Peabody

Making a lasting difference

ANNUAL REPORT AND ACCOUNTS 2019

Helping people make the most of their lives

The Peabody Group is responsible for 66,000 homes in London and the South East. We build great quality places and have ambitious plans to develop 3,300 new homes each year.

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

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.

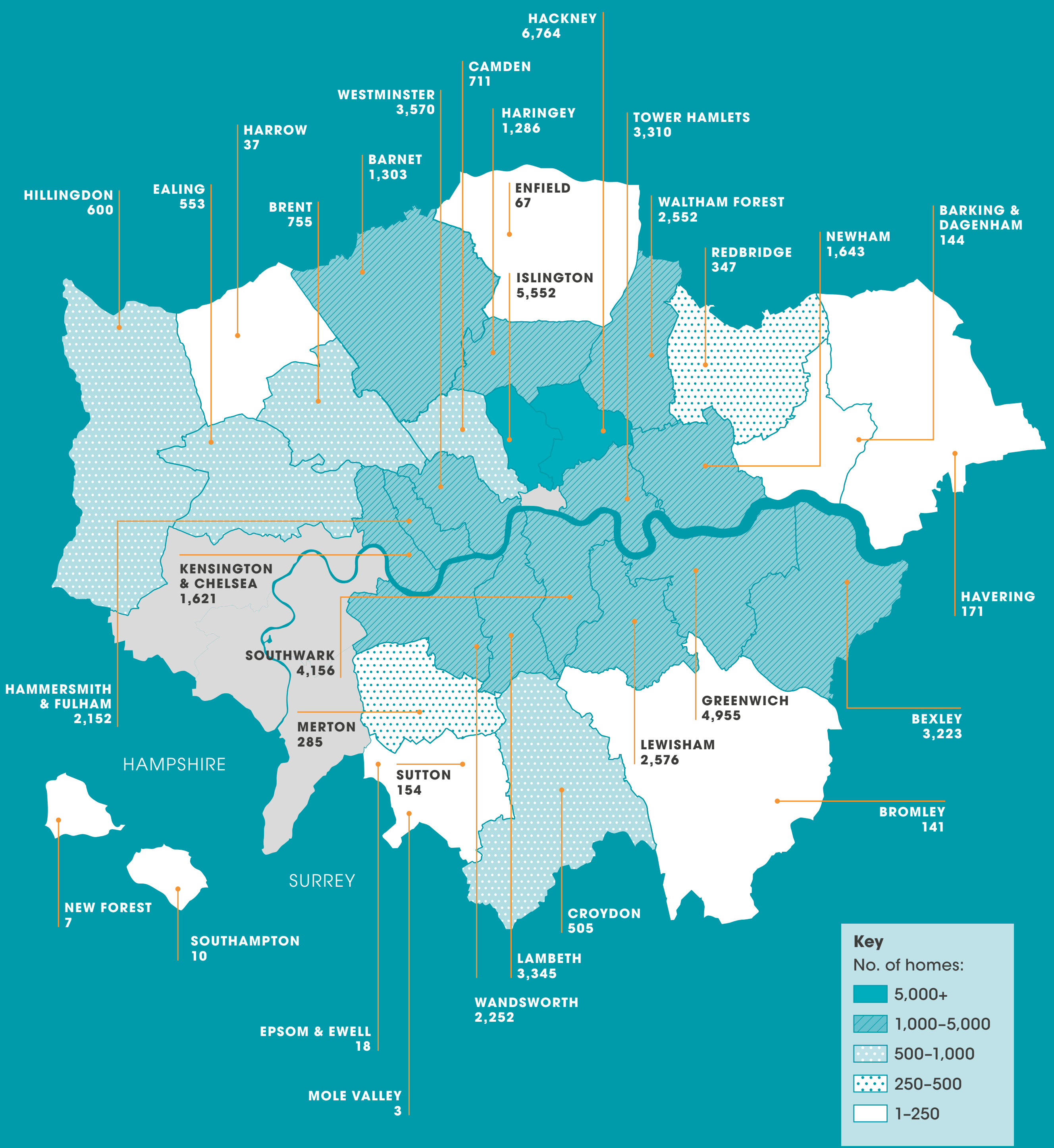
Our core services

Housing
The essence of our strategy is to provide modern, responsive, cost-effective services that are fit for purpose in the 21st century.

