positively with, and promote the use of, social media as a valuable source of information on faults and means of providing consumers with a voice and a swift solution to problems.
15. Government should proactively explore options for implementing minimum warranty standards and streamlining existing consumer codes for new homes as part of its wider work on establishing a new single housing ombudsman.

4 Introduction and Background

- 4.1 Customer satisfaction with new build homes in the UK increased significantly from 2006 to 2013, with the proportion of purchasers of new homes satisfied with the quality of their home rising from 76% to 91%.¹
- 4.2 Despite this longer-term improvement, there are however persistent concerns about the quality of the new homes being built across the country and this satisfaction level had dropped to 84% by 2017. The most recent Home Builders' Federation (HBF) survey data shows that nationally, 99% of owners of new build homes reported at least one problem with their home to their builder. A quarter of them reported at least 16 problems.²
- 4.3 The HomeOwners Alliance (HOA) has conducted a homeowner survey in each of the last five years. Since 2015, it has found that more than twice as many people would prefer to purchase a home built more than ten years ago compared with those who

¹ This NHBC/HBF customer satisfaction survey data was provided by HBF for this report

² HBF/NHBC, National new homes customer satisfaction survey, 2018. Figures relate to October 2016-September 2017

would prefer a newly built one, with 47 to 49% of homeowners preferring the former and only 19 to 21 percent preferring the latter. The survey found that, while the quality of build was perceived to be a net disadvantage to buying a new build home, other factors were perceived to be greater disadvantages, such as size and the lack of character and green space. The relative desirability of new build homes is therefore not entirely due to concerns over build quality, as design, space standards and layout also play a role in consumer perceptions, but it is an important factor.

- 4.4 London has not been immune to reduced levels of construction quality. According to survey data provided by HBF, 12% of owners of new homes in London were not satisfied with the overall quality of their home in 2016/17.³ Although this is marginally better than the national average, it still represents an equivalent of around 5,000 homes being built every year whose owners or tenants are not satisfied with the overall quality of their home, despite it being brand new. Furthermore, reflecting national trends, this level of satisfaction has reduced over recent years, with the proportion not satisfied with the overall quality of their home increasing from 8.6% in 2012/13. This reduction in satisfaction has coincided with the increase in the number of new homes being built.⁴ Given that the number of new homes built in London needs to be significantly increased over the coming years in order to meet rising need, it is essential to tackle this issue to ensure that housing delivery is not increased at the expense of quality.
- 4.5 The Mayor believes that Londoners who move into a brand new home should be able to expect that it is built and finished to a high standard, just as they do of any other new product. However, a new home is not just 'any other new product'. For most Londoners who buy one, it will be the biggest purchase of their life; and for renting Londoners their rent is likely to be their biggest household expense. For all Londoners, their home should provide their place of greatest respite. Therefore, the declining consumer satisfaction with quality of new homes is a major problem in its own right.
- 4.6 It is not only amongst consumers that dissatisfaction with construction quality is rising. It is clear from discussions during the meetings of the sub-group that those working directly in the homebuilding industry, such as independent clerks of works and housing associations – who buy large numbers of new build homes – also have concerns about problems and declining quality, while Local Authority Building Control (LABC) in England in Wales has reported an increase in the number of "disgruntled homeowners" approaching local authorities for assistance in remedying defects with new homes⁵. There is clear commitment from parts of industry to tackle these issues (for example, the HBF set up a working group to consider the recommendations of the report *More Homes, Fewer Complaints*, published by the All Party Parliamentary Group (APPG) on Excellence in the Built Environment), but also a strong sense that more can and should be done.
- 4.7 To respond to this, the Homes for Londoners Board commissioned a sub-group to look at issues of construction quality and formulate recommendations for how to improve construction quality in London.

³ Figures for London provided from the HBF/NHBC survey on a bespoke basis

⁴ The decline in satisfaction started in 2013/14, shortly after homebuilding completions in London began to recover following the 2008 financial crisis.

⁵ P.20, APPG for Excellence in the Built Environment, 'More homes, fewer complaints', 2016

- 4.8 The sub-group was chaired by Gary Ennis, London and Southern Regional Managing Director at Barratt Developments. The sub-group's other members consisted of a wide range of stakeholders, including homebuilders, construction contractors, housing associations, consumer groups and industry bodies. The sub-group's membership and full terms of reference can be found at Appendix 1.
- 4.9 Although poor construction quality can critically undermine fire safety, fire safety was beyond the remit of the sub-group as it is currently under consideration as part of other reviews, for example the Hackitt Review of Building Regulations and Fire Safety.

