



# Home has never been more important

Peabody Group  
Annual Report and Accounts 2020



# Helping people make the most of their lives.

The Peabody Group is responsible for 66,000 homes in London and the South East.

Our mission is to help people make the most of their lives.



## Communities

Our communities are an integral part of our mission. Our ambition is to create communities that are healthier, wealthier and happier.



## Housing

We aim to provide modern, responsive, cost-effective services that are fit for purpose in the 21st century.



## Care and support

Co-production of support services ensures we are focused on issues that matter most to the people we work with.

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## Our values

### Ambitious

We're ambitious for our customers, for our communities and each other.

### Caring

We're caring in the way we work, and how we treat the people we work with.

### Collaborative

We work collaboratively with each other, and with partners to deliver more.

### Empowering

We support and empower our customers and colleagues to help them realise their potential.

### Trusted

We're trusted to keep our promises. We do what we say we will.

# Our homes at a glance

The Peabody Group is responsible for 66,000 homes in London and the South East. Most of our 133,000 residents live in London, predominantly in the inner boroughs such as Islington, Southwark and Hackney, which have diverse and growing populations. Our portfolio, however, is spread across 29 of the capital's boroughs.

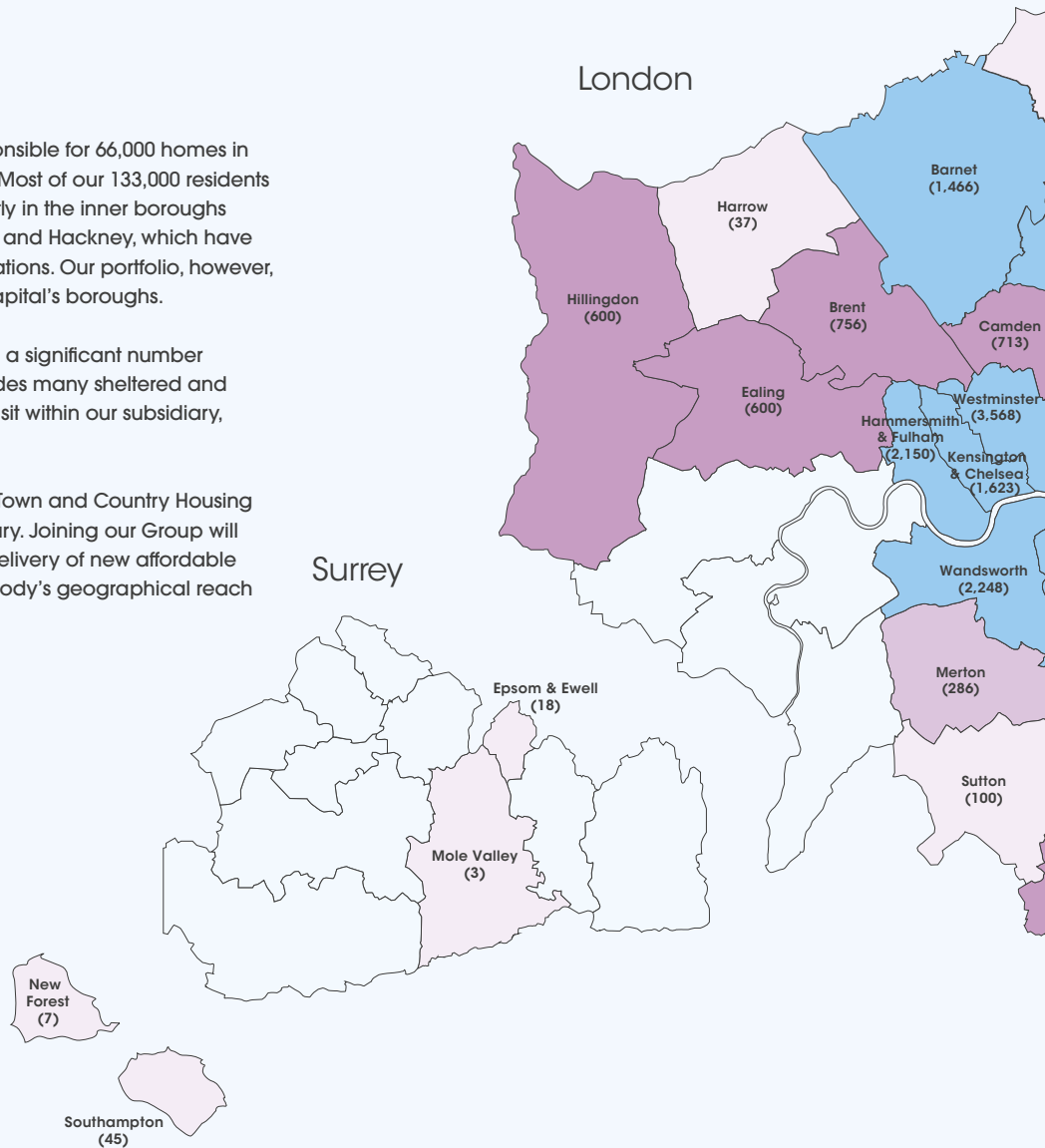
Outside of London, we have a significant number of homes in Essex. This includes many sheltered and supported properties which sit within our subsidiary, Peabody South East.

In May 2019 we welcomed Town and Country Housing into our Group as a subsidiary. Joining our Group will accelerate its growth and delivery of new affordable homes. It also extends Peabody's geographical reach into Kent and Sussex.

## Key

No. of homes:

- 5,000+
- 1,000–5,000
- 500–1,000
- 250–500
- 1–250



## Our new homes

We aim to design, build and maintain homes and neighbourhoods that people are proud to live in. We invest for the long term, drawing on over 150 years of experience and modern day technologies to create great places where people can make the most of their lives.

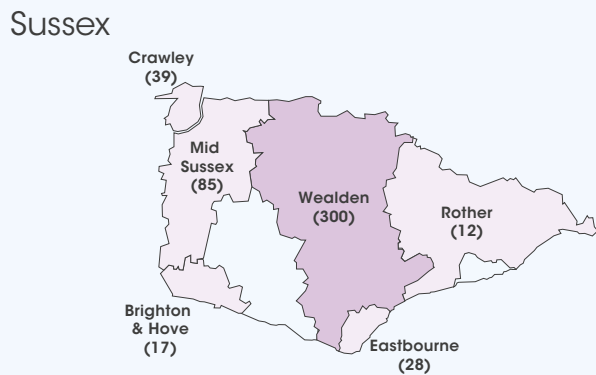
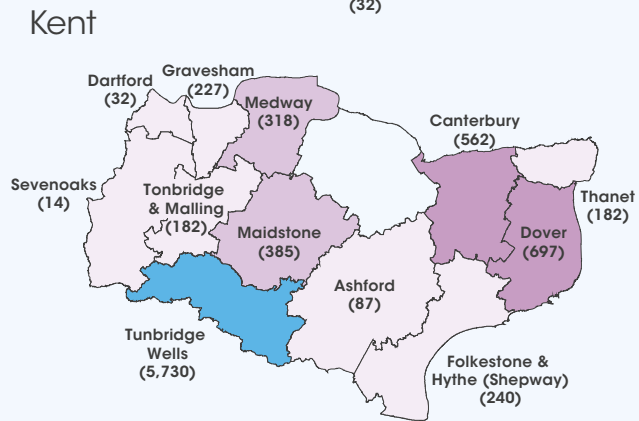
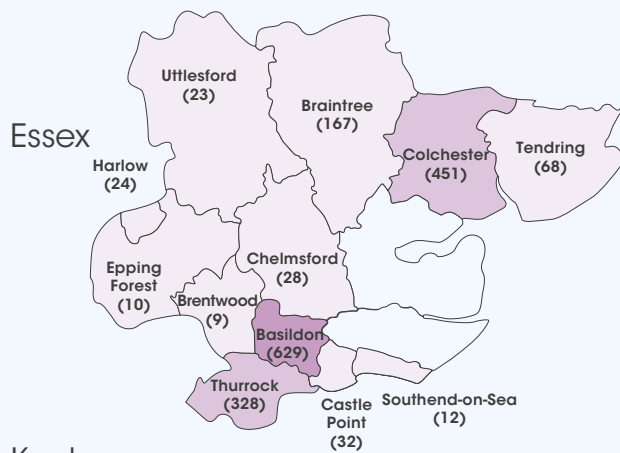
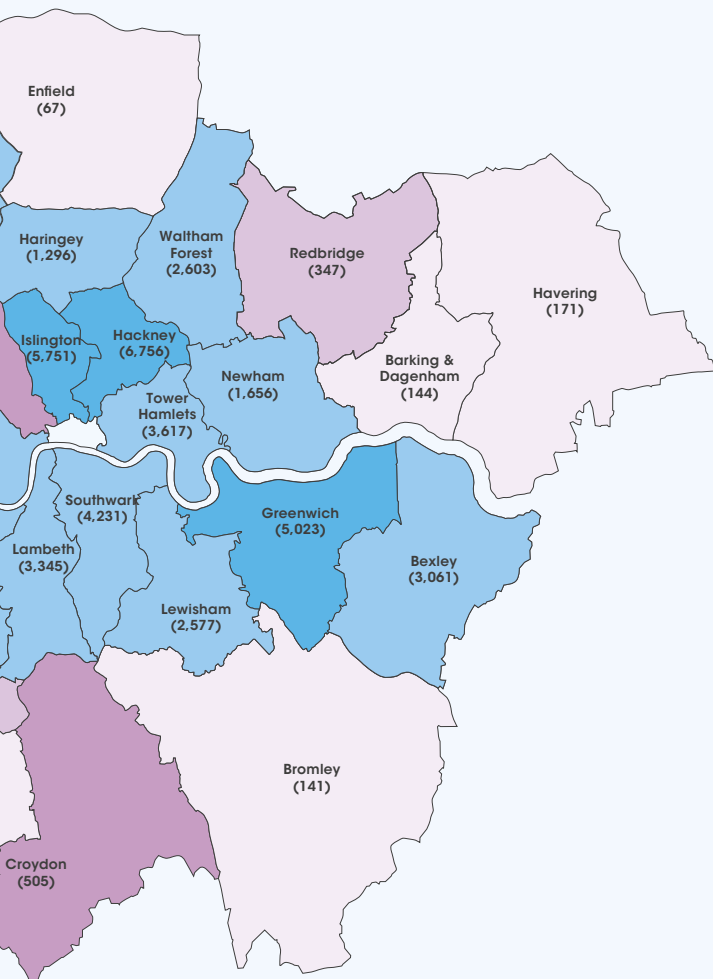
This is why we place such importance on making sure our developments foster wellbeing through not just high-quality homes, but also well planned neighbourhoods with links to amenities and community facilities.

## The Reach



The Reach is our first scheme in the Abbey Wood, Plumstead and Thamesmead Housing Zone. It is made up of 66 new one to three-bedroom homes – 52 are for shared ownership and 14 for social rent.

The Reach was built on a previously unused brownfield site. Seven of the new homes are designed specifically for wheelchair users.



### Chelsea Court



At Chelsea Court in the Royal Borough of Kensington & Chelsea, we're working with developer, ENGIE, and existing residents to improve our accommodation for older people.

We are making sure that Chelsea Court is in line with modern standards.

### St John's Hill



Phase two of the regeneration of the St John's Hill Estate in Battersea is now underway. This phase includes 198 affordable homes, including 54 extra care homes and a new community centre for local people.

The three phase regeneration of this 1930s Peabody estate increases the number of homes from 353 to 599.

# Highlights

## Key performance indicators

### Operating surplus<sup>1</sup>

£197m

(2019: £173m)

<sup>1</sup> before revaluation of investment property

### Development pipeline

£1.4bn

(2019: £1.1bn)

### Gearing (debt: assets at cost)

36%

(2019: 35%)

### Credit rating

A3 A

Moody's  
(2019: A3)

Standard  
& Poor's  
(2019: A)

### Total Group assets

£8.0bn

(2019: £6.8bn)

### Investment in new homes

£313m

(2019: £365m)

### Available debt funding

£4.0bn

(2019: £3.1bn)

### Regulatory rating

G1,V2

(2019: G1,V2)

### Total Group turnover

£662m

(2019: £565m)

### Investment in existing homes

£113m

(2019: £84m)

### Unused property security

£3.0bn

(2019: £2.5bn)

### Employment and apprenticeships investments

£1.4m

(2019: £1.0m)

## Operational highlights

### Satisfaction with landlord (all tenure types)

67%

(2019: 70%)

### Customers supported via care and support services

18,366

(2019: 21,128)

### Value of investment in community activities across the Group

£9.0m

(2019: £9.0m)

### Jobs and apprenticeship opportunities secured

1,168

(2019: 1,231)

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# Chair's letter

**Lord Bob Kerslake**  
Chair

Focused on doing more to help people make the most of their lives.

## A defining year

The Covid-19 pandemic has changed everything. As Chair of Peabody I am extremely proud of the effective and compassionate way our people responded to the emergency. They continued to put the most vulnerable people first in everything they did.

The organisation moved quickly to protect employees and residents while keeping essential services running throughout those early weeks of the pandemic. Thanks to the professionalism and preparedness of our teams we were able to adapt and mobilise our efforts so we were able to keep supporting our residents and customers.

For all of us, 2020 will forever be defined by the virus and the impact will continue to be felt. But for Peabody, our response to the pandemic defines us as an organisation. Our social purpose is profound and at the heart of everything we do. When we were needed, we were there.

## From emergency to recovery

Late last year I set out four challenges for Peabody and for the housing sector more widely. These were Safety, Services, Supply and Sustainability. They still apply and will be the pillars on which we base our activities and strategic focus. There will be many challenges ahead socially, economically and environmentally. But we are financially sound and have detailed plans to make sure we can continue to invest in vital areas.

The demand for a good home at a price people can afford gains new urgency as a result of the virus. We will play our part by investing in our existing homes and places, improving services for residents and striving to keep building new genuinely affordable homes. We will also continue to invest in our Community Foundation. This year we invested \$9 million into our community activities across the Group including a programme of over £1 million in grant funding for smaller community groups. Out of the crisis, I hope a better society can emerge.

## Supporting communities

The foundations of what a better society might look like can be seen in our activities in the year before the pandemic. The Peabody Index continued to shine a light on issues affecting people on low incomes. Our two reports last year looked at the challenges facing people with disabilities as well as those struggling to access affordable childcare in London. We also continued to make an evidence-based case for changes to Universal Credit – an issue that is now affecting more people than ever before.

Our place-based and locally focused partnership approach to community activities went from strength to strength in 2019/20. We continued to support households to boost their income, supporting over 1,100 people into jobs and apprenticeships in the year. We also worked with partners to provide over 78,000 hours of community activities. I am delighted that the Pembury Children's Community is now into its fifth year, with purpose built facilities helping to make tangible improvements for people and particularly young people, in Hackney.

**Peabody Trust**

(Registration no. 7741)

Lord Robert Kerlake (Chair)

Ian Peters (Vice Chair)

Peter Baffoe

Helen Edwards

David Hardy

Paul Loft

Barry McNamara

Jane Milligan

Deirdre Moss

Francis Salway (Appointed 9 May 2019)

Brendan Sarsfield

Catherine Shaw (Resigned 13 October 2019)

Peter Vernon

**Group Secretary**

Sarah Cameron

**Chief Executive**

Brendan Sarsfield

**Building back better**

In 2019/20, we completed 1,048 new homes and started 2,380 on site. 80% of our programme delivered new affordable homes, including 426 much-needed social and affordable rented homes. We built 391 shared ownership homes to help families get onto the housing ladder and, despite a challenging housing market, our homes for private sale continued to sell well. This income has been fully reinvested in delivering our mission.

It has been a year of great progress in Thamesmead as we completed The Reach in West Thamesmead, which is a 66-home development that is all affordable. Work continues at Southmere Village which will create over 1,600 new homes, a public library, retail and improved public spaces. We also continue to make improvements through landscaping, tree planting and projects to increase biodiversity and water quality in the town's lakes. The Thamesmead culture programme also went from strength to strength, working with local people to curate and deliver projects.

We are achieving a lot and will continue to do so. I should like to thank the Board and committee members, the Executive Team, and all Peabody employees who have worked so hard this year.


**Lord Bob Kerlake**

Chair

29 July 2020

**Executive Team of Peabody Trust during the financial year ended 31 March 2020 and up to the date of this report**

Stephen Burns Executive Director, Care and Communities

Pauline Ford Executive Director, Integration (up to 30 June 2019)

Ashling Fox Chief Operating Officer

Bob Heapy Chief Executive, Town and Country Housing (from 9 May 2019)

Susan Hickey Chief Financial Officer (up to 31 January 2020)

Eamonn Hughes Chief Financial Officer (from 12 May 2020) (interim Chief Financial Officer from 3 February 2020)

David Lavarack Executive Director, Corporate Services

John Lewis Executive Director, Thamesmead

Dick Mortimer Executive Director, Development and Sales

**Registered office**45 Westminster Bridge Road  
London SE1 7JB

Peabody Trust is a charitable community benefit society registered with the Financial Conduct Authority under the Cooperative and Community Benefits Societies Act 2014 (number 7741) and with the Regulator of Social Housing (number 4878).

**Auditor**KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL**Solicitor**Trowers & Hamblins  
3 Bunhill Row  
London EC1Y 8YZ**Banker**Coutts & Co  
440 The Strand  
London WC2R 0QS**Future Board focus**

- Ensure our homes and buildings are safe and well maintained.
- Review and evolve Group Strategy to reflect a challenging environment.
- Consider approaches to make our business activities and homes more sustainable.
- Monitor budget and performance, to deliver for the most vulnerable, including balancing investment in existing homes with new homes delivery.
- Amplify customer voice in Board-level decision making, with the wellbeing and safety of Peabody's residents and beneficiaries continuing to be paramount.
- Continuous review and assessment of the effectiveness of governance and risk management, risk appetite and emerging risks.
- Measure progress on diversity to work towards a fully diverse leadership team that reflects the communities we work with.

# Chief Executive's review

Q&A:  
Putting our customers first

**Our CEO, Brendan Sarsfield, answers our questions**



## Q. How would you summarise this year?

It is impossible to consider the year without reference to the Covid-19 pandemic. It has been an enormously challenging time for everyone and I am proud of the way Peabody employees responded.

Teams from across the business have joined together in the most extraordinary way to support the most vulnerable people in our communities during the Covid-19 pandemic. Our Resident Wellbeing Support team, set up in March, continues to have a huge impact, having delivered over 1,300 food and essential item parcels in just a few months time. More than 260 Peabody employees and over 150 members of the public have volunteered to help us support some of our most vulnerable residents.

We were well placed to deal with the challenges because of the extensive stress testing we have done in recent years on a range of scenarios. We had a good level of financial and organisational preparedness which reflects the culture, strong governance and robust risk management we have within Peabody.

Our strong financial performance is important. This helps us keep our rents low while investing in vital building safety programmes, improvement works to existing homes, and continuing the development of new affordable homes.

## Q. What have been your priorities?

Building safety continues to be our top priority. We invested £32 million in the year in remedial works, and are working to support

leaseholders in making the case for government support following new guidance notes on the building regulations. I want to put significant investment into improving the condition and sustainability of our existing homes too. This will be a challenge, but it is one we are determined to meet.

Supporting residents through the pandemic continues to be a priority. Our Tenant and Family Support, Facilities, In-House Repairs, Communities, Resident and Estate Services teams, all went above and beyond and really showed what we are all about. In addition to its work as part of the London Food Alliance, the Peabody Community Foundation provided £100,000 to help small charities and grass-roots organisations provide critical support to vulnerable residents through the lockdown.

We're continuing to make progress on improving services, providing a strong local offer and working to provide more choice and a better experience for residents to access services. I'm looking forward to expanding this, focusing on getting repairs right first time and driving up all resident satisfaction with us. We've also made great progress on people's experience moving into our new homes. For the second year in a row, almost 90% of people would recommend Peabody to friends and family looking for a new home.

One of my personal priorities has also been to make sure we are looking after our employees' mental and physical wellbeing. I am continuing to ensure that we all look after ourselves and each other. I am also personally committed to equality, diversity and inclusion which continue to be a priority for us.





“Our teams from across the business have joined together in the most extraordinary way to support some of the most vulnerable people in our communities during the Covid-19 pandemic.”

£32m

building safety related works

80%

of our new homes were affordable

£313m

investment in new homes

£113m

investment in existing homes



Our teams packing emergency food parcels for vulnerable residents during the start of the Covid-19 pandemic.

**Q. Personally what has stood out for you this year?**

Our care and support colleagues, and their work to support the most vulnerable people even before the pandemic. Their work with older people and those with complex needs, disabled people, refugees, and people either homeless or at risk of being homeless is at the heart of Peabody.

We continued to develop much-needed new homes, beginning the latest phases of major regeneration projects at Parkside in Lewisham, St John’s Hill in Battersea and the first phase of Southmere in Thamesmead. Together these will provide over 1,000 new homes, with over 50% being affordable.

The redevelopment of the former Holloway Prison also stands out for me. This is a really significant project, opening up a space that has been closed off to the public since 1852. With our development partners, London Square, we continue to engage locally on a scheme which we hope will deliver around 1,000 new homes and other benefits for the community.

Our work in Thamesmead has been fantastic, with a real focus on improving the lived experience of people in the town. We invested £10 million upgrading the windows and improving 21 towers in South Thamesmead and employed extra people to look after and enhance the extensive public spaces there. The cultural and community activity, business support and our Making Space for Nature programme really show our commitment to the place.

**Q. What are your key challenges for the year ahead?**

The key challenges will be to continue protecting residents, our employees and the organisation. The pandemic has created a lot of uncertainty, but we know that the world and our operating environment have significantly changed. We may have to do things differently in future and are already planning for that. Our long-term challenges will be around funding everything we want to achieve.

In the short term, we must manage the impact of Covid-19 for our workforce and residents. Funding for carrying out essential building safety works is an important challenge that we need to continue to navigate. Continuing our development programme, in part to help fund this, will be essential. We also need to invest in our existing estates and properties, including with an eye on their environmental performance.

We’ll keep listening to our residents, highlighting their voice, and presenting evidence to government on how public policy affects our residents and customers. Our modernisation programme, and particularly the digital platform we’ll be rolling out for some repairs, will also make a positive difference for our residents and customers. I’m excited about the potential for helping residents bid for work themselves, driving local economies and skills.

**Brendan Sarsfield**  
Chief Executive  
29 July 2020

# Our response to Covid-19

Figures relating to our response to the Covid-19 pandemic are as at end of May 2020, and not the financial reporting year.

## Ensuring business continuity

Peabody's business continuity and pandemic response plans were activated on 21 February 2020. We were well prepared to deliver on the three key priorities at the heart of our emergency response in early March. These were to:

- Protect our teams, residents and care and support customers;
- Continue providing essential services; and
- Proactively inform, engage and support the most vulnerable in our communities.

Many of our teams moved quickly to remote working with the support of our IT and Facilities teams. Our Customer Hub remained open with employees working at home to respond to calls and online questions from residents. We communicated frequently with our residents using a range of digital channels, by telephone, face to face and by sending regular updates by post to ensure all our households had access to important information about our response to the crisis.

At the same time, our front-line teams mobilised to help protect themselves and others, with Peabody Group Maintenance and our care and support teams working together to source additional



Personal Protective Equipment for our teams. We were able to source and distribute over 300,000 items of PPE at the height of the crisis to protect our people and customers.

We have been able to maintain cleaning services on our estates and keep essential services running, and created a new Resident Wellbeing team tasked with coordinating our emergency response to support our communities locally.

## Supporting the most vulnerable

We donated £100,000 to help small charities and grass-roots organisations provide critical support to vulnerable residents through the lockdown. The donation forms part of a £1 million community grants programme this year and was pledged to London Community Foundation's 'London Communities Coronavirus Appeal' and Islington Giving's 'Islington Giving Crisis Fund'.

Our teams continue to directly deliver thousands of emergency food parcels to our most vulnerable residents and care and support customers across London and the South East. Working closely with local authority partners on a coordinated response, we helped mutual aid groups through our partnership with the London Food Alliance. Our community centres acted as distribution hubs, delivering food supplies, medicine and care packages with other essential items to help keep people safe and healthy.

Our Tenant and Family Support and Financial Inclusion teams continue to proactively reach out to residents and to offer support for people whose finances have suffered as a result of the pandemic.

More than 260 employees signed up to our volunteering programme and continue to make befriending calls, organise medication deliveries from pharmacies, and other activities to support people living in our homes. In addition, over 150 people from outside Peabody signed up to our befriending scheme, supporting isolated people in difficult circumstances.

### Managing the impact

The financial impacts of the pandemic will largely be felt in 2020/21 and beyond, but we have been active in mitigating them. There is an increased focus on liquidity, making sure that we have the available funds to deliver our services to the people who depend on us, and also to deliver our organisational priorities.

We entered this period with a strong liquidity position which we have maintained and have continued detailed monitoring and reporting of financial performance throughout.



“Many of the people we meet have become very socially isolated because of the advice to stay at home. More often than not, they’re keen just to have a chat either over the phone or on their doorstep. It’s been really humbling to be able to offer help and support to some of the most vulnerable yet resilient people in our communities.”

**Matthew Maclure**  
Local Wellbeing Coordinator

# 13,300

calls to residents made to establish support needs

# 1,300

emergency food parcels and medication packages delivered

# 2,100

school holiday meals served to pupils

# £100,000

donated to grant programmes for groups affected by the pandemic

# 300,000

items of Personal Protective Equipment sourced and distributed



# A year in achievements

We have continued to put the most vulnerable first, invest in our homes and services and support our communities through out the Covid-19 pandemic.



## Response to Covid-19

- Over 13,300 calls to residents made to check in and establish support needs.
- More than 1,300 emergency food parcels and medication packages delivered.
- Over 300,000 items of Personal Protective Equipment sourced and distributed.
- £100,000 donated to help small charities and grass-roots organisations provide critical support to vulnerable residents through the lockdown.



## Our Community Foundation grows

- Over 78,300 hours of free and low-cost community activities offered.
- More than 1,100 people supported into jobs and apprenticeships.
- Over £48,400 of micro grants of £500 or less distributed to bring local ideas to life.
- More than 2,000 young people took part in our youth services programmes.



## Housing for the most vulnerable

- Our low rents provided residents and the taxpayer with an estimated value of £450 million in 2019/20, when rents are compared with the market.
- Completed a homeless shelter on the site of the former Holloway Prison set up to support people sleeping rough.
- Around 80% of our newly built homes (including by Town and Country Housing) in 2019/20 were affordable.

**£9.0m**

invested to support residents and customers across the Group

**2,100**

school holiday meals served to pupils to tackle holiday hunger

**1,200**

people supported to return to home safely after a hospital stay (in Kent and London)



### Keeping our homes and buildings safe

- We have established a new Building Safety team and Technical Committee to monitor our building safety programme.
- As Founder Members of the new Building Safety Charter, we are helping to lead culture change in the sector.

£32m

building safety related works



### Supporting our communities

- We helped more than 10,800 people increase their independence through aids and adaptations.
- We supported more than 18,300 people through our care and support services.
- Our supported living service in Essex was one of 20 in the country to be awarded an 'Outstanding' rating across all areas during a Care Quality Commission inspection of the service.

90%

care and support customers satisfied with the support they receive



### Our new homes

- We completed 1,048 new homes and started 2,357 on site in 2019/20 (including Town and Country Housing).
- We achieved £168 million in sales income and invested £313 million in our new developments.
- Almost 90% of people who bought one of our new homes would recommend Peabody to friends and family looking for a new home.
- Our joint venture with Mount Anvil at the Three Waters Development in Bow, has enabled us to develop more affordable homes in East London. It's now on site and will deliver 109 affordable homes.
- Work has begun at Osiers Road, a 100% affordable scheme of 168 new homes in Wandsworth built by Hollybrook Homes.






### Town and Country Housing join Peabody Group

- We welcomed Town and Country Housing to Peabody on 9 May 2019, with the merger adding 9,000 properties to the Peabody Group.
- Developed new digital offer - 'My Home Online' - for residents.
- Completed 131 homes and started 344.
- Becoming part of Peabody will accelerate delivery of new homes.

# Our partners

## Engaging with partners

 <p>Customers</p>	 <p>Employees</p>	 <p>Investors and lenders</p>
<p><b>Key issues</b></p> <ul style="list-style-type: none"> <li>• Customers want to be able to access our services 24/7.</li> <li>• Localised services, especially for our vulnerable customers.</li> <li>• Building safety, repairs and maintenance.</li> </ul>	<p><b>Key issues</b></p> <ul style="list-style-type: none"> <li>• Need more flexibility and choice.</li> <li>• Promote diversity and inclusion.</li> <li>• Safety and wellbeing in an uncertain world.</li> </ul>	<p><b>Key issues</b></p> <ul style="list-style-type: none"> <li>• Strong focus on business, strategy and financial profile.</li> <li>• Increasing interest in Environmental, Social and Governance (ESG) performance.</li> <li>• Need to demonstrate robust governance.</li> </ul>
<p><b>Why it is important to engage</b></p> <p>We have a diverse range of customers including tenants, leaseholders and service users. We need to offer them a choice of ways to engage – when and how they want to.</p> <p>Increasingly, they would like better digital access and we have been modernising our services to meet this demand. Customers also need to be at the heart of shaping our services, our developments and our communities, and be informed and consulted on any material changes.</p>	<p><b>Why it is important to engage</b></p> <p>Attracting, retaining and developing talented and diverse people who share our values is key to achieving all our ambitions. Our employees want to feel informed and connected, share successes and have access to information wherever they are working.</p> <p>With the world changing quickly as a result of the pandemic, we need to be nimble in keeping employees abreast of developments, support wellbeing and ensure that they are at the heart of defining our 'better normal' in the future.</p>	<p><b>Why it is important to engage</b></p> <p>We are committed to being an 'A' grade investment proposition if possible. Attracting sustainable investment across our development, economic and social activities is essential if we are to achieve our ambitions. We need to maintain our long-term relationships with key banks and other investors, to ensure the flow of short, medium and long-term funding.</p> <p>We welcome new investment of additional funds and also fresh impetus and ideas in funding, such as sustainability linked loans.</p>
<p><b>How we engage</b></p> <p>We communicate and connect through face to face meetings, events and digital channels. Through research and surveys, we listen to and understand our customers' wants and needs. We involve residents through scrutiny panels, monitoring groups and resident associations. We also hold resident surgeries to listen to feedback and discuss local issues or concerns.</p>	<p><b>How we engage</b></p> <p>We engage with our employees constantly using our intranet, team meetings, all Group CEO communications, newsletters and leadership briefings. We also have a proactive employee council. Our intranet allows employees to collaborate and share stories and we've also introduced a number of new ways for teams to connect online.</p>	<p><b>How we engage</b></p> <p>We report regularly on our financial performance, issuing RNS statements, holding investor roadshows and updating the investor section on our website.</p> <p>We initiated and are co-sponsoring a project to develop a sector wide standard for ESG reporting to demonstrate the value of the sector to long term investors.</p>
<p><b>How this affects the Board's decision making</b></p> <ul style="list-style-type: none"> <li>• Customer insight is provided for relevant Board decisions, and resident consultation is included for material decisions.</li> <li>• Customer satisfaction metrics inform our decision-making processes.</li> <li>• In-depth reviews are conducted where customer satisfaction metrics are unsatisfactory.</li> <li>• Decisions on our modernisation programme are driven by customer focus, satisfaction indicators and our desire to offer different engagement options.</li> </ul>	<p><b>How this affects the Board's decision making</b></p> <ul style="list-style-type: none"> <li>• Employee surveys feed into Board decision making on a range of issues and our 'you said, we did' approach.</li> <li>• Employee feedback is integral to shaping our proposals on key projects, such as the modernisation programme.</li> <li>• In response to the pandemic, the health and wellbeing of employees has been central to the Board's decision making process.</li> </ul>	<p><b>How this affects the Board's decision making</b></p> <ul style="list-style-type: none"> <li>• Our Group Investment Strategy and Treasury Management Policy are regularly reviewed following engagement with lenders.</li> <li>• Our Finance and Treasury Committee conducts reviews of compliance with financial and non-financial covenants.</li> <li>• Regular Board review of our governance structure ensures a robust governance framework.</li> </ul>



## National and local government

### Key issues

- Supply of new affordable homes.
- Social care.
- Supporting the most vulnerable.
- Partnerships with the London Boroughs of Bexley and Greenwich, and the Greater London Authority ('GLA'), regarding Thamesmead regeneration.