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

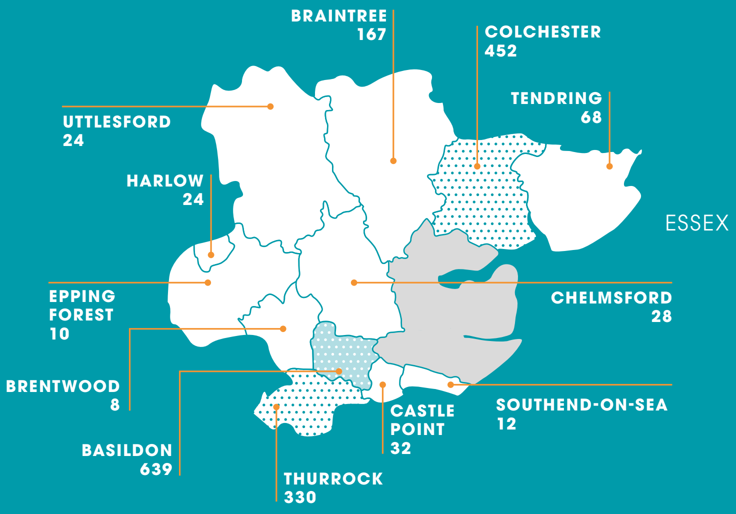
Care and support
Co-production of support services ensures we are focused on issues that matter most to the people we work with.

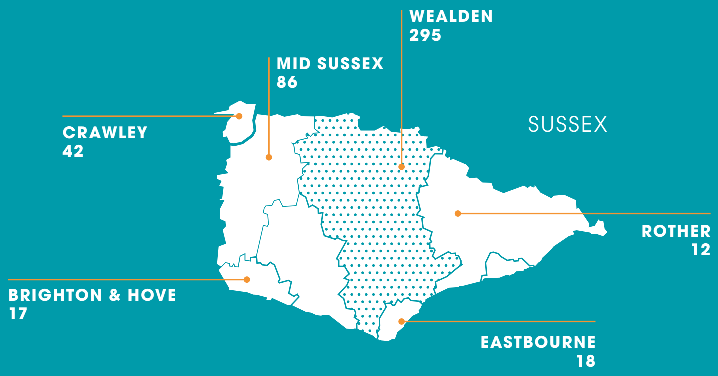
Playing an important role in solving the housing crisis in London and the South East



Our homes

Including recent additions, Peabody owns and manages over 66,000 homes across 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 – with diverse and growing populations. But our portfolio is spread across 29 of the capital's boroughs. Outside of London, we have a significant number of homes in Essex, including 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. This will enable them to develop 800 homes a year in the South East, while Peabody continues to focus on its heartland in London.





Our development strategy

We invest in places for the long term, drawing on 150 years of experience and modern-day skills in developing higher-density schemes. We recognise the contribution our homes make to London and the surrounding areas. We aim to provide at least 6,000 new genuinely affordable homes by 2022.

Our objectives for building homes are clear: providing more genuinely affordable homes, helping the most vulnerable and creating great places. The homes we build for sale and market rent help us to generate income to support our social purpose and create mixed communities which work for people living there.

Highlights include:

Amelia Street
55 homes
Completed in November 2018
Amelia Street has a mix of shared ownership, affordable rent and private sale homes. Each home has the same high-quality specification and access to a landscaped communal garden.

Wharf Road
98 homes
Completed in June 2019
This site is in a waterfront location on the City Road Basin, adjoining two conservation areas and close to several listed buildings. 81% of the homes are affordable, including 64 for social rent. Wharf Road was highly commended in the 'Best Apartment' category at the Evening Standard New Homes Awards 2019.

Camberwell
66 homes
Completed in April 2019
This scheme is split between two sites and provides a range of high-quality new apartments and four-bedroom townhouses, all with private roof terraces. The shared ownership homes all sold within eight weeks of the launch.

Gillender 2 (JV with Mount Anvil)
307 homes
Planning granted in September 2018
This joint venture development will provide 307 homes in Bromley-by-Bow, including 41 for shared ownership and 68 for affordable rent. There will also be new commercial space, public realm and two new connections to the riverside. Work has now begun on site and the scheme is due to complete in 2021.

Holloway Prison
c.1,100 homes
Site acquired in March 2019
We will be working in partnership with developer London Square over the next few years to deliver this long-term project, which will provide around 1,100 new homes, of which 60% will be affordable. We will also deliver quality new public spaces and community amenities for local people, including a new centre for women in recognition of the site's heritage.

