

2021-2026

Future Shape

Our five year corporate strategy



L&Q

Our path for the next five years and beyond



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01

Forewords



Aubrey Adams, Group Chair



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L&Q's Future Shape
enshrines our
over-riding aim to
ensure every L&Q
resident has a safe
and decent home, and
access to services
they can rely on.
“

I'm pleased to introduce this five-year strategy as first to be led by our new Chief Executive, Fiona Fletcher-Smith.

Fiona brings with her a deep knowledge and understanding of the challenges facing L&Q, and a wealth of experience from a career dedicated to housing. As well as her exemplary pedigree in senior housing and infrastructure roles, Fiona also began her career as a housing officer, where she learned a deep understanding and empathy for social housing residents. This is evident in her ambitions to put the people that live in our homes firmly at the centre of everything we do.

It's perhaps no surprise then that this strategy speaks more strongly than ever to our origins. L&Q was founded in 1963 to help the most vulnerable people in society, and we have never lost sight of that mission. What began as a single property in South East London is now one of Britain's leading housing associations, with 105,000 homes across London and the South East, The Midlands and the North West. But while our scale and ambition has grown over six decades, our fundamental social purpose has remained constant.

We are an ethical, inclusive and values-based organisation with a long-term vision. Our social purpose drives us to deliver quality services to our residents. Not just homes, but also education, training and care and support services.

With so much economic uncertainty still hanging over the housing sector, and indeed the UK as a whole, we must remain prudent, realistic about risks and honest about the challenges we face. But we must also maintain our ambition to serve our customers to the very best of our abilities and ensure that the future remains in our hands.

L&Q's Future Shape enshrines our over-riding aim to ensure every L&Q resident has a safe and decent home, and access to services they can rely on.

Our top priorities are to ensure the safety of our residents and colleagues, maintain and invest in better homes, and provide reliable customer service. When making choices, these three overarching priorities will be at the forefront of our minds. There will be a new focus on “operational excellence”, which will be the driving force for how L&Q delivers products and services, along with our commitments in delivering our environmental, social and governance (ESG) framework.

To underpin this, it is vital that L&Q delivers strong financial performance. By maintaining financial discipline, ensuring strong governance and diverse leadership. L&Q will protect its credit ratings where it is within our control to do so and retain the confidence of investors and lenders.

Our aim is to use the next five years to establish a strong foundation on which L&Q can cement our position as a sector leader, and upon which to base future growth. This strategy sets out how that will happen.

Fayann Simpson, Resident Services Board



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The challenges presented by the coronavirus pandemic demonstrated that residents rely on us for more than just a home.
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Throughout the coronavirus pandemic we have all felt the importance of having a safe, secure and good quality home. We have also seen the importance that being part of a supportive community of neighbours plays in staying connected in uncertain times.

That's why I'm excited to see that in this strategy L&Q is committing to draw on the strength and experience of our residents and communities to help us improve our services, and in doing so, deliver our vision.

L&Q stands to gain so much by working in partnership with residents. By listening to their experience of dealing with us, drawing upon their knowledge of their neighbourhoods and supporting their local initiatives, L&Q will improve the decisions we make, the services and support that we provide and the neighbourhoods we are part of.

Over the course of this five-year strategy, we want to build on the good practice that we have seen emerging in resident involvement at L&Q. I'm looking forward to building collaborative relationships by strengthening our resident

network, increasing its visibility amongst our wider resident base, and creating opportunities for everyone to have their voice heard.

As well as involving residents in the decisions we make, it's vital that we're there to support them when they need it. The challenges presented by the coronavirus pandemic have demonstrated that residents rely on us for so much more than just a home. The dedication and commitment I witnessed during this period made me proud of L&Q and its people. L&Q was founded to help the most vulnerable people in society, so I want us to harness this passion in the continual delivery of services to support everyone in our communities.

Linked to this is L&Q's continued investment in education, training and care and support services. It's so important that we help to build resilient communities, and work to set ourselves apart from others by being a landlord and developer who is in it for the long term.

In doing all of this, my hope is that our residents are reassured that we value the safety, quality and sustainability of their homes and neighbourhoods as much as they do.

Fiona Fletcher-Smith, Chief Executive



I am absolutely clear that the 250,000 residents we provide homes for must be our priority.

Our new strategic vision and commitment is the result of a rigorous and collaborative process with Group Board, Executive Group, colleagues from across the business, and most importantly, residents.

The result is an approach that will put customers at the heart of L&Q, consolidate our financial strength, and lay the foundations for us to tackle some of the biggest issues our sector has ever faced.

Long-term thinking and horizon scanning are crucial elements of any corporate strategy but trying to predict the future in the midst of a global pandemic is extremely difficult. But what we know is that making sure our homes meet new safety regulations is going to require major investment over the coming years. We know that creating sustainable homes and meeting the future demands of the carbon neutral agenda will also require bold thinking and ambition. But the ongoing impact of coronavirus, Brexit and the wider challenges facing the housing sector mean that the future remains uncertain.