5 Overall Vision and Policy Context

5.1 The ongoing concerns around construction quality standards in new homes have meant that these issues have been subject to increased scrutiny in recent years, often attracting significant attention in the media. These issues affect both private homebuilders and housing associations, nationally and across London, demonstrating that quality issues have impacts at a significant scale in the capital, including for those delivering affordable homes.

5.2 The increased scrutiny has also, in part, been driven by public institutions. In 2016 the APPG for Excellence in the Built Environment (APPGEBE) published the findings of a major review into construction quality, entitled *More Homes Fewer Complaints*⁶. The report concluded that three structural issues were driving poor construction quality: a lack of competition; a skills shortage; and an imbalance in bargaining power. It made ten recommendations to tackle these issues and deliver improved quality:

1. Creating a New Homes Ombudsman
2. Standardising sales contracts
3. Giving buyers the right to inspect properties before completion
4. Giving buyers more information about the design, construction and inspection of their home
5. Reviewing laws on consumer rights for home buyers
6. Reviewing warranties
7. For home builders to adopt International Organisation for Standardization (ISO) quality assurance systems
8. Industry investment in skills
9. Setting minimum standards for building control and warranty providers inspections
10. Making the satisfaction survey independent and releasing more data

5.3 Government is now actively considering how to respond to these recommendations.

5.4 The Homes for Londoners sub-group recognised that it should not seek to solve the problem of dissatisfactory construction quality for the whole country. Many of the solutions to poor construction quality will require action at a national level and cannot be solved by London alone. Equally, it did not want to duplicate good work

⁶ APPG for Excellence in the Built Environment, 'More homes, fewer complaints', 2016

already done by the APPGEBE and others. The focus of the sub-group's recommendations is thus on aspects of poor construction quality that are particularly pertinent to London and on action that can be taken directly by London stakeholders to improve the construction quality of the new homes built in the capital, in addition to work being done at a national level. However, the sub-group wanted to acknowledge the work already done in this area by the APPGEBE and encourage the Mayor and the whole homebuilding industry to make clear their support for this existing work and work together with central Government to actively engage in the process of implementing the APPG's recommendations.

Recommendation 1: *The Mayor and the homebuilding industry should support the recommendations of the APPG for Excellence in the Built Environment's report More Homes Fewer Complaints and work together towards their implementation.*

5.5 Government has recently consulted on the possible introduction of a single housing ombudsman to deal with all consumer housing complaints. This included a proposal to include responsibility for disputes about new build homes amongst its duties. The lack of adequate redress for consumers was a key issue highlighted by the APPGEBE report and the establishment of a new ombudsman was one of its recommendations. The sub-group felt that this would be a key part of ensuring effective redress for consumers and that the Mayor should use his influence to ensure that this function is central to the work of any new ombudsman.

5.6 Members also acknowledged however, that the establishment of any new body would likely take some time and that in the meantime consumers still require clear information on where to seek redress if things go wrong with their new home. The sub-group felt the Mayor would be well-placed to provide this signposting advice.

Recommendation 2: *The Mayor should lobby for a strong role for the proposed new single housing ombudsman in resolving disputes about new build homes and in advance of its implementation should explore how he can use his position to provide clear information to Londoners on existing routes for redress.*

5.7 Over the course of its meetings, the sub-group discussed whether there were particular features of construction in London that could make it more or less susceptible to issues of build quality. While there were a diverse range of views on this issue, a number of characteristics of London homebuilding were highlighted as potentially having an impact on quality issues in the capital. For example, while the sub-group agreed that a national shortage of skilled construction workers was affecting construction quality across the country, there was particular concern about the impact of Brexit on London in view of the capital's particular reliance on construction workers from the EU, with the HBF estimating that around half of London's housing construction workers are from the EU (compared to less than a fifth across the UK)⁷. The sub-groups recommendations on skills are outlined in section eight below.

5.8 Another prominent theme in the discussions about what makes London different was the much higher proportion of flats built in the capital than in the rest of the

⁷ HBF, 'Home Building Workforce Census 2017', 2017

country⁸. The sub-group heard that building a higher proportion of flats could have a beneficial impact on satisfaction with the quality of the finish of new homes in the capital and limitation of defects. This is because the costs to contractors of returning to a completed block of flats to rectify defects can be significantly higher than on a house-led scheme, as apartment buildings are often much more complex and any remedial works may be much more disruptive for residents. While the sub-group recognised that the principle of ‘getting it right first time’ is the broad aim of most developers, this can be even more beneficial in London where the majority of developments are flats and so the costs and disruption of remedying issues may be greater.