Alperton (JV with Redrow Homes)
c.475 homes
Planning granted in April 2019
We are working with Redrow Homes to develop this site, which overlooks the Grand Union Canal and is close to Alperton Station. Our plans include around 475 new homes, commercial space, and improvements to the public realm and landscaping.

HIGHLIGHTS

Key performance indicators

Total Group assets
£6.8bn
(2018: £6.3bn)

Surplus
£148m
(2018: £175m)

Available debt funding
£3.1bn
(2018: £2.7bn)

Total Group turnover
£565m
(2018: £609m)

Development pipeline
£1.1bn
(2018: £0.9bn)

Gearing (debt: assets at cost)
35%
(2018: 31%)

Employment and apprenticeship investments
£1.0m
(2018: £1.3m)

Unused property security
£2.8bn
(2018: £2.5bn)

Significant investment in new homes
£356m
(2018: £250m)

Investment in existing homes
£84m
(2018: £68m)

Credit rating
A3
Moody's
(2018: A3)

A
Standard & Poor's
(2018: not rated)

Regulatory rating
G1,V2
(2018: G1,V2)

Operational highlights

Jobs and apprenticeship opportunities secured
1,231
(2018: 982)

Value of investment in Community Activities
£9m
(2018: £6m)

Customers supported via care and support services
21,128
(2018: 17,500)

Satisfaction with landlord
70%
(2018: no single Group measure)

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Strategic report
Corporate governance
Financial statements

A year of significant progress

Thamesmead makes progress

- The Waterfront partnership will deliver up to 11,500 homes as well as commercial and community spaces
- Refurbishment of towers underway
- Started work on Southmere Village
- Planning secured for new library

5,500

residents attended the 50th anniversary birthday party

100

local artists performed in celebrations

Influencing on behalf of residents

- The Peabody Index offers policymakers hard economic data on which to base decisions about social policy
- Universal credit campaign highlights 100,000 children at risk of hardship at Christmas

53%

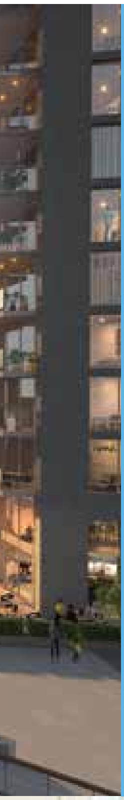
residents have had no pay rise in three years

70%

have no savings

Community Foundation grows

- 183 young people led 52 social action projects through our Young leaders programme
- 162 people have gained child care qualifications
- 1,231 people supported into work or apprenticeships
- Over 1,100 people attended our annual jobs and apprenticeships fair
- 1,625 active volunteers



1,000+ homes to be built in Holloway

- 1,000+ new homes for Islington
- We have bought the former site of Holloway prison
- Working with our partners and the community to develop a new inclusive neighbourhood
- 60% genuinely affordable housing, green spaces and local shops

1,000+
new homes

60%
affordable

Strengthening group

- Charlton Triangle celebrates 20th anniversary. 92% of residents are satisfied with Charlton as a place to live
- Town and Country Housing joins group as subsidiary

5,500
residents to be moved from fixed-term tenancies to lifetime agreements

Putting the most vulnerable first

- Ending fixed-term tenancies and moving around 5,500 residents to lifetime agreements
- Starting to convert some of our market rent homes to social tenancies
- Tenancy agreements simplified and renamed to partnership agreements
- New floating support contract to reduce homelessness across Essex

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

Lord Kerslake,
Chair

Supporting the most vulnerable
Our mission is to help people make the most of their lives. We put the most vulnerable first, so are committed to using evidence-based research on public policy issues that affect our residents. As Chair I am absolutely committed to speaking up for people affected by policy failures. We are doing this on Universal Credit, on low pay in London, and on a range of issues which disproportionately affect people on the lowest incomes. Our Peabody Index and other research projects have highlighted the experience of low-income Londoners, and going forward we will do even more to shine a light on issues and explore policy solutions to the challenges they face.

Tackling London's housing crisis
This year the Peabody Board approved a number of large-scale development projects in London on sites of national, and indeed international, significance. We will deliver almost 400 affordable homes at Battersea Power Station, and acquired the former Holloway Prison site from the Ministry of Justice where we aim to deliver over 1,000 new homes. This is a true partnership project where the Greater London Authority, the council and the community will all be heavily involved in shaping our plans.