Yet, while the challenges differ, L&Q has always operated in uncertain environments. Our talented people and financial strength have always enabled us to navigate choppy waters, but at the start of every new journey we always go back to the fundamental questions: why does L&Q exist, what is our core social purpose, what does this mean in practice and what are our values?

As I open a new chapter in our history, I am absolutely clear that the 250,000 residents we provide homes for must be our priority, as we care about our residents' homes as much as they do. I want us to distinguish ourselves as an ethical organisation that genuinely works with residents and has a reputation for high quality sustainable homes, thriving communities and empathetic, responsive and repeatable customer service. This is the primary focus of this corporate strategy and I will work tirelessly to drive it forward.

To those who know L&Q as one of the sector's biggest developers, the coming years may feel like

we are looking inward, however our ambition to help tackle the housing crisis is undiminished. We have no intention of stopping building homes - they are core to our social mission - but the pace of delivery will ease in the short term. In the meantime, I want us to focus on building high quality, beautiful places and safe homes across our committed development pipeline up and down the country.

We will remain innovative and support people to transform their lives through the L&Q Foundation; we will support the most vulnerable residents in society through L&Q Living, and we will embed inclusion and respect in our workplaces and services.

We are committed to an environmental social governance (ESG) framework which demonstrates our holistic approach to sustainability, and is underpinned by our financial strength, stability and robust governance arrangements.

I know that everyone at L&Q will get behind this corporate strategy, indeed a lot of the work we need to do is already in progress. Together, we will demonstrate that being big doesn't mean that we compromise on the quality of our homes or services, but it does mean we can help to solve the big problems - a national housing crisis, climate action, fire safety, re-building after the pandemic, and so much more.

The last year has challenged us all. L&Q will have to make tough financial decisions and re-design our organisation to thrive in a different world, but the pandemic has taught us to be imaginative and discover new and better ways of doing things.

I've been passionate about housing all my life and understand the great responsibility that L&Q has towards our customers. Risks and challenges come with the territory, but so do opportunities and rewards.

Everyday L&Q is making a positive contribution to individual lives. This corporate strategy will build on that success and push the organisation to achieve this for all of our residents.

02

Executive summary



Executive summary

Introduction

Our journey to develop this five-year corporate strategy began in the summer of 2019. This followed several years of significant merger and acquisition activity at L&Q and came at a time when we were simultaneously navigating a number of significant challenges facing us as a business, our sector and the UK as a whole. These include the impacts of leaving the European Union, responding to the Grenfell tragedy, preparing for and responding to sweeping reform of the housing sector, and managing our way through the coronavirus pandemic. More recently, the rising cost and scarcity of utilities, materials and supplies, high levels of inflation and a cost of living crisis is impacting households and businesses alike. All of these factors are forecast to have a pronounced impact on our residents and business operations and as such, setting the right course for the future of L&Q and continuously monitoring the operating environment, has never been more important.

In setting our corporate strategy for the next five years we have worked with our colleagues, our residents, our leaders, our Executive Team and our Group Board. We have grappled with tough choices in order to make the right decisions for the future of L&Q. We have analysed the defining issues shaping our operating environment and the trends that we anticipate will influence our sector now and in the future, and we have critically examined our performance for our residents, our investors and our colleagues through the lens of their expectations. These insights were placed at the heart of the process to define our strategic priorities for the next five years and beyond.

Our strategic intent

Our vision is that everyone deserves a quality home that provides them with the opportunity to live a better life. This echoes our purpose to provide homes and neighbourhoods everyone can be proud of. We will do this by delivering safe, high quality homes, services and support for every type of resident. In recent times, our focus has been on the growth of new homes to support this, and on delivering better services and homes for our existing customers. However, the set of challenges we now face are new and different to any we have faced before.

Building on this, our five-year corporate strategy will be centred on three major priorities. Each of these is underpinned by what we are calling ‘operational excellence’, meaning that we commit to deliver the best total cost solution for our customers through reliable, consistent and repeatable products and services. Our customers will know what to expect of us, and know that we will deliver on this, time and time again.

Both as an enabler and an outcome of this, we will be more effective and more efficient. In turn, this will strengthen L&Q’s long-term health and sustainability.

Over the course of the next five years, our three major priorities will be:

Our vision

Everyone deserves a quality home that provides them with the opportunity to live a better life



Our purpose

To provide homes and neighbourhoods everyone can be proud of





More focus on investment in the safety of our residents and colleagues



Greater investment in our existing homes



More focus on delivering reliable, repeatable and consistent services

Outside of these priorities, but still critical to our social purpose, will be the delivery of more homes to help solve the housing crisis. We will also be placing more focus on the environmental sustainability and climate change agenda; through investment in and changes to our ways of working, our homes, and our business operations.

Finally, to assure the delivery of these priorities over the long term, we want to deepen our financial security through maintaining an ‘A’ range credit rating where it is within our control to do so, therefore continuing to enable investment opportunities. At the same time, we will seek to reduce our reliance on profits from new home sales, providing us with greater choice and flexibility beyond 2026.

