

Best in class efficient engine room

As land and planning has become less of a constraint, the operational capacity of the industry as a whole has become more constrained through this cycle. We believe that having an efficient engine room, to protect and enhance value through the business is vitally important. Through structured investment and by developing our skills and supply chain, we believe we can grow the capacity of our operational business and our delivery capability. This will be an ongoing effort, and whilst it cannot be done overnight, we have started by putting in place a number of initiatives that will increase our capacity to deliver and, importantly, maintain and improve quality. We have begun this by strengthening and investing in our people and skills, including investment in direct labour, our apprentices, our production teams as a whole, as well as technology and process improvements.

It remains our belief that homebuilding is inherently cyclical and so we remain committed to retaining a strong balance sheet, not over stretching investment, and maintaining financial discipline. As announced previously, we have undertaken a cost and efficiency review to identify and validate opportunities for performance improvement and cost efficiencies. As a consequence, we have initiated a number of workstreams during the year which are primarily targeted at applying technology and standardisation to increase productivity.

We are prioritising research and development, seeking out new processes and products that can improve efficiency and sustainability, and also improve quality and the final product for customers. The build of our Project 2020 prototype homes in 2018, following our design competition with the Royal Institute of British Architects (RIBA), has been particularly useful in providing new insights.

We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders. As set out on page 18, we believe we can do more with our existing landbank by taking a much more strategic approach to our assets. This includes adopting a factory approach by increasing build and sales rates on large sites, in line with market demand.

Increasing the output from each factory also enables an improved workflow and consistency in quality of the finished home.

In the year, we achieved a 0.5 percentage point margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition. We achieve this optimisation of value by undertaking a series of thorough reviews of each site at all stages of its life cycle, using our value improvement and tracking processes to ensure that we are continually optimising and delivering the value within our land portfolio and capturing market inflation.

Supply chain security will deliver and drive build efficiency. We are working to strengthen our partnerships with the supply chain, and will be seeking greater collaboration to deliver solutions to build quality and efficiency issues on an ongoing basis.

Our scale affords us the benefit of strong purchasing power, and we can achieve significant cost savings across our regional businesses through national agreements with a number of suppliers. We continue to work to improve our relationships with our supply chain, both in procurement and via Taylor Wimpey Logistics, to deliver solutions to build quality and efficiency issues on an ongoing basis. Taylor Wimpey Logistics plays an important part in our supply chain management, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the building process. With focus and greater standardisation on process, compliance, house types, design, suppliers and through collaboration, we believe we can deliver a greater quality and efficiency from our supply chain. This includes increasing efficiency by reducing stock items and improving visibility on programming for material demands.

We aim to use natural resources efficiently and to reduce our impact on the environment. We are pleased to have reduced our emissions intensity by 38.7% since 2013. Whilst our emissions in 2018 increased to 24,837 tonnes of CO₂e (2017: 23,683), we are still on track towards our target of 50% reduction in direct emissions (scope 1 and 2) by 2023.

What this means...

In practice

- Cost and efficiency review to ensure value-added investment is properly tested and benchmarked
- Prioritising research and development, looking for better solutions
- Technology to free up valuable management time
- Seeking greater collaboration with suppliers

Key priorities

- Work together with suppliers to reduce inefficiency and cost
- Continue to work to reduce waste and emissions

 **Read more** on pages 6 and 7
 **Read more** in our 2018 Sustainability Report



Our KPIs

 **Read more** on page 25

Net private sales rate

0.80



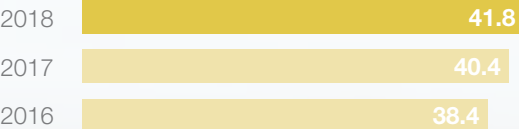
Order book volume

8,304



Private legal completions per outlet

41.8



Order book value £

£1,782m

