

LHC JOINT COMMITTEE - Friday 7th December 2018

Held at London Councils, 59½ Southwark St, London SE1 0AL

Representative

Borough

In Attendance

Councillor David Martin	Bucks
Councillor Philip Corthorne	Hillingdon
Councillor Peter Mason	Ealing
Councillor John Bevan	Haringey
Councillor Dino Lemonides	Enfield
Councillor Clayeon McKenzie	Hackney
Councillor Kevin Brady	Tower Hamlets
Councillor Asma Islam	Tower Hamlets
Councillor Jane Palmer	Hillingdon

Apologies

Councillor John Chilver	Bucks
Councillor Joshua Peck (Resigned)	Tower Hamlets
Councillor Angela Picknel (Resigned)	Islington
Councillor Diarmaid Ward	Islington
Councillor Eleanor Southwood	Brent

Officers and Advisors

Neil Fraser – Honorary Clerk (Deputy)	Hillingdon
Zak Muneer – Deputy Director, LHC Operations	LHC
John Skivington – LHC Group Director	LHC
Neil Barker – Director	WPA
Nigel Williams – Director, LHC Operations	LHC
Mary Bennell – Director	SW
Clive Feeney – Director	SPA (Apologies)

1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received as set out above.

2. MINUTES OF THE PREVIOUS MEETING

2.1 The Minutes of the LHC Members' meeting held on 29 June 2018 were agreed as a true record.

3A. REPORT OF THE DIRECTOR, INCLUDING RISK REGISTER

- 3.1 Consideration was given to a report by the LHC Group Director which provided Members with an overview of the organisation. The report also included details of the Risk Register.
- 3.2 The Joint Committee was informed that while income continued to grow, the organisation would not achieve its income target this year. Reasons given for this included the slower than expected progress on new build projects (particularly new housing), and a faster than expected decline in refurbishment projects (aggravated by increased competition, reduced spending on energy efficiency, and uncertainty over Grenfell). In all other areas, organisational performance was good.
- 3.3 Client satisfaction was high at 91%. Ratings for appointed companies had dipped to below 70% at the beginning of the year, but was now over 80% and rising. It was expected that a net surplus of around £1.8m would be produced.
- 3.4 Regarding Dignity and Respect, one incident had been recognised and dealt with. Half of all staff had undergone development training this year, and it was planned that all staff would be trained by the end of March 2019.
- 3.5 Income and Expenditure was further detailed. Contractor Schools had provided growth, particularly through the construction of 39 new Free Schools, though a decline was anticipated as the Education Skills Funding Agency (ESFA) now had its own framework, and was pressurising clients not to use alternative frameworks like LHC.
- 3.6 New homes were expected to fuel future growth of LHC. Core frameworks like windows, kitchens and compliance services continued to provide a steady stream of income.
- 3.7 Encouragingly, LHC continued to gain new users of its frameworks across all regions. New build housing schemes had resulted in 75 new clients, and the organisation had launched 8 new frameworks within the last 6 months. Further rollout of frameworks would continue over the next 6 months.
- 3.8 Regarding IT, it was confirmed that the team continued to ensure that systems were up to date, and the Business Intelligence tool continued to be updated.
- 3.10 Members were informed that staff performance remained high, with absenteeism below 1 day per employee per year. The annual Health and Happiness survey was now being completed, with results expected by January 2019.
- 3.11 There were no changes to the Risk register since the December meeting. Three of the risk items had materialised this year, but due to mitigation measures there would be no negative impact on reserves. It was highlighted that Risk M – *Government rent cap may adversely affect procurement plans of social landlords* could provide opportunities for LHC following its reversal.

RESOLVED: That the information contained in the Director's report be noted.

3B. REPORT FROM THE DEPUTY DIRECTOR

- 3.12 Consideration was given to a report by the Deputy Director which provided Members with financial information, accommodation information, and an auditor update.