Our strategic vision

From the start of the corporate strategy setting process, our intention has always been to set out a clear, unambiguous and cohesive direction of travel for the next five years, with strategic objectives that will guide all that we do as a business, and allow us and others to measure our progress and success. To help achieve this, we have set out five strategic pillars that form the frame for our strategic objectives; the **services** we provide, the **homes** we build, the **people** who are the L&Q team, our approach to **governance and assurance**; and finally the **finance** we manage and invest.



Service



Homes



People



Governance
and Assurance



Finance

Vision for Service

We will provide reliable, repeatable and consistent services, and tailored, intensive support to those customers who need us the most. We will work in partnership to enable the creation of sustainable communities.

Vision for Homes

We will develop quality, sustainable homes and places where people want to live that enable firm foundations for successful lives, benefitting our customers, our communities and the environment for the long term.

Vision for People

We will create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity, and create the environment, working practices and opportunities for our people to thrive and reach their potential.

Vision for Governance and Assurance

We will continue to take our regulatory, statutory and legislative responsibilities extremely seriously and embed compliance and assurance at the heart of our business through good governance arrangements. We will measure, monitor and report our performance, anticipating issues before they occur and take swift action to minimise their impact on our residents, their homes and our colleagues.

Vision for Finance

We will maximise our social impact through our financial strength. We will optimise financial assets and resources to build and maintain our financial resilience and maximise value creation for the long-term benefit of our customers.



Our values

We have always been a values-led organisation and our values underpin everything we do.

Our values



People

We care about the happiness and well-being of our residents and employees



Passion

We approach everything with energy, determination and enthusiasm



Inclusion

We draw strength from our differences and work collaboratively



Responsibility

We own problems and deliver effective lasting solutions



Impact

We measure what we do by the difference we make



In early 2019 we set out our service standards in a promise to our customers and these still stand firm as our commitment.

03

Our five year
strategy for Service



Our five year strategy for Service

Service vision

We will provide reliable, repeatable and consistent services, and tailored, intensive support to those customers who need us the most. We will work in partnership to enable the creation of sustainable communities.

Our focus: Reliable customer service

We'll have a customer-centred approach, built around the principle that we'll do what we say we will. We want to provide a service that we, and our residents, are proud of

- We'll give our people the tools to provide a positive experience when our residents contact us. We aim to resolve 90% of queries at first point of contact
- We'll provide a specialised and responsive anti-social behaviour service. We will take swift action against hate crime to keep residents safe in their homes, including against racial harassment, homophobic abuse and domestic violence
- We'll deliver a unified approach to income collection and service, reducing arrears and supporting residents to access services that maximise their income and help them to avoid debt
- We'll make sure our service charges are fair and represent good value for money, and be open and transparent about our costs
- We'll maximise opportunities for our residents to move to a home that best suits their needs, strengthening our approach to mutual exchange and using our position in the housing sector, and with housing option partnerships, to help residents move
- We will provide high quality person-centred care and support through L&Q Living

Our focus: Ensuring the safety of our residents' homes

We'll make sure we keep our residents' homes safe, including fulfilling our responsibilities for health and safety and decent homes. We will deliver at a pace that is affordable, justifiable and operationally deliverable

- We'll meet the regulatory outcomes from the anticipated new Building Safety and Fire Safety Acts
- We'll complete fire safety inspections of our buildings by 2026, installing detection and fire alarm system where they are needed
- Using the inspection findings, we will fully remediate all potential fire risks in buildings over 18 metres in height by 2026
- We will provide external wall system safety certification to all residents in buildings greater than 18 metres in height over the next five years

Our focus: Collaborate to enable sustainable communities

We'll use our role as an employer, a manager and developer of homes, and as a partner, to help enable sustainable communities

- We will use our role to strengthen locally based organisations to develop, and offer our customers opportunities to take part in cultural and social activities through the L&Q Foundation

Our focus: Maintain and invest in better homes

We'll create quality homes and estates that our customers can be proud of through a new approach to property maintenance. We will improve energy efficient performance and at the same time, help reduce running costs

- We'll establish an L&Q design standard for existing homes and estates that balance quality, sustainability and environmental impacts
- We'll provide a reactive maintenance service that is reliable, delivers good value for money and achieves a first-time fix on 95% of reactive repairs
- We'll achieve a minimum of 80% customer satisfaction in the look and feel of our estates and look to raise the bar in successive years
- We'll aim to reduce by 30% the need for customers to call us to report an issue with their home, linked to improvements in our customer service delivery
- We will meet our regulatory and statutory obligations to look after and maintain our housing, with a five-year rolling programme of investment in our existing homes, and through this investment in major works aim to reduce the demand for reactive repairs. Our aspiration is that every resident will know what works will be carried out to their home and when

Our focus: Digital services

Our core services will be delivered through digital channels, enabling our residents to transact with us in an easy and efficient way, so we can spend more of our time with those that need our support the most

- We'll achieve a 50% shift of customer transactions to digital channels over the next five years
- We'll migrate to cloud-based services and solutions
- We'll become a more agile and higher skilled technology-driven organisation
- We'll work together with other housing associations to leverage scale for industry solutions