5.9 The sub-group also discussed concerns that there may be some characteristics of flatted development that could have a negative impact on quality and in turn consumer satisfaction. As well as specific aspects of the build process, which can mean it can be very expensive to rectify issues which may run through the core of complex and high-rise buildings, the issues raised also included design, aftercare and education rather than defects as such. These include:

- Problems with excess heat, particularly in single aspect south facing flats;
- Ventilation problems, sometimes due to poor design, but sometimes due to poor customer understanding of integrated ventilation units; and
- Concerns about district heating and combined heat and power, including both faulty systems and other issues regarding billing.

5.10 A number of these issues are picked up in the range of the sub-group’s recommendations, but members felt that there could be more work done to identify quality issues that may have particular pertinence in the high-density, London context and to recommend potential solutions. In light of this, the sub-group felt that the Mayor would be well-placed to look into these issues in more detail and take these findings into account when developing his new Supplementary Planning Guidance on housing design.

Recommendation 3: *The Mayor should consider how construction quality issues may affect London differently from the rest of the country, with a particular focus on design, aftercare and consumer education issues related to building at higher densities, and take these findings into account when developing his new Supplementary Planning Guidance on housing design.*

5.11 As stated at paragraph 4.3, available data on housing completions and consumer satisfaction levels suggests a correlation between increasing rates of homebuilding in London and decreasing rates of satisfaction. The Mayor has committed to start 116,000 new affordable homes by 2022 and this focus on starts rather than completions is a key part of supporting improvements in construction quality. An alternative approach whereby the Mayor measured affordable housing delivery through completions could result in construction being rushed which in turn may lead to quality issues.

Recommendation 4: *The Mayor should commit to continue to measure affordable housing delivery through the number of starts on site.*

⁸ Flats, apartments and maisonettes accounted for 89% of new homes completed in London in the last three years (2014/15 to 2016/17) according to data from the London Development Database, while flats accounted for 26% of new homes completed in England over the same period ([data from MHCLG live table 254](#)).

6 A New Shared Aspiration for Zero Defects

- 6.1 While the sub-group agreed that some of the structural causes identified by the APPGEBE are contributing to poor construction quality, it also discussed the importance of changing working culture in order to tackle the existing challenges with quality. While London has many examples of construction excellence, there are concerns that across the construction industry there are pockets of cultural tolerance of poor workmanship and finishing, and this stands in the way of achieving consistently good quality. The sub-group agreed early on in its discussions that it will require leadership across the industry to shift this culture and this was felt by the sub-group to be an area where London's construction industry could take a firm lead. To help achieve this, the sub-group discussed committing to a new aspiration for Zero Defects that homebuilders and constructors working in London could pledge to.
- 6.2 As part of the discussion, the sub-group identified that there is no common language across the industry to describe flaws in construction or finishing. Use of the word 'defects' itself is somewhat controversial. Some describe all flaws as defects. Others use it to describe more serious problems, and refer to less serious issues as 'snagging'. Some others do not describe flaws as defects at all. It may be necessary in the future to develop a common lexicon, particularly if there is to be more standardised information sharing across the industry (see section seven below).
- 6.3 However, for the purposes of driving a cultural change, the prevailing opinion was that the principle of Zero Defects for homebuilders should be a simple one. It should mean delivering homes to consumers in a completely finished condition, right first time, with no outstanding work left to do and no repairs needed to make good poor-quality work. This implies a move away from practices that some in the industry accept as relatively standard, such as delivering homes to consumers at the point of 'practical completion,' when they are ready for habitation, but not necessarily finished. Some in the sub-group believed that Zero Defects should mean an intolerance of snagging and an end to the industry reliance on using consumers to act as quality inspectors of their own homes.
- 6.4 In addition to describing aspiration for an overall target, there was agreement that a Zero Defects pledge must also commit signatories to adopting particular ways of working that would help deliver this target. In light of the fragmented nature of the industry, homebuilders who adopt the Zero Defects would commit to these ways of working being used throughout their supply chain. There was not always agreement amongst members on what the particular ways of working should be, however examples discussed included:
- Working to agreed internationally recognised standards for quality management and assurance, such as ISO 90009 or equivalent;
 - Setting a minimum level of oversight and quality inspection during a build process;
 - A commitment to a level of service to fix defects when they do occur;
 - Setting a minimum level of data collection on defects that occur to use learning from failure as a way of improving performance;

⁹ ISO 9000 is a set of international standards for quality management. It is not specific to any sector or industry. It sets out seven principles that any business can use implement to effective quality management

- Setting a minimum level of data transparency on defects to use consumer power to improve performance;
- Designing out defects by ending the use of materials/products that are known to lead to common defects;
- A minimum level of investment in skills.

