

Strategic Plan

Financial Control and Resilience

March 26



L&Q

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Introduction

L&Q's second corporate strategy, adopted from 2026, refreshes our purpose: *'to provide social homes that everyone can be proud of'*. It also sets out three strategic commitments:

1. We'll provide social homes to meet housing need
2. We'll provide good landlord services
3. We'll be efficient and maximise our impact

To support and deliver these commitments, we have developed nine strategic plans, each aligned to one of our strategic risks. These plans are grouped around themes and set out:

- The activities we plan to deliver over the next five years
- The key milestones by when we will deliver this activity
- The measures we will use to track progress
- The strategic risk definitions and statements that govern delivery

Each strategic plan covers the five-year period (2026-31) outlined in our corporate strategy and will be reviewed and updated annually to ensure alignment with our five-year budget, Long-Term Financial Plan, risk appetite and any legislative or regulatory changes, as well as to the other eight Strategic Plans. Each Strategic Plan links with one or more annual Run the Business (RTB) plans across the teams responsible for delivery, which translate the Strategic Plan into specific initiatives for each financial year. Figures used are correct at document cover date.

These Strategic Plans are the tools we will use to track progress against our new corporate strategy and to provide assurance to the Group Board through our governance framework. They set out consistent board-level planning and assurance across all directorates, giving the Group Board confidence that the delivery of our corporate strategy is aligned, realistic, affordable, compliant, and within agreed risk appetite.

This document is the Strategic Plan for Financial Control and Resilience.

How to use this document:

The strategic activities set out in this Strategic Plan may involve specific resource requirements (i.e., training) and may be influenced by cross-functional activities, including those associated with our Transformation and Change Portfolio. Therefore, this document should be reviewed in conjunction with People and Talent, Organisational Governance and Control, and Data Control Strategic Plans.

The Executive Portfolio Accountability Owner for this plan is the Executive Group Director - Finance. They hold the authority to set the direction, standards and parameters for their teams and associated activity, and agreement will be sought with those responsible for delivery, working collaboratively towards alignment wherever possible.

Accountable owners and delivery leads should use this plan as the single planning baseline for prioritisation, budgeting and delivery through the annual RTB planning and budgeting cycle. They should also report progress quarterly against the agreed RTB plans and Key Performance Indicators (KPIs), Performance Indicators (PIs) and Key Risk Indicators (KRIs), and escalate significant variances and risks through the established performance reporting and governance cycle.

Link to the new corporate strategy

Commitment 3: We'll be efficient and maximise our impact

Strategic Outcome: We'll be **resilient** so we can deliver our core operations through any challenge

Things that we'll do:

- We'll understand our current and potential business risks and how these could affect us at all times, and will always work towards a stated risk appetite. This will mean we can make informed decisions about risks, and ensure effective controls are in place to mitigate and manage them.
- We'll prioritise continuous improvement, sustainable organisational performance, and effective risk mitigation in order to achieve external financial and consumer ratings.

Strategic Outcome: We'll maintain a **viable** business model which provides enough surplus for us to reinvest in existing social homes and for growth.

Things that we'll do:

- We'll follow this corporate strategy and oversee what we do with strong, practical governance to ensure we are relentlessly focusing on delivering our three commitments.
- We'll consider the total cost of homes across their usable lifetimes and use this to help us make decisions about what we keep, build, refurbish or regenerate.

Strategic Plan – Financial Control and Resilience

The tables below outline the activity that will take place over the next five years relating to the following themes:

Theme 1 – Financial resilience, viability and funding capacity

We will strengthen financial resilience through sustainable debt management, diversified funding, strict financial principles, value-for-money benchmarking, reduced reliance on sales, robust pension oversight, and improved risk transfer mechanisms.