### Why it is important to engage

Constructive and positive relationships with local and national government greatly facilitate our care and support function, and enable us to succeed in our development and regeneration ambitions. This also enables us to influence important issues and deliver on our shared objectives.

National and local government want us to deliver more homes, support them with meeting local housing needs and provide evidence and insight to help form policy.

### How we engage

We proactively work together with national, regional and local government to deliver new homes and address housing and support needs.

We also work collaboratively on wider initiatives in local communities.

### How this affects the Board's decision making

- Our development decisions are influenced by national, regional and local government engagement.
- Decisions on Thamesmead are developed and guided by engagement with local boroughs, the GLA and the Mayor of London.
- Our engagement with the Ministry of Housing, Communities and Local Government (MHCLG) as an Early Adopter of Hackitt reforms directly influences Board decision making.



## Regulatory bodies

### Key issues

- Social housing regulation including value for money.
- Building regulation and fire safety.
- Environmental compliance.
- Health and safety.
- Listed bond requirements.

### Why it is important to engage

We are regulated by bodies including the Financial Conduct Authority, the Regulator of Social Housing and the Care Quality Commission. As the regulatory environment changes rapidly, it is critical that we comply with relevant standards and engage effectively with our regulators. This safeguards our reputation, funding and investment so we can continue to deliver our corporate objectives and priorities.

We must meet the expectations of the regulators and be accountable for our actions.

### How we engage

As well as regular meetings, we provide returns, surveys and notifications that reflect our plans and performance. These cover areas such as our projected development activity and financial health. On building safety, we are an Early Adopter of the MHCLG's Building Safety Charter, working in partnership to drive culture change in the sector.

### How this affects the Board's decision making

- The Board promotes legal and regulatory compliance as a key enabler of trust with the Group's multiple stakeholders.
- Recognition that building safety decisions are driven by engagement with MHCLG.
- The Board engages with RSH on all aspects of compliance (including gas safety and fire safety) as it is integral to a co-regulatory approach.
- Our Budget and Long Term Financial Plan are approved in accordance with RSH expectations and engagement.



## Other Partners

### Key issues

- Foster diverse and sustainable communities.
- Support the most vulnerable.
- Supply of affordable homes.

### Why it is important to engage

Partnership working helps us to improve the quality of our services and develop new ones. Ensuring we engage effectively with agencies, developers and other associations is key to furthering our place-making, economic development, health and social care roles.

Together we can achieve better outcomes, deliver more homes and create more opportunities for people living in our communities.

### How we engage

We live our values by delivering on our corporate objectives and work collaboratively with our partners. We regularly demonstrate and communicate the social value of our work, and our thought leadership, through reports, original research, financial statements, events, newsletters and other media.

### How this affects the Board's decision making

- Clear communication and engagement with a spectrum of stakeholders play a key part in the Board's decision making.
- By applying Peabody values and culture in the decision-making process, the Board demonstrates positive engagement with stakeholders, a reputation for high standards of business conduct and a commitment to long-term, sustainable success.

# Our market drivers

## Responding to market drivers

### Driver

### What has happened

Political landscape and policy environment

The Government has shown its support for social housing in its commitment to a £12.0 billion boost to the affordable housing programme. It has remained engaged with the housing sector despite Brexit and the Covid-19 pandemic dominating the political landscape. Key examples include the Government's proposed First Homes programme, its proposal of right to shared ownership and its continued focus on fire safety.

Interest rates, inflation and house prices

The long-term economic impacts of the pandemic are still unclear. While house prices saw positive annual growth in London in the year to the end of February 2020, the impact of the pandemic on the housing market remains uncertain. Interest rates and gilts are at low levels.

Growing population underpinning housing demand

London's population has grown by an estimated 1.44% per annum since 2015, putting its current estimated population at 9.3 million. There continues to be a severe shortage of affordable housing in the capital, and interruptions to construction due to the pandemic have only set house building further behind. It is yet to be seen what sort of impact this could have on households' decisions regarding living in densely populated areas in the future.

Digital technology and transformation

Digital technology has become an increasingly vital aspect of our lives, particularly in the context of recent community social distancing measures.

Many of our customers already expect seamless digital services to be available and to have access to real-time information and a range of contact options 24 hours a day, seven days a week.

Changes in the law and regulation

Building safety has continued to be a major focus for government following the Grenfell fire. A consultation on reforming the building safety regulatory system was published in June 2019, and was followed by multiple other consultations on fire safety. A consolidated advice note focusing on building safety was issued by government in January 2020.

Environmental pressures

London and the South East are densely populated. We face environmental challenges relating to air quality, green infrastructure, climate change, noise and waste management. A new law has been introduced which sets a national target for the UK to bring all greenhouse gas emissions to net zero by 2050.

The Government has also published a consultation on the Future Homes Standard, which is still awaiting conversion to legislation.



## The impact on Peabody

Prolonged uncertainty over the terms and timeline of Britain's ongoing withdrawal from the EU continues to impact our long-term planning. The Covid-19 pandemic has further complicated this. Continued access to grant funding is necessary to mitigate these pressures.

Lower interest rates mean lower costs of borrowing on our floating rate debt. An uncertain housing market poses a risk on our ability to cross-subsidise affordable rent properties through private sales. We continue to mitigate this risk through our proactive sales and marketing programme and retain the ability to switch tenures.

The GLA estimates the need for an additional 65,000 new homes per year, half of which should be affordable. High and sustained levels of housing need continue to drive demand for our homes, both for those we already own and manage, and also those in our development pipeline. Though the pandemic shut down the housing market temporarily, the shortage of housing in London remains.

Our employees have adapted quickly and are able to work in more flexible ways, with many based from home, so that we can continue to deliver our services to customers. We will continue to ensure our teams have the right tools to best do their jobs.

We are also aware that digital exclusion continues to be an issue for many vulnerable people, so we need to support them and ensure that they are not disadvantaged.

A more robust approach to building regulations and fire safety will bring heightened expectations in terms of compliance for our existing properties. This includes how we communicate such information to customers, and will impact on our development programme. This also has an impact on leaseholders who are unable to move and may have to wait some time due to the scale of the works required.

Our homes, offices and community centres are affected by environmental pressures. We seek to mitigate the worst effects through the way we design our homes and outdoor spaces, our procurement of major contracts and through the support services we provide to residents.

## How our strategy is optimised to respond

We continue to build and maintain strong working relationships with legislators and policymakers across the political spectrum and at all levels – national, regional and local. We provide evidence and input to the policymaking process through our regular consultation engagement.

We regularly review our borrowing requirements to match our needs and achieve best value. We continue to seek efficiencies in our operating costs and test our Long-Term Financial Plan against the potential impact of variations in house prices. Despite the recent government mandated social distancing for most of the community, we have made use of technology to continue selling homes.

Our growth ambitions are outlined in our Development Strategy as we deliver our pipeline of new homes. This includes the extensive development opportunities we are unlocking through the regeneration of Thamesmead.

We are moving towards a multi-channel approach which aims to offer value for money, speed and ease of response. We are investing in our digital infrastructure to help us achieve our goal of executing half of our transactions online. We have found creative ways to deliver our services online during the pandemic and will continue this innovation.

At the same time, we recognise the need for face-to-face contact where appropriate, especially for vulnerable people.

We are continuing to use our role as an Early Adopter to lead the way in housing safety in implementing the recommendations on building safety from the Hackitt review. We've also established a new Building Safety team along with a Technical Committee to monitor our building safety programme.

All our new homes meet GLA environmental standards. Our sustainability strategy sets out our plan to work towards meeting energy efficiency targets despite the challenges presented by an older property portfolio.

We also led the publication of a White Paper on ESG reporting and investment in UK social housing together with key partners. This will in part set out how housing associations and private finance can align to achieve improved environmental outcomes.

# Our business model

Creating long-term value for social good

## What we do

Develop and deliver reliably good modern services

## What we do

We put the most vulnerable first

We create great places where people want to live

We build resilience in people and communities

## Our inputs

### Financial resources

We are an efficient organisation delivering a surplus of £122 million which we reinvest in our homes and communities and to subsidise new homes.

### Physical resources

We have an asset base of £8 billion and own 66,000 homes across London, the South East.

### Our people

We have around 3,000 skilled and knowledgeable permanent employees.

### Our know-how

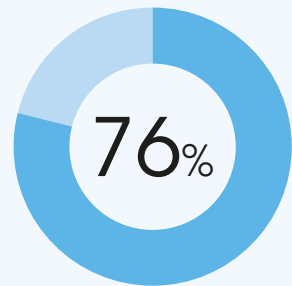
Our experienced leadership team is well respected among our stakeholders.

### Our relationships

We have strong relationships with a wide range of stakeholders and are trusted to deliver our promises. Our strong resident scrutiny provides our customers with opportunities to shape our services.

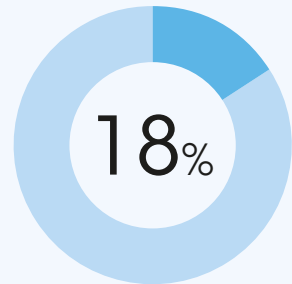
## Our income

Social housing activities



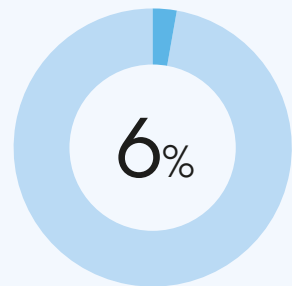
(2019: 79%)

Market sales



(2019: 16%)

Other



(2019: 5%)

**What we do with the value we create**

Build many more affordable homes for rent and shared ownership

**£313m**

Deliver services to support our residents and customers

**£9m**

Invest in our existing homes to ensure they remain great places to live

**£113m**

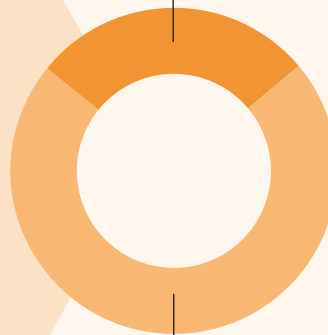


Total investment

**£435m**

**£122m**

surplus



Borrowing and Grant

**The value we share**

**Customers**

We invested £313 million in developing new homes, £113 million in maintaining our existing homes, and £9 million on community activities across the Group.

**Funders**

We provide our funders with a stable return on investment, achieved through our long-term approach and investment in our assets.

**Suppliers**

We develop mutually beneficial partnerships to offer the most value to our customers.

**Employees**

We offer a great place to work and invest in our people, focusing on developing a diverse organisation at every level.

**Government**

We have a strong relationship with the main political parties and are trusted and credible. We influence on issues that matter most to our residents.

**£122m**

Surplus\*

\* excludes gift on acquisition of Town and Country Housing

# Our strategy at a glance

Driving our business through clear strategic priorities

	Our performance	Our priorities
 <p>Develop and deliver reliably good modern services</p>	<p>We have sustained high customer satisfaction scores, especially from our care and support customers. We want to offer a better service and experience for our customers.</p>	<p>We have reviewed our current operating model. A new modernisation approach has been agreed, including plans to grow our in-house repairs service and to focus on more effective maintenance and management through the trialling of locally based property managers and specialist case managers.</p>
 <p>Build and maintain the best quality developments</p>	<p>Our completions are higher than last year, although we fell short of our annual target. We have identified the homes required to fulfil our strategic partnership with the GLA to deliver new affordable homes.</p>	<p>We continuously seek new development opportunities, including those where we can build on our existing programme of estate intensification. Our delivery of new homes in Thamesmead will continue as part of the Housing Zones programme.</p>
 <p>Work with local communities and build long-term partnerships</p>	<p>The Peabody Community Foundation has delivered the first year of its new strategy which is based on local area plans to identify how all of our services can work in local collaboration to maximise impact. We are reviewing our care and support services and properties to ensure better alignment with our strategic vision.</p>	<p>We will support our residents to become financially independent through better paid work and tenancy sustainment, focusing our services on areas where we can achieve maximum impact. We will review where our care and support services operate and how these relate to other services provided in our communities.</p>
 <p>Grow and use our position of influence to create positive change</p>	<p>We listen to people living in Peabody homes about how public policy affects their lives. We produce research, analysis and consultation responses on the issues that matter, with a view to playing our part in influencing positive change on behalf of our residents and communities. In 2019/20, we investigated and analysed a range of issues including disability, affordable childcare, low pay and Universal Credit. These issues were also explored in our Peabody Index reports.</p>	<p>Our research programme contributes to policy debates on housing and other issues affecting the lives of Londoners on low incomes. We provide an integrated communications approach to this, engaging with stakeholders, journalists, partners and the public.</p>

### Measuring our progress

- Satisfaction with landlord
- Statutory and regulatory compliance
- Proportion of transactions online
- Percentage of calls answered by contact centre
- Repairs-related complaints as a percentage of repairs logged
- Percentage of work in progress responsive repairs completed in under 30 days

- Number of practical completions
- Number of starts on site
- Satisfaction with quality of home
- Sales income
- Average defects per property

- Satisfaction with neighbourhood as a place to live
- Care and support customers leaving for positive reasons
- Number of people supported into work or apprenticeships
- Number of 'active' volunteers

- Media coverage
- Website/social media engagement
- Responding to public consultations and input to policies
- Publication of research

### Key risks

- Failure to obtain value for money from our contractors
- Waste within our processes
- Reduction in quality of service to customers
- Failure to balance digital and human interaction

- Poor controls over delivery, sales and marketing of the Group's development programme
- Failure to realise the full potential of Thamesmead
- Long-term financial pressures lead to de-prioritisation of investment into place shaping
- Further transport improvements do not materialise in Thamesmead

- Failure to attract and retain high-quality, trained and competent employees in our care and support services
- Safety of care and support employees, customers or buildings
- Failure to deliver a financially viable care and support business

- Peabody policies, performance, and operational changes can affect our ability to speak up for residents


### Value for money

- Continued expansion of in-house repairs and maintenance service
- Re-procured repairs contractors
- Invested in technology to reduce customer effort
- Innovative new marketplace platform to provide flexibility and ability to select on quality and cost

- Identifying alternative options for procurement and construction to improve cost and quality
- Developing Joint Ventures to share expertise, risk and achieve value for money

- Promoting the work of Centre for Excellence in Community Investment to increase impact
- Developing new business opportunities with partners such as NHS to offer hospital discharge service in Kent, saving NHS £900,000 in costs
- Volunteering efforts worth £1 million (based on average weekly volunteering hours and current minimum wage)

- Joint lead on ESG reporting to spearhead consistent approach in reporting
- Demonstrating social value to attract investment such as 'Social Sustainability Linked Loan' with BNP Paribas, linked to childcare provision
- Early adopter of Building Safety Charter to share best practice and drive culture change

 [Read more on Value for money p36](#)

Develop and deliver reliably good modern services

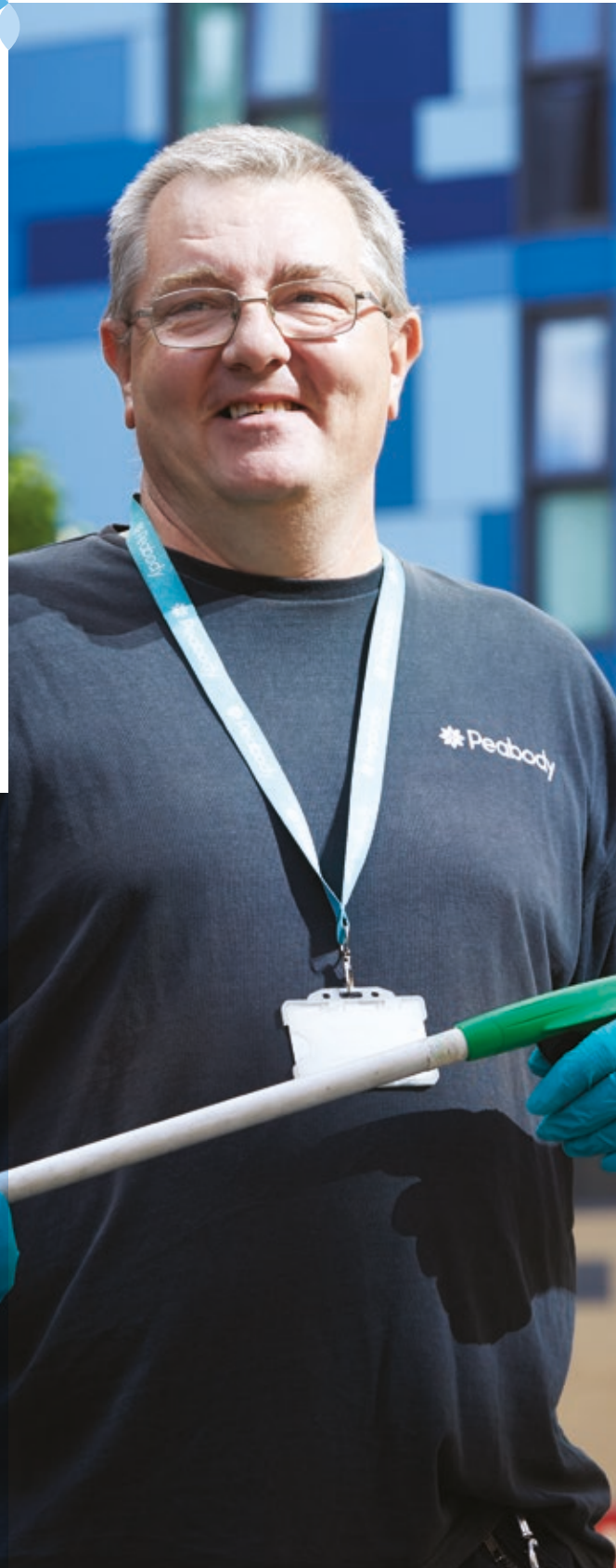


**Customers:**

## Modern services, locally focused

We aim to provide an effortless experience for our customers while making the best use of our homes and properties. It is essential that we learn and understand our customers' evolving needs and expectations.

This insight helps us to develop and deliver reliably good services.



## Putting safety first

Ensuring our homes are safe and compliant is our number one priority. We are working with government agencies to inform the industry response on building safety. In 2019/20 we invested £32 million in building safety and have committed additional resources to making sure our homes are safe. These include strengthening our professional fire safety team which is leading a best practice approach to fire safety and compliance.

## Our modernisation journey

We've made significant progress with our modernisation programme, laying the foundations to support a better customer experience and a more efficient organisation.

We're using new technology to improve the customer experience for repairs, making it easier to book appointments and identify the issue. We're also working with our contractors to ensure they have the right technology to keep customers up to date and to support online self-service in the future.

Customer satisfaction with repairs was 86% in 2019/20. We're aiming to increase this to 90% by offering a more flexible and accessible service, and completing high quality repairs more quickly. We're expanding our in-house repairs team and have started to pilot property managers on some of our larger estates to proactively manage repairs and maintenance. This complements the other local services we provide.

Our teams told us that our technology and systems needed to improve to help them meet our customers' needs. So, we have simplified our systems and processes to manage demand more effectively. We've also refocused our team to support customers most in need. We have centralised some processes and created capacity to focus on what matters most.

## Covid-19 response

We moved quickly to protect our employees and residents while keeping essential services running in response to the Covid-19 pandemic. We have continued to monitor demand for our services to help us concentrate on what is right for our customers. This has also helped us to invest our resources where they are needed most, particularly as we remobilise our wider teams.

## Our future focus

This year we will focus on:

- developing better digital channels to engage with our customers;
- being more visible in our communities by refining our local offer to meet the needs of our residents;
- ensuring our front line services support our most vulnerable residents;
- developing innovative ways of delivering repairs through a marketplace of smaller, local contractors, enabling a more flexible and efficient service.



"Our 30-year plan sets out how we will maintain and improve our homes and communal spaces. In 2019/20 we invested over £113 million in our existing homes to make sure they remain great places to live."

**Ashling Fox**  
Chief Operating Officer, Peabody



## Case study: Improving the sustainability of our homes

Our new sustainability strategy sets out how we will invest in meeting energy efficiency targets despite the challenges presented by an older property portfolio.

We're aiming to achieve net zero carbon\* within our office operations (office, administration and maintenance activities) by 2030. In our rented homes, we are aiming for net zero carbon by 2050. To achieve this, we have set a target average 'A' rating Energy Performance Certificate across our portfolio or to offset any residual emissions for legacy homes where this is not practically possible.

\* Emissions may be offset by generating renewable energy and carbon sequestration (i.e. taking carbon out of the atmosphere and locking it) in other parts of Peabody.

Work with local communities and  
build long-term partnerships



**Peabody Community Foundation:**

## Healthier, wealthier and happier

Our communities are an integral part of our mission. We believe that people have the power to create the change they want to see in their lives and our ambition is to support our communities to be healthier, wealthier and happier.





### Making a real difference in people's lives

Over the past two decades we have established a successful community programme that continues to grow and adapt to changing community needs. Rising living costs and cuts to benefits for working-age households have meant that many low-income households are still living close to the breadline. That's how we know that our investment of £8.5 million to support residents through the Community Foundation and £0.5 million elsewhere in the Group is making a real difference in people's lives.

### A place-based approach

This year we launched a new strategy for our place-based approach. To reduce duplication and to maximise our impact locally, we are working in partnership with local authorities and other organisations to deliver a range of services for our residents and wider communities.

Over the last year, we have achieved successes across a range of areas for our residents including the following:

- Our employment and training offer has continued to focus on boosting household incomes and this year we supported over 1,100 people into jobs and apprenticeships. At our annual employment fair in Hackney, over 1,200 people came through the doors to meet over 40 different employers.
- Our Enterprise Programme has continued to support entrepreneurs to develop their own community-focused businesses. This year more than 500 people received enterprise support from us directly, or through our partners.
- We supported residents and community partners to deliver children's activities, sporting programmes, health and wellbeing sessions as well as clubs for young people. This year, we delivered over 78,000 hours of free community activities in our community spaces.

### Focusing on our key boroughs for strong results

The need for organisations like Peabody to invest in local communities has never been greater. By moving to a local approach in the key boroughs we work in, we will ensure that we are achieving maximum impact for our communities.

Throughout 2020/21, we will continue to invest jointly with local authorities and other strategic partners to fund initiatives that are already proving to make a positive impact. We will also continue to support communities through our Peabody Community Fund which provides grants for local projects and activities. Since its launch in 2014, we have awarded £1 million in grants for nearly 150 community projects.



"The partnership between the London Borough of Hackney and Peabody demonstrates how long-term focus and strong partnerships can strengthen local communities and transform outcomes for children and their families."

**Tim Shields**

Chief Executive, London Borough of Hackney



### Case study: Pembury Children's Community

Inspired by the Harlem Children's Zone in New York, the Pembury Children's Community programme in Hackney is a ten-year initiative bringing together key local stakeholders including residents, community groups and service providers.

Now in its fifth year, this initiative is recognised as a best practice model for working with local families and their children to build stronger communities.

Work with local communities and build long-term partnerships



Care and support:

## Putting the most vulnerable first

Our care and support services continue to help people make the most of their lives by working with communities and promoting wellbeing.

Despite increasing levels of need, our teams have gone above and beyond to develop and deliver essential care and support services to those who need it the most.



### Delivering on the most important services

We work with people to deliver what matters most to them. We provide just enough support so that they can make lasting changes to their independence, resilience and wellbeing. With vulnerable people at the heart of what we do, we make demonstrable societal change to:

- reduce homelessness and poverty;
- increase resilience, health and wellbeing; and
- avoid onward costs for the individual and their community.

### Satisfied customers

Customer satisfaction with our services in 2019/20 was very high with 90% of our customers satisfied with the service they received. We now support over 18,000 vulnerable people. We have helped over 10,800 households to increase their independence through aids and adaptations. We also supported over 1,200 people in London and Kent to return home safely after a stay in hospital.

We generated a surplus of £0.4 million on contracts worth £28.6 million.

### Awards recognising our excellent work

Our supported living service in Essex was one of only 20 in the entire country to be awarded an 'Outstanding' rating across all areas as part of a Care Quality Commission inspection of the service. This supported living service provides support for people with learning disabilities in North, Mid and West Essex, enabling them to live in their own homes.

Our team members at Pioneer House in Chelmsford have also been recognised for their achievements. Pioneer House is a supported housing scheme for people with learning disabilities, acquired brain injuries and mental health issues. The team members at the service won Team of the Year at the 2019 Essex Prosper awards in recognition of their outstanding work.

### Supporting Syrian refugee families

We're delivering a new service to support some of the most vulnerable Syrian refugee families coming into Essex. Syria has the world's largest number of refugees as the humanitarian situation continues to deteriorate.

Working with the local Borough Council, we are providing support to six families, helping them to set up their homes, access benefits and get in touch with local services. Our teams have also supported the families with setting up bank accounts, registering for medical services, enrolling at schools, learning English and making connections in their new communities.



"Gloria House is a great example of the importance of linking up health, housing and social care to provide a joined-up, practical and successful approach to reducing homelessness and keeping people safe."

**Sophie Linden**

Deputy Mayor for Policing and Crime



### Case study: High praise for scheme for homeless hospital patients

Based at a Peabody property in Tower Hamlets, Gloria House is a place where people who are medically well enough to leave hospital, but who are homeless, can stay to get the support they need. It is an example of successfully integrated healthcare when housing, health and social care providers work collaboratively.

Our team members at Gloria House help to prevent their clients from returning to homelessness. They give support on a range of issues that may lead to people ending back up on the streets.

After nearly two years, our success rate is an impressive 90%. Of the 64 people who have stayed at Gloria House after their hospital discharge, 58 of them have moved on to suitable housing. This is a saving of close to £1.2 million for the public purse.

Build and maintain the best  
quality developments



**Development:**

## More homes for London

Our ambition is to continue to make a major contribution of new high-quality homes and neighbourhoods across London and the South East. The housing crisis remains a national issue, and it is vital that we play our part in investing in new and existing homes and wider regeneration schemes. We work to meet local needs and create great places for people not just to live, but to make the most of their lives.



## Rising to the challenge

In 2019/20 we completed 1,048 new homes and started 2,380 on site. Around 80% of our newly completed homes were for social rent and shared ownership, and we aim to provide thousands more genuinely affordable homes in the years to come.

This year our sales performance has remained strong in a challenging market, enabling us to fund our volume of new affordable homes and services for our vulnerable customers. In providing more new homes, we're putting quality, safety, sustainability and our social purpose at the heart of everything we do.

As we continue to respond to an uncertain economic environment, we will take a long-term view of our development programme, to help meet demand and support the sector's recovery from the Covid-19 pandemic.

## Safety and sustainability

At the same time as developing much needed new housing, we continue to invest to improve building safety and sustainability across our buildings.

We are continuing to use our role as an Early Adopter to lead the way in housing safety in implementing the recommendations on building safety from the Hackitt review. We've also established a new Building Safety team along with a Technical Committee to monitor our building safety programme. We have also begun piloting a suite of Building Information Modelling briefing documents with several design and construction teams in live projects.

We are conscious of the profound impact that our surroundings have on our health and wellbeing. Our future homes will need to be energy efficient, low carbon, innovative and sustainable to foster positive health and wellbeing.

## Satisfied people

An impressive 90% of our customers who bought one of our new homes would recommend Peabody to their friends and family. For the second year in a row, we achieved a 'Gold' award for customer satisfaction across all three of our regions. The awards are run independently by a specialist market research company, and are based purely on how people feel about the services we provide.

We continue to aim for the highest levels of satisfaction and quality for our schemes. In 2020, we are introducing an extension on the period of time customers can come to us to resolve any construction defects with their new build homes. This will increase from one to two years, giving people peace of mind after the standard warranty period expires.



"The award demonstrates a clear understanding of the customer journey and recognises your continued focus on the delivery of a fantastic customer experience."

**Tom Weston**  
Chief Executive, In-house Research Ltd

## Case study: Genuinely affordable homes at Wharf Road



Wharf Road in Islington provides **98** homes near the City Road basin. **80%** of the homes are genuinely affordable, with an average rent of **£150** per week.

This scheme includes **64** social rent homes, **15** shared ownership homes and **19** private sale apartments.

# 90%

our customers who bought one of our new homes would recommend Peabody to their friends and family

## Spotlight on Thamesmead



# Thamesmead

By 2050, Thamesmead will be home for up to 100,000 people. A great place to live is more than just its bricks and mortar; people are and will always be the heart of a community. We are working closely with Thamesmead residents to develop and progress our plans.

In 2019/20 we formed a new 50/50 joint venture partnership with international property and infrastructure group, Lendlease. Together we plan to deliver a c.£8.0 billion development at Thamesmead Waterfront. This transformational scheme includes a minimum of 11,500 homes and will make a significant contribution to the continuing economic regeneration of East London and the Thames Estuary.



## A home for culture

Our Cultural Infrastructure Plan, 'A home for Culture', sets out our plans for a network of cultural spaces including artists' studios, exhibition, music, and performance venues and cinemas. It is the first such plan to be published in London. We also launched the 'Thamesmead Open', an ambitious international open call art competition. With a total budget of £200,000, the Thamesmead Open will help to establish the area as a destination for culture and innovation.

Our culture programme in Thamesmead delivered many enriching experiences for our communities this year. We welcomed over 10,300 visitors to events, supported 260 people into paid jobs and enabled over 2,000 volunteer hours and 61 new artworks to be created. We also received a £1 million grant from Arts Council England for our 'Creative People and Places' initiative which we will be delivering over the next four years.

## Improving green spaces

Work is underway to transform the public spaces on both the Moorings and South Thamesmead estate, to help make them feel safer and more welcoming. The first phase of the South Thamesmead landscaping work has completed with the second phase of the £10 million project about to start.

We have been revitalising our open green spaces including 5 km of the Thames waterfront. All of our nature-based projects come under our 'Making Space for Nature' programme which is part of the CLEVER Cities project, led by the GLA and delivered by Groundwork London and Peabody. We're working collaboratively with residents to co-design green spaces so they meet the needs of local people.

## Supporting young people to thrive

A group of ten young people graduated from the first Youth Build construction programme. The four-week pilot scheme is designed to help young people complete their education, learn industry-led construction skills, develop leadership abilities and contribute to their communities.

## The future of Lesnes Estate

Residents voted in favour of plans to regenerate Lesnes Estate and to create new high-quality and energy efficient homes. We held a residents' ballot from Friday 21 February to Monday 16 March 2020 to ensure the community supported our plans to include Lesnes Estate in our regeneration of South Thamesmead.

The result saw residents support our plans to redevelop Lesnes Estate. 65.4% of residents took part in the ballot and 70.2% voted 'yes'.