We are also making good progress in Thamesmead. We are maintaining and improving homes and public areas, delivering new homes and community investment projects, and working with the local community on cultural and social programmes among many other strands of activity.

Working together into the future
I should like to thank the Board members, the Executive Team, and all Peabody employees who have worked so hard this year, and also to welcome colleagues from Town and Country Housing who joined us in May 2019.

We will do more together than we could do alone.

Lord Kerslake
Chair
31 July 2019

Doing more, better
Against a backdrop of unprecedented political uncertainty, we continue striving to improve our services to our residents, promoting wellbeing in our neighbourhoods, and developing great quality affordable homes. Like any organisation we are stress-testing our business plan and analysing the risks associated with Brexit. Our governance is robust, our risk appetite considered, and we are determined to keep improving.

Our teams are working hard to deliver a better, easier to access and more consistent service to our residents. We are tackling challenges around security of tenure and affordability. We have begun the process of converting some market rented homes to social rent on re-let. We are also seeking partners to work with our Community Foundation and to develop as many new genuinely affordable homes as we possibly can.

Future Board focus

- Review and evolve Group strategy, scrutinising progress on the delivery of transformation and strategic initiatives.
- Customer views are considered at Board level with the wellbeing and safety of Peabody's residents and beneficiaries informing our decisions.
- Continuous review and assessment of the effectiveness of governance and risk management, risk appetite and emerging risks.

> "As Chair I am absolutely committed to speaking up for people affected by policy failures. We are doing this on Universal Credit, on low pay in London, and on a range of issues which disproportionately affect people on the lowest incomes."

BOARD, EXECUTIVE OFFICERS AND ADVISORS

Peabody Trust (Registration no. 7741)	
Lord Robert Kerslake	(Chair)
Ian Peters	(Vice Chair)
Peter Baffoe	(Appointed 16 May 2018)
Helen Edwards	
David Hardy	
Paul Loft	
Barry McNamara	
Jane Milligan	
Deirdre Moss	
Francis Salway	(Appointed 9 May 2019)
Brendan Sarsfield	
Catherine Shaw	
Peter Vernon	
June Welcome	(Resigned 30 June 2018)
Group Secretary	
Sarah Cameron	
Chief Executive	
Brendan Sarsfield	

Registered under the Co-operative and Community Benefit Societies Act, No: 7741

Registered with the Regulator of Social Housing, No: 4878

Registered office
45 Westminster Bridge Road
London SE1 7JB

Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Solicitor
Trowers & Hamlins
3 Bunhill Row
London EC1Y 8YZ

Banker
Coutts & Co
440 The Strand
London WC2R 0QS

Executive Team of Peabody Trust during the financial year ended 31 March 2019 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
David Lavarack	Executive Director, Corporate Services
John Lewis	Executive Director, Thamesmead
Dick Mortimer	Executive Director, Development and Sales

Putting our customers first

Q&A

Our CEO, Brendan Sarsfield, answers our questions

How would you summarise this year?

We have achieved a lot this year. Not only for the people who live in a Peabody home, but for the 18,000 people who benefit from our care and support services, the 1,200 people we have supported into work, and the homeless people we have helped by providing 1,000 bed spaces as part of the Rough Sleepers Initiative.

For our residents, most new tenancies are at social rent levels and we are also converting market rent homes to social rent. We have stopped issuing fixed-term tenancies and over the next year will convert around 5,500 households to lifetime tenancies.

What have been your priorities?

Making sure our homes are safe is our absolute priority. We invested £27 million in fire safety measures in the year. We were among the first to reassure leaseholders that they would not have to cover the cost of replacing Aluminium Composite Material (ACM) cladding. We have also signed up to become an Early Adopter on fire safety with the Ministry of Housing, Communities and Local Government (MHCLG), and are founder members of the new Building Safety Charter.

We are determined to help tackle London's housing challenges and create great places to live. In 2018/19 we started and completed over 1,000 new homes, two-thirds of which are affordable to rent or shared ownership. We aim to provide at least 6,000 new genuinely affordable homes by 2022. This model is made possible by our own cross-subsidy from surpluses and private sales, as well as government grant.

The work of our Communities teams is also a core priority. This year it invested £9 million in a wide range of programmes to help people make the most of their lives. Our Peabody Index has shone the spotlight on the issues faced by low-paid workers across London, and we are speaking up for our residents to try and get the Government to make changes to Universal Credit. We will continue to use our research to influence policy for the benefit of our residents.