Our focus: Enable tenancy sustainment

We'll help our residents to become more resilient to changes in personal circumstances, maximise their income and equip them with skills and knowledge so they are best able to live independently

- We'll actively seek out those who require our support to sustain their home and provide specialist services
- We'll deliver a proactive and intensive housing management service for residents who need it
- We'll support our residents with a pathway into supported living where it is needed
- We'll deliver community investment at times when our residents need us to, supporting them throughout their housing journey by providing tailored support services to help them sustain their home
- We'll continue to help residents to become more resilient to changes in personal circumstance

04

Our five year
strategy for Homes



Our five year strategy for Homes

Homes vision

We will develop quality, sustainable homes and places where people want to live that enable firm foundations for successful lives, benefiting our customers, our communities and the environment for the long term.

Our focus: Build better homes

We'll build better and more sustainable homes, which deliver value for money and good quality, design, build and service to customers and communities

- We'll establish an L&Q design standard which meets the Government's Future Homes Standard, recognises the differing needs of the residents who live in our homes and drives operational excellence in construction
- We will establish an L&Q Placemaking office, committing to high quality build combined with on-going community investment, long term management and stewardship
- We'll invest more in modern methods of construction to drive quality and consistency in the homes that we build
- We'll have a standardised and digital building information management solution to building safety legislation gateways
- We'll introduce group-wide supply chain management and a procurement plan that delivers best long-term value for money

Our focus: Build trust

We'll adopt a 'One L&Q' mindset and culture to building for the long-term benefit of our customers and for L&Q

- We'll harmonise operations between the building and the maintaining of our residents' homes through establishing L&Q design standards that balance quality, sustainability and environmental impacts and reduce post development defects by 80% over the next five years
- We will set quality and whole-life cycle cost metrics by March 2024
- We'll establish building information management as an integral part of our construction and maintenance process by March 2025
- We'll continually review our quality management processes linked to operational excellence

Our focus: Build more homes

We'll balance growth against the cost of investing in our existing homes and services and only develop if we deliver our commitment to build better homes and to build trust.

- We'll target an average of 3,000 new build home starts per year over the five-year period, but our growth will be informed by the economic and operating environments
- We'll enter more joint ventures and partnerships to achieve our ambitions and ensure the balance of affordable to market to 50/50
- Where we build new homes will be linked to need, demand and financial capacity. We remain committed to developing homes in London, but will increase our focus in the North West
- We'll deliver affordable homes in line with the Greater London Authority and Homes England priorities enabling us to maximise grant funding opportunities
- We'll maximise the use of strategic land to ensure the continued supply of new development sites, targeting 4,000 plots available by the end of the five year strategy period
- L&Q Estates will continue to seek new opportunities where they can deliver strong profit margins to support L&Q's social mission
- We will continue to provide an offer as 'Master Developer' which L&Q Estates will support, combining our long-term commitment to place, community and stewardship

Our focus: Asset divestment

We'll sell or transfer assets where it makes economic sense to do so, and where it would improve the overall quality of and ability to better manage our stock

- We'll sell or transfer buildings to actively improve the overall quality, efficiency, and geographic alignment of our portfolio and improve operating margins, but only doing so when it remains in alignment with our social responsibilities and when it aligns to achieving our Corporate strategy
- We'll make sure our divestment approach increasingly makes use of stock grading capabilities

Our focus: Regeneration

We'll build and deliver a pipeline of regeneration opportunities where it benefits our existing customers through developing better homes, which offer reliable quality and value for money

- We will build and begin delivery of a pipeline of regeneration opportunities by year five of this strategy, with clear arrangement in place to enable this to grow in the future

05

Our five year
strategy for People



Our five year strategy for People

People vision

We will create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity, and create the environment, working practices and opportunities for our people to thrive and reach their potential.

Our focus: An engaged and values-led workforce

We'll nurture a motivated and committed workforce who understand and unite behind our purpose, vision and values, and who live our organisational behaviours

- We'll embed our values and behavioural framework into our recruitment practices ensuring we are able to recruit diverse talent with the right behaviours to complement our organisational culture
- We'll measure and manage the performance of our people both in terms of their impact and how they go about their role living our values and behaviours
- We'll address poor performance, behaviour and conduct outside of our values and behaviours
- We'll measure engagement of our people bi-annually, action plan and ensure concerns at a local level are addressed, and will strive to ensure L&Q remains a great place to work
- We will sustain our external accreditation with Investors in People recognising L&Q for high standards of workplace practice and engagement of our people

Our focus: Strong and diverse leadership

Our leadership will be strong, diverse, agile, accountable and able to respond to complex adaptive problems in a timely and effective way to ensure that L&Q is able to achieve its objectives. Our leaders will champion the safety and wellbeing of our people, recognise their diversity and ensure we adapt where appropriate to meet their needs