"It's one of those places you really have to see for yourself. There's so much green space here, you feel so close to nature. I often forget how close I am to central London"

### Deborah Frimpong

Thamesmead resident and Chair of Moorings Neighbourhood Forum



### Case study: Getting their green thumbs out

Over 120 local school children joined us to plant over 4,000 trees for National Tree week. The children planted 500 trees during their one-day planting session, doing their part to help combat climate change as well as plant trees for future generations to enjoy.

Peabody secured £32,000 of funding from the Mayor of London's Greener City Fund Community Grant to plant the trees in Thamesmead. Our work in Thamesmead contributes to the wider aim of increasing London's tree canopy by 10% by 2050, and to maintain London's status as the world's first National Park City.

# 10,300

visitors attended cultural or recreational events across Thamesmead

Spotlight on Town and Country Housing



# Town and Country Housing

Town and Country Housing (TCH) owns and manages over 9,000 homes in Kent and East Sussex. In May 2019 TCH joined Peabody as a separate subsidiary company with its own Board and continues to make local decisions on operations and development.





## Shared values and social purpose

TCH has specialist teams and expertise focusing on development, customer services, housing operations, asset investment and maintenance. TCH joined Peabody to increase capacity to build more new homes across Kent and East Sussex, allowing the Group to extend our reach to these vitally important areas to London.

Our partnership is based on shared values and social purpose, with Peabody enhancing TCH's ability to deliver much-needed affordable homes both financially and through leveraging our brand and influence.

In 2019/20, TCH successfully transitioned into the Group's operating subsidiary arrangements and aligned some back office functions and systems. New governance arrangements have also been put in place: the chair of the TCH Board sits on the Peabody Board, and there are some members who sit on both the TCH and Peabody Board Committees.

## Developing new homes

TCH started 344 new homes in the year (263 in 2018/19) which were a mix of larger schemes and some smaller rural schemes. 261 new homes were secured and in contract for delivery and a further 140 secured plots in landbank. TCH has started its largest development scheme yet at Northfleet Embankment, Gravesham which will be 224 homes over four years.

TCH has a mature partnership with Homes England to support infrastructure investment and the provision of new affordable homes.

## Services and customers

TCH continues to deliver first class resident services and is committed to ensuring all homes remain safe and secure. In line with Peabody's focus on modernisation, TCH has started the journey to re-engineer, redesign and improve operational services and to develop a digital offer for residents called 'My Home On-line'. More than a third of TCH residents are already regularly using the application. However, a range of communication channels are available to residents including face-to-face contact.

## Covid-19 response

In response to the Covid-19 pandemic, TCH responded with speed and decisiveness, aligning with the Group's business continuity response. TCH quickly adopted a new operating model which included remote working and a focus on essential repairs. It also included massively enhanced levels of support for vulnerable and isolated residents making nearly 4,000 outbound support calls. These calls included support and guidance on financial challenges as a result of the virus.



"We've continued to stay connected with our residents throughout the pandemic, giving us the opportunity to get to know them better and tailor our support."

### Bob Heapy

Chief Executive Officer, Town and Country Housing



### Case study: Sheltered scheme supporting residents

Town and Country's Sheltered team has supported hundreds of residents since the start of the pandemic, with vital support provided during lockdown.

The team delivered 448 frozen meals donated by The Ivy and Bill's restaurant groups.

# 131

New homes completed in 2019/20

Grow and use our position of influence  
to create positive change



## Engaging and influencing on behalf of our residents

Government policies affect the lives of people living in our homes or using our services. We use an evidence-based approach to engage with policy makers, making sure our residents' voices are heard.

We want to create positive change by speaking up on issues affecting the most vulnerable people.



## Engaging and influencing on behalf of residents

We work in partnership with a wide range of political bodies, including local authorities, the GLA and national government. Our aim is to use the insight gained from the experiences of our residents on the issues that matter most to them to help inform and guide policy decisions. We collaborate with a range of bodies including think tanks and lobbying organisations across the housing, communities and charity sectors.

Our leadership team engages with local, regional and national stakeholders privately via correspondence and meetings, and through events, partnerships, speaking engagements, and the media. We also respond to government consultations, using data and insight from our extensive research programme. Key themes for our research in 2019/20 included Universal Credit, childcare and the disability pay gap. We also sponsored an All-Party Parliamentary Group (APPG) into Older People's Housing led by Lord Best. These insights help us to inform debate and adapt our own policies and services.

## Putting safety first

We've signed up to the MHCLG's Building Safety Charter, and are a founder member of the group of organisations from across the housing and building sector. This is focused on sharing best practice on building safety and helping to lead culture change across the sector.

## Childcare

Childcare and the impact it has on the ability to work is a major issue for our residents. Two thirds of our residents with young children have reported finding it difficult or impossible to find affordable childcare. Our commitment to innovating childcare provision is also expressed through our partnership with the New Economics Foundation (NEF). We are planning to undertake further research with NEF to help improve childcare services across London.

## Disability pay gap

For our third Peabody Index, we spoke to residents to help us understand the employment and disability pay gap in London. This work helped us to develop recommendations to offer more accessible, quality work that deliver decent incomes in the capital. This also led us to examine our own approach, and we are working with the Business Disability Forum to understand how we are doing, and what improvements we can make to become a truly accessible employer.

## Older people's housing

In July 2019 the APPG for Housing and Care for Older People launched its report 'Rental Housing for an Ageing Population', sponsored and researched by Peabody. The report suggests we are heading towards a housing catastrophe, with 630,000 people unable to afford private rents on their pension income by 2038, and underlines policy solutions to improve the system before it's too late.



"Their community programmes, building schemes and passionate concern for the wellbeing of Londoners is well documented but can never be praised enough."

### The Evening Standard's Progress1000 List

For leading work Universal Credit, our CEO Brendan Sarsfield was cited in the Evening Standard's Progress1000 list of influential Londoners.



## Case study: The impact of Universal Credit

This year, we continued to use the Peabody Index to advocate on behalf of our residents. Our report, 'The Impact of Universal Credit', continued our focus on the benefits system by examining the risk of debt and hardship among social housing residents.

The way Universal Credit is implemented is flawed and increases the risk of debt and hardship, and we have seen the devastating impact of this on some residents' lives.

Both our CEO and Chair have spoken regularly about the changes needed, including on BBC Sunday Politics, Sky News and in the Daily Mirror, the Sun and the Guardian.

# Our people and culture

## Fantastic people who care

At Peabody, we are here to help people make the most of their lives. We cannot achieve our strategy without great people from diverse backgrounds. This year we continued to develop our offer to our people. At the heart of this is a range of great opportunities to reward our employees and help them to develop and grow, with a strong focus on coaching and mentoring.

## People First

People First is shaped around our values and is the way we do things at Peabody. We aim to provide an effortless experience with easy to access services. It is based on three key principles:

- Effortless experience: our services are easy to access and meet people's needs.
- Working together: we work effectively with each other and our partners.
- Human and kind: we are human and kind in the way we communicate and treat each other.

This year we worked with teams across the organisation to help them offer a better customer experience.

## Living our values

Our values have never been more evident than during our response to the Covid-19 pandemic. What has really shone through is how engaged and committed our colleagues have been during the crisis. It was also clear that by living our values and making decisions based on our people, we have been able to support everyone and to ensure that they felt valued.

## Developing our people

Learning and development is a core part of our offer to our employees. From apprenticeships to MBAs, on the job learning to professional qualifications, we support everyone to reach their true potential. A couple of our themes for this year were to develop a coaching-led leadership style, and to identify and implement plans to nurture our future talent.

## Mentoring and coaching

As part of our values-led approach we focused on developing the coaching and mentoring skills of our leaders. Most of our leadership team have attended coaching workshops, and since launching our mentoring programme in late 2018, more than 50 senior leaders have signed up to help support colleagues around the business. A new strand to this is a reverse mentoring programme where diverse junior colleagues will mentor members of the Board and leadership team on diversity and inclusion issues based on their own lived experiences.

## Talent management

We have developed a talent management strategy to support leaders in identifying our high-potential Black and Minority Ethnic ('BAME') and women employees. We also plan to introduce talent moderation boards to allow our senior leadership team sight of Peabody's high potential employees, and help to encourage and facilitate movement across the organisation. We are also committed to interviewing at least one BAME candidate when recruiting to the Board or the leadership team.

## Connecting our people

Our collaborative intranet has grown, with 81% of employees regularly accessing the platform. The blogging feature has proved popular and empowers employees to share their experiences, successes and knowledge, as well as removing hierarchies. We also launched a new internal magazine - PEAPLE - which is written by the people for the people, celebrating the fantastic stories and individuals across our organisation.

## Rewarding our people

Our new 'My Benefits' platform grew even bigger this year with over 70% of employees taking up the offer to choose their own benefits which included healthcare and discounted gym memberships. Employees are given 1% of their salary with a minimum payment of £300 to a maximum of £1,000. Employees can also access a range of 'Anytime Benefits' that provide discounts to leisure and entertainment activities.

We award spot bonuses throughout the year, and year-end performance-based bonuses. Employees can also be nominated by their peers and gain points via 'Peabody Rewards' for vouchers to spend on the My Benefits platform.

## Having the right tools to do the job

Throughout this year we invested heavily to streamline our systems to make them simpler and easier to use. This was supported by rolling out smartphones and/or tablets to employees. This has transformed the way we work, and has been a crucial part of enabling our teams to adapt quickly to working remotely since the start of the pandemic.

## Happy and healthy workforce

Having a happy, healthy and engaged workforce is at the forefront of our ability to deliver our corporate objectives. In 2019/20, we focused on the wellbeing of our employees, developing a range of initiatives to support both physical and mental health. These ranged from celebrating awareness days to sharing employee stories and a new employee assistance programme, as well as resilience and wellbeing workshops. We also held our first ever wellbeing away day for our care and support colleagues.

# 70%

employees accessed a range of employee benefits through our tailored 'My Benefits' platform

### World Mental Health Day

Colleagues shared their stories in a blogging campaign on our intranet to help break down the stigma of talking about mental health issues. The honesty and openness of these stories shone through and this people-led campaign clearly captured employees' attention, resulting in the highest engagement we have seen with any internal digital campaign.

### Domestic abuse at Christmas campaign

Our employees can now access up to 70 hours of paid leave if they are experiencing domestic abuse.

At Christmas we ran a targeted campaign to raise awareness of domestic abuse as we know that incidents tend to increase during the Christmas season. We signposted any colleagues who wanted more information and support. Employees who had experienced domestic abuse were encouraged to share their stories, which in turn encouraged others to come forward.

### Care and Communities wellbeing away day

The Care and Communities wellbeing away day brought together 450 front-line employees to Sporting Club Thamesmead. Our teams worked creatively to transform the space into a summer fête complete with marquees and food stalls. At this event, we launched our 'Five Ways to Wellbeing' initiative which includes five areas of focus for positive wellbeing: Connect, Give, Learn, Take Notice and Be Active.

We also held sport and recreation activities including team dodge ball and a 5 km scavenger hunt, drumming, dance and yoga classes, and art and craft sessions.

**38%**  
internal appointments made

**110**  
employees participated in our mentoring programmes



**Case study: Mentoring for success**

Now in its second year, our Mentoring Programme brought together more than 110 employees with senior leaders to support their career, professional and leadership development.

Nine out of 10 of our mentees said that they had seen positive improvements in their development since joining the programme.



# Strengthening diversity and inclusion

London is one of the most culturally diverse cities in the world. This diversity is reflected in the homes we own, the communities we work in, our customers and our employees.

Our commitment to diversity and inclusion is at the heart of who we are as an organisation and every single employee has a part in this. We've made good progress to improve organisational diversity and inclusion, but we know we need to do even more and continue to listen to our employees, residents and our partners so that we can learn and grow together.

## Leadership 2025

Peabody has signed up to Leadership 2025 which aims to foster a housing sector that is vibrant and diverse, with better representation of BAME individuals at leadership levels. We recognise that we need more diversity in our leadership teams and have made a commitment for our Board membership to be 30% BAME by 2025.

## Developing diverse talent

We've partnered with Black on Board to train and develop 20 of our talented employees to fast track them to board positions. Graduates are also a big part of our future success and we're sponsoring an inclusive graduate programme in collaboration with Future of London.

## Mentoring diverse talent

Mentoring is another way we are developing employees. We are members of INvolve which supports BAME people, women and LGBT+ employees to excel in the workplace. Their mentoring programme matches our colleagues with leaders outside of the sector to accelerate their careers. Our employees also participate in INvolve's Emerging Leaders programme, and a range of networking and thought leadership events exploring organisational diversity and inclusion.

## Speaking out

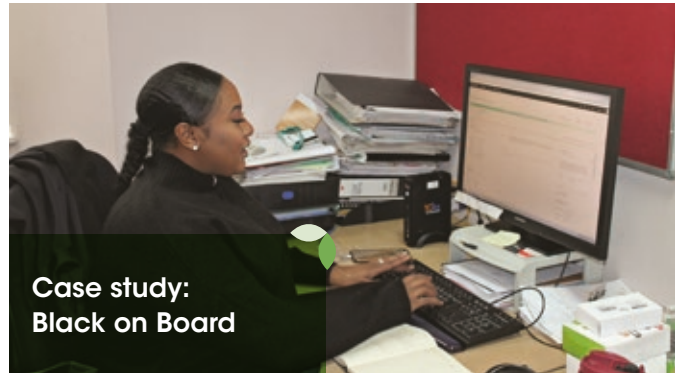
We've signed up to the G15 BAME Diversity pledge, which puts forward a list of speakers who can cover a variety of housing and related topics. 13 employees are being trained on presentation skills by Future of London and will then be included in a recognised speaker bank of diverse individuals.

## Accessible to all

This year, we became a member of the Business Disability Forum to help us understand what we need to do to attract and support more people who have disabilities. We also took part in young leader training courses, workshops and a diversity network support programme with INvolve.

## Networks for positive change

We support four employee networks focused on different areas of workplace diversity and inclusion: BAME, Gender Equality, Family and LGBT+. Our networks have grown from strength to strength this year with more than 300 people taking part as active members.



### Case study: Black on Board

We have partnered with Olmec, an award-winning race equality organisation, to deliver our inaugural Black on Board programme. This mentoring programme prepares participants to become effective board members, and to improve the pipeline of BAME people for board positions.

Over seven months, 20 of Peabody's ambitious BAME employees will be trained to develop key skills for securing and excelling in a board position. These include public speaking, decision making and strategic and operational planning.



### Case study: Family Network's Bring Your Child to Work Day

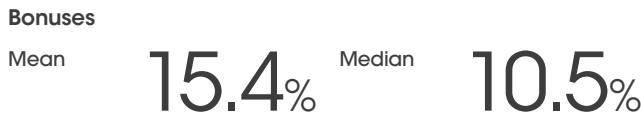
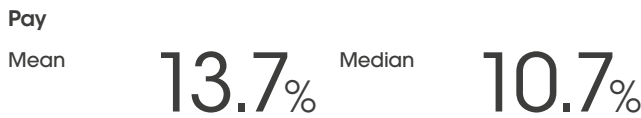
This year our Family Network hosted their inaugural 'Bring Your Child to Work Day' for the parents of Peabody.

Children were split into younger and older groups with some visiting the Microsoft London office and others having a mini Peabody 'employee induction'. Our Learning and Development team also held careers talks with the children. Led by our Asset Management team, the younger children designed a playground using pasta and sweets. The event was extremely popular with nearly 100 parents and young people taking part.

## Gender pay gap

The gender pay gap is the difference between the average pay of men and women across our organisation. It is not a comparison of pay rates between men and women doing the same job.

This was the first year that we combined our Gender pay gap for Peabody and Peabody South East. While women are well represented at senior levels in Peabody (45% women and 55% men in our leadership team), the large number of women in care and support roles has had an impact on our pay gap results.



A positive percentage shows males earning more than females, whereas a negative percentage shows females earning more than males.

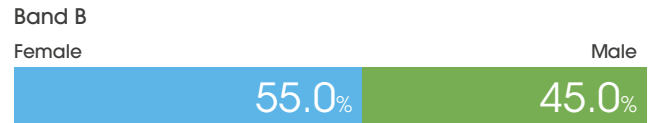
### Percentage of employees receiving a bonus



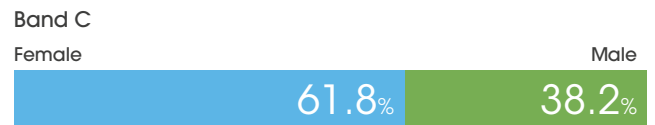
### Proportion of males and females in each pay quartile band



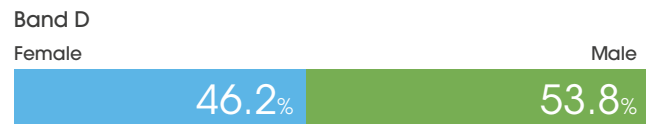
Includes all employees whose standard hourly rate places them **at or below the lower quartile**



Includes all employees whose standard hourly rate places them above the lower quartile but **at or below the median**



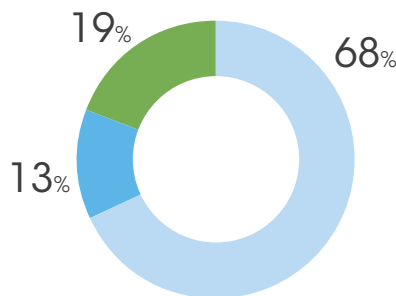
Includes all employees whose standard hourly rate places them **above the median but at or below the upper quartile**



Includes all employees whose standard hourly rate places them **above the upper quartile**

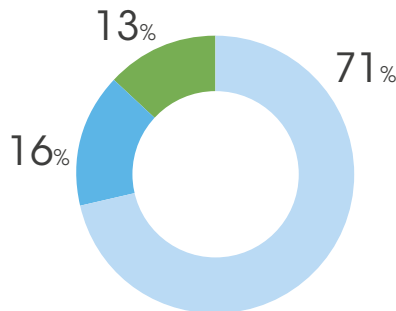
## Key diversity statistics

### Leadership team



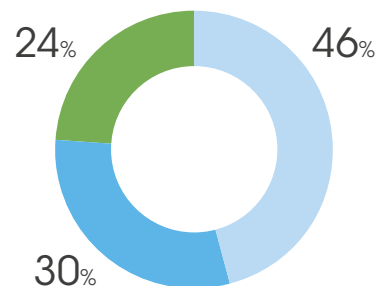
White	32
BAME	6
Prefer not to say	9

### Heads of service



White	50
BAME	11
Prefer not to say	9

### Other employees



White	1,417
BAME	936
Prefer not to say	734

# Value for money

## What does value for money mean to us?

At Peabody, we have adopted a value for money approach because we want to maximise value creation in the pursuit of our mission: to help people make the most of their lives. First and foremost, it's about doing the right thing.

We want to get the best return possible from every pound we spend. That means we don't look just at the cost of delivering a service to our customers but also at the quality of the outcome for them. We are looking for the right balance between investment and quality in all four of our strategic priorities:

- Develop and deliver reliably good modern services.
- Build and maintain the best quality developments.
- Work with local communities and build long-term partnerships.
- Grow and use our position of influence to create positive change.

Further information about our mission and these corporate objectives is provided on pages 16 and 17.

Value for money principles are integral to our Peabody Group Strategy 2020 – 2023 and are embedded in every part of the business to ensure that the pursuit of customer value is at the heart of operational decision making and execution.

We strive to achieve value for money in all of our activities including housing management, development, and care and communities, as well as our central services. Some of our achievements in 2019/20 are set out here. We use feedback from residents to understand how our services can be improved, or made simpler and easier for customers, as part of our modernisation programme.

In choosing where we deploy our resources, we consider the alternative uses to which these resources could be put, and the contribution towards our objectives the use will deliver. An example is Thamesmead. As the majority landowner, Peabody has unique responsibilities, across housing, landscape, commercial and community. Fragmented governance, and a history of underinvestment, stunted Thamesmead's development, creating low growth and values. Thamesmead is now at a turning point. As pressures on central London increase, there is drive to revitalise outer London and provide healthy places to live that seems even more pressing after Covid-19. More information on how we are discharging our responsibility is included on pages 16 and 17.

As with everything we do, at Thamesmead we ensure that we follow a value for money approach. Our programme sets and measures in-year progress through an annual Action Plan. Monthly project reviews are conducted to ensure a speedy resolution of issues to minimise unexpected costs and delays. We have adopted a flexible approach, utilising joint ventures and external partners where appropriate to share risk, bring in external expertise, and increase our capacity.

## What did we achieve in 2019/20?

Here is how we delivered against our plans for 2019/20:

### External repairs and maintenance contracts

The re-procurement of our external repairs and maintenance contracts is complete. The new contracts are based on a service model that focuses on reducing effort for our customers and our own teams, in turn reducing failure demand and the associated management cost per unit.

We have adopted a 'mixed economy' of large and small contractors. Our new major contractor is investing in technology to deliver the required reduction in effort for customers and employees. Through an innovative technology platform, we are employing a variety of local contractors of varying sizes, introducing price and quality competition on a per-job basis. This allows our employees much more flexibility to get every job done on time.

### In-house repairs and maintenance service

We have expanded our in-house repairs and maintenance service to undertake repairs for a larger proportion of our housing as part of the mixed economy referred to above. This has reduced the use of subcontractors to drive costs down and deliver higher customer satisfaction.

### Asset Appraisal Model

We have made good progress with implementation of the new Asset Appraisal Model for community assets, and this is almost complete. We will be moving on to commercial assets during the course of this year.

### Improving cost and quality

We have completed a detailed review of alternative options for development procurement and construction to improve both cost and quality, including how we incorporate digital construction across our programme.

We have made good progress with this, including using Joint Ventures to bring in external expertise and share risk, while achieving value for money. During the year a Joint Venture between Peabody and Lendlease was formed to bring forward the development of the waterfront in Thamesmead.

### Promoting excellence in community investment

We are promoting the work of the Centre for Excellence in Community Investment to increase the impact of community investment across the sector.

Peabody is represented at Core, Advisory and Working Group levels, key forums promoting best practice and partnership, and allowing learning from others.



### Commercial property strategy in Thamesmead

We have developed a new commercial property strategy for our estate in Thamesmead. It was considered by the Thamesmead Committee in November 2019. The strategy sets out a short, medium and long-term strategy for each of the six main sites in the portfolio. The range of options will be appraised in value for money terms as we take the strategy forward.

### New business opportunities with health partners

We have developed new business opportunities with health partners including a step-down hospital discharge service that will help drive NHS savings.

We have worked with the NHS to extend our hospital discharge offer in Kent to cover Margate, resulting in 1,235 referrals for the county and 1,163 patients assisted with discharge by providing support to make their homes safe due to issues such as hoarding. Additionally, we have established a service supporting individuals discharged from hospital without accommodation. This has avoided costs to the NHS in excess of £900,000.

### Environmental, social and governance metrics

We have broadened our investor base to reduce risk and to access potentially cheaper finance, including recognised Environmental, Social and Governance ('ESG') metrics.

We entered into new loan facilities with a variety of lenders and investors who were new to Peabody, and in some cases were also new entrants to the UK social housing sector. These facilities are all at lower cost than our pre-existing weighted average cost of funds. One of them is a 'Social Sustainability Linked Loan' with BNP Paribas.

Peabody benefits from a lower interest rate by delivering an agreed number of accredited childcare qualifications under our Childcare Training Programme. We'll invest the savings we make from this straight back into our communities. Together with Centrus Advisors, we led on the production of the White Paper 'Building a Sector Standard Approach for ESG Reporting', with publication (delayed somewhat by Covid-19) in May 2020.

### Automating back-office processes

We have developed a strategic approach to the automation of back-office processes to reduce handling costs and improve accuracy in high-volume, labour-intensive activities.

Our Payments team handles over 70,000 payments to suppliers every year, using standardised processes which are suitable for automation. We have run a successful trial of 'Robotic Process Automation' in this area, and are now proceeding to extend its usage in 2020/21. We will be ensuring that we apply any learning from this as we consider implementing further automation both in payments and throughout other back office functions. This will inform the development of our approach.

### We have recently carried out a thorough review of our value for money goals, activity and governance, culminating in the Board approving a revised strategy in June 2020. The strategy defines value for money as follows:

- **Economy:** careful use of resources to save expense, time or effort – that is, the price is competitive for the quality of service provided.
- **Efficiency:** delivering the same level of service for less cost, time or effort – that is, through streamlined processes that might involve partnership with other organisations. This could be articulated in terms of quantity or quality.
- **Effectiveness:** delivering a better service or getting a better return for the same amount of expense, time or effort – that is, at the right time so that services meet the needs of our customers.
- **Equity:** spending fairly and the promotion of fair rights. It is also demonstrating a meaningful impact to those not directly the beneficiaries.
- **Environment:** delivering a positive and sustainable environmental impact.

### What do we want to archive in 2020/21?

One aspect of our new value for money Strategy is to set a smaller number of focussed 'SMART' (Specific, Measurable, Achievable, Realistic, Timely) targets for 2020/21. These are milestones towards goals we have set for the three years of the strategy, to 2023. The targets are described below.

#### Management cost per unit

We have an aim to reduce our management cost per unit by 10% by 2023. Our target for 2020/21 is to reduce costs by 2.5%, to £1,478 per unit. We have also set an associated target of reducing overheads by £1 million (1.9% in cash terms, 3.6% taking account of inflation) in 2020/21 compared with 2019/20.

#### Net zero carbon within our office operations

We have set a target of net zero carbon within our office operations by 2030. Our target for 2020/21 is that by the end of the year, 70% of our waste will be being recycled, and there will be a 10% reduction in energy use in our offices in 2020/21 compared to 2019/20, on a like for like basis.

#### Generation of surpluses through development

Our goal here has been tempered by the post Covid-19 environment, and is to generate a 15% margin on building for sale every year from 2020/21. As in the past, the surplus achieved this year will be used to cross-subsidise the provision of new affordable homes.

## Value for money **continued**

### Generation of investment returns from non-core activities to fund our social purpose activities

Our goal is £5 million per year by 2023, but this does depend on how the commercial sector develops following an eventual return to pre Covid-19 normality. For 2020/21 our Covid-19 adjusted target is £1.5 million.

### Increased customer satisfaction

Our goal is to increase satisfaction with the quality of our service delivery by 5% by 2022. Our target for 2020/21 is to achieve at least 90% satisfied on each of the following three customer measures: overall satisfaction with last repair; quality of last repair; and satisfaction with call handling. This is measured using an independent survey company.

### How do we compare with others?

We participate in the Sector Scorecard initiative, which uses an agreed set of metrics for housing associations to compare their performance and check they are providing value for money. We assess our performance relative to our peer group, the G15 group of London-based housing associations. The Sector Scorecard is supported by both the National Housing Federation and the Chartered Institute of Housing and more information can be found at [www.sectorscorecard.com](http://www.sectorscorecard.com). Some of the metrics and definitions we use to run the business (quoted elsewhere in this document) are different to these.

Seven of the Sector Scorecard measures overlap with the value for money metrics used by the RSH in its value for money Standard. The table below shows our performance relative to our peers using both the Sector Scorecard and the regulatory metrics:

	Group Peabody 2019/20	Group Peabody 2018/19	G15 average 2018/19 <sup>1</sup>
<b>Business health</b>			
1. Operating margin – overall <sup>2</sup>	24%	26%	26%
2. Operating margin – social housing lettings <sup>2</sup>	32%	32%	32%
3. EBITDA MRI % – Social Housing <sup>2,3</sup>	101%	134%	150%
<b>Development (capacity and supply)</b>			
4a. New supply delivered – social housing	834	815	739
4b. New supply delivered – non-social housing	214	288	355
5a. New supply delivered % – social housing	1.3%	1.5%	1.7%
5b. New supply delivered % – non-social housing	0.4%	0.5%	–
6. Gearing <sup>4</sup>	39%	38%	45%
<b>Outcomes delivered</b>			
7. Customer satisfaction – social housing	76%	73%	77%
8. Reinvestment %	10.2%	4.1%	6.7%
9. Investment in communities (£ million)	9	9	3
<b>Effective asset management</b>			
10. Return on capital employed	2.5%	2.6%	3.1%
11. Occupancy	98.9%	98.7%	98.9%
12. Ratio of responsive repairs to planned maintenance	21%	24%	75%
<b>Operating efficiencies</b>			
13. Headline social housing cost per unit (£ per annum)	6,228	6,210	5,128
14. Rent collected as % of rent due (General Needs)	99.9%	100.5%	99.8%
15. Overhead costs as % of turnover	10.0%	9.4%	10.4%
RSH Sector-wide value for money metric			

1 G15 data per L&Q benchmarking (latest available)

2 Excludes surplus/deficit on all asset disposals

3 Earnings before interest, tax, depreciation, amortisation, major repairs (including capitalised) included

4 Net debt as percentage of housing properties at cost (excludes investment properties)

### What do these metrics show us?

Peabody’s performance against these metrics is in line with our peers in the G15. Unit costs are influenced by our investment in our existing homes (also reflected in the reinvestment metric). Our targets set out on page 38 include a reduction in the management cost per unit (one element of the overall cost per unit). They also include a reduction in overheads.

The metrics also show that Peabody’s ambitious plans for delivering new homes are supported by a strong balance sheet with low gearing. (The RSH definition of gearing produces a higher percentage than that used widely by credit rating agencies and funders). This will enable us to borrow the funds required to fulfil our plans.

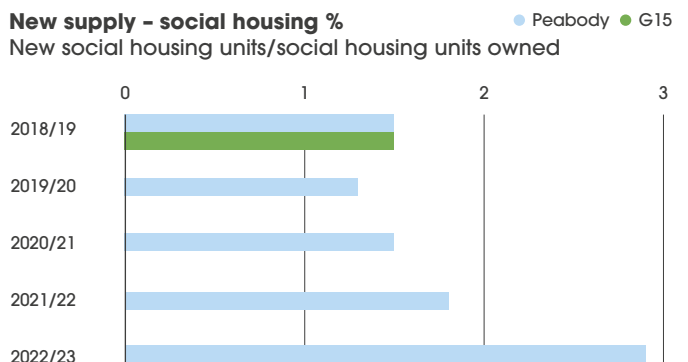
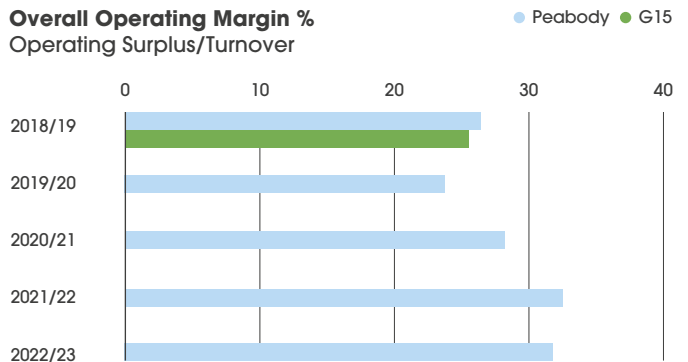
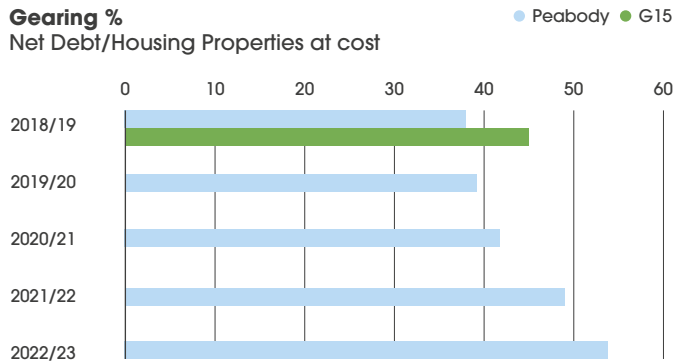
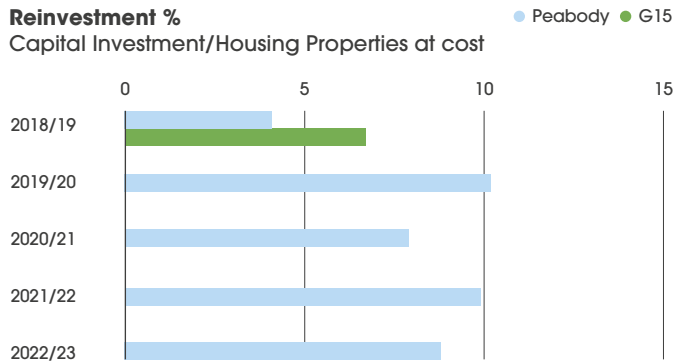
Our interest cover on this measure this year has reduced due to a combination of increased investment in our homes – £32 million in building safety and £10 million on the Thamesmead Towers work – and higher interest costs.