Is the new organisation now fully integrated?

Bringing two large organisations together is complex but we have made great progress. We have been aligning our teams and culture behind a single set of values and behaviours which put people first. We are continuing to bring our systems together so that our people have the right tools to provide a great service to the people we work with.

We are also beginning a modernisation programme to transform our services. Our aim is to provide an effortless experience for our customers, while making the best use of our homes and properties. We have a clear vision of what we need to do, so that people can access services how they want, when they want, while providing a strong local offer to people living and working in our neighbourhoods.

Personally, what events stood out for you?

Over 10,000 people took part in a series of cultural events to celebrate 50 years since the first residents moved to Thamesmead. Selecting Lendlease as our preferred bidder for the Thamesmead Waterfront joint venture was another great milestone, which could help us deliver 11,500 new homes in West Thamesmead. Planning permission to build a new library in South Thamesmead has also been granted, and we are continuing our investment across the town.

Just down the road from Thamesmead, Charlton Triangle Homes is celebrating its 20th birthday. Born as a stock transfer from Greenwich Council, the organisation is a long-term success story and tells us a lot about regeneration as a force for positive change. There is much we can and will learn from Charlton as we build our local offer across London as part of our modernisation programme.

> "We are restating our social purpose in a modern way. Peabody was founded in 1862 with a donation of £150,000 for the benefit of the poor and needy in London. At that time, the Board of Trustees determined that Peabody's activities should always generate a return to be reinvested. Today, with a surplus of £148 million, and investment of £440 million in our new and existing homes, we continue to honour that promise as London's leading social landlord."

Highlights

£27 million
invested in fire safety work

1,103
new homes

92%
satisfaction with new home

1,231
people into work or apprenticeships

I am also pleased that Town and Country Housing has joined Peabody as a subsidiary. The move will enable it to develop 800 homes a year in the South East, while Peabody continues to focus on its heartland in London.

Finally, what has really stood out for me this year is the tremendous commitment of our teams to unite and help people make the most of their lives. It isn't always easy post-merger, and the collective will and shared values of our people have once again helped us to shape the new organisation to better serve people. This will be a key theme for next year, and I very much look forward to working with our colleagues and partners to achieve even more.

Brendan Sarsfield
Chief Executive
31 July 2019

Engaging with partners

Customers

Why it is important to engage

Our customer base is increasingly diverse, covering tenants, leaseholders and service users. It is important that we learn and understand their needs and expectations. Such insight helps us develop and deliver consistently good services, and also enables us to positively influence the policy issues that matter the most.

Both our housing, and care and support customers want us to offer value for money, speed and convenient services. They also want to be informed and consulted on any material changes. Engaging people effectively on these areas remains key as we continue to improve our online offer and make using our services more convenient.

How we engage

We communicate and connect with people through face-to-face contact, social media, by post, email and also by phone and text. Through research and large-scale surveys, we listen to, and understand, our customers' wants and needs.

We involve residents through our scrutiny panel, monitoring groups and resident associations. Our Executive Team also holds regular question and answer sessions in key boroughs.

Employees

Why it is important to engage

Attracting and retaining talented and diverse people who share our values is key to achieving all our ambitions. Our employees want to be informed about and engage with our vision, values and priorities, and have a clear understanding of our achievements and direction. They want to collaborate, share successes and have access to information wherever they are working.

How we engage

We engage constantly. Our interactive intranet and people networks allow employees to collaborate and connect across the group. We use a range of ways to engage employees across all our locations, including an independent employee feedback tool to survey our people on what it is like to work at Peabody. The results are used to help us to take action to improve our organisation for each other and for our customers.

Investors and lenders

We are committed to being an 'A' grade investment proposition. 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 maintain the flow of short, medium and long-term funding.

Lenders and investors want to understand our business, strategy and financial profile. This includes our balance sheet, which is healthy and secure. Our partners also need to understand our key risks and want assurance that we have an effective control framework to successfully manage and mitigate them.

How we engage

We report regularly on our financial performance. We have the ability to remain financially robust during times of economic uncertainty.

National and local government

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. Working closely with local authority and government partners helps us influence important issues and deliver on our shared aspirations and objectives.

They want us to deliver more homes, support them with meeting local housing need and provide evidence and insight to help form policy. They want to understand who we are, what we deliver and our impact on communities and people.

How we engage

We proactively work together with national, regional and local government, delivering new homes and addressing housing and support needs with wider initiatives in local communities.