1. **Maintain Sustainable Debt Levels** - By 2030/31, ensure that all debt secured against social housing can be fully serviced from the net rental income of these homes, without impacting the continued delivery of essential services and planned investment.
2. **Diversify Funding Sources to support Financial Resilience** - Over the course of the Corporate Strategy, investigate and secure alternative funding sources, such as new sources of debt, equity or government grants, that allow us to either improve financial resilience or increase planned investment in existing and new affordable homes. By the end of 2027/28, investigate the opportunities for Development Joint Venture models and Shared Ownership portfolio.
3. **Embed Financial Golden Rules** - Over the course of the Corporate Strategy, reinforce and adhere to our financial principles to deliver long-term resilience, with clear milestones for years 3, 5, and 10.
4. **Value for Money** - By 2030/31, benchmark costs and outcomes against G15 peers and Regulator of Social Housing value for money metrics, publish improvement trajectories, explain variances transparently and link savings to improved resident outcomes.
5. **Reduce Reliance on Sales** - Over the course of the Corporate Strategy, ensure core business income is sufficient to fund essential activities and investment in existing homes, minimising dependency on property sales.
6. **Manage Pension Commitments** - Over the course of the Corporate Strategy, maintain robust oversight of pension obligations to protect financial health, by delivering the approved Pension Plan.
7. **Strengthen Risk Transfer** - By 2028/29, subject to the outcome of the Insurance tender, deliver a new insurance model to ensure risks are appropriately transferred and costs minimised.

Theme 2 – Optimising Financial Control

We will deliver better financial control through a robust framework, timely reporting, technology-driven efficiency, strong stakeholder engagement, compliance with standards, and investment in people and processes.

1. **Maintain a Robust Financial Control Framework** - By the end of 2026/27, deliver a fully optimised financial control framework and reporting structure aligned to our 5-year vision, ensuring clarity, accuracy, and compliance.
2. **Timely Financial Reporting** - By the end of 2026/27, restore the historic timetable for budgeting, forecasting, and reporting through streamlined operations and enhanced processes, to meet internal and external reporting timeframes with sufficient headroom. By end of the plan period (March 2031), reduce monthly reporting turnaround from 15 days to 5 days.
3. **Leverage Technology for Control and Efficiency** - By 2030/31, harness technology to strengthen financial controls, enable self-service capabilities, and drive continuous improvement in financial services.
4. **Equip the Business for Financial Assessment** - By 2030/31, provide the right tools, systems, and business partnering support to assess financial viability and understand the impact of decisions across the organisation.
5. **Implement New Accounting Standards and Regulatory Changes** - By the end of 2026/27, ensure accurate adoption of new accounting standards and regulatory requirements, with External Audit assurance on application.
6. **Improve Stakeholder Engagement through transparent reporting** - Over the course of the Corporate Strategy, ensure high levels of transparency, and timely financial information to build stronger relationships, trust in financial management, and effective communication channels with all stakeholders such as (Lenders, Investors, Credit Rating Agencies, Regulators, Residents, Government Agencies).

Theme 3 – Optimising our supply chain

We will build a resilient, efficient, and sustainable supply chain model, with digital tools, category management, strong assurance, and environmental commitments aligned with science-based targets.

1. **Embed Hub and Spoke Operating Model** - By the end of 2026/27, Standard Operating Procedures fully implemented with best practices supported by skilled professionals and guidance materials delivering compliance with the regulations under new Governance framework.
2. **Leverage digital tools and data analytics** - By the end of 2026/27, drive informed decision-making and continuous improvement from spend data and analytics, supported by robust data governance across supply chain, contract management and risks.
3. **Embed category management** - By the end of 2026/27, ensure all spend is categorised to an established category management framework to enable better management of the large number of suppliers with whom we spend smaller amounts (or “tail spend” suppliers).
4. **Assurance** - By the end of 2030/31, collaborate with internal audit in the review of supply chain management effectiveness of controls in place and delivered through the application of the SOPs.
5. **Preparedness for Source 2 Pay** (Also see Organisational Governance Plan - Transformation & Change Delivery for Implementation of Source 2 Pay) and post-live continuous improvements **2026-27**. By the end of 2026/7, build a resilient, efficient, and value-driven supply chain that supports organisational goals and service delivery excellence.

Theme 4 – Social Value

We will embed a social value framework across the organisation and our supply chain, maximising social value across the business, delivering resident-led priorities, and promoting biodiversity and community engagement.

1. **Embed a social value framework across L&Q’s supply chain.** By the end of 2026/2027, embed a social value framework using Housing Associations Charitable Trust (HACT) Social Value Bank and Social Value Portal, and other relevant methodologies, into all long-term contracts over public procurement thresholds.
2. **Extend social value reporting across organisational areas.** By the end of 2027/2028, ensure that major organisational areas that interact with residents or communities (for example, planned investment, development,) report social value outcomes through relevant agreed

framework. From March 2026, produce an annual social value report that is assured and aligned to our corporate governance and reporting framework.

