

Item 3 - To receive and consider the report from the LHC Group Director

1. Recommendations

- For the first time, the Director’s report will be supported by separate reports from each of the seven LHC business units – see item 4.
- The recommendation is that the proposal contained in this report and the seven supporting reports be approved

2. Overview

- I’m pleased to report that we have performed over and above our expectations during the lockdown period which existed in one form or another for the entire 12 months of this operating period, April 1st, 2020 to March 31st, 2021.
- We are now well positioned to recover strongly as lockdown eases. By the end of this period – March 31st 2022 – we will be back on our growth trajectory in all areas of business performance and, in the following year – by March 31st 2023, will have recovered our reserves position to pre-covid levels.

3. Business performance

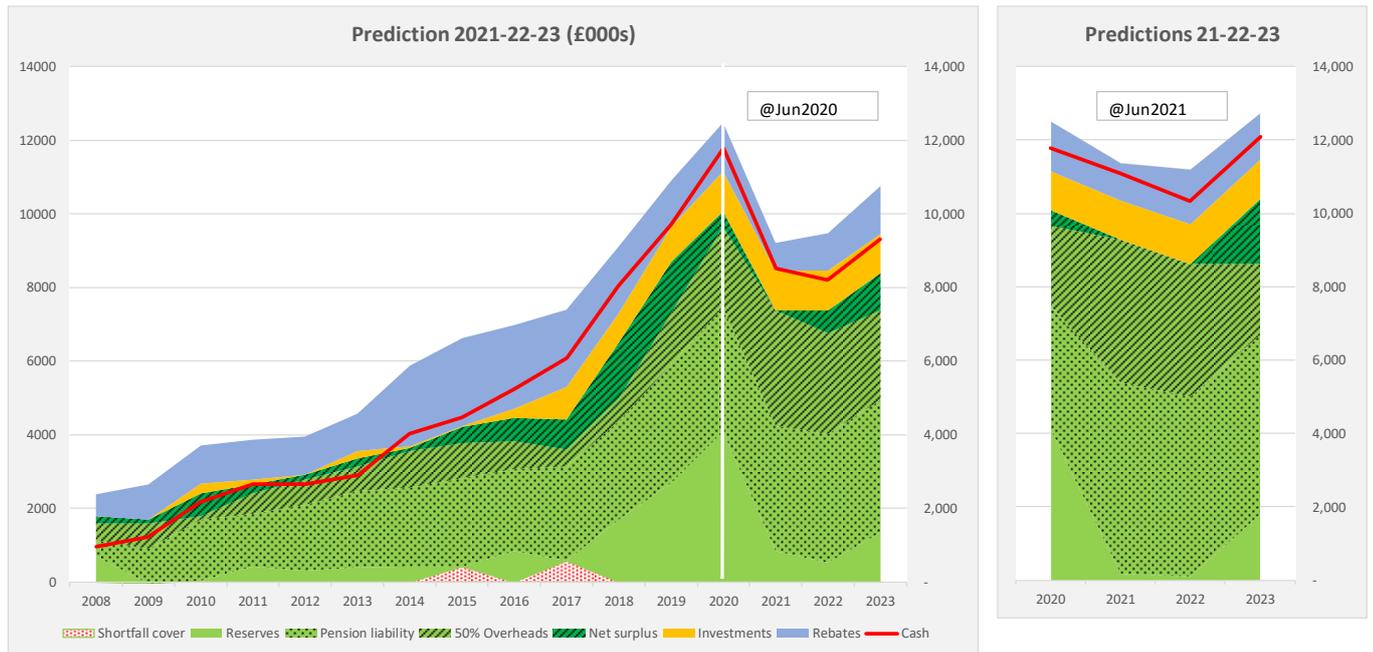
- Our purpose is to deliver better buildings and homes that enhance local communities.

3.1 Business growth indicators

- To track our achievement to this aim we monitor five key indicators as shown below.
- Remarkably, despite covid, we outperformed last year’s results in two of them, including gaining 22 more clients.

LHC GROUP	2019-20 actual	2020-21 actual	% vs last year
Project Leads	1371	1438	105%
New Live LHC Projects	626	592	95%
Clients using LHC Frameworks	279	301	108%
LHC Income	£ 8,411,380	£ 5,540,767	66%
LHC Turnover	£ 347,447,914	£ 293,802,754	85%

- In terms of LHC turnover, we procured almost £300m of new work, just 15% down on last year.
- In terms of LHC income, although we achieved only 66% of last year’s value this is £1.2m higher than the predicted value presented to the LHC Board last June.
- Together with cuts in expenditure in 2020-21, this strong income performance has had a better-than-expected impact on our reserves position (see chart below).