6.5 Included at Appendix 2 is a draft Zero Defects charter, which has been put forward by the sub-group as a starting point for further development of the commitment.

6.6 In further developing the commitment to Zero Defects, the sub-group felt that an instructive comparison could be drawn with a similar previous industry-led cultural shift in construction. Over recent years, the construction industry has had considerable success in improving health and safety onsite. According to the Health and Safety Executive, the rate of fatal injuries in construction in 2016/17 was a quarter of what it was in 2000/01 and a fifth of what it was in 1990/91¹⁰. While this has been supported by effective regulation and enforcement, the improvement would not have happened had the industry itself not embraced the necessity of a cultural change to eradicate injuries. For example, many large constructors have committed to the principle of Zero Harm. This includes accepting as a basic principle that every accident is preventable and effective ways of working to identify risks, plan out hazards and learn from accidents when they occur can be implemented.

Recommendation 5: *All London homebuilders (including private developers, contractors, local authorities and housing associations) should engage positively with work to achieve Zero Defects in new homes, and the industry should consider what lessons it can learn from its success in improving health and safety on construction sites and how it can apply these to efforts to improve construction quality. This work should include the development of a voluntary charter for Zero Defects and working collaboratively to ensure its implementation.*

6.7 While the sub-group agreed that the Zero Defects charter should be a voluntary approach, they discussed the importance of ensuring that it benefits from clear leadership, as well as the celebration of those who have signed up to the commitment. Identifying the best way forward on this issue should be the responsibility of all concerned stakeholders, including the Mayor, boroughs, housing associations and homebuilders.

Recommendation 6: *The Mayor, London boroughs, housing associations, developers and contractors should consider how they can promote uptake of the Zero Defects charter and celebrate those who have committed to its implementation.*

7 Sharing Lessons and Experience

7.1 Using information and data about the things that go wrong in construction, and the lessons homebuilders have learned to remedy them, should be at the core of driving up levels of construction quality. However, while there is industry-wide reporting of satisfaction levels through surveys such as the HBF/NHBC annual survey, the sub-

¹⁰ HSE, 'Health and safety statistics for the construction sector in Great Britain', 2017

group heard that the construction industry does not currently take full advantage of the information that it has access to in order to support continuous improvements in quality.

- 7.2 Better information sharing about common construction quality issues could help to deliver a quicker joint industry response to a problem, be used to argue for a change in public sector policy or for additional funding. However, at present a lack of coordinated data collection on this issue means that the industry has not yet highlighted and acted on this issue in an effective manner.
- 7.3 Better information sharing about the solutions that individual builders have found to particular construction challenges could help the whole industry to learn. For example, the sub-group heard that some home builders and contractors have gained experience of installing district heating systems and combined heat and power in recent years, following some high-profile problems. The lessons learned include the particular products to avoid and choosing the correct way to specify a system to avoid over-heating. Information on challenges with new technologies (and associated solutions) might be particularly suited to this kind of information sharing.
- 7.4 There are a number of routes through which such information on construction quality issues and solutions might currently be shared. These include meetings of the Home Builders Federation, meetings and joint working within the g15 group of housing associations, the National Housing Federation and the Construction Leadership Council.
- 7.5 However, the existing approach primarily facilitates the flow of information within subsections, rather than across the whole of industry. Although the HBF's members construct the majority of new private homes, not all London private home builders are members of the HBF. Furthermore, the lack of opportunities for private home builders and housing associations to share information on construction issues between their sectors is a particular gap in the present system. There is a clear opportunity for large home builders and housing associations to explore ways of sharing more of this information more systematically, and as a start this process could be led by HBF, g15 and the NHF.

Recommendation 7: The homebuilding industry, represented by the Home Builders Federation, the g15 and NHF, should establish a framework to enable them to share information and data about construction quality issues and solutions more systematically to support an increase in levels of construction quality.