Internally, we examine bespoke versions of some of these metrics. We are a significant provider of lower margin care and support services (break even on £28m turnover). Although we regard care and support as core business, we also consciously separate the care and support element from the housing business: when it is excluded, our overall margin rises from 24% to 25%.

Similarly, we make important discretionary investments in the communities we serve. These investments are mainly funded from our operating surpluses. Excluding these costs sees our operating margin improve from 24% to 25%. Excluding both care and support and community investment brings our overall margin to 26%.

We also examine interest cover from a different perspective to the regulator’s metric. We focus on the definition set out in our loan covenants which provides far higher cover. We comfortably exceeded the covenant requirement in 2020. Our long term financial plan shows prudent headroom against the covenants in all years.

The graphs show some of the key measures for 2019 and 2020, with projections for the next three financial years. They show our operating margin growing, and as we grow the number of new social homes, our gearing (using the RSH’s measure) also grows.



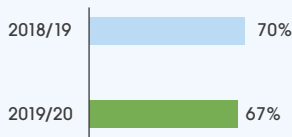
# Our key performance indicators

Turning our strategic objectives into tangible performance

## Satisfaction with landlord

67%

(target = 71%)



### Definition

A single satisfaction measure expressed as a percentage which is representative of all tenures across the Peabody Group (excluding Town and Country Housing).

### Why it is important to Peabody

This provides a strategic overview of resident perception of every aspect of our landlord service.

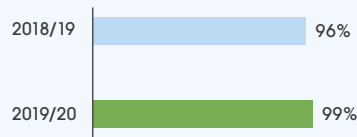
### Progress

Satisfaction decreased from 70% in 2018/19 to 67% this year. We have since carried out a full analysis on customer satisfaction and will be addressing all issues through our modernisation programme. For our social housing residents (General Needs homes and Housing for Older People), customer satisfaction was 76% in 2019/20.

## Statutory and regulatory asset compliance

99%

(target = 100%)



### Definition

A series of measures which cover several aspects of compliance such as gas, fire, water, electricity and asbestos.

### Why it is important to Peabody

This helps us monitor all elements of compliance and provide assurance about the health and safety of our homes.

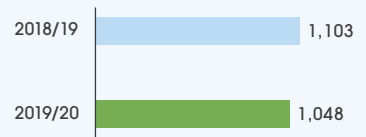
### Progress

Overall statutory and regulatory asset compliance has improved consistently throughout the year. The main issue with all areas of compliance throughout the year has been access and contractor delays.

## Number of practical completions

1,048

(target = 1,116)



### Definition

The number of homes where all building work is complete in accordance with the contract, and the property is considered fit for occupation. This total reflects all of the Peabody Group including Town and Country Housing.

### Why it is important to Peabody

This helps us to monitor the number of homes we have completed as part of our development pipeline.

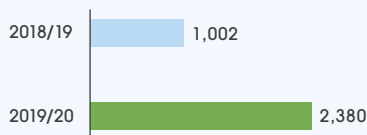
### Progress

At the end of 2019/20, 93% of the full-year completions target was achieved, with a shortfall of 68 homes. New fire safety forms (EWS1), impacts of the pandemic and financial limitations explain this shortfall.

### Number of starts on site

2,380

(target = 2,474)



#### Definition

The number of homes where construction has started. This total reflects all of Peabody Group including Town and Country Housing.

#### Why it is important to Peabody

This helps us to monitor the number of homes we have started as part of our development pipeline.

#### Progress

At the end of 2019/20, 94% of the starts target was achieved, with a shortfall of 94 homes. Starts on site have been impacted the pandemic.

### Number of people supported into work/apprenticeships

1,168

(target = 1,200)



#### Definition

The number of individuals who have gained employment or enrolled in an apprenticeship following involvement in our employment and training programmes.

#### Why it is important to Peabody

This helps us to monitor the success of our programmes designed to help people back into work or improve their employment positions.

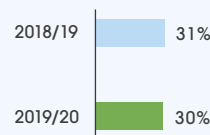
#### Progress

We supported 1,168 people into work or apprenticeships during 2019/20. Going forward we will increasingly be focused on measuring the quality of jobs and apprenticeships.

### Operating margin

30%

(target = 33.7%)



#### Definition

Calculation based on operating income divided by sales revenue, expressed as a percentage.

#### Why it is important to Peabody

This helps us to monitor our operating margin, and ensure we remain at or above target, in line with our financial plan.

#### Progress

The reduction in margin reflects the fourth and final year of rent reduction and increased operating costs associated with building safety which was £15 million in 2019/20, and £8 million in 2018/19.

# Environmental, Social and Governance at a glance

Our commitment to the best environmental, social and governance (ESG) practice is at the heart of how Peabody works now, and aspires to in the future.

We welcome the increased focus of the investor community in this area and have played an important role in developing new and robust ESG criteria for the sector. Working with other leading housing associations, service providers, investors and other organisations concerned with growing the impact investment marketplace, we helped to publish 'UK Social Housing: Building a Sector

Standard Approach for ESG Reporting'. This White Paper is subject to consultation with the wider sector and partners. Set out below are the proposed themes of the new ESG criteria, and examples of our performance under them.

We expect to continue to play an integral role in the development of appropriate reporting criteria to best demonstrate Peabody's positive impact in our communities.

## Environmental

Areas of focus	Performance
<p><b>Climate change</b>  <i>We are striving to improve the energy efficiency of our properties including how they are heated.</i></p> <p><i>Our new homes currently have an EPC rating of B (on average). This meets London Plan guidelines which are set above minimum planning and building regulation requirements.</i></p>	<p>The EPC ratings of our existing homes are:</p> <ul style="list-style-type: none"> <li>• A rating: 0.3%</li> <li>• B rating: 4.9%</li> <li>• C rating: 56%</li> <li>• D rating: 36%</li> <li>• E rating: 0.7%</li> </ul> <p>These ratings reflect that much of Peabody's stock is older, often heritage properties. Our homes by heating source:                      Mains gas, not communal: 78%                      Mains gas, communal: 15%                      Electricity, not communal: 7%</p>
<p><b>Ecology</b>  <i>We are committed to managing our environmental impact in relation to:</i></p> <ul style="list-style-type: none"> <li>• affordable warmth and low carbon emissions;</li> <li>• reducing water use and waste in the home;</li> <li>• protecting and enhancing open spaces and improving air quality;</li> <li>• efficiency of our offices and operations</li> <li>• sustainability of new homes;</li> <li>• generation of renewable energy.</li> </ul>	<p>Peabody's Sustainability Strategy 2020-23 sets out our goals are to:</p> <ul style="list-style-type: none"> <li>• Achieve net zero carbon* within our office operations (office, administration and maintenance activities) by 2030. Achieve net zero carbon* within our rented homes by 2050. Be in the top 10% of all housing associations for sustainability performance by 2023.</li> </ul> <p>* Emissions may be offset by generating renewable energy and carbon sequestration (i.e. taking carbon out of the atmosphere and locking it) in other parts of Peabody.</p> <p>In Thamesmead, Living in the Landscape is our blueprint for how natural systems can – and will – change lives for the better.</p> <p>In partnership with Resource London, we led a study to increase recycling rates among purpose-built flats. The initiatives trialled led to a 26% increase in recycling rates and a 24% decrease in contamination rates. These initiatives are now being considered for further implementation by local authorities across the capital.</p>

## Governance

Areas of focus	Performance
<p><b>Systems and risk management</b>  <i>Our governance framework supports the Board in its management of risk and its responses to changes in the external environment, including Covid-19.</i></p>	<p>Peabody is registered with the Regulator of Social Housing. It is currently rated G1 (Governance) and V2 (Viability).</p> <p>There have been no adverse findings in the last 12 months related to issues such as data protection breaches, bribery and money laundering.</p> <p>All of Peabody's properties meet the Decent Homes Standards.</p>

Areas of focus

Performance

**Board and its composition**

*Peabody has adopted the principles and provisions of the NHF Code of Governance and complies with the provisions of the Code.*

*Peabody is committed to having a diverse board that has a broad range of experience and expertise. Appointments to the Board are made on merit and against objective criteria, while having regard for the benefits of diversity and gender balance.*

The 12 members of our Board bring a broad range of skills, experience and knowledge to their roles, including expertise in finance and business. Some of the key diversity statistics relating to our Board include:

- Gender split of the Board: 75% male / 25% female
- Average age of the Board: 59 years
- Average tenure of the Board: 4.8 years

Peabody has individual boards for each of its subsidiaries and specialist committees to allow greater scrutiny. These include but are not limited to our Audit and Risk, Finance and Treasury, Development and Nominations and Remuneration Committees. Peabody Board members' tenure are limited to a maximum nine years.

**Social**

Areas of focus

Performance

**Affordability**

*We provide accommodation to those in greater need through social rented homes significantly below market levels.*

80% of our newly built homes in 2019/20 were affordable.

The annual subsidy of Peabody's rents to the market level remains at almost £400 million.

**Building safety**

*Peabody is committed to ensure its homes are safe and regularly assessed for fire risk.*

99.32% of our homes have an in-date accredited gas safety check.

None of our homes have an outstanding Fire Risk Assessment.

**Resident voice**

*Our residents are the ultimate beneficiaries of our services. We continuously engage them in our decision-making processes on a range of issues and activities that affect them.*

Peabody Trust has two resident Board members. Residents are also an integral part of our subsidiary registered provider boards.

We seek our residents' views through several formal panels and forums, including:

- Scrutiny Panel and Strategy and Policy Group;
- Resident Association led forums across the East and West regions; and
- Peabody Online Panel.

**Resident support**

*We provide support to residents beyond our statutory obligations to benefit the wider community.*

In 2019/20, we invested £1.4 million in employment and apprenticeships. This helped to secure 1,168 jobs and apprenticeships across a range of industries.

We also supported 18,366 people to live independently and make the most of their lives via our care and support services.

**Place-making**

*We are committed to fostering great places to live where people can make the most of their lives.*

In 2019/20, we invested £9 million in community activities across the Group which helped to provide over 78,000 hours of free community activities.

In Thamesmead, we have launched our Cultural Infrastructure Plan which is a first to be published in London.

Our homes are recognised for both their designs and quality. Our Wharf Road development in Islington was recognised in this year in the Evening Standard's New Homes Awards for 'Best Apartment'.

**Employee Wellbeing**

*Peabody is a fair pay employer that actively looks after the wellbeing of its employees*

Our organisational Equality, Diversity and Inclusion Strategy and Action Plan sets out our vision and plan to be an inclusive employer with a diverse workforce.

In 2019/20 over 300 employees actively took part in activities offered by our employee networks which all focus on improving workplace diversity and inclusion.

All of our care and support employees are paid the real Living Wage and we are working towards becoming an accredited real Living Wage employer.

# Financial review

**Eamonn Hughes**  
Chief Financial Officer

Strong balance sheet and  
investment proposition

## Highlights

This is another strong financial performance for Peabody, as we continue to focus our resources to invest in our social purpose and deliver more for our residents and the communities we support. It was a busy but rewarding year which started with us welcoming Town and Country Housing to Peabody on 9 May 2019, adding 9,000 homes to the Group, and ended with us responding together across the organisation to meet the challenges of Covid-19.

Our balance sheet and liquidity provide a solid financial platform to ensure that we can continue to invest in our existing and new homes and the services that our residents and communities need. This is a strong financial performance with a 32% margin on social housing lettings after absorbing the final year of scheduled rent reductions and additional fire safety spend. The merger with Town and Country Housing generated a one-off accounting gain on acquisition of £347 million.

We are pleased to have maintained our commitment to truly affordable rents: the overall rent we charge is £25 million lower than target rent levels set by the government, in addition to a £450 million per annum subsidy to market rent.

We continue to generate value from Development to help fund the delivery of our social purpose: we sold 536 new-build properties (private sale and first tranche shared ownership) in the year, generating £168 million of revenue (2019: £132 million). We achieved a gross margin on private sales of 23% (2019: 24%).

This supported the delivery of a programme which continues to be weighted towards affordable rented homes: 41% of new homes in 2020 (2019: 42%).

Our surplus for the year has been reinvested in full. We have spent £313 million on new and £113 million on existing homes. Investment in our existing homes includes £32 million on safety related work (2019: £19 million), and we invested £10 million on the planned programme to upgrade the windows in 21 towers in South Thamesmead.

We are well placed to manage the impact of the pandemic, which has brought an unprecedented level of change, and we were able to quickly mobilise support for those most in need. This included providing financial inclusion support for our residents whose incomes were affected, making it more difficult for them to pay their rent.

Highlights	FY 2020	FY 2019
Social housing lettings: turnover	64%	66%
Operating margin on social housing lettings	32%	32%
Overall operating margin	30%	31%
Operating surplus before investment property valuation	£197m	£173m
EBITDA MRI interest cover*	196%	222%
Gearing	36%	35%
Debt: turnover	4.0 times	3.7 times

\* EBITDA MRI is a measure of the level of net cash generated against interest payments. Basis of calculation is in line with lender definitions. Cover is lower in 2020 due to increased investment in existing homes and an increase in interest cost.



## Turnover including sales

Turnover is up by £97 million: £65 million from the addition of Town and Country Housing and the remainder largely attributable to an increase in revenues from private sales and first tranche shared ownership. A robust sales performance on price and volume delivered the increased revenue, which reflects timing of completions on site.

## Operating surplus

Overall operating surplus before revaluation of investment properties is up by £24 million. Operating surplus from social housing is up by £14 million to £134 million (2019: £120 million).

In margin terms, social housing is 32% (2019: 32%), this represents a strong performance in the prevailing environment: as well as managing the rent reduction, we absorbed a further £15 million of revenue expenditure related to fire safety (2019: £8 million). The addition of Town and Country Housing to the Group has had a positive impact on margin. Overall operating margin before accounting for the movement in market value of investment property is 30% (2019: 31%). The Group's investment property was revalued at 31 March 2020, resulting in a reduction in value of £9 million, which takes into account the impact of Covid-19.

## Non-current assets

We have invested £113 million in major repairs to existing homes. The remainder of the growth relates to the addition of Town and Country Housing and investment in new homes, offset by the downward movement in investment properties.

# £117

Average weekly rent

# £128

Average target rent

# £25<sub>m</sub>

Annual subsidy against target rent

# £450<sub>m</sub>

Annual subsidy against market



“Our balance sheet and liquidity provide a solid financial platform to ensure that we can continue to invest in our existing and new homes and the services that our residents and communities need.”

### Statement of comprehensive income (£m)

	FY 2020	FY 2019
<b>Turnover including sales</b>	<b>662</b>	<b>565</b>
Operating surplus by source:		
Social housing activities (excluding shared ownership sales)	134	120
Community regeneration	(7)	(7)
Development and sales (including shared ownership)	30	34
Other non-social housing	-	2
Sale of fixed assets	40	24
<b>Operating surplus before change in investment property valuations</b>	<b>197</b>	<b>173</b>
Investment property movement in valuation	(9)	35
<b>Operating surplus</b>	<b>188</b>	<b>208</b>
Net finance costs	(74)	(60)
Gift on acquisition	347	-
Tax	8	-
<b>Surplus for the year</b>	<b>469</b>	<b>148</b>
Pension scheme movements	17	(8)
<b>Total comprehensive income</b>	<b>486</b>	<b>140</b>

## Financial review continued

### Development and sales

Development work in progress at year end was £1,162 million (2019: £1,117 million). The levels of development investment reflects our ongoing commitment to improving the supply of new homes, which we will balance with the requirement to invest in the safety and sustainability of existing homes. Work in progress is managed closely by the Board to ensure we manage risk sensibly and effectively, this includes close monitoring of private sales and completed stock. Controls and management of the development programme ensure that the level of completed unsold homes continues to be low: at 31 March we had 232 (2019: 182) completed homes with a completed value of £62 million (2019: £39 million). Sales continue to be monitored closely: 50% of these homes were exchanged or reserved. As at 31 March available homes for over six months represented only 1.6% of the number of homes completed in the year.

### Strong investment proposition

After accounting for the significant level of investment in existing homes, and the one-off towers project in Thamesmead, our interest cover remains strong at 196%. Gearing is 36% (2019: 35%). This provides a strong platform to manage the economic headwinds and to continue to invest in existing homes and to take an opportunity-led approach to growth. We have maintained our A3 Moody's rating during the year and we have held an A rating from S&P since July 2019.

### Long-term creditors

Long-term creditors comprise debt £2,778 million, grant £1,569 million and other creditors £37 million. The increase in the year is from both debt and grant to fund the development programme.

### Pension liabilities

We have membership in three significant defined benefit pension schemes: the Social Housing Pension Scheme ('SHPS') the London Pension Fund Authority ('LPFA'), and the Kent County Council scheme. SHPS was already closed to future accrual, and LPFA (which was already closed to new members) closed to future accrual on 1 April 2020. Town and Country Housing has the liability in the Kent scheme, which is closed to new members, but not to future accrual.

The net change in valuation on these schemes of £17 million gain (2019: £8 million loss) is recognised in other comprehensive income. Our Board has an agreed plan to manage pension liabilities.

### Financing and capital structure

Our liquidity position for the Group is strong: £4,015 million available debt facilities, with £1,256 million undrawn, £1,156 million with bank and private placement facilities, and a further £100 million fully secured retained bonds available for issue.

When added to accessible cash balances of £186 million, our available resources were £1,442 million at 31 March 2020. We raised new facilities of £520 million in the year.

Of drawn debt 72% is fixed and 28% variable rate of interest. The average cost of borrowing for the year was 3.90%.

We have over 18,000 unencumbered properties across the Group which could be used as security for additional facilities of over £3 billion.

We maintain a formal counterparty policy for all financial investments where the prime objective in respect of cash investment is the security of the sums invested.

As part of our treasury policy, we maintain available resources that are sufficient to cover contractual commitments for the next three years. We also have sufficient available facilities to withstand for 18 months a scenario of no new funds, no sales and no new development commitments, whilst continuing to honour existing commitments.

As part of the acquisition of Town and Country Housing, £450 million of facilities were added to the Group, with £315 million transferred to Peabody Trust.

### Outlook

While the longer term financial impacts of the Covid-19 pandemic and the terms of Britain's exit from the European Union remain uncertain, our strong financial position and liquidity, our robust approach to risk management, and the flexibility of our development programme will ensure that we can manage the impacts and potential impacts. We are therefore in a position to continue to deliver on our organisational priorities throughout the pandemic and beyond.

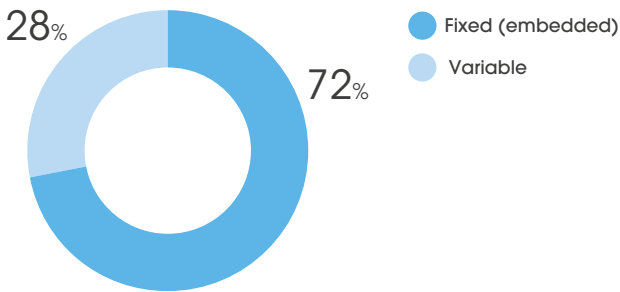
We have made significant progress in capturing our environmental, social and governance investment. During the year Peabody was the joint initiator of a white paper seeking to develop a set of standardised criteria for the housing association sector to adopt. The white paper was published in May 2020 and the consultation process is ongoing. Our involvement with this process has improved how we capture the data across these areas and provides us with a focus to continue to improve performance against a range of increasingly important criteria.

I am delighted to have the opportunity to build on this strong financial platform to ensure that we meet the challenges in society and the economy and continue to deliver on our social purpose. We will continue to invest in the safety, quality and sustainability of our existing homes as a priority.

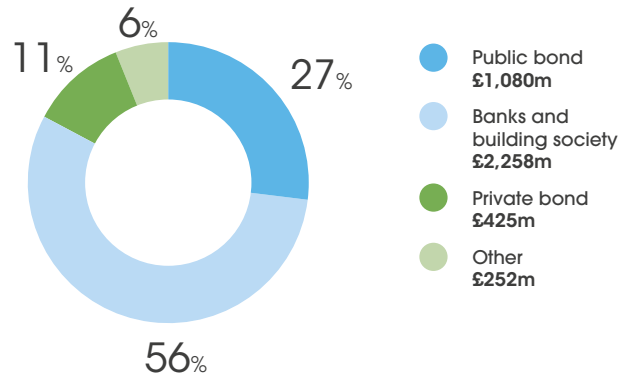
Statement of financial position (£m)

	FY 2020	FY 2019
<b>Non-current assets</b>		
Fixed assets including housing properties	6,838	5,513
Investment properties	482	462
Investment in joint ventures	15	14
Other investments and debtors	25	16
<b>Net current assets</b>	423	579
<b>Total assets less current liabilities</b>	7,783	6,584
Long-term creditors	(4,384)	(3,647)
Provisions	(16)	(24)
Pension liabilities	(80)	(96)
<b>Reserves</b>	3,303	2,817

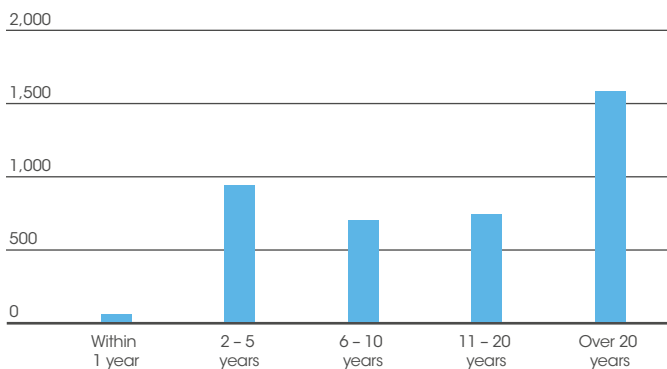
Interest rates



Facility mix



Facility maturity



£1,256m  
Available resources

18,000+  
Unencumbered properties

£4,015m  
Total facility

# Risk management

## Our risk management framework and long-term value creation

### Our risk and control framework

The Peabody Trust Board is accountable for ensuring threats and opportunities are managed appropriately in support of Group Strategy, to facilitate a more predictable operating performance and long-term value protection and creation, supported by the Audit and Risk Committee and the Executive Team. Executive Team members are responsible for effective risk management within their areas of responsibility.

As part of our journey in continuous improvement and our transformation programme to further strengthen our risk management culture and awareness, we have embarked on a number of initiatives to ensure our approach is fit for purpose and aligned to best practices in enterprise risk management.

### Capacity and capability to handle risk

We maintain a sound system of internal control that supports our Group mission and meeting our four strategic priorities by embedding the three lines of defence assurance model. Our aim is to manage risk to a reasonable level rather than taking a completely risk averse approach in order to take a risk-based approach to inform decision making.

We have identified Group Risk Champions and Directorate Risk Champions who act as local ambassadors for risk management activities. They are also our first point of contact from the second line to ensure the continuity of risk management dialogue within the first line of defence (business operations). In order to build our capability, we have focused on professionalising the Risk Champions community by providing bespoke risk champions training via the Institute of Risk Management as well as forming the Group-wide Risk Champions group. The Risk Champions group is chaired by the General Counsel and Group Secretary and meets on a quarterly basis to ensure a robust risk dialogue as well as driving improvements in risk management awareness and culture.

We have embraced good practice by benchmarking our approach to strategic risks areas against our G15 peers while also exchanging risk management ideas with other sectors.

In order to help the Group make informed risk assessments and risk-based decisions, our Executive Team has developed strategic risk appetite statements and positions. The risk appetite statements and positions are individually aligned to each of our four strategic priorities. This helps us to continuously monitor how much risk we are willing to take and/or how much we are willing to put at risk in pursuit of achieving our strategic priorities. The Peabody Trust Board has approved the risk appetite statements and positions. The risk appetite statements are also being used to inform our annual planning cycle.

## Our risk management framework

### Line 1

Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. They identify, assess, control and mitigate risks, leading to the development and implementation of internal policies and procedures and ensuring that activities are consistent with directorate, departmental and divisional objectives.

Managers design and implement detailed procedures that serve as controls and supervise execution of those procedures by their employees. They are also responsible for implementing corrective actions to address process and control deficiencies.



### Line 2

The second line of defence focuses primarily on the work associated with the oversight or management activities of a particular function. It is separate from those responsible for delivery as above, but not independent of the management chain as an enterprise. It generally includes compliance assessments or reviews carried out with in-house specialists in finance, compliance and risk to determine that policies or quality arrangements are being adhered to in line with our Group level expectations.



### Line 3

The third line of defence relates to the more objective and independent form of assurance, such as the Group's outsourced internal audit function.

This line carries out a programme of work specifically designed to provide a wholly independent and objective opinion on the framework of governance, risk management and control throughout the organisation, including the manner in which the first and second lines of defence achieve risk management and control objectives. It also pays attention to issues raised by the Audit and Risk Committee and Board.

Our revised risk management framework and three lines of defence model were endorsed by Executive Team and approved by the Audit and Risk Committee.

The positions of the strategic risk appetite statements are measured and agreed as either Averse, Cautious, Open or Hungry, with the level of accepted risk increasing in that order. Each of the four possible positions is qualified with narrative specifying the chosen attitude towards risk, on a scale between the avoidance of risk towards an eagerness to choose high-risk options in pursuit of the priority. For each of the four strategic priorities (see page 16) the current risk appetite position is Open, which means we are willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money. To provide quantitative assessment criteria the strategic risk appetite statements also contain metric based tolerances, tailored for each strategic priority, which are linked to relevant Group Risk appetite statements and key risk indicators.

### Capturing and responding to principal risks and uncertainties

Our Group Risk Register has continued to be developed and monitored on a rolling basis during the course of the year with input from the Executive Team, and was reviewed quarterly by the Audit and Risk Committee as well as being approved by the Peabody Trust Board at particular intervals within the year. In particular, the Board ensured that the Group Risk Register effectively and immediately responded to the global Covid-19 pandemic and continues to do so in the longer term while enabling informed strategic decision making in pursuit of achieving the Group's strategic priorities. Our Board's primary objective was that our current suite of Group Risks remains fit for purpose given the rapidly changing external environment and that risks are managed proactively and adequately.

Since 2018, Peabody has been working as part of the MHCLG Early Adopters Group to trial the Hackitt recommendations surrounding building and fire safety. There have been numerous advice notes and constant change in this high-risk area which have led us to identify and assess a new Group Risk around building and fire safety. This is an important risk area for the Group which we wish to manage proactively while developing our Group-level building safety strategy as the government standards are further developed. The building and fire safety risk is currently our most significant Group Risk but we also acknowledge that we are risk averse in this area, and therefore there is much to do going forward to further mitigate and manage this risk. The primary driver for this new Group Risk has been the continuous and rapid change in the regulatory regime surrounding building and fire safety, post-Grenfell and the Hackitt Inquiry. This has been responded to by focusing on categorising and prioritising high-risk buildings using a structured methodology and approach, to subsequently deliver remedial works within a reasonable timeframe. Even with Covid-19 preoccupying attention across the sector and beyond, building and fire safety remains a serious risk that may result in very significant consequences if it is not managed effectively.

We are developing a new building safety management system which will replace the existing fire risk management system. This also includes our approach to managing high-risk buildings. Our Board has taken up senior-level accountability in overseeing this high risk area by assigning our Audit and Risk Committee Chair with specific responsibility for the Group's approach to and management of building and fire safety.

To further manage the building and fire safety risk at an operational level, we have established a Technical Committee to review cladding investigations and risk assessments. This Committee is responsible for agreeing the risk prioritisation scoring system which determines the order in which we will investigate our buildings and will make decisions following the investigations.

We have carefully reviewed and benchmarked the latest Sector Risk Profile published by the Regulator for Social Housing against our Group Risks. As per the Sector Risk Summary, one of our key risks is also in the area of Health and Safety with a focus to maintain an effective health and safety management system, in order to prevent injury, harm or death to the public, employees, contractors or customers. Our strategic risk around Information Security and Data Integrity also aligns with the Regulator for Social Housing Sector Risk Profile strategic risks themes.

We have also increasingly focused on the timeliness of delivery of mitigating actions, including regular challenge by the Audit and Risk Committee, as well as continuous review of the risk appetite for each of the Group Risks.

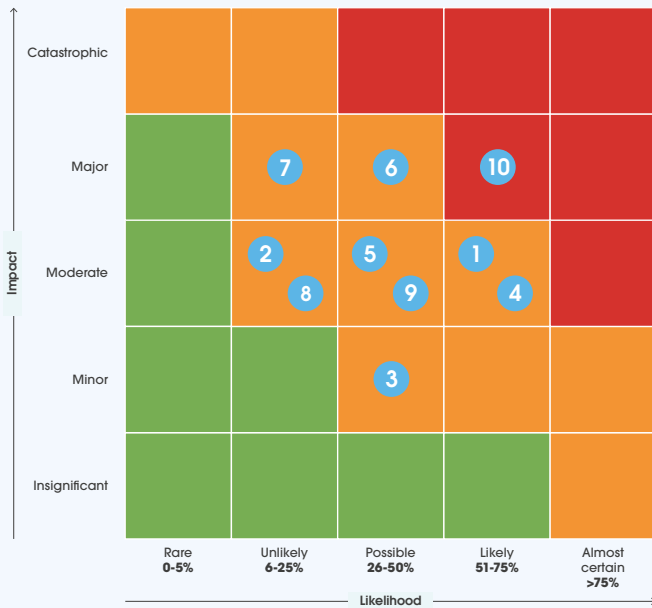
The Executive Team has increasingly focused on the available data and intelligence from the Key Risk Indicators to monitor the Group Risks' exposure in order to make informed decisions on additional mitigations and assess exposure from any possible conflation of risks.

Directorates have identified, monitored and managed operational risks, which have fed into the Group Risk Register as necessary. Our operational risks benefited from regular review and challenge from the Operational Management Team (consisting of the Chief Operating Officer and a cohort of direct reports to the Executive Team).

Assessment of the effectiveness of the existing controls is a key part of our systematic approach which attempts to limit risks to an acceptable net exposure while additional mitigations help us to determine our target exposure, rather than obviate risks altogether. The risk management team develops our approach to enterprise risk management in consultation with the Group Risk Champions, identifying cross-cutting operational risks. It also reviews directorate and divisional risk registers and provides feedback to improve the quality of risk information and risk management dialogue at all levels.

# Risk management continued

## Group risk heat map



**1 Health and Safety:** Failure to maintain an effective Health and Safety Management System resulting in injury, harm or death to the public, employees, contractors or customers.