3. **Deliver social value from the Major Works Investment Programme partnering contracts.** Over the course of the Corporate Strategy, deliver $\geq 95\%$ of the Major Works programme's annual social value plan each year generating social value equivalent to 30% of total contract spend evidenced via Social Value Portal targeting outcomes in apprenticeships, Small to Medium Enterprises/local spend and local employment.
4. **Resident-led prioritisation.** From the end of 2026/27, agree with residents' annual social value priorities, in each of the communities where the L&Q Foundation operates, through our area-based community development assessments and actions plans.
5. **Deliver social value through biodiversity and green spaces project.** From the beginning of 2026/27, we'll ensure all placemaking and social value plans consider the opportunity for residents to get involved in projects that enhance biodiversity and green spaces, working in partnership with like-minded organisations to maximise the use of external funding and expertise.

Group Balanced Scorecard KPIs

The table below identifies the KPIs on our Group Balanced Scorecard that will be used to measure the impact of activities over the life of this strategic plan. This is to enable the Group Board to assess the effectiveness of this strategic plan to deliver the associated strategic outcomes within our corporate strategy. This also enables them to assess the effectiveness of the controls we have implemented to mitigate our strategic risks.

KPIs	Definition
% Profitability	Assesses the profitability of surpluses generated from operations. Exclude sales surpluses to focus on core underlying operations.
% Interest coverage	Measures the level of surplus generated compared to interest paid
% Liquidity	Measures undrawn debt facilities and cash available to fund future operations. (forward measure showing months until new debt facilities are required to be raised).

Strategic Risk: Financial Control and Resilience

2026/27 Strategic risk description

- **Risk that:** financial resilience and flexibility may be compromised
- **Caused by:** inadequate financial and operational controls to manage income, expenditure and debt sustainably or underpin effective investment decisions and value for money.
- **Resulting in:** weakened financial headroom, constraining our ability to deliver strategic objectives or compromising long term financial sustainability.

Key Risk Indicators

- % Profitability
- % Interest coverage
- % Liquidity

Risk Appetite level

Our strategic objective is to ensure we have sufficient capacity to invest in homes, services and new social homes. We retain a **low appetite** for Financial Control and Resilience Risk. This acknowledges we will accept well controlled risk within clear parameters in order to achieve these objectives. We may tolerate medium risks levels for a short period in order to achieve wider objectives.

Risk appetite statement

We will accept	We won't tolerate
<ul style="list-style-type: none"> • Disposal of assets at accounting loss, provided disposal generates long term financial capacity and increased financial resilience. • Retaining assets that are inefficient to operate programme of stock rationalisation is undertaken. • Basic monitoring, gradual embedment of new process and development of performance measures will continue within the supply chain, reflecting new operating model and systems changes. • A sustainable level of debt that can be serviced from core business income. 	<ul style="list-style-type: none"> • Dependence on sales to ensure financial viability. • Reduced commitment to value for money from the supply chain or compromise compliance with regulatory requirements and best practice. • Incurring or tolerating debt levels which impact our core business operations and investment, or associated risk appetites. • Relying on revenues from the core business to service debt for non-core activities.

<ul style="list-style-type: none"> • Raising debt for non-core business activities where there is a direct social benefit, appropriate commercial return and no recourse to social housing assets. • Investment grade credit ratings and compliant regulatory standard ratings. • In seeking social value commitment, L&Q will unlikely observe full engagement from all suppliers in 26/27 and will accept a gradual improvement in social impact as systems mature. 	<ul style="list-style-type: none"> • Limited access to liquidity and financial instability as a result of a below investment grade rating. Non-compliant regulatory standard ratings which trigger an event of default on our debt. • Ignoring opportunities to embed social value in long-term contracts. • Failure to involve residents in shaping priorities for social value.
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Expected risk status and proposed risk appetite level for 2026/27					
	Key		Expected Risk Status		Risk Appetite
Financial Control & Resilience Strategic Risk	Very low	Low	Medium	High	Very High
					