- We'll continue to develop our leadership capability through holding leaders to account for their performance and behaviour and through our organisational design offer
- We'll develop our leadership capability with a focus on inclusive, authentic and strong leadership to support our diverse teams
- We'll continue to develop our recruitment and promotion processes to ensure the diversity of our Leadership Group
- Our leadership will create a workplace where our people have the right tools and information to safely do their job
- Our leadership will ensure our teams can flourish both mentally and physically
- Our leadership will be comfortable challenging when others are not operating in alignment with our values and behaviours and encourage others to do the same

Our focus: Employer of choice

We will develop our value proposition as an employer of choice, attracting and retaining the right people with the right skills and behaviours and developing their potential and skills for those we need in the future

- We'll continue to develop our employee proposition with our values and behaviours at the heart of our offer
- We'll provide a rewards and benefits package that is inclusive and appeals to all the generations in the workplace
- We'll create an inclusive environment, embracing our differences where our people feel that L&Q genuinely cares about them, contributing to mental and physical wellbeing
- We'll develop our people to reach their potential by providing blended learning opportunities and digital solutions
- We'll seek to develop future managers and leaders through accredited development programmes which support succession pathways
- We'll support early talent through apprentice and graduate programmes focusing on areas which are difficult to recruit to, ensuring we are able to develop the skills that are in short supply that we need in the future

Our focus: Agile and efficient organisation

Through our people, we'll deliver an efficient and streamlined organisational design. We'll be an agile organisation, with workplaces and ways of working that balance our business, environmental sustainability and people's needs

- We'll define and agree sustainable organisation design principles aligned to operational excellence and apply these to ensure we are the right size and shape to deliver value for money and continuous improvement
- We'll develop tools that will provide the business with the means to analyse departments and ensure that we are an efficient size
- We will support and develop team effectiveness through targeted interventions which drive service, productivity and continuous improvement
- We will review the utilisation of offices and make recommendations for future efficiencies to support L&Q's financial position and the implementation of agile working

06

**Our five year strategy for
Governance and Assurance**



Our five year strategy for Governance and Assurance

Governance and Assurance vision

We will continue to take our regulatory, statutory and legislative responsibilities extremely seriously and embed compliance and assurance at the heart of our business through good governance arrangements. We will measure, monitor and report our performance, anticipating issues before they occur and take swift action to minimise their impact on our residents, their homes and our colleagues.

Our focus: Strengthen Governance

We'll continue to strengthen our corporate governance arrangements and will place a particular emphasis on much closer resident engagement, involvement and influence

- We'll work with residents to increase openness, transparency, accessibility and accountability
- We'll improve our decision making, satisfaction and performance using resident expertise and insight
- We'll establish and fully implement a new controls and assurance framework providing stronger assurance and better visibility of our overall compliance
- We'll embed our new officer governance approach, which is more closely aligned to our board governance

Our focus: Strategy, Planning and Continuous Improvement

We'll make sure our strategic direction remains relevant by creating a golden thread between strategy and plan that drives continuous improvement and achieves operational excellence

- We'll review and adjust our long-term strategic objectives year on year
- We'll improve successful translation of strategy into delivery plans
- We'll achieve full integration of the governance structure in overseeing the development and delivery of the corporate strategy and annual plans
- We'll embed a comprehensive digital library of processes and standard operating procedures
- We'll develop continuous improvement capability across L&Q, using consistent approaches and tools

Our focus: Policy and assurance

We'll develop a holistic approach to the development of policy and undertake regular risk-based assurance reviews

- We'll reengineer our enterprise risk management approach to properly support business decision making and direction
- We'll establish a group-wide policy framework by April 2021
- We'll establish a group-wide internal controls and assurance framework by April 2021

Our focus: External benchmarking

We'll fulfil our ambition to deliver operational excellence and achieve a 'best total cost solution', benchmarking ourselves against others inside and outside the housing sector

- We'll baseline and track our progress against achieving operational excellence over the next five years
- We'll develop metrics to enable this that allow us to benchmark and compare performance in relation to peers

Our focus: Data based decisions

We'll put data at the heart of our business, using information responsibly to make the right decisions to drive the best outcomes for our homes and our customers

- We will deliver a five-year programme to fix our data and address gaps to deliver fit for purpose, trusted information for regulatory compliance and reporting, and to enable digital transformation

Our focus: Sustainability

We'll put sustainability at the heart of what we do, making sure that we generate value for society, safeguard the environment and operate our business in a transparent and ethical manner

- We will mitigate climate change by reducing our carbon emissions intensity, procuring purchased electricity from renewable sources, increasing the operational efficiency rate of communal heating systems, developing a long-term decarbonisation plan for our existing portfolio and establishing a roadmap for improving new build efficiency to near net zero
- We will ensure climate resilience by conducting a climate risk review of L&Q Group
- We will better manage construction impacts by ensuring that energy, water and waste data is being captured for all construction sites
- We will support sustainable placemaking by establishing environmental design guidelines to be applied to all new developments
- We'll establish an environmental, social and governance (ESG) framework to enable us to meaningfully measure, monitor and improve our sustainability performance and position ourselves to take up relevant ESG related financing opportunities

Our focus: Procurement and Supply Chain Management

We'll set out to achieve a group wide supply chain and procurement approach that delivers best long-term value and efficiencies

- We'll establish strategic and risk-based thinking in all procurement efforts
- We'll develop and embed new approaches to procurement and contract management that deliver value for money

07

Our five year
strategy for Finance



Our five year strategy for Finance

Finance vision

We will maximise our social impact through our financial strength. We will optimise financial assets and resources to build and maintain our financial resilience and maximise value creation for the long-term benefit of our customers.

