

INTERIM MANAGING DIRECTOR'S REPORT

1. RECOMMENDATIONS

- That the information contained in the Interim Managing Director's (MD) report below be **noted**.
- Members **approve** the request for delegation of future years' Budget approval to the LHC Board of Directors, as set out in 5.3.

2. OVERVIEW

- Progress is being made against the objectives set for the Interim MD as set out in the 3rd December report but with a shift of emphasis to implementing the recommendations relating to the Governance Review, as reported elsewhere on the agenda.
- Our assessment on the impact of COVID on LHC business turnover at the end of January remains positive but COVID continues to impact across the UK, particularly in Scotland. As at end of February, projected year end turnover shows an increase of 6% against approved budget ie, £27.5M improvement. Further details appear in the Director of Operations' report later on this agenda.
- Staff feedback is now collated monthly at Team Briefing sessions by Regional Directors and comments are reported back the next following month to create a 'loop' of consultation.
- The impacts of the Omicron variant after the last meeting in December resulted in a return to staff working from home and planned office closure across the UK from 17th December to 10th January 2022. The management approach remains cautious, focussing on health and safety and limiting physical attendance in offices. To support this approach, our Home Working Policy has been reviewed and updated as new working patterns have emerged post-COVID.
- The latest headlines from the annual Health and Happiness survey present a picture of good morale amongst staff despite a difficult year.

3. BUSINESS PERFORMANCE

- 3.1: Each region has reviewed their LOCIT targets as at the end of January and report as follows on their business recovery progress since the last update in December.

LOCIT measures are: -

Leads; **O**pportunities; **C**lients; **I**ncome; **T**urnover

RBU – Regional Business Unit	% Income - Actual v Target	% Turnover - Actual v Target
SPA: Scottish Procurement Alliance	81	102
SWPA: South-West Procurement Alliance	87.5	86.5
WPA: Welsh Procurement Alliance	136	157
LSE: London and South-East Region	84	89
CPC: Consortium Procurement Alliance	58	49

- 3.2: **Standardised monthly Group reporting meetings** are in place, chaired by the Director of Strategy, Innovation and Growth, supporting Group Strategy development.
- 3.3: **Client satisfaction** ratings for LHC (to the end of January remain consistently high at 91% based on 90% of feedback on projects. Our customers rate our appointed companies at 82%, again showing good satisfaction levels.

4. BUSINESS PERFORMANCE

- 4.1: **Business activity** levels are holding up and more detail of customer activity by Framework is shown at Appendix 7.1.

5. PROJECTED OUTTURN REPORT 21/22

- 5.1: Please see the forecast Budget outturn report for 21/22 in agenda item 7 (Private Agenda.)
- 5.2: Following December 3rd JC meeting, officers had anticipated being in a position to present a Budget for 22/23 for approval at today's meeting together with forecasts for 23/24. Given that these will be the final Budgets in the current constitution of LHC, officers want these submissions to be as accurate as possible.
- 5.3: The Budget report would normally be presented at the June 2022 JC meeting and in the time available since December, the most accurate expenditure forecasts have not been possible. As a consequence, alternative arrangements are required for approval of future years' budgets as set out in the financial report by the Director of Operations on the Private part of this Agenda.
- 5.4: By way of assurance to Members, on 25th June 2021 LHC estimates for 22/23 were approved and those Budget authorities remain in place, enabling business as usual across the operational regional business units and central services. No significant items of major expenditure will be approved between year end and June 2022.

6. INFORMATION TECHNOLOGY

6.1: Progress with the “Let’s Design” phase of the Transformation Change Programme is progressing well. The ‘Communities of Practice’ (CoP) teams are in place and mapping supplier, appointed companies and client journeys to support the new Target Operating Model. Following a staff consultation exercise, the Transformation Programme has been re-named “LHC Together” and weekly highlight reports go to all staff to report progress. Morale in the CoP teams is high with a great enthusiasm to standardise business processes across the group.

6.2: Significant progress has been made on the new procurement portal, led by Head of TPO. Three vendors have been shortlisted to demonstrate how their solution best meets our business needs. ApCo, and CoP teams are involved in evaluating the supplier experience of each vendor. The procurement portal will significantly improve client and user experience, increasing LHC’s competitive edge.

7. STAFFING UPDATE

7.1: A number of new appointments and internal promotions have been made since December 2021, please see the updated organisation chart at appendix 4.1.

7.2: Please see the chart below for data for Q3 up to 31/12/2021: please refer to the LHC Organisational chart dated March 2022.

	Q1	Q2	Q3
Headcount	66	68	70
Regional	43	43	41
Uxbridge	23	25	29
Starters	7	4	4
Leavers	3	0	2
Sickness Days	6	23	102.5
Average sick days	0.09	0.3	1.5
No. closed sickness	2	9	15
No. open sickness	0	2	0
Training no. of staff	27	25	22

7.3: Health and Happiness Survey.

7.3.1: LHC’s independent survey of staff Health and Happiness was conducted in December 2021, with results becoming available in February 2022. To remind members, this survey was created by Gallup and has been used internally since 1997 as a ‘temperature test’ of morale and wellbeing. Given the ongoing uncertainty due to the review of Governance, the results were especially significant.

7.3.2: 54 out of 64 eligible staff responded as follows: -

- 92% staff scored a positive score
- 7% were neutral
- 1% were negative

This year's (2021) average score was 4.46 out of 5, an increase from 2020, where the average was 4.23 out of 5.

7.3.3: Senior managers were pleased to see these positive improvements following last year's high which was LHC's 10-year best. There is no room for complacency and each department leader has now received their team results (dependent on team size) which compare 2020 and 2021. The survey is anonymous as well as independent and reflects well on the organisational culture during a prolonged period of COVID and significant business change.

8. CONSTRUCTING THE GOLD STANDARD FRAMEWORK FOR PROCUREMENT

8.1: In December 2021, the Cabinet Office published an independent review for Public Sector construction frameworks, authored by Professor Sir David Mosey from Kings' College London. Senior technical officers from LHC participated in early consultation and feedback for his report. It highlights issues and challenges with the current construction frameworks across England and Wales and detailed 24 recommendations which, if followed, would demonstrate a "Gold Standard" by framework providers.

8.2: LHC officers have conducted a detailed analysis of the report and highlighted where LHC is already excelling, as well as our business gaps. Areas for improvement are feeding into the Communities of Practice work programme and outputs will further improve LHC's ability to succeed against our market competitors.

8.3: Recently, the LSE region held a webinar publicising their regional framework ADSI.1. As part of that free marketing event, attended by over 350 clients and suppliers, Professor Sir David Mosey delivered a presentation on the Gold Standard Framework and distinguished LHC's current operating framework as well on the way to achieving 'Gold Standard.'

9. UPDATED LHC PROCUREMENT STRATEGY 2022 to 2030

- This has been a major piece of work by the Technical Procurement Team.
- A revised procurement strategy and programme are now in place to support LHC future business growth. The key aspect of this is a consolidation of existing standalone frameworks which attract similar bidders, and the aim is to improve bidder experience, saving time and costs. The new programme will also ensure a smoothing of resources for corporate functions such as IT and Finance to avoid multiple procurements running with similar procurement timescales. The new strategy will not affect current projects but will be implemented during 2022 when activity will start on the combined replacement for two large frameworks which both cover whole-house refurbishment, associated works and energy efficiency. These both expire in September 2024.
- Reports on client and supplier satisfaction levels will continue to measure the benefits of the new strategy.