- 7.6 Large housing associations occupy a unique position within debates about construction quality. This is because they both develop their own homes and buy large numbers of new homes built by private developers as part of their section 106 affordable housing obligations. As such, they have an understanding of the challenges of planning, engaging contractors, issues with particular products and skills shortages and how this can lead to the homes the build being of poorer quality, while also having a direct insight into some of the issues faced by private purchasers of new homes, being as they are consumers themselves at the same time as being the landlords of tenants living in new homes.
- 7.7 The sub-group heard about some housing associations' concerns with the quality of the homes that they have bought from private developers in recent years. The

challenge is so significant that some housing associations now employ their own in-house finishing teams to fix defects in the new homes they buy. For example, one housing association has employed such a team since 2015 to make certain that every new home they buy is completely ready to handover to the new tenant or shared owner. The sub-group also heard that some housing associations are regularly contacted by residents to report defects that are issues with consumer understanding of technology within their home or that do not relate to the work of the homebuilder, rather than being problems with build or installation quality (see section eight below).

- 7.8 While this approach may ensure that some housing associations' tenants and shared owners get a defect-free new home, the sub-group considered that the absence of a similar protection for private home buyers created a disparity. Furthermore, when private home builders do not get it right first time this creates an additional cost for housing associations, and housing associations' decision to 'just do it themselves' may reduce some of the pressure for the private industry to improve. The sub-group discussed the important role that housing associations could play in driving up standards in the construction industry, for example through sharing information on their experiences of particular developers and contractors.

Recommendation 8: The Mayor should work with housing associations to explore opportunities to use their unique position as both developers and buyers to support industry improvement.

- 7.9 There is also a clear opportunity to make information gathering and sharing on construction quality issues as a whole more systematic. As outlined above, at the moment, information is shared on an ad hoc basis through meetings and networks, rather than through standardised data systems. Individual home builders have access to their own data on defects, in varying degrees of detail, dependent on each business's practices. Additionally, members of the HBF have access to data about complaints on their own developments identified through the two NHBC surveys (see the following section for more information). But this is not systematically shared and is not published. This may mean that trends affecting the whole industry take longer to be identified and common issues are harder to spot.
- 7.10 An instructive comparison for how more data could be used systematically to improve quality can be drawn with road safety. Detailed information about even minor road traffic accidents (including exact location, number of vehicles involved and contributing factors) is systematically collected and reported to help identify potentially unsafe parts of the network. While the structure of the construction industry is significantly more fragmented than responsibility for road safety, advances in technology may make a similar level of data sharing possible, for example through a common digital platform for the construction industry in London.
- 7.11 In markets that are functioning well, there is a strong relationship between price and quality. From Scores on the Doors food hygiene ratings to reviews on Amazon or TripAdvisor, information about the quality of a product helps to drive consumer behaviour and shape market prices. However, the sub-group heard that the relationship between the price and quality of new homes is not as strong. During discussions of the sub-group, a number of homebuilders highlighted their concerns that at present a homebuilder's reputation for construction quality does not noticeably affect the price they are able to sell their homes for. This undermines the market incentive that should work to improve construction quality.

- 7.12 The fundamental shortage of housing is a clear structural factor that makes the relationship between price and quality more remote. With such fierce competition for new homes, prospective buyers are in a much weaker position to bargain over prices, even where a home builder has a poor reputation for quality. However, there is also a question about whether consumers currently have the information they need to make an informed judgement about the construction quality of the home they are buying and their builder's reputation for quality.
- 7.13 The main source of information for consumers on builders' reputation for quality are the star ratings awarded by the HBF to each of their members. The HBF commissions the National House-Building Council (NHBC) to conduct two surveys of new home owners, one eight weeks after completion and a second nine months after completion. HBF star ratings are awarded based on the percentage of customers who respond to the eight-week survey and say they would recommend their builder to a friend in a straight yes/no question. Star ratings are awarded as follows:
- Builders with 90%+ customers who say they would recommend it receives a five-star rating
 - Builders with 80%-89.9% receive four stars
 - Builders with 70%-79.9% receive three stars
 - Builders with 60%-69.9% receive two stars
 - Builders with 50%-59.9% receive one star
- 7.14 Although limited aggregate data on all builders is also made public, star ratings are the only information on individual builders released by HBF to consumers. If, as members of the sub-group suggested, star ratings do not have a tangible impact on the prices home builders are able to charge, it may be possible to improve them to help the market work better. For example, replacing the star rating with a simple percentage may make it clearer to consumers what the rating relates to.
- 7.15 The construction industry collects data on construction quality more widely than that which is available to the public. This information includes additional information from the HBF/NHBC eight-week survey, the results of the nine-month survey, the names of the home builders who have findings against them through the consumer codes, and the names of the home builders who warranty providers pay out against.
- 7.16 While there is not necessarily a case for making all data public, a number of members of the sub-group suggested that a more transparent and comprehensive approach to publishing data on construction quality could help to improve construction quality by ensuring homebuilders are subject to more meaningful external scrutiny. A key part of this may involve releasing the nine-month survey data, as this may present a more holistic view of the consumer experience, as it ensures that new homeowners have the time to fully settle into their homes and become familiar with all the positive and negative aspects of their home.
- 7.17 In addition to supplementing existing reporting mechanisms, for example by including data from the nine-month survey, sub-group members also discussed the possibility of publishing detailed data on individual homebuilders, beyond the star rating. This would mean that homebuilders' performance on specific areas would be