- 3.13 The Joint Committee was informed that, while the forecasted income target would not be achieved for the reasons set out in the Director's report, the total being added to reserves was approximately £1.8m after rebates.
- 3.14 It was highlighted that the budget for 2019/20, discussed at the June 2018 meeting, had been set at £10.4m with a turnover in excess of £500m, in anticipation of business resulting from new framework launches, such as the new Housing (H1) framework. However, the budget for 2019/20 was to be reviewed in detail in quarter 4 of 2018/19, to take into account the impact of discounting the levy rate below the 1% level in order to win business against competitors.
- 3.15 Reserves of £7.5-8m were being retained in order to meet risks and allow for reinvestment for growth plans of LHC regionally. Currently, LHC centrally retained and distributed reserves for all regions, with levy and rebate rates also decided centrally. In order to allow regional Boards greater autonomy to set levy rates, the level of rebates, and reserves used, it was proposed that the decision making on the regional areas be decentralised.
- 3.16 Currently, LHC retained 60% of all income generated by regions. It was proposed that this be reduced to 40%, so that regions would retain an additional 20% to cover their risk reserves and meet future investment requirements. It was confirmed that regional budgets would be subject to annual approval of budgets by the Joint Committee.
- 3.17 A service level agreement would be drawn up in preparation for implementation of the proposal on 1st April 2019.
- 3.18 Regarding accommodation, it had been reported at the June 2018 meeting that the Uxbridge office's lease was due to expire in 2020. Following discussions with the landlords, a formal offer of £27 per sq. ft. on a 10 year tenure had been received. This included a break clause after 5 years. It was felt that this was good value in the current market, and it was recommended that the new lease be approved under these terms.
- 3.19 With regard to external auditors, at the June 2018 meeting the Joint Committee had requested that LHC officers look into the legal requirements for changing auditors. Following discussion with LB Hillingdon's financial officers, it was understood that there was no legal requirement to review auditors. However, it was felt that to do so would be good practice, and it was proposed that LHC re-tender for auditors after this year's audit was completed.
- 3.20 Membership was updated, with a further 8 organisations joining as Associate Members since 1st April 2018.
- 3.21 The Joint Committee was mindful of the timings for the consideration and approval of future budgets. It was proposed that the budget timetable be reviewed, with proposals for changes brought to the meeting in June 2019.
- 3.22 The Joint Committee was also mindful of the need to maintain oversight of regional decisions relating to reduction in levies, rebates, and the like. It was requested that Joint Committee review the aggregated financial details from the regions at the relevant future meeting.
- 3.23 The Joint Committee requested that the landlords of the Uxbridge site be asked to consider a 3 year break clause.

RESOLVED:

1. That the information contained in the Deputy Director's report be noted;
2. That the landlords of the Uxbridge office site be asked to consider a 3 year break clause;
3. That proposals for the rearrangement of the budget timetable be brought to the June 2019 meeting; and
4. That, following the decentralisation of decision making, details of regional financial decisions, including levies, rebates, surplus, be brought to a future meeting of the Joint Committee.

4. LONDON COMMUNITY BENEFIT FUND

- 4.1 The Group Director updated the Joint Committee on actions taken to appoint a Fund Manager, as requested at the June 2018 meeting. A brief outline on the nature of the Community Benefit Fund was provided for the benefit of new attendees.
- 4.2 It was confirmed that, following the June meeting, a brief outlining LHC's requirements was prepared and issued to three parties who had proven experience as Community Fund Managers working with Local Authorities. These were:
 - Nationwide Foundation
 - Locality
 - The London Community Foundation (LCF)
- 4.3 Of the three, Nationwide declined to submit a proposal due to the relatively small size of the LHC Community Benefit Fund (£105,000). Locality's proposal mirrored the LHC's approach within Scotland and Wales, and proposed the appointment of a dedicated Fund Manager liaising with each of the ten LHC Members to identify specific community needs and facilitate service provision. In contrast, LCF proposed uniting the LHC Members around a singular theme – 'Future London' – which aimed to support grassroots social sector organisations to invest in young people.
- 4.4 As detailed within the report, in all other respects the two organisations were broadly similar. The Joint Committee was advised that if a singular theme was acceptable, then LCF should be appointed. If not, then Locality should be appointed.
- 4.5 Members discussed the options, and were mindful of LHC's commitment to social value. Following discussion, it was decided that Locality be agreed as LHC's new Community Benefit Fund Managers. To avoid delays, it was agreed that Members would not be involved in the appointment process.