**Key mitigations:** This risk is monitored by the Health and Safety Committee and key mitigating controls are tested by the Health and Safety Audit programme. Safety measures are in place across the Group including the provision of training, reporting systems and the monitoring and reporting of Health and Safety KPIs.

**2 Laws and Regulations:** Non-compliance with laws and regulations resulting in significant sanctions or fines.

**Key mitigations:** Technical expertise in the Legal, Governance, Risk and Regulatory Compliance division provides training and guidance to the rest of the business to ensure compliance with laws and regulations, and also maintains an open and effective relationship with the Regulator for Social Housing. Key compliance controls in place across the Group are tested bi-annually through the Control Self Assessment process. E-learning modules for key compliance areas such as the General Data Protection Regulation are mandatory for all employees.

**3 Funding and Liquidity:** Inability to operate within our funding envelope and maintain liquidity, as a result of internal and/or external factors, resulting in an inability to achieve our operational and strategic targets.

**Key mitigations:** The Finance and Treasury Committee maintains close scrutiny of this risk, which is managed according to the Treasury Management Policy. Performance indicators are monitored and reported throughout all levels of the Group, and the Long Term Financial Plan is stress tested regularly. Among other oversight activity, the Capital Management Group reviews development and sales activity and the monthly analysis of capital at risk.

**4 Information Security and Data Integrity:** Failure to put in place the appropriate protections for integrity of data and/or security of information leading to significant data inaccuracies or information losses, unauthorised disclosures and fines.

**Key mitigations:** The Information Management Group provides oversight of this risk, and also monitors the Information Management Strategy and Programme, which drives the Group's approach to managing this risk. There are a number of policies and procedures, including information security breach reporting and data quality scorecard, and mandatory e-learning training is provided for all employees alongside the expert guidance of a dedicated Information Security Team.

**5 Group IT Services:** Failure to ensure that IT capability is aligned to business needs, either through modernisation or day-to-day IT operations resulting in negative impact on business operations and customer service.

**Key mitigations:** The Information Management Group also monitors this risk, and its duties include reviewing the IT strategy, as well as the IT-related activities of individual project boards. IT disaster recovery plans, procedures and tools are in place. Under the IT strategy continuous investment has been secured, and the IT equipment and services have been upgraded over the last year.

**6 Development Strategy:** Failure to maintain and deliver our development programme due to operational, third-party performance or market issues resulting in loss of investor, stakeholder and customer confidence.

**Key mitigations:** The Development Committee provides oversight of this risk through scrutiny of the Development Strategy and programme, and is supported by similar executive-level scrutiny at the Capital Management Group. Management controls such as Project Dashboards and Workbooks, Project Gateway Reviews and Programme Forecasting and Monitoring shore up the first line of defence, and the Development Performance Dashboard KPIs are monitored on a rolling basis.

- 7 Customer Service:** Failure to listen to customers, meet customer service standards and performance targets, or manage an effective service continuity plan in the event of a Business Continuity Plan event, resulting in regulatory sanction and/or reputational damage.

**Key mitigations:** First line of defence mitigation includes monthly contract review meetings with suppliers, monitoring of resident satisfaction and complaint levels through KPIs, and the Out of Hours service and Silver Alert process. Second line of defence controls assurance is delivered by the Fire Safety Committee, Health and Safety Committee and Information Management Group.

- 8 Thamesmead:** Failure to achieve objectives in Peabody's plan for Thamesmead resulting in damage to reputation and loss of confidence in Peabody's ability as a place maker.

**Key mitigations:** The Thamesmead Committee oversees this risk and is responsible for monitoring the Plan for Thamesmead, supported by project capital investment decision making at the Capital Management Group. First line mitigations include regular Programme Monitoring and Review Sessions, Project Gateway Reviews, and the Strategic Review of the Plan for Thamesmead. As an independent mitigation, in addition to internal audit, an external evaluation team has been consulted for five years to deliver its objective analysis on the progress of the Plan.

- 9 Major Change Programmes:** Major change at Peabody is not effectively managed, prioritised or sequenced, resulting in a lack of business engagement and benefits not being realised.

**Key mitigations:** The Change Board is responsible for overseeing the risk, and is supported by a number of sponsor and project boards. A Portfolio Management Office framework is in place that covers project governance, value, risk and cost, and is aligned to the Portfolio Plan. Project and business assessments are completed before change programmes and projects begin, user acceptance testing ensures that clear gateways are met throughout the project life-cycle, and employee survey feedback at the end of the life-cycle ensures that lessons are captured and applied to future change programmes.

- 10 Building and Fire Safety:** Failure to respond effectively and efficiently to the continuous and rapid changes in the regulatory regime surrounding building and fire safety.

**Key mitigations:** As a first line of defence, the Fire Remediation Group delivers its remediation works programme through the Building Safety Task Force. This is supported and enabled by the Group's Fire Risk Management System and by a programme of Data Study and Cladding Investigations. Second line oversight is provided by the combined efforts of the Technical Committee, Fire Safety Committee, and Health and Safety Committee, which all track progress of building and fire safety actions against a suite of KPIs.

## Looking ahead

Looking ahead into the next financial year, we will be continuing to improve our risk management processes. We regularly review our risk management policy to ensure it is fit for purpose and succinct. Managing the risks proactively remains our top priority in addition to improving the risk process. Our attention will be focused on ensuring the new Group Risk around building and fire safety has clear mitigations, in particular ensuring adequate resources are applied to manage this high risk area. We will also focus on improving our existing processes and systems to strengthen our data quality. Focus will also be given to the risk around our Development Strategy given the uncertain external environment and the ongoing impacts of Covid-19.

A further source of uncertainty is the new trade arrangements which will apply to the United Kingdom with effect from 1 January 2021 following the Brexit transitional period. There is to be an associated change to the immigration system, with the potential for impact of availability of labour (both our own employees and in our supply chain). Peabody has been monitoring its activities for possible implications since shortly after the referendum result in June 2016. It has put in place a range of mitigants to potential issues, and will continue to monitor the situation closely in advance of, and after 1 January 2021.

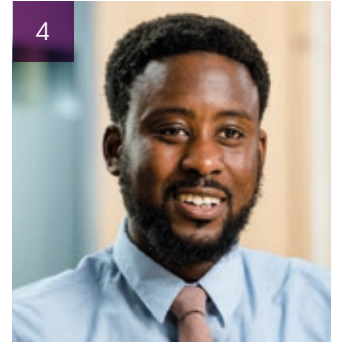
The Board is well aware that managing risk is not a standalone or static process, but a continuous review of the internal and external challenges to achieving the Group's strategic goals. The risks to individual opportunities and projects will continue to be highlighted in the cover sheet of all reports to boards and committees in the Group to allow members to evaluate the up and down-sides of options and make effective decisions.

The Board is also conscious of its role as a leading provider of social housing in the UK, and the reputational risk that can follow both for Peabody, and for the sector, from adverse events. Peabody seeks to work in collaboration with all its stakeholders (including residents, local authorities, the Greater London Authority, central government and private sector suppliers and partners) to achieve its goals and looks to make sure that risks are appropriately assessed and carried by those most able to manage and mitigate them.

The additional uncertainty created by the impacts of Covid-19, overlaid on the risks already identified, will mean that the Audit and Risk Committee and the Board will continue to take stock at regular intervals of emerging risks and how the Group's risk profile is changing to make sure that Peabody can continue to successfully deliver on its priorities for the benefit of its residents and communities for many years to come.

# Board members

Effective leadership with strong governance





## 1. Bob Kerlake

Lord Kerlake (Bob) joined the Board as Chair in June 2015. During his career he has held senior positions including Head of the Civil Service, Permanent Secretary of the Department for Communities and Local Government ('DCLG'), and Chief Executive of Sheffield City Council and the Homes and Communities Agency. He was made a Peer in 2015. He is Chair of the Board of Sheffield Hallam University and of Be First, a regeneration company in Barking and Dagenham.

## 2. Ian Peters

Ian joined the Family Mosaic Board in September 2013 and the Peabody Board following merger in June 2017. He has led large companies (most recently British Gas) and small, challenger businesses (e.g. Goldfish Bank). He is now a professional Non-executive Director and consultant. Ian is the Chair of the Barts Health NHS Trust, four technology companies, an education charity and Employers for Carers. He also has a consulting business specialising in the energy sector.

## 3. Pippa Aitken\*

Pippa joined the Family Mosaic Board in November 2015 and the Peabody South East ('PSE') Board following merger. Pippa has over 30 years' experience in planning and development. Her career began in local government; she then moved to several global property advisory firms. Pippa has a long-standing interest in housing delivery, and as a planning consultant she advised both public and private sector clients. She is also a Non-executive Director of an NHS Foundation Trust specialising in mental health services.

## 4. Peter Baffoe

Peter joined the Peabody Board as a resident Board member in May 2018. He has been a community development worker for eight years and is a Faith and Community Development Officer for the South London Mission. He is a Trustee of Southwark and Deptford Methodist Church and Bermondsey Central Hall Methodist Church. He is also a member of the British Transport Police Advisory Group and a School Governor, acting as the Link Governor for disadvantaged pupils.

## 5. Jennie Daly\*

Jennie joined the Peabody Board in April 2015. She is a Chartered Member of the Royal Town Planning Institute with over 20 years' experience in planning assessment and strategic promotion, with a strong development and commercial focus. Jennie joined the Taylor Wimpey UK Board in 2015 and the Board of Taylor Wimpey Plc in March 2018. As Group Operations Director, she has responsibilities for land acquisition and also leads Taylor Wimpey's technical, design, sustainability, production and procurement disciplines.

## 6. Helen Edwards

Helen joined the Peabody Board in July 2016. She served as Deputy Permanent Secretary and Director General at DCLG. Previous roles included Director General of Justice Policy at the Ministry of Justice, and Chief Executive positions at the National Offender Management Service and Nacro, the national crime reduction charity. Helen is a Non-executive Director at South London and the Maudsley Foundation Trust ('SLaM'), she also chairs Recovery Focus and is on the Social Finance Board.

## 7. David Hardy

David joined the Peabody Board in June 2016. He was Managing Director of the fund management subsidiary of John Laing Group plc until 2019. He has over 35 years' corporate finance, M&A and fundraising experience spanning infrastructure, PFI and renewable energy projects. Prior to joining John Laing, David was a Corporate Finance partner at KPMG. He qualified as a chartered accountant with KPMG and is a Member of the Institute of Chartered Accountants in England and Wales.

## 8. Paul Loff

Paul joined the Peabody Board in November 2013. He was Managing Director at Homebase and Habitat until 2015, and had a 25-year career in retailing, in senior finance and general management roles. Before Homebase he was Managing Director at GUS Home Shopping and prior to that was the Finance Director of Argos. Earlier in his career he spent 11 years in the Burton Group in several finance roles including as Finance Director of Debenhams.

## 9. Barry McNamara

Barry joined the Family Mosaic Board in December 2011 and the Peabody Board following merger. He is a landscape gardener and has been a long-term resident.

## 10. Jane Milligan

Jane joined the Family Mosaic Board in March 2013 and the Peabody Board following merger. She has worked in the NHS for over 30 years, the last 19 years being in Tower Hamlets in clinical, commissioning and service management roles, including Board-level roles. Jane is the Accountable Officer for the seven Clinical Commissioning Groups ('CCGs') in North East London and the Senior Responsible Officer for the North East London Sustainability and Transformation Partnership, and was CEO of Tower Hamlets CCG from 2012 to 2017.

## 11. Deirdre Moss

Deirdre joined the Family Mosaic Board in September 2014 and the Peabody Board following merger. Deirdre has worked in the insurance industry for over 25 years with FTSE 100 companies. Specialising in HR, she has led major changes involving large diverse workforces. She has her own HR consultancy company, and also sits on the advisory group of a London-based training company. She has championed diversity issues throughout her career and continues to work in a voluntary capacity in this area.

## 12. Francis Salway

Francis Salway joined the Town and Country Housing Board in November 2012 and the Peabody Board on 9 May 2019 following Town and Country Housing joining the Peabody Group. He was Chief Executive of Land Securities, then the country's largest commercial property company, between 2004 and 2012. His other current roles include being a Non-executive Director of Next plc, a Non-executive Director of Cadogan Group Limited, a Visiting Professor in Practice at the London School of Economics and Chair of the Transport for London Property Advisory Group.

## 13. Brendan Sarsfield

Brendan became Chief Executive of Peabody at the point of merger with Family Mosaic in June 2017. He joined the Family Mosaic Board on 5 June 2006 and the Peabody Board following merger. Previously he was the Family Mosaic Chief Executive for 11 years. Prior to Family Mosaic, he worked in housing for a variety of local authorities and housing associations. Brendan was Chair of the London G15, which represents London's 15 largest housing associations from 2013 to 2015.

## 14. Peter Vernon

Peter joined the Peabody Board in April 2015. He is Grosvenor Group's Executive Director with responsibility for overseeing the Group's operating companies in North America, Asia and Britain and Ireland and is Chair of the Group Executive Committee. Peter is a Non-Executive Director of The Berkeley Group plc and is a Council Member of Heart of the City. He was formerly a Non-executive Director of London First, Deputy Chairman of the West End Partnership and a member of the RSA Insurance Group London Regional Board. His other appointments have included the BPF Policy Committee and the Government's Estates Regeneration Panel.

\* Pippa Aitken and Jennie Daly are members of the Peabody South East Limited Board, which meets on an overlapping basis with the Peabody Trust Board.

# Corporate Governance Statement

The Board is responsible for the effective governance of the Group and has ensured that the governance framework of the Group continues to evolve and reflect the changing external and internal economic, risk and regulatory environments.

## Overview of Corporate Governance

The Peabody Trust Board ('the Board') is responsible for the effective governance of the Peabody Group ('the Group') while day-to-day management is delegated to the Executive Team.

The Board has eleven non-executive members and one executive director who bring a broad range of skills, experience and knowledge to their roles, including expertise in finance and business. The Board has the collective skills to fulfil their responsibilities of overseeing the strategic direction of the Group.

Peabody has adopted the principles and provisions of the National Housing Federation ('NHF') Code of Governance – Promoting board excellence for housing associations (2015 edition), (the 'NHF Code') and complies with its provisions. Peabody has also committed to meet the principles of the NHF Code of Conduct (2012 edition) through adhering to the Peabody Code of Conduct. In fulfilling its obligations under both codes, the Group follows good practice drawn from supporting guidance. The last assessment of compliance with the NHF Code was completed in May 2020.

During the year the Board has been kept updated on, and provided oversight and challenge in relation to the Group's compliance with the Regulator of Social Housing ('RSH' or 'the Regulator') Regulatory Framework ('the Regulatory Framework'), including the Governance and Financial Viability Standard. The Board takes its responsibilities under regulation and relevant good practice guidance very seriously and has taken appropriate steps to ensure compliance with the requirements set out in the Regulatory Framework. Peabody and its subsidiaries are committed to transparent and timely communication with the RSH. The Group maintained its G1 governance rating and V2 financial viability rating from RSH throughout the year. Peabody was rated as A3 (stable outlook) by Moody's and A (stable outlook) by Standard & Poor's (Global Rating).

## Compliance with the Governance and Financial Viability Standard

The Board confirms that an assessment of the Group's compliance with the Governance and Financial Viability Standard has been completed and certifies that the Group is compliant with the Governance and Financial Viability Standard.

## Compliance with the NHF Code

Peabody Group was substantially compliant with the NHF Code throughout the financial year. After further consideration by the Board and the Nominations and Remuneration Committee last year of the particular skills and experience provided by three subsidiary board/Group committee members and the future requirements of the Group, it was decided that three individuals' terms of office would be extended beyond nine years in total. Final expiry dates were agreed for Cath Shaw on the Development and Thamesmead Committees until October 2021, Richard Stevens on the Audit and Risk Committee until July 2020 and Keith Clancy on the Communities Committee and Peabody Community Foundation Board until September 2020. Richard Stevens and Keith Clancy will also continue to serve on the board of Charlton Triangle Homes, a registered provider subsidiary with a constitutionally agreed board comprising Peabody Trust, local authority and resident nominees. There is no member of the parent Board (i.e. Peabody Trust) who has served beyond nine years and none of the extensions mentioned in this report affect that position. An internal audit of one of Peabody's subsidiaries, Town and Country Housing, in May 2020 highlighted that its Board had operated in breach of its Rules for a short period, due to its membership since October 2019 exceeding the maximum permitted. Appropriate resolutions and ratifications were passed to amend the Town and Country Housing Rules and remedy this. More details are available in the Town and Country Housing Annual Report and Financial Statements.

## Leadership and control

The Board directs the affairs of Peabody in accordance with its objects and Rules and is responsible for the effective governance of the Group and has ensured that the governance framework of the Group continues to evolve in order to reflect the changing external and internal economic, risk and regulatory environments.

## The role of the Board and its committees

The Board is responsible for:

- determining the strategic direction of the Group and setting out its mission, vision and values;
- approving higher-level strategies, long-term plans and objectives to achieve the vision;
- financial control and risk management;
- governance and the system of delegation;
- monitoring the Group's performance; and
- accountability to stakeholders.

The Board has delegated the operational management of Peabody and its subsidiaries to the Chief Executive and his Executive Team and holds them to account. The formal schedule of matters reserved for the Board, is available to read at [www.peabody.org.uk](http://www.peabody.org.uk).

The roles of Chair of the Peabody Board and Chief Executive are separate, reflecting the different responsibilities of leading the Board and the Executive Team. The Chair and the Vice Chair are both non-executive members of the Board.

## Policies and strategies

The Peabody Board considers and approves certain key policies and strategies relating to the financial framework and viability for the Group (including the 30-year Long Term Financial Plan, Treasury Management Policy and the Budget) and other core areas (such as the Development Strategy, Investment Strategy, Asset Management Strategy, Risk Management Policy, Code of Conduct, and the Health and Safety Policy).

## Group structure

During the financial year, the Group included two principal landlord subsidiaries: the parent entity, Peabody Trust, and PSE, both of which are registered providers of social housing and exempt charities. Other registered providers of social housing in the Group during the year were Peabody Developments Limited, Town and Country Housing and Charlton Triangle Homes Limited.

Town and Country Housing joined the Group as a wholly owned registered provider subsidiary on 9 May 2019 and has remained as a separate landlord. Peabody Developments Limited (a registered society under the Co-operative and Community Benefit Societies Act 2014 and a Registered Provider of social housing) is the Peabody Group's primary development vehicle in London. Monson Homes Limited is the subsidiary of Town and Country Housing which acts as a developer in Kent and Sussex.

Peabody Community Foundation is the Group's principal charitable community investment vehicle. Other Group subsidiaries include:

- Peabody Construction Limited, a company that provides construction services;
- Peabody (Services) Limited, a land servicing company that also provides construction services;
- Peabody Waterfront Limited, repurposed during the year to hold Peabody's interest in Thamesmead Waterfront (Peabody's joint venture with Lendlease);
- Peabody Land Limited, which holds commercial property and development land; and
- Tilfen Land Limited, a company which acts primarily as a commercial asset management company in Thamesmead.

Details of other subsidiaries are provided in the notes to the accounts.

## Governance framework

Our governance framework supports the Board in its management of risk and in its responses to changes in the external environment. Risk is monitored, managed and mitigated in order to minimise, for example, the likelihood and impact of financial loss, compromised service delivery, damage to our reputation or non-compliance with law or regulation. The Group's approach is that risk can and should be taken to achieve our business objectives, provided that it is justified and actively managed.

The Board keeps the corporate structure under review to ensure that it remains appropriate for our evolving business model while managing risk, delivering quality services to residents and others and making sure the Group has both the capacity and capability to deliver its vision.

Peabody seeks to maintain its investment grade credit ratings and its fully compliant regulatory G1 and V2 ratings to continue to inspire business confidence and trust.

## Stakeholders, transparency and diversity

The Peabody Group continues to build relationships with a range of stakeholders and policymakers. Our relationship-building approach has helped us to deliver our strategic goals and to achieve the social purpose of our mission statement. Insight into partner engagement and how it informs board decisions is provided in the Strategic Report on pages 10 and 11.

Peabody is committed to being open and transparent in the way the business is conducted and in interactions with our residents and other customers. Peabody believes in being accountable for its actions, spending and performance, by demonstrating how it delivers value for money. The Group publishes information about its priorities, strategic goals and performance information and how it utilises resources on its website for all Peabody's stakeholders.

Peabody provides specific information about the Group's work, on request, unless there are good reasons not to, for example for legal reasons or on the grounds of data protection, personal confidentiality, commercial confidentiality or practicality.

## Corporate responsibility

Peabody embeds corporate responsibility and sustainability across the organisation. This includes working with suppliers to embed sustainable practices and our commitment to openness and transparency in the way we conduct our business and interact with our customers. Peabody is committed to achieving equality and diversity in all aspects of its operations, and our policies, strategies and practices reflect this. Peabody has a Group equality, diversity and inclusion strategy and action plan to make sustainable progress towards our vision of embedding equality and diversity throughout the full breadth of our work. Further information is provided in the Strategic Report on pages 34 and 35.

## Corporate Governance Statement **continued**

### Peabody modern slavery and human trafficking statement

As a responsible employer and business, and as an organisation dedicated to improving the lives of our residents and the communities we serve, Peabody is committed to doing everything possible to prevent slavery and human trafficking in our business and supply chain. A statement outlining how Peabody and its subsidiaries deliver its commitment is available to read on the Peabody website at [www.peabody.org.uk](http://www.peabody.org.uk).

### Board membership

As at 31 March 2020, the Board had 12 members, including two resident Board members. The Board of PSE benefits from having a similar composition and operates on an overlapping basis with the Peabody Board with seven of the 12 Peabody Trust members also serving on the PSE Board, but with the PSE Board also having two independent Board members, namely Pippa Aitken and Jennie Daly, who continue to provide an appropriate degree of independence as and when necessary.

Details of Board members' experience and main commitments (including the two independent PSE Board members) are outlined in the Board biographies section on page 55. The composition of the Boards and Executive Teams during the financial year ended 31 March 2020 is set out on page 3.

The Board holds a dedicated strategy session each year, which focuses on long-term targets, risks and opportunities, operating environment and future landscape, organisational design, housing strategy and initiatives to deliver growth. The Board also receives regulatory or other topical presentations and briefings, including briefings on the Regulatory Framework, housing policy changes, equality and diversity, and health and safety law.

The composition of boards of directors of operating subsidiaries are reviewed regularly by the Nominations and Remuneration Committee, which oversees appointments to the boards of all Group companies and makes recommendations to the Board. The Board appoints or has nomination rights to each of the subsidiary boards, and makes all the appointments to the Group's Board committees.

Board selection is aligned to the Board Recruitment and Succession Policy. The policy was last reviewed by the Nominations and Remuneration Committee in early May 2020 and the revised policy, which was adopted by the Board the same month, will support open and transparent recruitment processes as members of the Board and committees are replaced over the next few years. The selection and appointment will be undertaken objectively, based on core skills and competencies, qualification and attributes required,

and the Committee will continue to have regard to the inclusion of members with diverse backgrounds, balance of skills, experience and knowledge. In March 2020 the Board signed up to the G15 collective pledge to achieve an average of 30% board members being of Black, Asian and Minority Ethnic ('BAME') heritage by 2025, and in May 2020 the Board adopted the same ambition in the same timeframe specifically for the Peabody Board.

All Board members have the same legal status and share collective responsibility for decisions taken by the Board regardless of whether they are executive, non-executive or residents.

### Appointments to the Board

The Nominations and Remuneration Committee has a formal and rigorous procedure for the appointment of new Board members.

Appointments are made on merit against objective criteria, with due regard to the importance of including members with diverse backgrounds (including diversity of gender, social and ethnic backgrounds), balance of skills, cognitive and personal strengths, experience and knowledge.

The approach to recruitment brings together professionals with a range of perspectives and ensures healthy debate with, and challenge of, the Executive Team.

At least six Board meetings are held each year. Major business decisions are made and reviewed at the meetings and the Board uses the meetings to formally monitor the Group's performance against plans which it has approved. Additional meetings have been held in 2020 in response to the pandemic (see pages 6 and 7 for more detail).

### Board committees

Six committees are accountable to, and support the work of, the Board:

- Audit and Risk Committee;
- Nominations and Remuneration Committee;
- Development Committee;
- Thamesmead Committee;
- Finance and Treasury Committee; and
- Communities Committee.

Details of the activities of each committee are set out on page 61.

## Committee Membership during the financial year ended 31 March 2020 and up to the date of this report

Board member <sup>1</sup>	Audit & Risk	Finance & Treasury	Development	Thamesmead	Nominations & Remuneration	Communities
Bob Kerslake (Chair)					✓	
Ian Peters (Vice Chair)			✓ (Chair)	✓	✓ (Chair)	
Pippa Aitken			✓	✓		
Peter Baffoe						✓
Jennie Daly			✓	✓		
Helen Edwards						✓
David Hardy <sup>2</sup>	✓	✓ (Chair)			✓	
Paul Loff	✓ (Chair)	✓			✓	
Jane Milligan	✓					
Barry McNamara					✓	
Deirdre Moss				✓	✓	✓ (Chair)
Cath Shaw <sup>3</sup>			✓	✓		
Peter Vernon			✓	✓ (Chair)		
<b>Committee members only</b>						
Keith Clancy						✓
Michael Cleaver						✓
Peter Morton	✓	✓				
Catherine O'Kelly						✓
Joe Seet	✓	✓				
Richard Stevens <sup>4</sup>	✓					
Janice Tucker <sup>5</sup>						✓
Michael Verrier <sup>6</sup>		✓				
Mark Dickinson <sup>7</sup>			✓			
Marianne Ismail <sup>7</sup>					✓	
Gaylene Kendall <sup>7</sup>		✓				
Valerie Marshall <sup>7</sup>	✓					

1 Francis Salway is not a member of any Group committee but is the Chair of the Town and Country Housing Board and a member of several of its committees.

2 David Hardy stepped down from the Nominations and Remuneration Committee on 1 June 2019.

3 Cath Shaw retired from the Peabody Board on 13 October 2019.

4 Richard Stevens will step down from the Audit and Risk Committee on 31 July 2020.

5 Janice Tucker stepped down from the Communities Committee on 20 July 2020.

6 Michael Verrier retired from the Finance and Treasury Committee on 3 July 2019.

7 Mark Dickinson, Marianne Ismail, Gaylene Kendall and Valerie Marshall joined the respective committees listed above on Town and Country Housing joining the Peabody Group in May 2019.

# Corporate Governance Statement *continued*

## Leadership

### Board

Collectively responsible for the long-term success of the Group.



#### Governance and compliance

- Reviews of Board performance and effectiveness
- Governance updates
- Legal and regulatory issues



#### Strategies and policies

- Principal policies and strategies, including:
- Group Strategy
- Treasury Management Policy
- Risk Management Policy
- Health and Safety



#### Customers and stakeholders

- Resident Involvement Strategy
- Considers residents', customers' and other stakeholders' views



#### Financials and risk management

- Financial performance
- Long Term Financial Plan, budgets, forecasts
- Financial risk and treasury reports
- Group Risk Register



#### Operational performance

- KPIs
- Reviews of operational areas



#### Peabody behaviours

- Tone from the top
- Code of Conduct
- Employee engagement



### Chief Executive

Is responsible for managing the overall performance of the business and ensuring an effective and motivated leadership team is in place. Also leads on developing and implementing strategy.

The Board has delegated the operational management of Peabody and its subsidiaries to the Chief Executive and his Executive Team.



### Executive Team

Is responsible for assisting the Chief Executive with:

- the development and implementation of strategy, budget and operational performance;
- risk and internal control involving the identification, management and monitoring of risks and the implementation of effective internal controls;
- the prioritisation and allocation of capital and resources; and
- the Executive Team has delegated regular scrutiny of particular areas to other internal committees, such as the Health and Safety Committee, Information Management Group, and Operational Management Team.

## Board committees

Each committee is accountable to and reports to the Board. The committees' areas of responsibility are:

### Audit and Risk Committee

Oversees the work of both the external and internal audit functions and the system of risk management and internal control framework.

This includes monitoring, reviewing and challenging, where necessary, matters in relation to external audit, internal audit, internal controls, risk management systems, compliance, whistleblowing, fraud, financial viability, financial reporting, risk management, risk appetite, risk strategy and any other related matters as designated by the Board. The Audit and Risk Committee also reviews the audited Group financial statements and recommends them to the Board for approval.

### Nominations and Remuneration Committee

Oversees the composition and membership of the Board, subsidiary boards and Board committees; and remuneration matters for the Group.

It reviews the effectiveness of the boards and committees, oversees the appraisal of the skills and contribution of the board members, and advises on succession, recruitment, training and development needs.

The Committee considers executive remuneration, the principles of employee pay and benefits and board and committee pay. It also considers recruitment and severance policies and practice, in order to enable the Group to recruit and retain the employees it needs at all levels, at a cost that is reasonable. The Committee has specific oversight of the appraisal of the Chief Executive and makes a recommendation to the Board as to the Chief Executive's remuneration.

### Development Committee

Considers the approval of development and sales activities between Board agreed thresholds; monitors the performance of the Group's investment in new homes and developments; advises the Board on major proposals relating to property and land transactions; and monitors the exercise of specific controls in relation to development and cumulative development risks.

Additionally, it considers the Group's Development Strategy; oversees, and advises the Audit and Risk Committee and relevant boards, on developments and sales risk exposures; and reviews the effectiveness of relevant governance, risk management and internal controls for development across the Group.

### Thamesmead Committee

Oversees development and regeneration activities in Thamesmead.

It advises the Peabody Group on major proposals relating to Thamesmead, and monitors and reviews Thamesmead activities on behalf of the Group, including progress against Peabody's plan for Thamesmead.

### Finance and Treasury Committee

Provides scrutiny and support to the Board and the boards of Peabody subsidiaries concerning the Group's Treasury Management Policy and treasury strategy and their implementation, including proposals for the Group's treasury structure, funding strategy and investment strategy.

It recommends the Budget and the Long Term Financial Plan to the Board for approval and considers the financial performance, viability and stability of the Group. The Committee also reviews the efficiency of the Group, its structure and tax planning arrangements.

### Communities Committee

Provides strategic oversight of community investment and community development activities within the Group; supports Peabody's strategic objective of encouraging thriving communities; monitors the performance of the Group's community activities, including direct impact on beneficiaries and on wider communities; makes recommendations to the Peabody Board in relation to major proposals; and monitors internal controls and matters with significant implications for the beneficiaries of the Group's community work.

The terms of reference for all Board committees are reviewed annually. Each committee reports regularly to the Board on the discharge of its functions.

## Corporate Governance Statement **continued**

### Board evaluation, induction, development and appraisals

The Chair is responsible for managing the performance of the Board and the Chief Executive. The performance of the Chair is the responsibility of the Board. The Board, supported by the Group's Nominations and Remuneration Committee, regularly reviews Board and Board committee composition, and carries out an annual self-assessment of its performance, with an independent evaluation of Board effectiveness approximately every three years.

Following an external evaluation undertaken by Elaine Sullivan of Manchester Square Partners (an independent consultancy) in April/May 2019 a self-assessment evaluation was completed in May 2020 facilitated by the Group Secretary and the Governance Team.

The themes identified as part of the 2019 review were considered as part of the 2020 annual evaluation, as part of tailored questionnaires agreed with the Chairs of each board and committee. The results of all the reviews were considered by the Nominations and Remuneration Committee and the Board, with the specific results for the other committees reviewed within each body.