Our focus: Enable investment

We will maintain investor confidence so we can access cost effective capital, by targeting and delivering financial metrics that achieve a single 'A' rating range without the support of the UK sovereign rating

- We'll operate within defined financial risk appetite parameters, by delivering the key financial metrics set out in our budgets and financial plan. We will ensure we sustain investment grade financial metrics, and provide headroom so we can be flexible and responsive to risk and able to protect our social housing assets
- We'll maintain our robust approach to financial viability and governance ensuring we retain our G1/V1 regulatory rating
- We'll develop a position of non-dependency on sales activities to ensure financial viability
- We'll limit our increase in debt to levels that enable us to operate to our key financial metrics, only increasing debt when we have fully exhausted all other options and doing so supports keeping customers safe and improving existing homes
- We'll publish and implement an environmental, social and governance (ESG) framework to support future debt issuance
- We'll explore the opportunities associated with equitising our private rental sector portfolio

Our focus: Maximise the impact of each pound spent to achieve our planned social outcomes

We'll improve profitability by procuring goods and delivering services in the most economical, effective and efficient way, targeting value for money in the top quartile of our peer group

- We'll procure goods and services in the most economical, effective and efficient way, managed and delivered through annual and supporting plans
- We'll target a cumulative year-on-year procurement savings of a minimum of £55m
- We'll work with and support our customers in recovering all rechargeable costs
- We'll continuously carry out value for money reviews, with each value for money initiative having a robust plan from which progress can be monitored and tracked
- We'll minimise tax liabilities and make sure that we claim the tax reliefs, allowances and exemptions we're entitled to

Our focus: Ensure returns from non-charitable activities justify their risk exposure

We'll generate trading profits from non-charitable activities, in line with profitability targets, to reinvest in our strategic objectives and core social purpose

- We will delivery a target of 50% margin on social housing lettings, 15% net margin on all new development sale activities, 70% margin on private rental sector activities, 10% on energy activities and 3% on care and support activities

Our focus: Financial discipline as an enabler for delivering corporate objectives

We will streamline financial processes and enhance financial control to aid effective data-based decision making and improve the quality of strategic financial information

- We'll maintain financial discipline through rigorous financial controls, accurate financial records, and reporting financial performance
- We'll maintain a robust financial decision-making framework
- We'll ensure budget accountability with our leaders and managers, using a clear framework to maintain transparency on financial performance
- We'll ensure each business function manages cost and demand pressures and has a budget envelope within which to achieve strategic outcomes
- We'll manage risk through ongoing stress testing of our financial plans against potential risk scenarios
- We'll recruit, train and motivate finance teams who value our hybrid model of operating to commercial principles in order to maximise social impact
- We'll provide training in financial management and ongoing business partnering advice and support to budget holders
- We'll develop a financial management skills base in line with business risks and growth