RESOLVED: That Locality be appointed as Fund Managers to act as LHC's agent to manage the investment of the LHC Community Benefit Fund and to report on its effectiveness in improving social outcomes.

5. REPORT ON LHC'S OPERATIONAL RESPONSE TO THE MAYOR'S 'BUILDING COUNCIL HOMES FOR LONDONERS' PROGRAMME

- 5.1 Members viewed a presentation detailing how LHC was helping with creation of homes within London. It was highlighted that London Councils had significantly increased the number of homes being built, up to 2,500 in 2018.
- 5.2 A new Construction Sector Deal, to be in place by 2025, was focussed on achieving a 33% reduction in whole life costs of assets, a 50% reduction in time for completion of new build and refurbished assets, and a 50% reduction in greenhouse gasses in the built environment.

- 5.3 A key recommendation from the new deal was the implementation of ‘the presumption in favour of off-site manufacturing in suitable products’ and a greater move to procuring for value rather than cost.
- 5.4 LHC was focussed on helping to achieve this, and was working to create framework agreements with social landlords and consultants, contractors and manufacturers. This included the FAC 1 framework which facilitated collaboration between LHC, companies appointed to LHC framework, and clients using the LHC framework, to promote value through asset optimisation, better quality products and processes, and measurable local and global impact.
- 5.5 FAC 1 Framework included the H1 tender (Housing Construction and Consultants) and the NH1 and NH2 tender (Offsite Housing Manufacturing and Construction). The NH1 Offsite Housing Framework had resulted in pipeline figures of 3,725 new homes, housing 6,731 people.
- 5.6 The vast majority of house delivery in London was through Development Agreements, which accounted for 58% of the total new homes. Similarly, the majority of London Councils’ new build allocations for social rent was through LHC Constituent and LHC Associate Members.
- 5.7 Actions to engage with Councils included:
- Pre-Tender with London Councils and Contractors (November 2018)
 - Introduction to each of the LHC Constituent Members
 - Collaboration with the GLA via the Council-led Housing Forum, and the London Housing Network
 - Collaboration with New London Architecture (NLA)
 - Participation with Construction Leadership Council and Constructing Excellence Through Leadership groups
- 5.8 The Group Director concluded by requesting members volunteer further ideas for engagement. Members suggested that New London Architecture be approached to run a joint session with the LHC. In addition, it was suggested that LHC engage with East End Homes, and look to publish an article in the Municipal Journal.
- 5.9 The Joint Committee requested that the presentation be forwarded to all Members following the meeting, alongside a covering letter and relevant analysis data.

RESOLVED:

- 1. That the presentation be noted;**
- 2. That New London Architecture be approached to run a joint session with the LHC and London Councils, that LHC engage with East End Homes, and that LHC look to publish an article in the Municipal Journal; and**
- 3. That the presentation be forwarded to all Members following the meeting, alongside a covering letter and relevant analysis data.**

6. REGISTER OF GIFTS AND HOSPITALITY AND REGISTER OF INTERESTS

- 6.1 Noted.

7. DATE AND TIME OF NEXT MEETING

- 7.1 It was confirmed that the next meeting of the Joint Committee of the LHC would take place at 10am on Friday 28 June 2019, at LHC offices in Uxbridge.

The meeting which began at 11:05am, closed at 01:16pm.

THESE DECISIONS WILL COME INTO EFFECT AND BE IMPLEMENTED BY THE RESPONSIBLE OFFICERS UNLESS CALLED-IN.

THE DEADLINE FOR ANY CALL-IN BY THE EXECUTIVE SCRUTINY COMMITTEE, TO BE NOTIFIED TO THE HEAD OF DEMOCRATIC SERVICES, IS 5PM ON 21 DECEMBER 2018.