The evaluation highlighted a number of strengths of the governance framework, including: the effectiveness of the Board and committee structure; and the strong breadth and depth of complementary skills and experience on each decision-making body within the governance framework. Areas for continuing focus and review included further strengthening of customer voice and consideration of risk appetite. The Executive Team will consult the Board and the Nominations and Remuneration Committee on plans to ensure that customers are the heart of shaping services, developments and work with Peabody's communities.

All members have access to the advice and services of the Group Secretary. New members undergo a tailored induction programme to ensure that they have good knowledge and understanding of the Peabody Group and its activities. They attend briefing sessions on governance, strategy, finance and risk management, housing services and community investment. In addition, Board members participate in site visits to build a deeper understanding of Peabody homes and services as well as development schemes and the Thamesmead programme. Board members have opportunities to meet residents and other service users during such visits.

The Board and committee members have the benefit of the Group's directors' and officers' indemnity insurance policy.

### Remuneration of non-executive Board members

The Peabody Board and six Board committees were remunerated during the year, but not all Board and committee members decided to accept pay.

The Board and Committee Member Pay Policy was adopted with effect from 1 April 2018 following a recommendation of the Nominations and Remuneration Committee (which had taken independent advice and considered sector benchmarking) and updated in March 2019.

In May 2020, the Nominations and Remuneration Committee considered a market review of Board and committee pay within the Group which had been conducted by in line with the Group's Board and Committee Member Pay Policy.

The Committee's response to the updated market data and options proposed was reported to the Board later in May. After consideration of independent advice, the changing landscape and related risk implications, the Board approved the Committee's recommendation to defer a decision for changes to the levels of board and committee pay for a period of 12 months. A further review of the Board and Committee Member Pay Policy will be conducted when there is more certainty in the Group's financial and operational position and the wider economy.

Full disclosure for the financial year 2019/20 is provided in the table opposite:



## Remuneration of non-executive Board members

Full name	Peabody Board	PSE Board	Committee
Pippa Aitken		£12,000	
Peter Baffoe	£12,000		
Keith Clancy			£7,000
Michael Cleaver			£7,000
Jennie Daly		£12,000	
Mark Dickinson			£6,417
Helen Edwards	£12,000		
David Hardy	£15,000		
Marianne Ismail			£6,417
Gaylene Kendall			£6,417
Paul Loff	£15,000		
Peter Morton			£7,000
Deirdre Moss	£15,000		
Ian Peters	£18,000		
Joe Seet			£7,000
Richard Stevens			£7,000
Janice Tucker			£7,000
Peter Vernon <sup>1</sup>	£15,000		
Michael Verrier (until July 2019)			£1,750

<sup>1</sup> Peter Vernon donates the pay he is entitled to receive as a committee Chair to another charity.

The levels of payment per annum for Board and committee members who are legally entitled under the Rules of Peabody Trust and PSE are as follows:

For Peabody Chair	£28,000
For Peabody Vice Chair	£18,000
For Committee Chair/Principal Subsidiary Chair	£15,000
For a Board member	£12,000
For a committee member	£7,000

Board and committee members who perform multiple roles receive remuneration for the highest-paid role only. This means that some TCH Board members are paid by TCH, while other TCH Board members who serve on Peabody Board committees, and do not perform multiple roles at TCH, are paid by Peabody for their committee membership role only (which is deemed to also reflect their contribution to TCH).

Barry McNamara, Jane Milligan, Cath Shaw and Catherine O'Kelly have elected not to receive payments as Board committee members. Peter Vernon donates the pay he is entitled to receive as a committee Chair to another charity. Lord Kerslake has waived his right to receive any payment given that a sum has been notionally applied to cover the cost of Peabody providing him with secretarial and administrative services.

Other non-executive members of the boards and committees of TCH (not listed above) and the non-executive Board member of Peabody Group Maintenance ('PGM') also received remuneration during the year and details of payments are disclosed in the Annual Report and Financial Statements of TCH and PGM respectively.

Services provided to, and any contractual relationships with, members of boards and committees who are residents of Peabody or of a subsidiary company are conducted with due regard to relevant guidance and with appropriate probity.

Peter Baffoe and Barry McNamara are resident Board members of Peabody. Both are tenants. Their tenancies are on the same terms and conditions as those of other residents. In their relationship with Peabody as tenants, they cannot employ their position as Board member to their advantage.

## Corporate Governance Statement **continued**

### Approach to executive remuneration

Peabody sets senior executive pay based on independent professional advice and sector benchmarks, taking into account the need to attract and retain people qualified to lead an organisation of Peabody's size and complexity. This includes senior leaders in the fields of finance, development, housing, community investment and corporate services. At the tier below, leaders and specialists are recruited in fields such as governance, IT and human resources, as well as leaders in development, regeneration, housing, finance and other fields. The overall framework is agreed by the Nominations and Remuneration Committee, which also makes decisions about bonus payments to senior executives. The Board has responsibility for agreeing the pay of the Chief Executive. Detailed information on the amount paid to the Chief Executive, Brendan Sarsfield, during the financial year is set out in the notes to the accounts. With regard to other employees, information is provided about the number of employees in each salary band above £60,000.

### Auditor

KPMG LLP has indicated its willingness to continue in office as auditor of the Peabody Group. Therefore, after due consideration of the recommendation of the Audit and Risk Committee at a meeting held on 13 July 2020 and the requirements under section 93 of the Co-operative and Community Benefit Societies Act 2014, the Board reappointed KPMG LLP as auditor of Peabody Trust on 22 July 2020.

### Internal control and risk management

The Board is ultimately responsible for the system of risk management and the internal control framework across the Group and for reviewing their effectiveness. The Audit and Risk Committee ('the Committee') provides oversight on behalf of the Board regarding the system of risk management and the internal control framework, and regularly reviews their effectiveness.

The system of risk management and internal control exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of Peabody's assets and interests.

### The risk review process

During the year, the Board and the Committee focused on ensuring that a robust risk management framework was in place across the Group.

There is a programme to keep all risks and the mitigating controls under regular review via cyclical reports to the Committee and reports at least twice yearly to the Board. The Group has ten key risks outlined in its Risk Register which was last reviewed by the Committee in April 2020 and approved by the Board in May 2020.

These risks are as set out in the risk management section of the Strategic Report.

### Internal audit

The Group's internal audit function is outsourced to PricewaterhouseCoopers ('PwC'), which has been the outsourced provider for Peabody since 1 April 2015.

The annual programme of internal audit work approved by the Committee seeks to address the key risks identified across the Group on a three-year cycle, and includes a continuous auditing programme of core processes (e.g. payroll, treasury). PwC completed the annual programme of work and presented the Committee with its annual conclusion in respect of the system of internal control for the year ended 31 March 2020 at its July 2020 meeting. PwC's annual conclusion highlighted low, medium and high-risk findings during the year and management's intent to improve compliance with controls, and included the following statement:

"Based on the work completed, we believe that the critical risk identified is isolated to the specific system reviewed. The other high rated findings, when taken in aggregate, are not considered pervasive to the system of internal control as a whole, however, these findings, where they have been found, are linked by a common issue founded in the quality and integrity of data reviewed during our audits."

The Chair of the Committee also met virtually with PwC in a private session in May 2020.

### Management's Response

We note and accept the year end audit opinion which reflects the areas audited which are largely focussed on the higher risk areas within our internal control environment. We have promptly mitigated the critical risk identified to ensure we are not exposed to any known residual risk in this isolated system of control. We acknowledge the common underlying issue of quality and integrity of data. We are proactively managing this risk through our Group risk around Information Security and Data Integrity as well as progressing further with a focused programme of work for data quality improvement across our organisation. More broadly, we are championing the need to maintain and strengthen our compliance culture in the coming year via our recently developed improvement plan.

### Monitoring, control environment and control procedures

Managers are aware of the requirement to promptly report any suspected breach or weakness of controls via line management or in accordance with the Whistleblowing Policy, if necessary. Peabody also operates a formal process of regular self-assessment of controls, designed to ensure potential risks and weaknesses in the control environment are escalated. The Chief Executive provides an annual assurance report, based in part on this self-assessment process, to the Committee and the Board.

The Peabody Code of Conduct sets out Peabody's expectation of employees with regard to business practices, honesty and integrity. It is supported by a framework of policies and procedures which cover issues such as delegated authority, treasury management, and health and safety, and which are kept under review.

Key health and safety issues are reported to the Executive-led Health and Safety Committee, and reports on health and safety (including the outcome of specialist audits) are provided regularly to the Audit and Risk Committee and annually to the Board.

The work of the external auditor provides further independent assurance on the control environment. The external auditor advises the Committee in writing of any weaknesses in internal control identified through the course of its work, along with recommendations for improvement. This information was considered by the Committee at its July 2020 meeting. No significant weaknesses have been noted.

### Information and financial reporting systems

The Group's Long Term Financial Plan, financial performance and key performance indicators ('KPIs') linked to the Group Strategy are monitored regularly by management and the Board to ensure that the business remains financially sound and that financial and non-financial targets are met. The Committee received reports on the Group's information risks and data quality, and data protection compliance.

### Fraud, anti-money laundering, anti-bribery and whistleblowing

Peabody has a fraud policy that covers the prevention, detection, investigation and reporting of fraud, including remedial action if a fraud has occurred, to learn lessons and prevent a recurrence, and provides training to employees. The Committee receives regular updates in relation to fraud or attempted fraud, and the Board receives information at least annually. Peabody also has a tenancy fraud strategy along with a dedicated tenancy fraud team, which provides reports to the Committee.

The Group has appointed employees to anti-money laundering roles and has an Anti-Money Laundering Policy, as required by current legislation, and has rolled out relevant training and revised procedures. The Money Laundering Reporting Officer's Annual Report to the Committee in January 2020 outlined the response to an internal audit advisory report and the ongoing work comprising in the Group's compliance programme. Systems and controls will continue to be closely monitored during 2020.

Peabody values its reputation and is committed to maintaining the highest possible ethical standards in all its business activities. Peabody has a Whistleblowing Policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the organisation. The Peabody

Code of Conduct and the Group's Anti-Bribery Policy make it clear that the Group has zero tolerance for any form of bribery, and anti-bribery training is provided to all employees.

### Statement on internal controls assurance – Peabody Group

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of internal control that is appropriate to the various business environments in which it operates. This is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The processes in place for identifying, evaluating and managing the significant risks faced by the Group are ongoing and have been in place throughout the period commencing 1 April 2019 up to the date of approval of the financial statements.

Key elements of the system of risk management and internal control throughout the period included:

- Board approved terms of reference and delegated authorities for the Group's committees;
- Board approved Risk Management Policy and review of the Group Risk Register at every Audit and Risk Committee meeting, and at least twice a year to the Board;
- deep dive reviews of individual Group Risks on a cyclical basis to the Audit and Risk Committee;
- regular reporting to the Audit and Risk Committee and Board of risk information for key projects and decisions;
- a review of legal and regulatory compliance at least twice a year to the Board;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- corporate governance formal recruitment, retention, training and development policies for all employees;
- formal Board evaluation and appraisal procedures;
- an annual review of compliance with the NHF Code;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- approval of the internal audit plan by the Audit and Risk Committee and reporting by the internal auditor to the Audit and Risk Committee;
- approval by the appropriate committee or Board of key policies;
- health and safety key issues reporting to the Health and Safety Committee and to the Audit and Risk Committee;
- a detailed Group approach to treasury management regularly reported to the Finance and Treasury Committee and annually to the Board;
- regular updates and reporting by the external auditor to the Audit and Risk Committee;

## Corporate Governance Statement **continued**

- regular reporting to the appropriate committee and the Board on key business issues, objectives, targets and outcomes including value for money;
- regular monitoring of loan covenants and requirements for loan facilities to the Finance and Treasury Committee;
- financial statements twice-yearly self-assessment by management of the effectiveness of controls tailored to evidence key control status reported to the Audit and Risk Committee;
- Chief Executive's assurance to the Audit and Risk Committee and the Board;
- policies and arrangements to reduce the risk of fraud, bribery and money laundering;
- reporting to the Audit and Risk Committee of instances of fraud, whistleblowing, bribery and money laundering, and updates on compliance with the General Data Protection Regulation and other high-risk areas such as building and fire safety;
- regular updates of key legislation changes to senior managers;
- reports to the Board on review and assessment of compliance with the RSH regulatory standards; and
- clearly defined management responsibilities for compliance.

The Board has delegated to the Audit and Risk Committee the regular review of the effectiveness of the Group system of internal control, while maintaining ultimate responsibility for the system of internal control.

The Audit and Risk Committee reviewed the effectiveness of the system of internal control in existence in the Group for the period commencing 1 April 2019 up to the date of approval of the financial statements, and the annual report of the internal auditor, and reported to the Board that it found no significant weaknesses in the system of internal control.

### Going Concern

The Board has considered whether it is appropriate to prepare the financial statements on a going concern basis, in the light of the economic disruption caused by Covid-19. It has determined that it is, for the reasons set out in note 1.3 to the accounts.

### Statement of Board's responsibilities in respect of the Board's report and financial statements

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the association and of the income and expenditure of the Group and the association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.



**Lord Kerslake**  
Chair  
29 July 2020

# Independent auditor's report to Peabody Trust

## Opinion

We have audited the financial statements of Peabody Trust ("the association") for the year ended 31 March 2020 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated and Association Statement of Changes in Equity, Consolidated Statement of Cash Flow, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2020 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group business model and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

## Other information

The association's Board is responsible for the other information, which comprises the Report of the Board, the Statement on Internal Controls, and the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## Independent auditor's report to the Board of Peabody Trust **continued**

### Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

### Board's responsibilities

As more fully explained in their statement set out on page 64, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

### Harry Mears

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
United Kingdom  
29 July 2020

## Statement of comprehensive income

	Note	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Turnover	3.1	662	389	565	389
Operating costs	3.1	(505)	(301)	(416)	(283)
Surplus on sale of fixed assets	7	40	35	24	22
<b>Operating surplus before change in investments properties</b>	3.1	<b>197</b>	<b>123</b>	<b>173</b>	<b>128</b>
Change in value of investment properties	16	(9)	(2)	35	23
<b>Operating surplus</b>	8	<b>188</b>	<b>121</b>	<b>208</b>	<b>151</b>
Interest receivable and similar income	9	1	46	-	28
Interest payable and similar charges	10	(75)	(91)	(60)	(82)
Share of operating loss of joint ventures	20	-	-	-	-
Gift on acquisition	39	347	(3)	-	-
<b>Surplus before taxation</b>		<b>461</b>	<b>73</b>	<b>148</b>	<b>97</b>
Gift aid and charitable donations	11	-	33	-	35
Taxation on surplus on ordinary activities	12	8	-	-	-
<b>Surplus for the year</b>		<b>469</b>	<b>106</b>	<b>148</b>	<b>132</b>
<b>Other comprehensive income</b>					
Pension scheme actuarial gain/(loss)	31	17	17	(8)	(8)
<b>Total comprehensive income for the year</b>		<b>486</b>	<b>123</b>	<b>140</b>	<b>124</b>

All operations are continuing.

These financial statements were approved by the Board on 29 July 2020 and signed on their behalf by:

The accompanying notes form part of these financial statements.



**Lord Kerslake**  
Chair



**Brendan Sarsfield**  
Chief Executive



**Sarah Cameron**  
Secretary

## Statement of financial position

	Note	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Non-current assets</b>					
Intangible assets	13	25	25	19	19
Tangible fixed assets – housing	14	6,739	5,210	5,426	5,004
Other tangible fixed assets	15	74	40	68	42
<b>Total fixed assets</b>		<b>6,838</b>	<b>5,275</b>	<b>5,513</b>	<b>5,065</b>
Investment properties	16	482	277	462	266
Other investments	17	4	6	4	9
Homebuy loans receivable	18	4	–	4	–
Starter Homes Initiative investment	19	6	6	7	7
Investment in joint ventures	20	15	–	14	–
<b>Total investments</b>		<b>511</b>	<b>289</b>	<b>491</b>	<b>282</b>
Debtors due in more than one year	21	11	410	1	527
<b>Total non-current assets</b>		<b>7,360</b>	<b>5,974</b>	<b>6,005</b>	<b>5,874</b>
<b>Current assets</b>					
Stock	22	383	89	586	41
Debtors due in less than one year	23	63	804	73	397
Cash and cash equivalents		186	164	132	91
<b>Total current assets</b>		<b>632</b>	<b>1,057</b>	<b>791</b>	<b>529</b>
<b>Creditors: amounts falling due within one year</b>	24	<b>(209)</b>	<b>(140)</b>	<b>(212)</b>	<b>(172)</b>
<b>Net current assets</b>		<b>423</b>	<b>917</b>	<b>579</b>	<b>357</b>
<b>Total assets less current liabilities</b>		<b>7,783</b>	<b>6,891</b>	<b>6,584</b>	<b>6,231</b>
<b>Creditors: amounts falling due after more than one year</b>	25	<b>(4,384)</b>	<b>(4,060)</b>	<b>(3,647)</b>	<b>(3,503)</b>
Provisions for liabilities and charges	30	(16)	–	(24)	–
Pension liabilities	31	(80)	(75)	(96)	(95)
		<b>(4,480)</b>	<b>(4,135)</b>	<b>(3,767)</b>	<b>(3,598)</b>
<b>Net assets</b>		<b>3,303</b>	<b>2,756</b>	<b>2,817</b>	<b>2,633</b>
Income and expenditure reserve		2,377	2,034	2,094	1,910
Revaluation reserve		926	722	723	723
<b>Reserves</b>		<b>3,303</b>	<b>2,756</b>	<b>2,817</b>	<b>2,633</b>

These financial statements were approved by the Board on 29 July 2020 and signed on their behalf by:

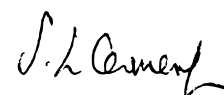
The accompanying notes form part of these financial statements.



**Lord Kerslake**  
Chair



**Brendan Sarsfield**  
Chief Executive



**Sarah Cameron**  
Secretary



## Statement of changes in equity

Group	Note	Revenue reserves £m	Revaluation reserves £m	Total reserves £m
<b>Balance at 1 April 2019</b>		2,094	723	2,817
Surplus for the year		265	204	469
Pension scheme actuarial gain	31	17	-	17
<b>Total comprehensive income for the year</b>		<b>282</b>	<b>204</b>	<b>486</b>
Transfer between reserves		1	(1)	-
<b>Balance at 31 March 2020</b>		<b>2,377</b>	<b>926</b>	<b>3,303</b>

Peabody	Note	Revenue reserves £m	Revaluation reserves £m	Total reserves £m
<b>Balance at 1 April 2019</b>		1,910	723	2,633
Surplus for the year		106	-	106
Pension scheme actuarial gain	31	17	-	17
<b>Total comprehensive income for the year</b>		<b>123</b>	<b>-</b>	<b>123</b>
Transfer between reserves		1	(1)	-
<b>Balance at 31 March 2020</b>		<b>2,034</b>	<b>722</b>	<b>2,756</b>

The accompanying notes form part of these financial statements.

## Statement of cash flow

Peabody Trust is a social landlord regulated by the Regulator of Social Housing (RSH). The parent as a stand alone entity is exempt from preparing a cash flow. The Peabody Group cash flow is shown below.

	Note	Group 2020 £m	Group 2019 £m
<b>Net cash generated from operating activities</b>	40	<b>459</b>	<b>2</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets	7	65	40
Purchases of intangible fixed assets	13	(11)	(8)
Purchases of tangible fixed assets		(697)	(239)
Purchases of investment assets	16	(36)	(33)
Receipt of government grant	26	97	42
Receipt of non-government grant		6	-
Interest received		1	-
<b>Net cash from investing activities</b>		<b>(575)</b>	<b>(198)</b>
<b>Cash flows from financing activities</b>			
New bank loans		590	399
Repayment of bank loans		(345)	(128)
Interest paid		(75)	(60)
<b>Net cash used in financing activities</b>		<b>170</b>	<b>211</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>54</b>	<b>15</b>
Cash and cash equivalents at beginning of year		132	117
<b>Cash and cash equivalents at end of year</b>		<b>186</b>	<b>132</b>

	31/03/2020 £m	31/03/2019 £m
<b>Reconciliation of net cashflow to movement of net debt</b>		
Increase/(decrease) in cash in year	54	15
Increase in debt due to acquisition	(353)	-
Cash received from loan advances	(245)	(271)
Cash inflow from movement in liquid resources	(54)	(33)
<b>Change in net debt</b>	<b>(598)</b>	<b>(289)</b>
Net debt at 1 April	(2,199)	(1,910)
<b>Net debt at 31 March</b>	<b>(2,797)</b>	<b>(2,199)</b>

	31/03/2019 £m	Cashflows £m	31/03/2020 £m
<b>Consolidated analysis of changes in net debt</b>			
Cash in hand and at bank	132	54	186
Debt due within 1 year	(16)	(3)	(19)
Debt due after 1 year	(2,183)	(595)	(2,778)
<b>Total</b>	<b>(2,067)</b>	<b>(544)</b>	<b>(2,611)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (March 2018)' ('FRS102'), the Housing SORP 2018: Statement of 2018 Recommended Practice for Social Housing Providers ('the SORP'), the Accounting Direction for Private Registered Providers of Social Housing 2019 ('the Accounting Direction') and the Co-Operative and Community Benefit Societies Act 2014.

Peabody Trust and a number of its subsidiaries are public benefit entities.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Peabody Trust consolidated ('Group') and individual ('Peabody') financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to these financial statements. Accounting policies not specifically attributed to a note are set out below.

## 1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Peabody and entities (including special purpose entities) controlled by the Group (its 'Subsidiaries'). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intercompany transactions and balances between group entities are eliminated in full upon consolidation.

## 1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Board has considered the changes arising from the Covid-19 pandemic. There are a range of operational impacts of Covid-19, and these are set out in note 38 (subsequent events). Our response to these challenges is considered on pages 6 and 7.

Following the outbreak of Covid-19, the Group prepared a revised budget, which was approved by the Board in April 2020, and an interim five year plan, approved by the Board in June 2020. These reflect key financial impacts such as upon rent collection, maintenance costs including the phasing of future planned works, and the property market. We have undertaken robust stress testing including a combination of severe but plausible downsides, offset by realistic mitigations. The stress testing demonstrates that even in the severe circumstances tested, we have appropriate headroom against our financial covenants.

Trading in the year to date is ahead of expectations reflected in a revised budget set in the light of Covid-19. The Group continues to generate surpluses in the current environment. We continued to receive reservations for homes during the "lockdown", and reservations continue to progress to completion. We have maintained strong liquidity, with cash balances and unutilised loan facilities similar to the 31 March level.

The Board believes that the Group and Trust has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Trust will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. They therefore have prepared the financial statements on a going concern basis.

## 1.4 Business combinations

Acquisitions (of subsidiary companies) are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in the Statement of Comprehensive Income in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the Statement of Comprehensive Income in the periods expected to be benefited.

## Notes to the financial statements **continued**

### 1.5 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, in hand, deposits, short-term investments. Any bank accounts in overdraft are included within the overall cash balance.

### 1.6 Service charge sinking fund

Under the terms and conditions of their leases, leaseholders are required to contribute to a sinking fund for future provision of communal facilities. These funds are invested in separate bank accounts in order to meet future commitments. Interest received is credited to these funds.

### 1.7 Value Added Tax

A large proportion of the Group's income comprises rental income which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the Statement of Comprehensive Income.

### 1.8 Operating Segments

The Group has determined its operating segments in accordance with IFRS 8 as follows:

- Housing for Rent
- Development of housing for sale
- Other Activity

Other activity includes the work of Peabody Charitable Foundation, the commercial and regeneration work at Thamesmead, and also our central overheads. The Chief Operating Decision Maker (the board) does consider financial information for each of these. However, the two central departments; Corporate Services and Finance, do not raise revenues (internally or externally), whilst the remaining activities are individually and in aggregate well below 10% of turnover, surplus and assets.

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following key judgements:

- Determining whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, and where it is a component of a larger unit or development, the viability and expected future performance of that asset.
- Tangible fixed assets, other than land, shared ownership assets and investment properties, are depreciated over their useful lives. The actual lives of the assets and residual values are assessed periodically and may vary depending on a number of factors, such as technological innovation, product life-cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Properties that are held to earn commercial rentals or for capital appreciation, or both, must be treated as investment properties and accounted for in accordance with section 16 of FRS 102. There are a number of tenure types of housing property where it is a matter of judgement whether they should be categorised as investment property or property, plant and equipment. The intended use of the property needs to be determined when categorising different tenure types of housing property providing due consideration to the level of rent charged and with regard to objectives of the Group.
- The valuation of defined benefit pension schemes has been carried out by qualified actuaries based upon assumptions. While key assumptions used in the valuations are based upon published information, there is a degree of judgement involved in selecting the most appropriate financial variables for each scheme.

**Other key sources of estimation uncertainty:**

The valuation exercise was carried out between April to June 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2017 ('Red Book'). The valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by Covid-19. The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, the valuer considered that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value, means that the valuers are faced with an unprecedented set of circumstances on which to base a judgement.

However, the values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Association.

The Directors consider that the valuations are reasonable, and the risk of a material misstatement is low.

**3.1 Turnover and operating surplus**

Turnover represents rental and service charge income receivable (net of rent and service charge losses from voids), income from shared ownership first tranche and open market sales, services rendered, revenue grants and amortisation of social housing grant.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Rental income under operating leases is recognised as it falls due. Income from first tranche and market sales is recognised at the point of legal completion of the sale.

First tranche sales and open market sales are sales of stock and are recognised in the Statement of Comprehensive Income in the period to which they relate.

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

Turnover from grants is recognised when the conditions for receipt of agreed grant funding have been met, either in full or amortised over its useful life. Income and costs are allocated to different tenures where identifiable. Income and costs that cannot be easily identified with a specific tenure are allocated based upon an assessment of the activities and size of that tenure group.

## Notes to the financial statements continued

### 3.1 Turnover and operating surplus continued

Group	Turnover 2020 £m	Operating costs 2020 £m	Operating surplus/ (deficit) 2020 £m	Turnover 2019 £m	Operating costs 2019 £m	Operating surplus/ (deficit) 2019 £m
<b>Social housing lettings</b>	<b>425</b>	<b>(291)</b>	<b>134</b>	<b>375</b>	<b>(255)</b>	<b>120</b>
<b>Other social housing activities</b>						
First tranche shared ownership sales	51	(38)	13	42	(26)	16
Charges for support services	28	(28)	-	30	(30)	-
Other	-	-	-	-	-	-
	<b>79</b>	<b>(66)</b>	<b>13</b>	<b>72</b>	<b>(56)</b>	<b>16</b>
<b>Non-social housing activities</b>						
Market sale	117	(90)	27	90	(68)	22
Development	8	(18)	(10)	2	(6)	(4)
Community regeneration	2	(9)	(7)	2	(9)	(7)
Other	31	(31)	-	24	(22)	2
	<b>158</b>	<b>(148)</b>	<b>10</b>	<b>118</b>	<b>(105)</b>	<b>13</b>
<b>Total</b>	<b>662</b>	<b>(505)</b>	<b>157</b>	<b>565</b>	<b>(416)</b>	<b>149</b>
Surplus on sale of fixed assets (see note 7)			40			24
			<b>197</b>			<b>173</b>

Peabody	Turnover 2020 £m	Operating costs 2020 £m	Operating surplus/ (deficit) 2020 £m	Turnover 2019 £m	Operating costs 2019 £m	Operating surplus/ (deficit) 2019 £m
<b>Social housing lettings</b>	<b>352</b>	<b>(247)</b>	<b>105</b>	<b>353</b>	<b>(240)</b>	<b>113</b>
<b>Other social housing activities</b>						
First tranche shared ownership sales	5	(4)	1	9	(5)	4
Charges for support services	8	(8)	-	10	(10)	(0)
Other	-	(6)	(6)	-	(5)	(5)
	<b>13</b>	<b>(18)</b>	<b>(5)</b>	<b>19</b>	<b>(20)</b>	<b>(1)</b>
<b>Non-social housing activities</b>						
Market sale	-	-	-	-	(1)	(1)
Development	-	(8)	(8)	1	(3)	(2)
Community regeneration	-	-	-	-	-	-
Other	24	(28)	(4)	16	(19)	(3)
	<b>24</b>	<b>(36)</b>	<b>(12)</b>	<b>17</b>	<b>(23)</b>	<b>(6)</b>
<b>Total</b>	<b>389</b>	<b>(301)</b>	<b>88</b>	<b>389</b>	<b>(283)</b>	<b>106</b>
Surplus on sale of fixed assets (see note 7)			35			22
Total operating surplus			<b>123</b>			<b>128</b>

### 3.2 Particulars of turnover and operating costs from social housing lettings

Group	Housing accommodation	Supported and older people	Shared ownership	Intermediate rent	Total	Total
	2020 £m	2020 £m	2020 £m	2020 £m	2020 £m	2019 £m
Rents receivable	302	23	23	24	372	325
Service charges receivable	20	9	8	-	37	34
Gross rental income	<b>322</b>	<b>32</b>	<b>31</b>	<b>24</b>	<b>409</b>	<b>359</b>
Voids	(3)	(1)	-	-	(4)	(4)
<b>Net rental income</b>	<b>319</b>	<b>31</b>	<b>31</b>	<b>24</b>	<b>405</b>	<b>355</b>
Amortised government grants	11	1	1	1	14	14
Other income	5	1	-	-	6	6
<b>Total turnover from social housing lettings</b>	<b>335</b>	<b>33</b>	<b>32</b>	<b>25</b>	<b>425</b>	<b>375</b>
Service charge costs	(31)	(6)	(9)	(2)	(48)	(37)
Management	(74)	(8)	(6)	(7)	(95)	(84)
Routine maintenance	(29)	(2)	-	(1)	(32)	(30)
Cyclical maintenance	(33)	(2)	(3)	(1)	(39)	(42)
Bad debts	(2)	(1)	-	-	(3)	(3)
Depreciation	(63)	(6)	2	(4)	(71)	(59)
Other	(3)	-	-	-	(3)	-
<b>Operating costs on social housing lettings</b>	<b>(235)</b>	<b>(25)</b>	<b>(16)</b>	<b>(15)</b>	<b>(291)</b>	<b>(255)</b>
<b>Operating surplus on social housing lettings</b>	<b>100</b>	<b>8</b>	<b>16</b>	<b>10</b>	<b>134</b>	<b>120</b>
<b>Operating margin %</b>	<b>30%</b>	<b>24%</b>	<b>50%</b>	<b>40%</b>	<b>32%</b>	<b>32%</b>

Peabody	Housing accommodation	Supported and older people	Shared ownership	Intermediate rent	Total	Total
	2020 £m	2020 £m	2020 £m	2020 £m	2020 £m	2019 £m
Rents receivable	248	17	21	22	308	308
Service charges receivable	17	6	7	-	30	31
Gross rental income	<b>265</b>	<b>23</b>	<b>28</b>	<b>22</b>	<b>338</b>	<b>339</b>
Voids	(3)	(1)	-	-	(4)	(4)
<b>Net rental income</b>	<b>262</b>	<b>22</b>	<b>28</b>	<b>22</b>	<b>334</b>	<b>335</b>
Amortised government grants	10	1	1	1	13	14
Revenue grants	-	-	-	-	-	-
Other income	4	1	-	-	5	4
<b>Total turnover from social housing lettings</b>	<b>276</b>	<b>24</b>	<b>29</b>	<b>23</b>	<b>352</b>	<b>353</b>
Service charge costs	(26)	(5)	(9)	(1)	(41)	(33)
Management	(66)	(6)	(5)	(5)	(82)	(81)
Routine maintenance	(22)	(2)	-	(2)	(26)	(28)
Cyclical maintenance	(28)	(4)	(3)	(1)	(36)	(40)
Bad debts	(1)	(1)	-	-	(2)	(2)
Depreciation	(53)	(4)	-	(3)	(60)	(56)
<b>Operating costs on social housing lettings</b>	<b>(196)</b>	<b>(22)</b>	<b>(17)</b>	<b>(12)</b>	<b>(247)</b>	<b>(240)</b>
<b>Operating surplus on social housing lettings</b>	<b>80</b>	<b>2</b>	<b>12</b>	<b>11</b>	<b>105</b>	<b>113</b>
<b>Operating margin %</b>	<b>29%</b>	<b>8%</b>	<b>41%</b>	<b>48%</b>	<b>30%</b>	<b>32%</b>

## Notes to the financial statements continued

### 3.3 Operating Segments

	Group			Peabody		
	Turnover	Surplus	Assets	Turnover	Surplus	Assets
	2020	2020	2020	2020	2020	2020
	£m	£m	£m	£m	£m	£m
Housing for rent	425	134	6,898	352	104	5,689
Development of housing for sale	176	43	487	5	12	967
Other activity	61	20	607	32	7	375
	<b>662</b>	<b>197</b>	<b>7,992</b>	<b>389</b>	<b>123</b>	<b>7,031</b>

	Group			Peabody		
	Turnover	Surplus	Assets	Turnover	Surplus	Assets
	2019	2019	2019	2019	2019	2019
	£m	£m	£m	£m	£m	£m
Housing for rent	375	120	5,527	353	113	5,099
Development of housing for sale	136	44	659	10	15	941
Other activity	54	9	610	26	0	363
	<b>565</b>	<b>173</b>	<b>6,796</b>	<b>389</b>	<b>128</b>	<b>6,403</b>

### 4. Accommodation owned and in management

	Group	Peabody	Group	Peabody
At 31 March	2020	2020	2019	2019
	Units	Units	Units	Units
Social	44,936	36,446	37,747	35,059
Affordable	3,855	2,744	2,701	2,669
Shared ownership	5,138	4,358	4,323	4,174
Intermediate market rent	2,224	1,933	1,968	1,968
Supported housing	3,051	2,100	2,927	2,305
Leasehold managed	5,392	5,181	5,142	4,913
Non-social housing	711	575	664	664
<b>Total units owned and managed</b>	<b>65,307</b>	<b>53,337</b>	<b>55,472</b>	<b>51,752</b>
Managed on behalf of others	281	244	397	351
<b>Total units in management</b>	<b>65,588</b>	<b>53,581</b>	<b>55,869</b>	<b>52,103</b>
Units owned managed by others	776	737	809	1,531
<b>Total</b>	<b>66,364</b>	<b>54,318</b>	<b>56,678</b>	<b>53,634</b>

### 5. Emoluments of Board members and executive officers

	Group	Peabody
	2020	2020
	£	£
Board and committee members received emoluments totalling:	247,409	179,167
Board and committee members' expenses were:	2,007	1,134

The remuneration paid to the Peabody Executive Officers and the Group Chief Executive was as follows:

	Group	Peabody	Group	Peabody
	2020	2020	2019	2019
	£	£	£	£
Total emoluments to directors and former directors (including pension contributions and benefits in kind)	<b>2,289,342</b>	<b>1,991,025</b>	2,114,126	1,924,153
<b>Highest paid director:</b>				
Emoluments paid to the Group Chief Executive	<b>333,231</b>	<b>333,231</b>	329,477	329,477

The Group Chief Executive did not receive any contribution to a pension scheme (2019: £nil). He received cash in lieu of pension of £24,862 (2019: £23,850) which is included in the total shown above.