Our focus: Mergers and acquisitions

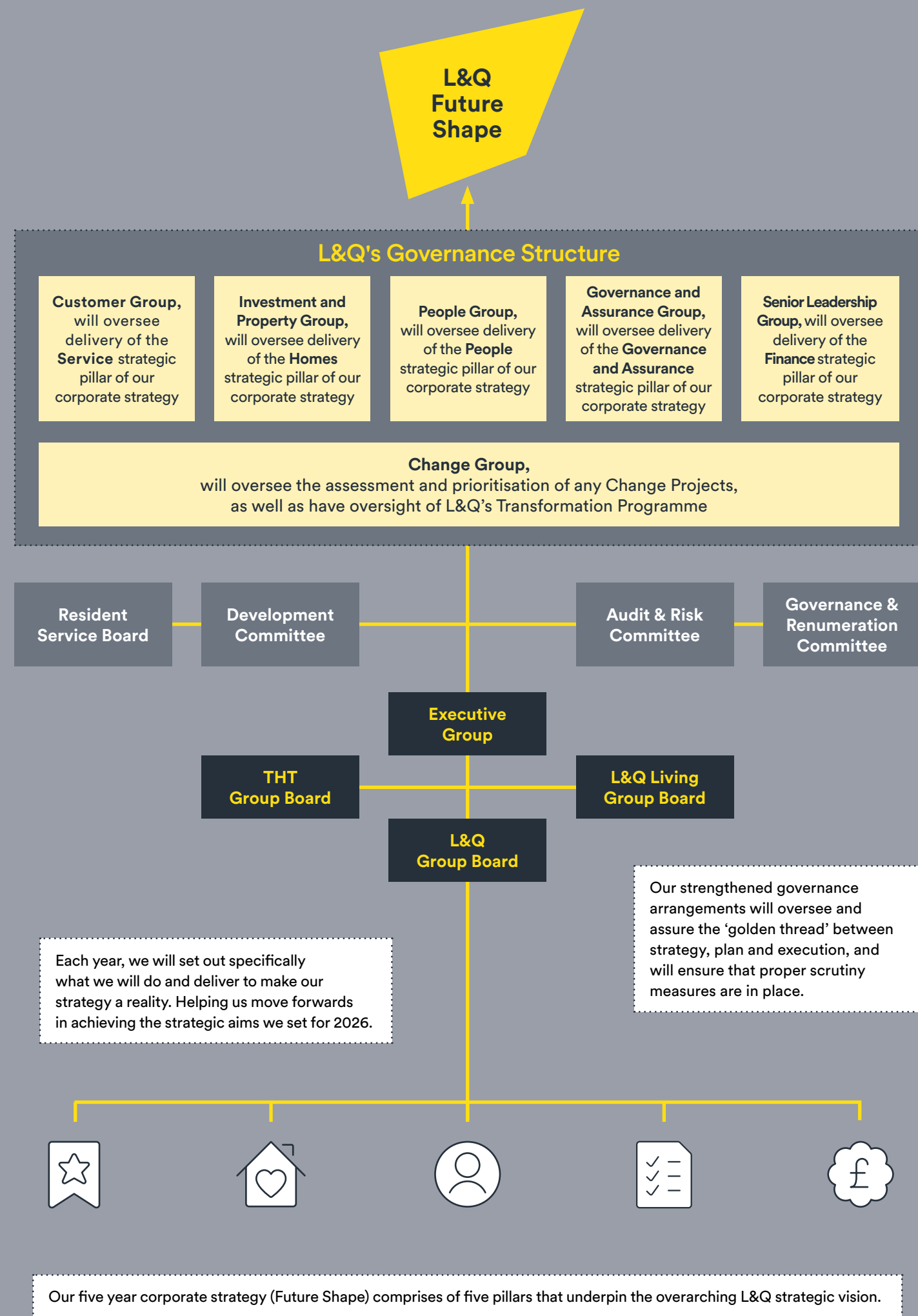
We'll explore opportunities to merge or acquire other organisations only when doing so enables us to strengthen our financial position, grow in areas where we can meet housing demands, and/or complement meeting other strategic objectives. We will carry out robust due diligence and ensure any such move achieves value for money

- We'll accelerate the alignment of Trafford Housing Trust, within the confines of the original Heads of Terms and acquisitions deal, but to be completed by March 2023
- We'll not engage in any further merger and acquisition activity over the course of the five-year strategy until we are satisfied we have made sufficient progress against our goal in achieving operational excellence, unless it is determined that the capabilities acquired would accelerate and strengthen our position in this respect. Until this point, we'll only engage in mergers and acquisitions with housing associations in distress

08

How we will oversee
and assure delivery
of our Strategy





How we will assure delivery

We have aligned our governance groups to each of the strategic pillars that form our corporate strategy (shown left). These groups play a critical role in overseeing and assuring delivery of our corporate strategy, whether this is through 'Run the business' initiatives, approved Change Projects or through our Transformation Programme.

To provide a further layer of assurance, we have aligned our enterprise risk management, internal controls and audit activity to also support and assure successful delivery of our Corporate Strategy.

How we will measure our performance

When our five-year Future Shape Corporate Strategy was first published in June 2020, we set targets for the first year of delivery (2021/22) and aspirational targets for the final year (2025/26), acknowledging the need to review these each year to ensure they remain fit for our future, and they suitably reflect the significant challenges and opportunities we foresee and/or encounter.

Over the last year we have seen significant challenges; the impact the Ukraine conflict has had on fuel, materials and supplies, a difficult labour market, the financial pressure facing the UK through the cost of living increasing and high levels of inflation, all of which have impacted residents and businesses alike.

In the second year of our five-year Future Shape Corporate Strategy, we completed a comprehensive review of both our Key Performance Measure and the targets we have set. This has led us to revisit some of the targets set for 2025/26 and set targets for the intervening years of our five-year Future Shape Corporate Strategy. In doing, we can ensure they remain realistic and provide clarity over the incremental improvements we will make to achieve them. We will continue to review these annually, so they continue to reflect changes in our wider economic and operating environments.