subject to public scrutiny. The HOA highlighted that this approach has been in operation in the Netherland for a number of years and that during this time there has been a significant improvement in construction quality.

- 7.18 In addition, there were concerns expressed by some homebuilder representatives that this would only be effective if everyone was signed up to it, as otherwise it would likely result in the better performing homebuilders willingly providing this data, while those organisations with quality problems whose data it would be most important to publish, may be reluctant to participate. There were also discussions about whether, as recommended by the APPGEBE, the annual HBF/NHBC survey should be conducted by an independent third party.
- 7.19 While no definite conclusions were reached in this area, it was agreed in principle that there is space to explore opportunities in this area in more depth and that the Mayor could play a co-ordinating role in terms of facilitating data sharing approaches.

Recommendation 9: *The Mayor should work with the homebuilding industry to investigate what information on construction quality would most effectively influence consumer behaviour in order to improve levels of construction quality. The Mayor should support industry to make use of this information to develop an approach to sharing publicly more detailed data on construction quality, including the performance of individual homebuilders, both after eight weeks of living in the property and a longer period thereafter.*

8 New Technology and Skills

- 8.1 During the course of its discussions, the sub-group identified the need to ensure that the occupants of new homes have enough information to enable them to understand how their new home and the technology inside it works. These discussions revealed the experiences of a number of homebuilders, whereby a number of issues reported in relation to defects or snagging are in relation to a lack of knowledge about how to operate technology with which consumers are unfamiliar. This appears to be particularly common in relation to ventilation and associated technology, for example with sub-group members citing examples of residents turning off integrated dehumidification units due to concerns around excessive energy usage and the knock-on impact on ventilation in the property.
- 8.2 In light of this, it was agreed that homebuilders could do more to ensure that new homeowners have as much relevant information as possible to support the operation of the technology within their homes, as well as general information about the wider specification of the property. It was agreed that there needed to be a balance between providing enough information and too much. There were also discussions about the potential of using online tools to make this information sharing more dynamic and bespoke, as well as the need to ensure that this is provided as early in the purchase process as possible, to give consumers enough time to absorb the information before moving into their new property.

Recommendation 10: *Homebuilders should ensure that they proactively provide comprehensive, specific, plain-English information to new home buyers on the specification of their property, particularly in relation to how*

to operate any new technology. This information should be provided as early in the purchase process as possible.

- 8.3 There was some discussion by sub-group members about the specific challenges of communal heating systems in apartment buildings in terms of operating effectively and reliably, and the impact that this can have on consumer experience and satisfaction. Research commissioned by BEIS has shown that people whose homes are heated by heat networks are more likely than others to experience interruptions in their heating supply, with 37% reporting interruptions in the preceding 12 months (compared to 24% of people whose homes are not heated in this way)¹¹. This research also found that around one third of heat network consumers had either complained or had reason to complain about their heating system, and of those that did complain, fewer than half were satisfied with how the complaint was resolved. Given the environmental benefits of communal heating systems and heat networks, they are likely to continue to be a feature of London's new housing supply, so it is crucial that industry standards are developed and maintained to ensure high quality systems and effective customer redress for when things go wrong.

Recommendation 11: Given the specific challenges to construction quality posed by some heating and energy technologies, the Mayor and the homebuilding industry should actively support the development of regulation and customer service standards for heat networks.