The Nominations and Remuneration Committee meets twice a year and fixes the remuneration of the Group Chief Executive and the Peabody Executive Team.



## 6. Employee information

### Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

### Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

### Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy and the cost can be reliably estimated.

The average number of people employed during the year was:

	Group 2020 No.	Peabody 2020 No.	Group 2019 No.	Restated Peabody 2019 No.
Full time equivalents (FTE)	2,869	1,929	2,698	1,868

FTEs are calculated in terms of the number of hours worked each week. Staff employed are expected to work 35 hours a week. Peabody 2019 is restated, as we re-analysed staff allocations between entities in the light of more detailed information.

Employee costs	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Wages and salaries	105	76	92	84
Social security costs	10	8	10	9
Other pension costs (note 30)	8	6	6	5
Other employee costs	7	6	8	8
	<b>130</b>	<b>96</b>	<b>116</b>	<b>106</b>

## Notes to the financial statements **continued**

### 6. Employee information **continued**

The numbers of employees and directors who received remuneration in excess of £60,000 per annum are stated below (including pension contributions and loss of office):

	Group 2020 £m	Peabody 2020 £m	Group 2019 No.	Peabody 2019 No.
£60,001 to £70,000	99	89	100	92
£70,001 to £80,000	50	41	34	33
£80,001 to £90,000	37	33	41	38
£90,001 to £100,000	28	27	20	20
£100,001 to £110,000	13	11	9	9
£110,001 to £120,000	8	7	8	8
£120,001 to £130,000	5	5	5	4
£130,001 to £140,000	3	3	4	3
£140,001 to £150,000	5	2	7	5
£150,001 to £160,000	6	5	5	3
£160,001 to £170,000	5	5	3	3
£170,001 to £180,000	3	2	1	-
£180,001 to £190,000	3	3	2	2
£190,001 to £200,000	-	-	3	3
£200,001 to £210,000	-	-	-	-
£210,001 to £220,000	2	2	-	-
£220,001 to £230,000	2	2	1	1
£230,001 to £240,000	-	-	2	2
£240,001 to £250,000	-	-	1	1
£250,001 to £260,000	2	2	1	1
£330,001 to £340,000	1	1	1	1
	<b>272</b>	<b>240</b>	<b>248</b>	<b>229</b>

### 7. Surplus on sale of fixed assets

Sales of assets are sales of tangible fixed assets. The gain or loss on disposal of housing properties is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property as at the date of legal transfer. Sales of the first tranche of shared ownership properties are included in turnover. Sales of subsequent tranches are included as sales of fixed assets.

	Group			Surplus £m 2019	Peabody			Surplus £m 2019
	Proceeds £m 2020	Costs £m 2020	Surplus £m 2020		Proceeds £m 2020	Costs £m 2020	Surplus £m 2020	
Shared ownership	34	(13)	21	16	31	(12)	19	14
Right to buy/right to acquire	-	-	-	1	-	-	-	-
Disposal of housing properties	31	(12)	19	7	20	(4)	16	7
Other	-	-	-	-	-	-	-	1
	<b>65</b>	<b>(25)</b>	<b>40</b>	<b>24</b>	<b>51</b>	<b>(16)</b>	<b>35</b>	<b>22</b>

## 8. Operating surplus

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Operating surplus is stated after charging:				
Depreciation of tangible fixed assets	71	60	59	56
Depreciation of other tangible fixed assets	4	3	4	4
Amortisation of intangible fixed assets	5	5	3	3
Operating lease charges	4	3	2	2
<b>Auditors' remuneration:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In their capacity as auditor	459	208	320	263
In respect of non-audit services:				
– Other (Service Charges and Treasury)	50	50	110	110

The above audit fees exclude VAT.

## 9. Interest receivable and similar income

Interest receivable is recognised as interest accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Other interest receivable and similar income	1	4	-	-
Interest received from Group entities	-	42	-	28
	<b>1</b>	<b>46</b>	<b>-</b>	<b>28</b>

## Notes to the financial statements **continued**

### 10. Interest payable and similar charges

Interest payable on loans is charged to the Statement of Comprehensive Income together with amortisation charges, except to the extent that funds are used to finance specific developments, where interest is capitalised to the date of practical completion of the scheme.

Interest charged between entities within the Peabody Group is charged to the Statement of Comprehensive income at commercial rates.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Charged in surplus for the year</b>				
Interest payable on borrowings	108	67	86	57
Interest payable to Group entities	-	29	-	31
Movement in fair value of financial instruments	-	-	-	-
Net interest cost on pension scheme (note 31)	2	2	2	2
	<b>110</b>	<b>98</b>	<b>88</b>	<b>90</b>
Less: interest capitalised	(35)	(7)	(28)	(8)
	<b>75</b>	<b>91</b>	<b>60</b>	<b>82</b>

### 11. Gift aid and charitable donations

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Charitable donations received/(paid)</b>				
Peabody Developments Limited	-	24	-	33
Tilfen Land Limited	-	3	-	1
Peabody Construction Limited	-	6	-	1
<b>Total gift aid and donations</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>35</b>

### 12. Taxation on surplus

Peabody Trust has charitable status and is therefore not subject to Corporation Tax on surpluses derived from its charitable activities.

Non-charitable subsidiaries are subject to Corporation Tax. The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Where possible, taxable subsidiaries will make gift aid payments to mitigate Corporation Tax.

Deferred tax liabilities are recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the reporting date.

A deferred tax asset is only recognised on losses arising if management believe they will crystallise in the foreseeable future.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Analysis of charge/(credit) for the year</b>				
<b>Current tax</b>				
UK corporation tax at 19% (2019: 19%)	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
Total current tax charge/(credit)	-	-	-	-
<b>Deferred tax</b>				
Origination and reversal of timing differences	-	-	-	-
Adjustments in respect of prior years	(8)	-	-	-
Effect of tax rate change on opening balance	-	-	-	-
Total deferred tax charge/(credit)	(8)	-	-	-
Tax on surplus on ordinary activities	-	-	-	-

## 12. Taxation on surplus

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Reconciliation of tax charge</b>				
<b>Surplus on ordinary activities before taxation</b>	<b>461</b>	<b>73</b>	<b>148</b>	<b>97</b>
Tax on surplus at standard corporation tax rate of 19% (2019: 19%)	88	14	28	18
Effects of:				
Non-taxable surplus on charitable activities	(81)	(14)	(20)	(18)
Income not taxable for charitable activities	1	-	(3)	-
Adjustments to tax charge in respect of prior years - current tax	-	-	(1)	-
Adjustments to tax charge in respect of prior years - deferred tax	(8)	-	(4)	-
Effect of Gift Aid	(8)	-	-	-
<b>Tax charge/(credit) for the year</b>	<b>(8)</b>		<b>-</b>	<b>-</b>

It is anticipated that Peabody Developments Limited will make an additional Gift Aid payment to Peabody Trust in 2020/21, equivalent to the difference between its distributable surplus and the Gift Aid included in note 11. The tax liability has been calculated on this basis.

## 13. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

### Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred. Intangible assets are capitalised from the development phase of a project only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their expected useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

### Software development costs

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software development costs                      5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

## Notes to the financial statements **continued**

### 13. Intangible assets continued

	Group Computer software £m	Peabody Computer software £m
<b>Cost</b>		
At 1 April 2019	35	35
Acquisition	2	-
Additions	11	11
Disposals	-	-
<b>At 31 March 2020</b>	<b>48</b>	<b>46</b>
<b>Amortisation</b>		
At 1 April 2019	16	16
Acquisition	2	-
Charge for the year	5	5
Disposals	-	-
<b>At 31 March 2020</b>	<b>23</b>	<b>21</b>
<b>Net book value</b>		
<b>At 31 March 2020</b>	<b>25</b>	<b>25</b>
At 31 March 2019	19	19

### 14. Tangible fixed assets – housing

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment losses. The cost of housing properties is their purchase price together with any costs of acquisition, including the incidental costs of development, interest capitalised up to the date of practical completion and directly attributable development costs.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised.

Costs of responsive repairs and planned cyclical maintenance are, to the extent that such costs do not relate to replacing a component, recognised in the Statement of Comprehensive Income as incurred.

#### Shared ownership

Shared ownership properties under development are split proportionately between current and fixed assets based on the current element relating to expected first tranche sales. The first tranche portion is classed as a current asset until sold. Sales proceeds are then included in turnover. The unsold balance is classed as a fixed asset with any subsequent sale treated as a disposal of the fixed asset.

### Depreciation of assets

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

General structure	100 years
Boiler	15 years
Mechanical systems	30 years
Roofs - flat	25 years
Roofs - pitched	60 years
Kitchen	20 years
Lift	25 years
Bathroom	25 years
Electrics	30 years
Windows and doors	30 years

Components and their useful lives are reviewed periodically to ensure they are still appropriate and benchmarking is carried out with other housing associations to ensure they are in line with sector good practice.

Depreciation is not charged on land and shared ownership assets.

### Impairment of assets

The housing property portfolio for the Group is assessed for indicators of impairment at each reporting date. Where indicators are identified a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated with the recoverable amounts. The carrying amount is taken to be cost less accumulated depreciation, net of amortised grant. The recoverable amount is taken to be the higher of fair value less costs to sell or value in use in respect of their service potential ('VIU SP'). For social housing assets, EUV-SH is used as a measure for fair value, and depreciated replacement cost ('DRC') is an appropriate measure of VIU SP. EUV-SH is calculated by a qualified valuer as the net present value of future rental streams, net of costs, discounted at an appropriate rate. DRC is calculated by reference to the current average build cost on similar units (taking into account size, type and location) on recent schemes.

An impairment loss is recognised in the Statement of Comprehensive Income. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

The Group defines cash generating units based on type of property, tenure and location. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recognised in the Statement of Comprehensive Income.

## Notes to the financial statements **continued**

### 14. Tangible fixed assets - housing **continued**

Group	Completed properties		Properties under construction		Total £m
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	
<b>Cost</b>					
At 1 April 2019	4,891	545	380	152	5,968
Acquisition at fair value	678	59	12	6	755
Additions	113	-	435	142	690
Disposals	(19)	(13)	-	-	(32)
Completed schemes in year	124	9	(124)	(9)	-
Transfer of tenure	17	(10)	(1)	1	7
<b>At 31 March 2020</b>	<b>5,804</b>	<b>590</b>	<b>702</b>	<b>292</b>	<b>7,388</b>
<b>Depreciation</b>					
At 1 April 2019	521	5	-	-	526
Acquisition at fair value	43	2	-	-	45
Charge for the year	71	-	-	-	71
Disposals	(12)	-	-	-	(12)
<b>At 31 March 2020</b>	<b>623</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>630</b>
<b>Impairment</b>					
At 1 April 2019	4	-	12	-	16
Charge for the year	-	-	2	1	3
<b>At 31 March 2020</b>	<b>4</b>	<b>-</b>	<b>14</b>	<b>1</b>	<b>19</b>
<b>Net Book Value</b>					
<b>At 31 March 2020</b>	<b>5,177</b>	<b>583</b>	<b>688</b>	<b>291</b>	<b>6,739</b>
At 31 March 2019	4,366	540	368	152	5,426

Development and major works additions and improvements to housing properties during the year include capitalised interest of £35m (2019: £28m).

A number of potential indicators for Impairment were assessed during the year and therefore £2m impairment charges were deemed necessary.



### Properties held for security

Peabody Trust had 28,659 (2019: 25,901) properties with a net book value of 2,772m (2019: £2,085m) and EUV SH of £2,721m (2019: £2,849m) pledged as security.

	Completed properties		Properties under construction		Total £m
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	
<b>Peabody</b>					
<b>Cost</b>					
At 1 April 2019	4,640	518	347	9	5,514
Additions	105	-	95	42	242
Disposals	(14)	(12)	-	-	(26)
Completed schemes in year	108	1	(108)	(1)	-
Transfer of tenure	17	(2)	-	-	15
Transfer between subsidiaries	2	11	-	14	27
<b>At 31 March 2020</b>	<b>4,858</b>	<b>516</b>	<b>334</b>	<b>64</b>	<b>5,772</b>
<b>Depreciation</b>					
At 1 April 2019	489	5	-	-	494
Charge for the year	60	-	-	-	60
Disposals	(10)	-	-	-	(10)
Transfers	-	-	-	-	-
<b>At 31 March 2020</b>	<b>539</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>544</b>
<b>Impairment</b>					
At 1 April 2019	4	-	12	-	16
Charge for the year	-	-	2	-	2
<b>At 31 March 2020</b>	<b>4</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>18</b>
<b>Net Book Value</b>					
<b>At 31 March 2020</b>	<b>4,315</b>	<b>511</b>	<b>320</b>	<b>64</b>	<b>5,210</b>
At 31 March 2019	4,147	513	335	9	5,004

Development and major works additions and improvements to housing properties during the year include capitalised interest of £35m (2019: £8m). Additions to fixed assets include expenditure and major repairs costs of £99m.

Town and Country Housing's (TCH) properties are held at depreciated Existing Use Value as Social Housing.

## Notes to the financial statements **continued**

### 15. Other tangible fixed assets

Other tangible fixed assets are included at cost less depreciation, which is provided on a straight-line basis over the expected useful economic lives of the assets as shown below.

Renewable energy assets	10–25 years
Freehold land and buildings	50 years
Leasehold office premises	Remaining life of lease
Other	3–25 years

Expected useful lives are reviewed periodically to ensure they are still appropriate and benchmarking is carried out with other housing associations to ensure they are in line with sector good practice. Assets which are no longer economically viable are written down as appropriate.

Group	Freehold offices £m	Leasehold £m	Renewable energy £m	Other £m	Total £m
<b>Cost</b>					
At 1 April 2019	71	1	10	30	112
Acquisition	3	-	-	1	4
Additions	1	2	-	4	7
Disposals	-	-	-	-	-
Transfers – investment properties	-	-	2	-	2
<b>At 31 March 2020</b>	<b>75</b>	<b>3</b>	<b>12</b>	<b>35</b>	<b>125</b>

#### Depreciation

At 1 April 2019	17	1	3	23	44
Acquisition	1	-	-	1	2
Additions	1	-	1	2	4
Disposals	-	-	-	-	-
Transfers – investment properties	-	-	1	-	1
<b>At 31 March 2020</b>	<b>19</b>	<b>1</b>	<b>5</b>	<b>26</b>	<b>51</b>

#### Net book value

<b>At 31 March 2020</b>	<b>56</b>	<b>2</b>	<b>7</b>	<b>9</b>	<b>74</b>
At 31 March 2019	54	-	7	7	68

Peabody	Freehold offices £m	Leasehold Offices £m	Renewable energy £m	Other £m	Total £m
<b>Cost</b>					
At 1 April 2019	50	1	-	19	70
Acquisition	-	-	-	-	-
Additions	-	-	-	1	1
Disposals	-	-	-	-	-
Transfers – investment properties	-	-	-	-	-
<b>At 31 March 2020</b>	<b>50</b>	<b>1</b>	<b>-</b>	<b>20</b>	<b>71</b>

#### Depreciation

At 1 April 2019	14	1	-	13	28
Acquisition	-	-	-	-	-
Charge for the year	1	-	-	2	3
Disposals	-	-	-	-	-
Transfers – investment properties	-	-	-	-	-
<b>At 31 March 2020</b>	<b>15</b>	<b>1</b>	<b>-</b>	<b>15</b>	<b>31</b>

#### Net book value

<b>At 31 March 2020</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>40</b>
At 31 March 2019	36	-	-	6	42

## 16. Investment properties

Investment properties include commercial properties, properties held for market rent and leasehold land.

Investment property is carried at fair value determined annually by an external expert and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income. Completed Market Rent Properties are valued at Market Value Subject to Tenancy.

Group	Completed properties		Group Properties under construction			Leasehold land £m	Total £m
	Commercial £m	Market rent £m	Commercial properties WIP £m	Market Rent properties			
				WIP £m			
At 1 April 2019	208	189	39	12		14	462
Acquisition	-	16	2	-		-	18
Additions	8	-	16	12		-	36
Transfers to stock	(6)	(10)	-	-		-	(16)
Loss on revaluation	(14)	5	-	-		-	(9)
Completion	1	-	(1)	-		-	-
Transfers - tangible fixed assets	-	(15)	-	-		6	(9)
<b>At 31 March 2020</b>	<b>197</b>	<b>185</b>	<b>56</b>	<b>24</b>		<b>20</b>	<b>482</b>

Peabody	Completed properties		Properties under construction			Leasehold land £m	Total £m
	Commercial £m	Market rent £m	Commercial properties WIP £m	Market Rent properties			
				WIP £m			
At 1 April 2019	86	164	4	-		12	266
Additions	6	-	4	17		1	28
Loss on revaluation	(7)	5	-	-		-	(2)
Completion	1	-	(1)	-		-	-
Transfers - tangible fixed assets	-	(15)	-	-		-	(15)
<b>At 31 March 2020</b>	<b>86</b>	<b>154</b>	<b>7</b>	<b>17</b>		<b>13</b>	<b>277</b>

## 17. Other investments

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Investment in subsidiary undertaking	-	2	-	5
Deposit investments	4	4	4	4
Other investments	-	-	-	-
<b>At 31 March</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>9</b>

## Notes to the financial statements **continued**

### 18. Homebuy loans receivable

Concessionary loans are loans made by the Group that are:

- To further its public benefit objective;
- At a rate of interest which is below the prevailing market rate of interest;
- Repayable on demand.

The Group considers Homebuy loans and equity loans under the Starter Homes Initiative to be concessionary loans.

Under the Homebuy scheme, the Group received Social Housing Grant representing a percentage of the open market purchase price of a property in order to advance interest-free loans to a homebuyer. These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income (Homebuy Grant) until the loan is redeemed.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
At 1 April	4	-	4	-
Redemption	-	-	-	-
<b>At 31 March</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>

### 19. Starter homes initiative investment

Loans have been made to homeowners as part of the Group's social housing objectives. These are at below market rates of interest and are repayable on demand and so qualify for treatment as public benefit concessionary loans under FRS102.

Starter home loans are repaid upon re-sale of the properties by the owners.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
At 1 April	7	7	7	7
Disposals in the year	(1)	(1)	-	-
<b>At 31 March</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>

### 20. Investment in joint ventures

All jointly controlled entities are recognised using the Cost method.

Peabody Developments Limited, a subsidiary of Peabody Trust, signed an agreement in May 2017 with Mount Anvil Holdings Limited, to create Gillender 2, a Limited Liability Partnership.

Both parties own 50% of the share capital and hold 50% voting rights.

	2020 £m	2019 £m
<b>Gillender 2 LLP</b>		
At 1 April	4	2
Investment in year	1	2
<b>At 31 March</b>	<b>5</b>	<b>4</b>

Gillender 2 LLP made a loss of £679k (2019: £638k) during the year, of which the Group has recognised 50% being £339k (2019: £319k).

Also Peabody Development Limited, a subsidiary of Peabody Trust, signed an agreement in October 2018 with London Square Limited, to create Vulcan Wharf LLP, a limited liability partnership.

Both parties own 50% of the share capital and hold 50% voting rights.

## Vulcan Wharf LLP

	2020 £m	2019 £m
<b>Vulcan Wharf LLP</b>		
At 1 April	10	-
Investment in year	-	10
Share of profits	-	-
Dividends	-	-
<b>At 31 March</b>	<b>10</b>	<b>10</b>

Peabody Developments Limited jointly owns Vulcan Wharf Limited, and owns 50% of MDP Trinity LLP. Both of these entities are dormant.

Peabody Waterfront Limited entered into a 50/50 jointly controlled entity in 2019/20 called Thamesmead Waterfront Limited. £100 of share equity is owed to the Joint Venture by Peabody at the year end.

## 21. Debtors due in more than one year

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Amounts owed by subsidiary undertakings	-	410	-	527
Other debtors and prepayments long term	11	-	1	-
	<b>11</b>	<b>410</b>	<b>1</b>	<b>527</b>

Amounts owed to Peabody by subsidiary undertakings relate to intercompany loans which are secured by fixed or floating charges over the assets of the subsidiaries. The loans are due for repayment between 5 and 30 years and bear interest at a rate determined by reference to Peabody's weighted average cost of capital at the time of each draw down.

## 22. Stock

Stocks include work in progress, properties held for sale and other inventory.

Stocks are stated at the lower of cost and net realisable value, being selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include costs of labour and attributable overheads.

At each reporting date, stocks are assessed for write down. If stock is written down, the carrying amount is reduced to its selling price less costs to complete and sell. The loss is recognised immediately in the Statement of Comprehensive Income.

Properties held for sale represents the costs of land held for development, outright sales units and the first tranche proportion of shared ownership units of development schemes currently under construction and commercial properties held for sale.

Impairment reviews are carried out on an annual basis to compare cost and net realisable value. Where necessary write downs are charged.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Work in progress	320	87	547	30
Properties held for sale	63	2	39	11
	<b>383</b>	<b>89</b>	<b>586</b>	<b>41</b>

## Notes to the financial statements **continued**

### 23. Debtors due in less than one year

Trade and other debtors are measured at transaction price, less any impairment. The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts where there is a risk of non-recovery. Former tenants' rent arrears are provided for in full whilst current tenants' rent arrears are provided for based on the risk associated with the type of tenancy.

Loans receivable, including concessionary loans, are measured initially at fair value net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Rent and service charges in arrears	37	33	34	32
Amount owed by subsidiary undertakings	–	768	–	348
Other debtors and prepayments	48	23	60	36
Less: provision for bad debts	(22)	(20)	(21)	(19)
	<b>63</b>	<b>804</b>	<b>73</b>	<b>397</b>

### 24. Creditors: amounts falling due within one year

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Trade creditors	18	23	28	17
Recycled capital grant fund (note 27)	1	1	11	11
Disposal proceeds fund (note 28)	–	–	1	1
Amounts owed to subsidiary undertakings less than one year	–	6	–	6
Other taxation and social security costs	5	2	5	2
Accruals and other creditors	166	93	151	119
Debt falling due within one year (note 29)	19	15	16	16
	<b>209</b>	<b>140</b>	<b>212</b>	<b>172</b>

### 25. Creditors: amounts falling due after more than one year

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Grants (note 26)	1,552	1,383	1,436	1,288
Recycled capital grant fund (note 27)	17	15	16	15
Debt falling due after one year (note 29)	2,778	1,714	2,183	1,275
Amounts owed to subsidiary undertakings (note 29)	–	910	–	908
Deferred consideration	–	17	–	17
Other creditors	37	21	12	–
	<b>4,384</b>	<b>4,060</b>	<b>3,647</b>	<b>3,503</b>

## 26. Grants

Government grant (known as Social Housing Grant) is received from Homes England and the Greater London Authority to help finance the development of new homes, including land costs.

Government grants are accounted for under the accruals model for assets measured at cost and under the performance model for assets measured at valuation.

Under the accruals model, grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants received in relation to assets that are presented at deemed cost at the date of transition to FRS 102 have been accounted for using the performance model as required by SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grants received from non-government sources are recognised using the performance model. Under the performance model, grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income when the future performance condition has been satisfied. Grants received before the future performance condition has been satisfied are recognised as a liability in the Statement of Financial Position.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

Grant amortisation for Group of approximately £15m and Peabody of approximately £14m is expected to be charged in 2020/21.

Group	Government grants Completed properties £m	Other grants Completed properties £m	Total £m
<b>Cost</b>			
At 1 April 2019	1,566	20	1,586
Acquisition	16	-	16
Grants received in the year	97	6	103
Grants transferred from RCGF	16	-	16
Grants recycled on disposals	(4)	-	(4)
<b>At 31 March 2020</b>	<b>1,691</b>	<b>26</b>	<b>1,717</b>
<b>Amortisation</b>			
At 1 April 2019	150	-	150
Acquisition	1	-	1
Amortisation for the year	14	-	14
<b>At 31 March 2020</b>	<b>165</b>	<b>-</b>	<b>165</b>
<b>Net grants</b>			
<b>At 31 March 2020</b>	<b>1,526</b>	<b>26</b>	<b>1,552</b>
At 31 March 2019	1,416	20	1,436

## Notes to the financial statements **continued**

### 26. Grants continued

	Government grants Completed properties £m	Other grants Completed properties £m	Total £m
<b>Peabody</b>			
<b>Cost</b>			
At 1 April 2019	1,419	9	1,428
Acquisition	-	-	-
Grants received in the year	93	3	96
Grants transferred from RCGF	16	-	16
Grants recycled on disposals	(4)	-	(4)
<b>At 31 March 2020</b>	<b>1,524</b>	<b>12</b>	<b>1,536</b>
<b>Amortisation</b>			
At 1 April 2019	140	-	140
Acquisition	-	-	-
Amortisation for the year	13	-	13
<b>At 31 March 2020</b>	<b>153</b>	<b>-</b>	<b>153</b>
<b>Net grants</b>			
<b>At 31 March 2020</b>	<b>1,371</b>	<b>12</b>	<b>1,383</b>
At 31 March 2019	1,279	9	1,288

### 27. Recycled capital grant fund

On disposal of relevant housing properties, any social housing grant applied to that property is allowed to be retained for eligible re-investment. This amount is disclosed separately within creditors. If unused within a three-year period, it will be repayable to Homes England or Greater London Authority with interest.

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
At 1 April	27	26	32	31
Acquisition	2	-	-	-
Grant recycled	4	4	3	3
Transfer from/(to) subsidiary	-	-	-	(8)
Withdrawals – schemes started on site	(15)	(14)	(8)	-
<b>At 31 March</b>	<b>18</b>	<b>16</b>	<b>27</b>	<b>26</b>

£1m (2019: £11m) of recycled capital grant fund for both Peabody and Group is repayable in the 12 months from 1 April 2020 if not used for new development.

### 28. Disposal proceeds fund

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
At 1 April	1	1	10	9
Funds recycled	(1)	(1)	(9)	(8)
<b>At 31 March</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>



## 29. Financial instruments

### Borrowing

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Bank loans are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Where loans and other financial instruments are redeemed during the year, any redemption penalty is recognised in the Statement of Comprehensive Income in the year in which redemption takes place. The initial costs relating to raising finance are amortised over the period of the loan.

### Derivative Financial Instruments

Movements in fair value adjustments are recognised in other comprehensive income as far as they relate to the effective part of the swap and presented in a separate cash flow hedge reserve.

### Non-utilisation fee

Lending arrangements exist between Peabody (as borrower) and Peabody Capital plc and Peabody Capital No 2 plc (as lenders) in relation to the 2043, 2048 and 2053 bond issues to facilitate the lending of proceeds from the bonds into the Group. These arrangements contain a provision ('non-utilisation fee') for the lenders to recover from the borrower the difference between the interest payable to the 2043, 2048 and 2053 bond investors and the income realised by the lenders. This income comprises the interest receivable from amounts on-lent to Peabody and investment income earned from permitted investments and bank deposits.

### (A) Value of debt

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Nominal value</b>				
Bank and building society loans	1,719	1,673	1,246	1,246
Private placement senior notes	65	65	55	55
Amounts owed to subsidiary undertaking	-	910	-	908
2043 Bond	207	-	207	-
2048 Bond	341	-	342	-
2053 Bond	359	-	359	-
TCH Bond	80	-	-	-
	<b>2,771</b>	<b>2,648</b>	<b>2,209</b>	<b>2,209</b>
<b>Fair value</b>				
Bank and building society loans	2,278	2,154	1,512	1,512
Amounts owed to subsidiary undertaking	-	1,187	-	1,143
2043 Bond	290	-	282	-
2048 Bond	505	-	374	-
2053 Bond	388	-	487	-
TCH Bond	107	-	-	-
	<b>3,568</b>	<b>3,341</b>	<b>2,655</b>	<b>2,655</b>
	<b>Group 2020 £m</b>	<b>Peabody 2020 £m</b>	<b>Group 2019 £m</b>	<b>Peabody 2019 £m</b>
<b>Carrying value</b>				
Bank and building society loans	1,727	1,673	1,246	1,246
Private placement senior notes	65	65	55	55
Amounts owed to subsidiary undertaking	-	910	-	908
Bonds	1,014	-	908	-
	<b>2,806</b>	<b>2,648</b>	<b>2,209</b>	<b>2,209</b>
<b>Unamortised issue costs</b>				
Bank and building society loans	(9)	(9)	(10)	(10)
<b>Net carrying value</b>	<b>2,797</b>	<b>2,639</b>	<b>2,199</b>	<b>2,199</b>

## Notes to the financial statements continued

### 29. Financial instruments continued

Town and Country Housing's loans were revalued at fair value as defined by section 11 of FRS102 as at the date of acquisition, 9 May 2019.