How we will measure our performance

Strategic pillar	Key performance indicator (KPI)*	2021/22 Actual	2022/23 Target	2023/24 Target	2024/25 Target	2025/26 Target
<p>For Service, our KPIs relate to:</p> <ul style="list-style-type: none"> • Providing timely, consistent, and reliable customer services • Improving satisfaction with landlord services • Doing what we say we will • Keeping our properties in good repair 	Customer satisfaction - Service Delivery	81.5%	80%	84%	88%	90%
	Customer perception - Ease of dealing ¹	66.9%	67%	70%	75%	77%
	Customer perception - Listen & Act ¹	60%	61%	65%	70%	72%
	Average days taken to complete repairs	16.1	20 days	16 days	13 days	9 days
	Group complaints per 1,000 homes ²	8	14	13	12	11
<p>For Homes, our KPIs relate to:</p> <ul style="list-style-type: none"> • Building better and more homes • Making use of modern methods of construction (MMC) • Standardising our in-house products • Simplifying our development processes • Driving towards ambition of zero defects • Improved customer satisfaction • Improved environmental sustainability • Delivering more value for money 	Starts ³	2,103	3,633	2,221	2,087	1,200
	Handovers ³	4,158	4,897	4,599	2,584	2,189
	Defects per 1000 homes	215.7	280	250	250	250
	Quality of home - move in survey	91.4%	91%	92.3%	93.6%	95%
	Quality of home - survey one year on	81.1%	84%	86%	88%	90%
<p>For People, our KPIs relate to:</p> <ul style="list-style-type: none"> • Focussing on making L&Q a great place to work • Having an engaged workforce that lives our values from a behaviours and performance perspective • Creating a leadership group that is strong, diverse, agile, and accountable. • Evolving our organisation, so it is more streamlined, efficient, and effective and allows us to deliver • High productivity, continuous improvement, and value for money 	GPTW – This is a great place to work %	70%	76%	77%	78%	80%
	Diversity & Inclusion - Leadership group ⁴	BAME 19.5%	BAME 22%	BAME 23%	BAME 24%	BAME 25%
		Women 38.9%	Women 46%	Women 50%	Women-50%	Women 50%
		Disability 5%	Disability 3.5%	Disability 4%	Disability 5%	Disability 6%
		LGBTQ 5%	LGBTQ 6%	LGBTQ 7%	LGBTQ 7%	LGBTQ 7%
	% appraisals completed score 3 or above	68.4%	70%	73%	76%	80%
	Compulsory online training completion % ⁵	85.7%	99.5%	99.5%	99.5%	99.5%

How we will measure our performance

Strategic pillar	Key performance indicator (KPI)*	2021/22 Actual	2022/23 Target	2023/24 Target	2024/25 Target	2025/26 Target
For Governance and Assurance , our KPIs relate to: <ul style="list-style-type: none"> Focussing on ensuring our residents are safe in their homes Fulfilling our responsibilities for decent homes and fire safety Ensuring the wellbeing of our workforce Managing our impact on the climate and the environment 	Average Standard Energy Rating	71.5	71.8	72	72	72.7
	Building safety work completion %	92%	100%	100%	100%	100%
	Compliance with statutory H&S obligations	4 Amber	5 Green	6 Green	6 Green	6 Green
	Great Places To Work - Wellbeing Index ⁵	2 Red	1 Amber	75%	75%	80%
For Finance , our KPIs relate to: <ul style="list-style-type: none"> Focussing on efficiency and productivity Making more efficient use of resources by steadily eliminating waste/ reducing overheads Procuring goods and delivering services in the most economical way Strengthening financial discipline Maintaining investor confidence Enabling investment by securing new funding Ensuring we deliver value for money for our customers 	Operating margin % (Overall)	22%	21%	>20%	>20%	>20%
	Headline social housing costs per unit	£5.0k	£5.9k	£5.6k	£5.3k	£5.0k
	EBITDA MRI as % of gross interest payable - (Interest Cover Covenant)	235%	206%	>200%	>200%	>200%
	Liquidity Coverage Ratio ⁸	18 months	>18 months	>18 months	>18 months	>18 months
	Debt / EBITDA ⁹	23.2x	16.8x	<18x	<18x	<18x

Summary of changes to targets

- Both 'Customer Perception' targets have changed for 2025/26. When these were original set in 2020, these were acknowledged to be aspirational, so have been revised to more realistic levels reflecting the length of time it takes to change customer perceptions.
- Targets for 'Group complaints per 1,000 homes' has changed for 2025/26. These have been changed to a more realistic level, reflecting the impact the Coronavirus pandemic, supply chain issues and challenges in the labour market post Brexit has had.
- Targets for 'New Home Starts' and 'Handovers' for 2025/26 have changed from a minimum of 3,000 for each measure to 1,200 and 2,189, but are still targeting the strategic objective of an average of 3,000 'New Homes Starts' over the five-year period.

4. Target for Disability has been revised for 2025/26 as many people do not disclose disabilities, however we will continue to review this target, in light of updated census information to ensure we remain as diverse as the communities we serve.

5. Target revised from 100%, as small levels of staff movement that make achieving 100% impossible.

6. Target for the 'Great Places To Work – Wellbeing Index' for 2025/26 has been reduced from 85% to 80%, bringing this into alignment with our other 'Great Place To Work' target.

7. The original KPI ('Overheads as a % of target turnover'), has been replaced by a Liquidity Coverage Ratio target from 2022/23.

8. The Debt / EBITDA measure has also been changed to align to L&Q's definition of EBITDA, as opposed to S&Ps', as the regular changes in how this was calculated made tracking performance difficult.



For more information

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