- 8.4 During the course of discussions, sub-group members identified the well-recognised skills and training challenges within the construction industry as being a key factor in quality issues. These challenges have been widely acknowledged in a number of forums, for example in the Farmer Review¹² and the findings of the HfL Construction Skills Sub-Group¹³. They include an ageing and diminishing workforce, heavily reliant on migrant labour, which is struggling to recruit and retain skilled workers given the fragmented nature of the industry and its poor public image.
- 8.5 In terms of how skills issues impact on construction quality specifically, sub-group members highlighted examples where the workforce does not have the skills to ensure high standards of delivery, in particular in relation to challenges with the workforce being able to learn skills relevant to new technologies as swiftly as required (e.g. precision-manufacturing housing, knowledge of heat network technology).
- 8.6 In addition to skills specific to direct construction, there was also considerable emphasis on the need to ensure that workers are significantly skilled in oversight processes, for example as a clerk of works. A number of sub-group members felt that these skills and the required inspection regimes to ensure high levels of construction quality are not currently in place on all sites. While a number of members suggested that the decline in the use of a clerk of works was due to a lack of requirement for them as part of homebuilders' processes, others suggested that the lack of adequate training for clerks of works¹⁴ was a key part of the challenge. In

¹¹ BEIS, 'Heat Networks Consumer Survey' (BEIS Research Paper Number 27), 2017

¹² Construction Leadership Council, 'The Farmer Review of the UK Construction Labour Model – Modernise or die: time to decide the industry's future', 2016

¹³ Report available at: <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/skills-capacity-construction-industry>

¹⁴ "Clerks of works, also known as Site Inspectors, Site Supervisors or Building Quality Officers, monitor the work of companies that carry out contracts for their employer or client. Their main responsibility is to make sure

light of this, the sub-group saw the work being done to tackle the wider skills agenda as an opportunity to also tackle construction quality issues, by ensuring that skills provision recognises the need for specific skills, including those required for installing and maintaining new technologies and site oversight skills.

- 8.7 **Recommendation 12: *The Mayor should consider how to use his Construction Academy and other construction skills initiatives to support the development of a more skilled construction workforce in order to support an increase in construction quality. This should include support for the skills required to support precision manufacturing and other new technologies, as well as promoting specific, skilled on-site roles related to oversight, such as clerks of works.***

9 Aftercare

- 9.1 Effective aftercare for consumers after they have purchased and moved into their property, is key to ensuring that any defects that do remain at the point of handover are dealt with as swiftly as possible. Sub-group members discussed the importance of ensuring that issues which do occur are dealt with as swiftly and effectively as possible. This is clearly a central issue for consumers, as shown by the significant numbers who experience multiple defects with their properties. The report of the APPGEBE highlighted that “the various systems of redress for putting right defects can be too protracted or too expensive”. The sub-group discussed the importance of ensuring that there are effective and efficient processes to pursue when things go wrong, and as part of this highlighted the importance of having a formal agreement to this effect, for example by committing to minimum customer care standards and clear service levels for consumers as part of a commitment to Zero Defects.

Recommendation 13: *As part of a Zero Defects charter, homebuilders should commit to minimum standards for consumer care through the development of service level agreements to govern the relationship between homebuilders and consumers. This should include a clear and efficient complaints process.*

- 9.2 The sub-group also discussed the extent to which social media has contributed to bringing the issue of construction quality higher up the agenda and, in some cases, provided consumers with a more effective option for recourse compared with traditional communication methods. While it is understandable that some homebuilders are nervous about the potential exposure to negative coverage through social media, the sub-group agreed that this was not only a key communication tool between consumers and homebuilders, but could also be a valuable source of information on faults, as well as a way of providing highly responsive customer service.

Recommendation 14: *Homebuilders should engage positively with, and promote the use of, social media as a valuable source of information on*

faults and means of providing consumers with a voice and a swift solution to problems.

- 9.3 As stated at the beginning of this section, the APPGEBE has identified the issue of the lack of formal and efficient redress systems for consumers of new homes, and hence has recommended that the Government establish a new single housing ombudsman to deal with these issues. However, a new ombudsman alone will not be able to solve issues in relation to the consumer experience of quality issues. Work should also be done to investigate how to implement minimum warranty standards and to make the existing consumer codes for new homes effective, and easy to understand and navigate for consumers.
- 9.4 The 2017 HOA homeowners survey sought customer views on the operation of the system of warranties¹⁵. They found a clear mismatch between consumer expectation and reality. Nearly half of new build property buyers in the last 10 years (46%) expected the full 10-year warranty to cover minor snagging issues on their new build home when, after the first two years, warranty cover principally applies to just structural problems.
- 9.5 The survey findings echoed conclusions from the APPGEBE report, which stated that consumers think a warranty is a hallmark of absolute quality, whereas a warranty will often cover far less than consumers assume. Amongst consumers who have bought new build properties in the past ten years, the HOA survey found the most common misperceptions around the types of faults which aren't covered by the full 10 year warranty are electrical and wiring faults (71%), plumbing faults (63%), and insulation and draft faults (58%).
- 9.6 The HOA survey found that consumers who have bought new build properties in the past ten years had three clear priorities for warranties. They wanted the warranty provider to take the lead on: resolving issues (22%); claims to be paid without fuss (18%); and full cover to the rebuild value of their home (13%). The apparent lack of consumer understanding over what warranties cover, and unhappiness with how they operate, suggests that improvements in this area, for example by increasing levels of understanding and making provision for remedies of issues not covered by the warranty, may contribute to an improvement in consumer experience.
- 9.7 The Consumer Code for Home Builders applies to all Home Builders registered with the UK's main new Home Warranty Bodies: NHBC, Premier Guarantee and LABC Warranty. The Code consists of principles that homebuilders must meet in their marketing and selling of Homes and their after-sales customer service. During its discussions, the sub-group also received a presentation from the Consumer Code for New Homes, a code which covers a much smaller number of warranty providers. While the codes both differ in terms of their specific offer and levels of coverage, they are both aiming to improve quality in construction in order to create a better experience for the consumer. However, the APPGEBE report highlights issues with the Consumer Code for Homebuilders, stating that "there was concern amongst our witnesses that the Code is not policed and has no 'teeth'" and that "[t]he dispute resolution scheme... is limited in its scope". Given the importance of having a streamlined approach to redress through a new housing ombudsman service, the sub-group felt that there was work to be done to ensure that both warranties and