#### (B) Maturity of debt

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Within one year	19	15	16	16
Between one and two years	127	131	12	12
Between two and five years	351	336	140	140
After five years	2,309	2,166	2,041	2,041
	<b>2,806</b>	<b>2,648</b>	<b>2,209</b>	<b>2,209</b>

#### (C) Interest analysis

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Fixed	2,024	1,954	1,729	1,729
Floating	782	694	480	480
	<b>2,806</b>	<b>2,648</b>	<b>2,209</b>	<b>2,209</b>

#### Bank and building society loans

The Group's bank and building society loans are secured by specific charges over housing properties. The borrowings bear charges of between 0.5% (plus LIBOR) and 11.5% and are repayable in instalments as disclosed in (B) above.

#### Bonds

The Group's bonds are also secured by specific charges over housing properties. The bonds bear charges of between 3.25% and 5.25%.

#### Amounts owed to subsidiary undertaking

Peabody Capital plc has made a loan to Peabody with a nominal value of £200m repayable in March 2043. The loan incurs an interest charge of 5.25% per annum, paid semi-annually. Peabody Capital No 2 plc has issued two loans of £350m each to Peabody repayable in December 2048 and December 2053. The loans incur interest charges of 3.25% and 4.625% respectively, paid semi-annually.

Peabody Community Foundation has made a loan to Peabody with a nominal value of £4m in March 2020, repayable in April 2021. Peabody Trust is investing the loan into a deposit account to accumulate interest on behalf of Peabody Community Foundation. The deposit account currently receives interest of 0.85% per annum and Peabody pays this directly to Peabody Community Foundation.

#### Risks

The main risks associated with the Group's borrowings are interest rate and liquidity risk. The Finance and Treasury Committee reviews and agrees policies for managing these risks which are summarised below:

- Interest rate risk – The Group regularly reviews its policy on the proportion of debt that should be held at fixed and floating interest rates.
- Liquidity risk – Liquidity risk is the risk that the Group might be unable to meet its financial obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the Directors in assessing and managing liquidity risk.

At 31 March 2020 the Group had total undrawn, fully secured facilities of £1,056m (2019: £907m) of which £591m is immediately available and £100m retained bonds available to issue. Other secured facilities accessible include deferred private placement, bank funding and private placement shelf facility. A further £200m of facility was undergoing the charging process as at 31 March 2020. The Group had cash of £186m (2019: £132m).

### 30. Provisions for liabilities and charges

A provision is recognised when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

In relation to the landfill site and other assets of the Group, expenditure will be required for the foreseeable future in order for the Group to fulfil its legal obligations.

	Group		Peabody	
	Deferred tax liability £m	Other £m	Total £m	Total £m
At 1 April 2019	7	17	24	-
Increase/(decrease) in provision during the year	(7)	(1)	(8)	-
<b>At 31 March 2020</b>	<b>-</b>	<b>16</b>	<b>16</b>	<b>-</b>

Deferred tax liabilities relate to changes in value of investment property and short term timing differences.

The other brought forward provision relates to future maintenance obligations in respect of property and landfill sites owned by Tilfen Land Limited.

### 31. Pension liabilities

The Group currently operates both defined contribution and defined benefit schemes for qualifying employees.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution benefit plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Regular valuations are prepared by independent, professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the fund and allow for the periodic increase of pensions in payment. The current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, cost of curtailments and settlements, are charged against the operating surplus in the year. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period, are also recognised in the Statement of Comprehensive Income.

#### Peabody Group schemes summary

The Group participates in the London Pensions Fund Authority Scheme (LPFA) for those former Peabody employees who elected to join prior to 31 March 2008. The scheme had been closed to new entrants for some time, and was closed to future accrual on 31 March 2020. The Group has granted a charge on (non social housing) assets in favour of the scheme trustees, in consideration of which the debt on cessation has not been triggered. The pension cost for this scheme, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified actuaries based on an actuarial valuation made as at 31 March 2020. In 2020 the Group's total LPFA service cost was £0.2m (2019: £1.8m).

The Group has an ongoing liability for pension commitments under the Social Housing Pension Defined Benefit Scheme (SHPS), which is also closed to future accrual. The debt on cessation has not been triggered because the Group has contributing members to the SHPS defined contribution scheme.

The group has liabilities under TPT Retirement Solution's Growth Plan, and three Local Government Pensions Schemes (LGPS): Hammersmith and Fulham, Hackney, and Kent. The Group exited the Waltham Forest scheme in the year following the cessation triggered by the departure of the last contributing member.

## Notes to the financial statements **continued**

### 31. Pension liabilities continued

TPT Retirement Solution's Growth Plan ('The Plan'), is for voluntary contributions. The Plan is a funded multi-employer pension plan. The Plan is in deficit and the company has recognised a liability of £75k (2019: £91k).

Until 31 March 2016, Peabody Community Foundation also participated in TPT Retirement Solution's CARE Scheme, which is a funded multi-employer defined benefit scheme. The overall provision of the scheme at 31 March 2020 is £400k (2019: £455k). Further details of this fund can be found in the Peabody Community Foundation Annual Report.

In October 2018 the High Court published its judgement on the case of Lloyds Banking Group and the equalisation of Guaranteed Minimum Pensions ('GMP') between genders. This has consequently been assessed against the Group's defined benefit schemes. The impact of GMP Equalisation in respect of the SHPS and CARE schemes has been recognised.

The impact of GMP Indexation and Equalisation in respect of the Local Government Pension Schemes, including LPFA, has been allowed for assuming 'full indexation' of GMPs as described in the Government's 2018 'Consultation on indexation and equalisation of GMP in public service pension schemes'.

In December 2018 the Court of Appeal ruled that 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension scheme amounted to unlawful discrimination ('McCloud case'). This applies to each of the Local Government Pension Schemes, including LPFA. The Government has announced a consultation on this matter. At the time of completion of the accounts, it is likely there will be a change to the pension liability following the completion of the consultation. There is currently insufficient information available to base any calculations of the impact upon, and a reliable estimate cannot therefore be made. The timing of the consultation means that any resulting changes will be reflected in the pension liability at 31 March 2021.

New and existing qualifying employees are eligible to join one of two defined contribution retirement benefit schemes, with Legal & General for most of the Group, and Aviva for Town and Country Housing. The assets of these schemes are held separately from those of the Group. Employer contributions in respect of this scheme are charged to the Statement of Comprehensive Income as incurred.

#### Defined Benefit Schemes Liabilities

	Group			Total £m
	LPFA £m	SHPS £m	LGPS £m	
Present value of the defined benefit obligation	178	105	32	315
Fair value of the fund assets (bid value)	(120)	(88)	(27)	(235)
<b>Present value of provisions</b>	<b>58</b>	<b>17</b>	<b>5</b>	<b>80</b>
Pension scheme actuarial gain/(loss)	5	11	1	17

	Peabody			Total £m
	LPFA £m	SHPS £m	LGPS £m	
Present value of the defined benefit obligation	177	105	8	290
Fair value of the fund assets (bid value)	(119)	(88)	(8)	(215)
<b>Present value of provisions</b>	<b>58</b>	<b>17</b>	<b>0</b>	<b>75</b>
Pension scheme actuarial gain/(loss)	5	11	1	17

### The London Pensions Fund Authority

The pension cost, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified actuaries based on an actuarial valuation every 3 years. The most recent valuation was as at 31 March 2019. These figures are prepared in accordance with our understanding of FRS102.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is Nil (2019: 11%). The actual return on Fund assets over the year may be different.

The estimated asset allocation for the scheme as at 31 March is as follows:

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Equities	65	64	70	69
Target return portfolio	31	31	34	34
Infrastructure	8	8	8	8
Property	12	12	12	12
Cash	4	4	4	4
<b>Total</b>	<b>120</b>	<b>119</b>	<b>128</b>	<b>127</b>

The demographic assumptions are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted were based on the Club Vita mortality analysis. These base tables are then projected using the CMI 2018 model, allowing for a long-term rate of improvement of 1.25% p.a, smoothing parameter of 7.0 and an initial addition to improvements of 0.5% p.a.

### The assumed life expectations are:

	Peabody	Peabody Community Foundation
Retiring today - male	86.2	85.7
Retiring today - female	88.7	88.9
Retiring in 20 years - male	87.6	87.1
Retiring in 20 years - female	90.3	90.4

## Notes to the financial statements **continued**

### 31. Pension liabilities continued

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2020 under FRS 102 are:

% per annum	Peabody	Peabody Community Foundation
RPI increases	2.7%	2.7%
CPI increases	1.9%	1.9%
Salary increases	1.9%	1.9%
Pension increases	1.9%	1.9%
Discount rate	2.35%	2.35%

Statement of Financial Position as at 31 March:	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Present value of the defined benefit obligation	178	177	193	191
Fair value of fund assets (bid value)	(120)	(119)	(128)	(127)
<b>Net defined benefit liability</b>	<b>58</b>	<b>58</b>	<b>65</b>	<b>64</b>

The amounts recognised in the Statement of Comprehensive Income are:	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Service cost	-	-	2	2
Net interest on the defined benefit liability	2	2	2	2
Administration expenses	-	-	-	-
<b>Total cost</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Opening defined benefit obligation	193	191	189	187
Current service cost	1	1	3	3
Interest cost	5	5	5	5
Change in financial assumption	(18)	(17)	10	10
Change in demographic assumption	2	2	(9)	(9)
Experience loss/(gain) on defined benefit obligation	1	1	-	-
Estimated benefits paid net of transfer in	-	-	(5)	(5)
Past service costs, including curtailments	(5)	(5)	-	-
Contribution by scheme participants and other employers	(1)	(1)	-	-
Unfunded pension payments	-	-	-	-
Transfers from subsidiaries	-	-	-	-
<b>Closing defined benefit obligation</b>	<b>178</b>	<b>177</b>	<b>193</b>	<b>191</b>

Reconciliation of opening and closing balances of the fair value of fund assets	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Opening fair value of Fund assets	128	127	119	117
Interest on assets	4	3	3	3
Return on assets less interest	(4)	(3)	9	9
Other actuarial gains/(losses)	(5)	(5)	-	-
Administration expenses	-	-	-	-
Contribution by employer including unfunded	2	2	2	2
Contribution by Scheme participants and other employers	-	-	-	-
Estimated benefits paid plus unfunded net of transfer in	(5)	(5)	(5)	(4)
Transfers from subsidiaries	-	-	-	-
<b>Closing fair value of fund assets</b>	<b>120</b>	<b>119</b>	<b>128</b>	<b>127</b>
<b>Actual return on plan assets</b>	<b>(1)</b>	<b>-</b>	<b>12</b>	<b>12</b>

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
<b>Remeasurement of the net defined liability</b>				
Return on Fund assets in excess of interest	(3)	(3)	9	9
Other actuarial gains on asset	(5)	(5)	-	-
Change in financial assumptions	17	17	(10)	(10)
Change in demographic assumptions	(2)	(2)	9	9
Experience gain/(loss) on defined benefit obligation	(1)	(1)	-	-
<b>Remeasurement of the net defined liability</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>8</b>

	Group 2021 £m	Peabody 2020 £m
<b>Projected pension expense for the year to 31 March</b>		
Service cost	-	-
Net interest on the defined liability (asset)	2	2
Administration expenses	0	0
<b>Total cost</b>	<b>2</b>	<b>2</b>
<b>Employer contributions</b>	<b>-</b>	<b>-</b>

### SHPS Defined Benefit Scheme

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This actuarial valuation showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m. To eliminate this funding shortfall, the trustees and the participating employers agreed that additional contributions will be paid, in combination from all employers, to the scheme. The aggregate deficit payments made by Peabody Trust were £2.9m in 2019/20 (2019: £2m). The deficit payment for 2020/21 will be £2.9m.

A reconciliation of the charges posted to the Statement of Comprehensive Income in 2019/20 is as follows:

	Group and Peabody 2019 £m
Net Interest on the defined benefit obligation	(1)
<b>Total</b>	<b>(1)</b>

## Notes to the financial statements **continued**

### 31. Pension liabilities continued

The estimated asset allocation for the scheme as at 31 March is as follows:

	Group and Peabody 2020 £m	Group and Peabody 2019 £m
Absolute return	5	7
Alternative risk premia	6	5
Corporate bond fund	5	4
Credit relative value	2	2
Distressed opportunities	2	2
Emerging markets debt	3	3
Global equity	13	14
Infrastructure	7	5
Insurance-linked securities	3	2
Liability driven investment	29	31
Long lease property	2	1
Opportunistic Illiquid Credit	2	-
Private debt	2	1
Property	2	2
Risk sharing	3	3
Secured income	3	3
<b>Total assets</b>	<b>89</b>	<b>85</b>

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2020 under FRS 102 are:

<b>The assumed life expectations are:</b>	Group and Peabody
Retiring today - male	86.5
Retiring today - female	88.3
Retiring in 20 years - male	87.9
Retiring in 20 years - female	89.5

<b>% per annum</b>	Group and Peabody 2020
RPI Increases	2.9%
CPI Increases	1.9%
Salary Increases	2.9%
Discount Rate	2.35%

	Group and Peabody 2020 £m	Group and Peabody 2019 £m
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation</b>		
Opening defined benefit obligation	115	109
Interest cost	3	3
Actuarial losses (gains) due to scheme experience	(1)	(1)
Actuarial losses (gains) due to changes in demographic assumptions	(1)	-
Actuarial losses (gains) due to changes in financial assumptions	(9)	7
Benefits paid and expenses	(2)	(3)
<b>Closing defined benefit obligation</b>	<b>105</b>	<b>115</b>



	Group and Peabody 2020 £m	Group and Peabody 2019 £m
<b>Reconciliation of opening and closing balances of the fair value of fund assets</b>		
Fair value of assets at start of period	85	82
Interest Income	2	2
Experience on plan assets	1	2
Employer Contributions	3	2
Benefits paid and expenses	(2)	(3)
<b>Fair value of plan assets at end of period</b>	<b>89</b>	<b>85</b>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £2.6m.

The defined benefit scheme was closed to active members on 31 March 2015.

### Kent County Council Local Government Pension Scheme

Town and Country Housing (TCH) participates in the Kent County Council Local Government Pension Scheme, a funded defined benefit final salary scheme with assets and liabilities held in a separately administered fund. TCH closed its membership to new entrants in 2003. The fund is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the scheme are determined by a qualified actuary on the basis of the valuations, using the projected unit method.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 by a qualified independent actuary. Contributions to the scheme are made by TCH on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees. The Particulars of the scheme are as follows:

	Group 2020 £m	Group 2019 £m
<b>Allocation of the scheme assets as at 31 March is as follows</b>		
Equities	12	-
Gilts	-	-
Other bonds	2	-
Property	3	-
Cash	-	-
Absolute return fund	2	-
<b>Total plan assets</b>	<b>19</b>	<b>-</b>

The demographic assumptions are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019.

<b>The assumed life expectations are:</b>	<b>Group 2020</b>
Retiring today - male	86.8
Retiring today - female	88.7
Retiring in 20 years - male	88.2
Retiring in 20 years - female	90.2

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2020 under FRS 102 are:

<b>% per annum</b>	<b>Group 2020</b>
RPI Increases	2.8%
CPI Increases	2.0%
Salary Increases	2.5%
Pension increases	2.0%
Discount Rate	2.35%

## Notes to the financial statements **continued**

### 31. Pension liabilities continued

	<b>Group 2020 £m</b>	Group 2019 £m
<b>Statement of Financial Position as at 31 March:</b>		
Present value of the defined benefit obligation	24	-
Fair value of fund assets (bid value)	(19)	-
<b>Net defined benefit liability</b>	<b>5</b>	<b>-</b>

	<b>Group 2020 £m</b>	Group 2019 £m
<b>The amounts recognised in the Statement of Comprehensive Income are:</b>		
Service cost	-	-
Net interest on the defined benefit liability	-	-
Administration expenses	-	-
<b>Total cost</b>	<b>-</b>	<b>-</b>

	<b>2020 £m</b>
<b>Reconciliation of opening and closing balances of the present value of the defined benefit obligation</b>	
Opening defined benefit obligation	25
Current service cost	-
Interest cost	1
Actuarial losses/(gains) from change in financial assumptions	(2)
Actuarial gain from change in demographic assumptions	-
Experience loss on defined benefit obligation	1
Estimated benefits paid	(1)
Past service costs, including curtailments	-
Contributions by scheme participants	-
<b>Closing defined benefit obligation</b>	<b>24</b>

	<b>Group 2020 £m</b>
<b>Reconciliation of opening and closing balances of the fair value of fund assets</b>	
Opening fair value of Fund assets	21
Interest income on fund assets	-
Return on assets less interest	(1)
Other actuarial (loss)	-
Administration expenses	-
Contributions by employer including unfunded	-
Contributions by fund participants	-
Estimated benefits paid	(1)
Closing fair value of fund assets	19
<b>Actual return on plan assets</b>	<b>-</b>

	<b>Group 2020 £m</b>
<b>Remeasurement of the net defined liability</b>	
Actual return on fund assets in excess of interest cost	(2)
Experience (loss) on defined benefit obligation	(1)
Changes in financial assumptions	2
Change in demographic assumptions	-
Other actuarial (loss)	-
<b>Remeasurement of the net defined liability</b>	<b>(1)</b>

#### **Other Local Government Pensions Schemes**

The remaining Local government schemes are valued every three years and the most recent actuarial valuations were carried out as at 31 March 2019. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value at appropriate high quality corporate bond rates. The net impact of remeasurements shown in other comprehensive income is £1m (2019: £0m).

## 32. Capital commitments

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Development expenditure contracted for but not provided for within the financial statements	1,743	254	822	236
Development expenditure authorised by the Board, but not contracted	427	89	950	248
<b>Total commitment</b>	<b>2,170</b>	<b>343</b>	<b>1,772</b>	<b>484</b>
Of which:				
Stock commitment	800	-	708	-
<b>Capital commitment</b>	<b>1,370</b>	<b>343</b>	<b>1,064</b>	<b>484</b>
	<b>2,170</b>	<b>343</b>	<b>1,772</b>	<b>484</b>

The Group will fund the following commitments from:

	Group 2020 £m	Group 2019 £m
Debt funding available	1,357	907
Cash available	186	132
Funds to be sourced from future surpluses, debt funding and grant	627	733
<b>Total</b>	<b>2,170</b>	<b>1,772</b>

## 33. Commitments under operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense over the lease term on a straight-line basis.

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Total future minimum lease payments under non-cancellable operating leases are due as follows:

	Group 2020 £m	Peabody 2020 £m	Group 2019 £m	Peabody 2019 £m
Operating leases which expire:				
Within one year	2	2	2	2
In the second to fifth years inclusive	4	3	6	2
Over five years	8	4	4	4
<b>Total</b>	<b>14</b>	<b>9</b>	<b>12</b>	<b>8</b>

## 34. Contingent liabilities

Grants received in relation to assets that are presented at deemed cost at the date of transition to FRS 102 have been accounted for using the performance model as required by SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

The grant which has been written off to reserves represents a contingent liability to Peabody and the Group of £470m (2019: £308m). The increase in contingent liabilities in 2019/20 is the result of the acquisition of TCH (see Note 39). £162m is attributable to TCH. This contingent liability will be realised if the assets to which the written off grant relates are disposed.

## Notes to the financial statements **continued**

### 35. Legislative provisions, taxation and subsidiary undertakings

Peabody is a charitable Community Benefit Society formed under the Co-Operative and Community Benefit Societies Act 2014 and a provider of social housing registered with the Regulator of Social Housing. Peabody has the following wholly owned subsidiaries:

- Charlton Triangle Homes Limited
- Cobalt Estate Management Limited
- Create Communities Limited
- Freshleaf Homes Limited
- George Peabody Donation Fund (registered charity formed under an Act of Parliament)
- Harris Lodge Residents Company Limited\*\*
- Maple Lodge Residents Company Limited\*\*
- Old Oak Housing Association Limited
- Oxley Close (Number 2) Residents Company Limited\*\*
- Peabody Capital plc
- Peabody Capital No 2 plc
- Peabody Community Foundation
- Peabody Construction Limited
- Peabody Developments Limited (registered social landlord)
- Peabody Group Maintenance Limited
- Peabody Investment Limited
- Peabody Land Limited
- Peabody (Services) Limited
- Peabody South East
- Peabody Waterfront Limited (Formerly Family Mosaic Development Company Limited)
- Sienna Management Limited
- Southmere Village Management Company Limited
- Tamesis Point Limited
- Tilfen Investment Properties Limited
- Tilfen Land Limited
- Tilfen Regeneration Limited
- Tilflex Management Company Limited
- Town and Country Housing\*
- Veridion Park Management Company Limited
- White Hart Triangle Management Limited

\* Town and Country Housing has the following wholly owned subsidiaries:

- TCHG Capital plc
- Monson Homes Limited
- TCHG Living Limited

Countrywise Repairs Limited is a joint venture company with 51% owned by Town and Country Housing and 49% by Wates Living Space (Maintenance) Limited (part of the Wates Group).

\*\* Peabody Trust has a majority shareholding in Harris Lodge, Oxley Close and Maple Lodge which exist to administer service charges where there are owner-occupiers in addition to Peabody tenants.

Peabody Land Limited, Peabody (Services) Limited, Create Communities Limited, Peabody Developments Limited, Peabody Waterfront Limited, Peabody Construction Limited, Monson Homes Limited and Freshleaf Homes Limited are trading subsidiaries involved in the development and sale of land and private residential property.

Peabody Group Maintenance provides repairs and maintenance services to Peabody.

Peabody Capital plc, Peabody Capital No 2 and TCHG Capital plc raise finance for use by Peabody Trust and its subsidiaries.

Southmere Village Management Company Limited provides management services for Peabody Trust.

### 36. Transactions with related parties

Related party transactions in the Group include transactions with subsidiaries, associates, joint ventures and compensation paid to key management personnel. Key management personnel are senior management team, board members and their close family. Compensation includes all employee benefits in exchange for services and consideration paid on behalf of Peabody in respect of goods or services provided to the entity. Compensation paid to key management personnel is shown in Note 5.

Rents received from tenant and leaseholder board members during the year are £20k (2019: £20k). Their tenancy agreements have been granted on the same terms as for all residents, and housing management procedures, including those relating to management of arrears have been applied consistently to the residents. Their position on the board does not favour their tenancy agreement, nor allow any preferential treatment.

Peabody has taken advantage of the exemption permitted by FRS 102 – 'Related Party Disclosures' and does not disclose transactions with other wholly owned entities within the Group that are eliminated on consolidation. There are also several subsidiaries in Note 35 which Peabody does not consolidate, but there are no transactions between Peabody and these subsidiaries in 2019/20.

Defined pension schemes are considered to be related parties. Further information of these schemes can be found in Note 31.

Board members of Peabody have disclosed the following interests:

Description	Income/ (Expense) £	Debtor/ (Creditor) £
Catherine Shaw is the Deputy Chief Executive of the London Borough of Barnet and a director of Cricklewood Regeneration Limited and other associated companies. Peabody owns and manages a number of properties in the Borough and pays Council Tax to the Authority.	(68,300)	3,849
Peter Vernon is a director of the Grosvenor Group who own freehold interests in a number of Peabody Estates.	(604,948)	1,841
Peter Vernon is a director of Berkeley Group Holdings plc. Entities in the Berkeley Group provide development and construction services to entities in the Peabody Group.	(49,829,942)	(498,558)
Helen Edwards is a director of Richmond Fellowship. Peabody rents properties to the mental health charity.	57,872	4,637
Helen Edwards is a Non-Executive Director at South London & Maudsley NHS Trust.	(50)	-
Jane Milligan is an Accountable Officer at Tower Hamlets Clinical Commissioning Group. Peabody provide day care services.	7,103	539
Francis Salway is a Non-Executive Director at Cadogan Group Limited (Cadogan Estates).	360	-
Lord Kerslake has a close relative who is a member of Southwark Council's Planning Committee. Peabody owns and manages a number of properties in the Borough, and pays Council Tax and Business Rates to the Authority. The Council also provides funding for Disabled Facilities.	(529,248)	143,152
Lord Kerslake serves as a member on the Engie UK Advisory Board which provides strategic advice and insight in the development of Engie's UK businesses. Subsidiaries in the Engie Group provided design and construction services to subsidiaries in the Peabody Group.	(12,337,804)	-
Lord Kerslake is chair of London Pension Collective Investment Vehicle. The organisation makes a contribution towards the employment costs of Lord Kerslake's personal assistant.	10,000	-
Jennie Daly is a director of Taylor Wimpey plc. Entities in the Taylor Wimpey Group provide development and construction services to entities in the Peabody Group.	-	(4,552,791)

Most of the decisions in relation to the third parties referenced above are not made at Peabody Trust or Peabody subsidiary board level since they are operational in nature and are within the authority delegated to executives. Where decisions are made at board level, Peabody has robust procedures in place which ensure that relevant board members do not receive the papers, do not count in the quorum and do not participate in any way in the decision making.

## Notes to the financial statements **continued**

### 37. Intra group transactions between regulated and non-regulated entities

Peabody, a registered provider, transacts with non-registered entities within the Group. These transactions can be summarised as follows:

- Payment of invoices and other expenses on behalf of non-regulated subsidiaries which is reimbursed in full.
- Provision of intercompany loans to non-regulated subsidiaries. These loans fund capital development and working capital requirements. Any interest is charged at commercial rates of interest.
- Reimbursement of development costs paid by Peabody Construction Limited and Peabody (Services) Limited.
- Gift aid receipts from non-registered entities (Note 11).

The recharges for services between non-regulated entities and regulated entities are:

	<b>Group 2020 £m</b>	<b>Group 2019 £m</b>
Total cash outflows to non-registered treasury entities of the group	(38)	(33)
Total cash outflows to other non-registered entities of the group	(21)	(14)
<b>Total cash inflows from other non-registered entities of the group</b>	<b>48</b>	<b>37</b>

### 38. Subsequent Events

The Covid-19 pandemic began to impact the Group's operations in March 2020, with the Health Protection (Coronavirus, restrictions) (England) Regulations 2020 coming into force on 26 March. The restrictions have resulted in a number of impacts on the Group and its customers:

- Operational issues such as infection control within care and support, disruption to the delivery of repairs, and the need to support vulnerable residents. Developments on site were paused for a period (although all are now underway again).
- Sales of new homes were impacted, although we continued with virtual viewings, and received reservations on this basis which have subsequently proceeded to exchange and completion.
- Collection of residential and commercial rents have been affected, but remain within manageable limits.
- The majority of office based staff are working remotely.
- The Board is meeting more frequently, remotely.

We continue to adapt to the situation as it develops. Prudent steps were taken to reduce costs, where this could be achieved without impacting on service delivery. The impact on the Group's finances has been carefully monitored and considered, and is referred to in note 1.3 – Going Concern. Whilst we expect a financial impact, the Board is confident it can meet its responsibilities to residents whilst also meeting financial covenants.

### 39. Business Combination

On 9 May 2019, Town and Country Housing (TCH), a registered provider of social housing based in Tunbridge Wells, joined the Peabody Group (PB). Town and Country retains its own Board, and which includes two members of the Peabody Group board, including the chair of the TCH board.

All of TCH's entities became subsidiaries of Peabody Trust. Further information can be found in Note 35.

Peabody has reviewed its accounting policies. The only changes identified are accounting estimates or presentational adjustments, including the following:

- TCH disclosed its leasehold land within its housing properties, whereas PB held theirs in Investment Properties. TCH has adopted PB's approach, transferring £6m to investment properties in 2019/20.
- TCH disclosed its solar panels within Housing Properties, whereas PB held its within Other Fixed Assets. TCH has adopted PB's approach and transferred £2m in 2019/20.
- TCH valued its market rent properties at vacant possession value, whereas PB valued at market value subject to tenancy. TCH has adopted PB's approach, reducing its value by £5m in 2019/20.
- PB retained its sinking fund bank accounts within Debtors less than one year, whereas TCH disclosed theirs within Cash and Cash Equivalents. PB has reclassified its cash balance, transferring £5m in 2019/20.
- Sinking fund creditor accounts in TCH were classified in long term creditors, but PB held its within short term creditors. PB has transferred to long term creditors for the year ended 31 March 2020.

As the substance of the transaction is gifting control for £nil consideration this has been accounted for as a non-exchange transaction under Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2019 and FRS102 Section 19 Business Combinations and Goodwill. A fair value exercise has been completed, generating the following gain to the Peabody Group.

	Statement of Financial Position on acquisition	Fair value adjustment	Fair value Statement to Financial Position
Tangible Fixed Assets – housing	759	(49)	710
Other tangible fixed assets	2	-	2
Investment Properties	23	(5)	18
Current assets	40	-	40
Creditors: amounts falling due within one year	(24)	-	(24)
Creditors: amounts falling due after one year	(389)	(4)	(393)
Pension liabilities	(4)	-	(4)
<b>Net assets acquired</b>	<b>407</b>	<b>(58)</b>	<b>349</b>
Costs on acquisition			(2)
Gain recognised on acquisition			347

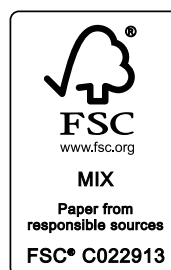
TCH's housing stock was revalued at Existing Use Value as Social Housing (EUV-SH) as at the date of acquisition. The valuation was carried out by an independent surveyor in accordance with the Royal Institute of Chartered Surveyors (RICS) standards ("red book").

TCH's investment properties were revalued to Market Value – Subject to tenancy (MV-STT) as at the date of acquisition. The valuation was carried out by an independent surveyor in accordance with the Royal Institute of Chartered Surveyors (RICS) standards ("red book").

TCH's bond and external loan were revalued at fair value as defined by section 11 of FRS102. The fair value is calculated by reference to the price which would be paid for a similar instrument in the current market.

#### 40. Reconciliation of surplus for the year to net cash generated from operating activities

	Note	Group 2020 £m	Group 2019 £m
<b>Cash flows from operating activities</b>			
<b>Surplus for the year</b>		469	148
Adjustments for:			
Gift on acquisition	39	(347)	-
Taxation on surplus on ordinary activities	12	(8)	-
Change in value of investment property	16	9	(35)
Net interest payable/(receivable)		75	64
Amortisation of intangible fixed assets	13	5	3
Depreciation of tangible fixed assets		75	61
Amortisation of grants	26	(14)	(14)
Surplus on sales of fixed assets	7	(40)	(24)
Impairment		3	-
Decrease/(increase) in trade debtors and other debtors	23	-	(14)
Decrease/(increase) in stock	22	203	(217)
Increase/(decrease) in trade creditors	24	53	(3)
Increase/(decrease) in provisions		(24)	33
Taxation paid		-	-
<b>Net cash generated from operating activities</b>		<b>459</b>	<b>2</b>



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**Peabody Trust** is a charitable community benefit society registered with the Financial Conduct Authority under the Cooperative and Community Benefits Societies Act 2014 (number 7741) and with the Regulator of Social Housing (number 4878).