- This shows the growth in LHC reserves from 2008 to 2020 and the predictions for 2021, 2022 and 2023 last year in June 2020 compared to the current predictions (chart on the right-hand side).
- It shows total reserves - the top of the blue area – but most importantly the closing reserves which is all the green area. This is what’s left after we have taken out rebates (blue area) and investment (yellow area).
- The red line shows our cash position after rebates but before investment.
- In June 2020 we expected our reserves to fall by about £3m by March 2021, stay stable to March 2022 and then show reasonable growth to March 2023, but not attaining pre covid levels.
- The outlook today is much better. Reserves have fallen by only around £300,000 to March 2021 but, because of the longer lockdown, will fall again by about £0.5m by March 2022. By March 2023 our total reserves – and cash – position will recover to pre-covid levels.
- The shaded areas in green show our two key provisions for risk – 50% of overheads and our net pension liability. A big impact of covid on the generic pension market, together with our growing workforce, has increased our net pension liability from £3.6m to £5.2m. This is just about covered by our reserves holdings. (See full reserves breakdown in Appendix 9.3 below).

3.2 Staff health and happiness

- During covid we focused relentlessly on maintaining the wellbeing of our workforce with very positive results as shown in the HR report in item 5.
- From our last staff survey 86% of staff feel positive about LHC up from 64% last year.
- Although our absenteeism rate has risen from 1.5 average days per person per year to 1.7, we feel this is a good result given the challenges of covid for everybody.
- We achieved accreditation for the Workplace Wellbeing Charter, a great accolade.

3.3 Community investment

- The review and impact report of the LHC Members Community Benefit Fund is shown in Appendix 3.1. The key headlines are shown below.

- **In the first year 166 applications were considered**
- **Grants were approved to 23 projects – totalling £118,929**
- **515 people benefited through volunteering on the projects (an average of 36 per project)**
- **3945 people benefited from participation in the projects (an average of 281 per project)**
- **68.5% of the project beneficiaries were from BAME backgrounds (of the projects where it was possible to monitor – 64% of projects)**
- **17% of projects were BAME led or focussed, 9% Disability led or focussed, 22% were youth projects and 13% Environment projects**

- Our Fund agency, Locality, have invited Members to identify key themes/projects to benefit from the 2021-22 allocation of funds as listed below, based on the attendance by Members at the June and December meetings in 2020.

Brent	£10,000
Hackney	£10,000
Haringey	£10,000
Hillingdon	£15,000
Islington	£10,000
Lambeth	£10,000
Enfield	£10,000
Buckingham	£10,000
TOTAL	£85,000

4. LHC transformation change programme

- We're making good progress with the LHC transformational change programme supported by PwC consultancy.
- The aim of the programme is to improve the stakeholder experience of LHC from excellent to exceptional.
- This will be achieved by refreshing our business model and operations model, clarifying responsibilities and accountabilities in all areas and implementing new technology platforms to support business growth over the next 10 years.

5. Risk register

- A summarised risk register is shown in Appendix 3.4.
- This shows two changes:

- Increase in risk B from a likelihood of Medium to Medium/High due to the retirement of the LHC Group Director which has triggered a review of governance (see item 6).
- Decrease in risk V from a likelihood of Medium to Medium/Low and a consequence of High to Medium.

6. Retirement of the LHC Group Director

- After 17 years at LHC I have signalled to the Chair and the Directors at Hillingdon of my intention to retire from the business.
- The plans for this are outlined below:
 - For the next 6 to 12 months I will focus on conducting a review of LHC's governance arrangements (see item 6).
 - While this work is underway, LHC will recruit an interim Managing Director to oversee the day-to-day operations of LHC focusing on delivery of the covid recovery plans for which each LHC business unit Directors is accountable. LB Hillingdon is leading this recruitment with a selection panel comprising: The Chair and Vice Chair of LHC, the current LHC Group Director and the HR Director from Hillingdon.
 - Once the long-term governance arrangements of LHC are known, a permanent LHC Managing Director will be appointed to lead the business for the next 5 to 10 years.
- This will be my last attendance at this meeting as the leader of LHC. I would like to take this opportunity to thank the LHC Board for all the support and guidance I have received during my period in office. I have enjoyed it immensely.