¹⁵ HomeOwners Alliance, 'The HomeOwner Survey 2017: Issues, trends and how we feel about our homes', 2017

consumers codes were reviewed to ensure minimum standards and clear routes for redress for consumers.

Recommendation 15: *Government should proactively explore options for implementing minimum warranty standards and streamlining existing consumer codes for new homes as part of its wider work on establishing a new single housing ombudsman.*

10 Objectives & Expected Outcomes

- 10.1 The overall objective of the work of the sub-group was to prepare a report for the Board, with a particular focus on any recommendations to ensure the highest possible construction quality of new homes and to ensure that, where defects do occur, residents receive a prompt response and effective solutions. Full details of the context and issues for consideration by the sub-group are outlined in its terms of reference at Appendix 1.
- 10.2 If implemented, the sub-group believes its recommendations should deliver an improved construction quality in London, meaning that more homes are built to a higher quality and that residents have a more positive experience of their new homes.

11 Key Risks and Issues

- 11.1 There is a risk that the recommendations outlined in this report will not be effectively implemented and the expected positive outcomes not realised if they do not have buy-in from the full range of affected stakeholders, including developers, housing associations, contractors, the Mayor, local government and consumer groups. This risk will be mitigated by the recommendations which urge joint working across different parts of the homebuilding sector and government. The Mayor can play a key convening role in bringing together stakeholders on this issue.

12 Equality Comments

- 12.1 As is outlined in the impact assessment (IA) of the draft London Housing Strategy (LHS)¹⁶, the impacts of poor quality housing on health are well documented. These are particularly acute for children, as well as pregnant women, older people and those with disabilities. Conditions such as damp, indoor pollutants and excess cold have all been shown to be associated with physical illnesses, including eczema, hypothermia and heart disease. The Building Research Establishment has estimated that poor quality housing costs the NHS £1.4 billion a year nationally, with £500m of that cost directly related to older people. The recommendations outlined in this report aim to improve housing quality in London and so improve outcomes for those groups particularly adversely affected by poor quality housing.
- 12.2 The recommendations outlined in this report should also support the increased delivery of housing in London, including affordable housing. The fewer defects there are in new homes, the more swiftly Londoners can move into these homes and enjoy the positive impact of having a home which better meets their needs. In

¹⁶ GLA, London Housing Strategy Impact Assessment, 2017

addition, if new homes are of better quality, this should also support an increase in the level of support for and acceptance of new homes by those who would be concerned by quality issues. As outlined in the IA for the draft LHS, the increased supply of housing will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and minority ethnic groups and women.

13 Financial Comments

- 13.1 The recommendations contained in this report will be considered by the Mayor in due course. The resource implications of delivering any of the recommendations will be considered as part of this process, and any resources required will be agreed and allocated through the appropriate part of the GLA decision-making framework.

14 Next Steps

- 14.1 The Board is asked to consider the recommendations outlined in this report and direct further work as appropriate, in particular noting the following recommendations:
- The Mayor should work with the homebuilding industry and other partners to ensure the effective implementation of these recommendations; and
 - All recommendations should be in progress by the end of March 2019.

Appendices:

Appendix 1 - Terms of reference: Homes for Londoners Board sub-group – construction quality

Appendix 2 - Draft Zero Defects charter