Regulatory bodies

We are regulated by bodies including the Financial Conduct Authority, the Regulator of Social Housing and the Care Quality Commission. When the regulatory environment is changing 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.

Our regulators want us to show that we are meeting their expectations and are accountable for our actions. This includes making sure our services meet fundamental standards of quality and safety, as well as promoting a viable, efficient and well governed organisation.

How we engage

We provide returns, surveys and notifications that reflect our plans and performance, covering areas such as our projected development activity and financial health.

Other partners

Partnership working helps us to improve the quality of our services and develop new ones. Ensuring we effectively engage 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 local communities.

Partners want us to be engaged in providing partnership opportunities and contracts, including joint investment vehicles for delivering new homes. They want to work with us to ensure we deliver high-quality health, community development and support services for our communities.

How we engage

We ensure that we live our values by delivering on our objectives and working collaboratively with our partners. We regularly demonstrate and communicate the social value and thought leadership we deliver through reports, financial statements, events, newsletters and other media.

Responding to market drivers

Driver	What has happened
Political landscape and policy environment	The Government has signalled its vision for social housing through the Social Housing Green Paper and availability of grant funding for development of new affordable housing. Brexit continues to occupy the majority of political attention and is having a destabilising effect on the political parties.
Interest rates, inflation and house prices	GDP growth remains low, especially in the construction sector. Despite this, the unemployment rate continues to be at a historic low and the National Living Wage has recently increased by 5%. The housing market has seen a decline in London of 3.8% in the year to February, while the wider South East has also seen a slight fall. This follows around a decade of significant increases. The Bank of England increased interest rates to 0.75% in August 2018, the highest level since March 2009 and only the second time rates have been raised in the past decade.
Growing population underpinning housing demand	London's population was recorded as 8.6 million people in 2015 and has continued to increase. Housebuilding in the city has failed to keep up with the rate of population growth, leading to a severe shortage of homes.
Digital technology and transformation	Digital technology has become increasingly central to the way consumer services are designed, delivered and experienced. It has also transformed the way we communicate with our customers, other organisations and each other.
Changes in the law and regulation	The issue of building safety continues to be paramount following the Grenfell fire and publication of the Hackitt Review of Building Regulations and Fire Safety. Recommendations from this review are expected to be translated into legislation over the coming 12 months.
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. The Mayor of London has a target for the city to become zero carbon by 2050. Government's Clean Growth Strategy has a target to get all housing up to Energy Performance Certificate (EPC) Band C by 2030.

The impact on Peabody	How our strategy is optimised to respond
Prolonged uncertainty over the terms and timing of Britain's withdrawal from the EU continues to impact our long-term planning, although the continued availability of grant funding helps mitigate this risk. We welcome future dialogue with government following the outcome of the Green Paper consultation.	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 responses.
Low interest rates mean lower costs of borrowing and servicing debt. Falling house prices pose a risk to our business model in terms of our ability to cross-subsidise through private sales. We continue to mitigate this through our sales and marketing programme and retain the ability to switch tenures.	We regularly review the proportion of debt we hold at fixed and floating interest rates. We continue to seek efficiencies in our operating costs and have successfully mitigated against the impact of the recent rent reduction. Our long-term financial plan is tested against the potential impact of variations in house prices.
The Greater London Authority estimates the need for an additional 66,000 homes per year between now and 2041. High and sustained levels of housing need continue to drive demand for homes across the capital, both for those we already own and manage, and those in our development pipeline.	Our growth ambitions are outlined in our development strategy as we grow our pipeline of new homes. This includes the extensive development opportunities we are unlocking through the regeneration of Thamesmead.
Many of our customers increasingly 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. Conversely, we provide services to some of the most vulnerable members of society, many of whom are 'digitally excluded' and are at risk of being disadvantaged by a 'digital by default' approach to service delivery.	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 back office to help us achieve our goal of half of transactions taking place online, while recognising the need for face-to-face contact where appropriate, especially for vulnerable people.
A more robust approach to building regulations and fire safety will bring heightened expectations in terms of compliance of our existing properties (including how we communicate such information to customers) and will impact on our development programme.	We are already developing and promoting our role as early adopter to lead the way in housing safety in implementing the recommendations on building safety from the Hackitt Review.
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.	All our new homes meet GLA environmental standards. Our sustainability strategy will work towards meeting energy efficiency targets despite the challenges presented by an older property portfolio.

Creating long-term value for social good

What we do

We help people make the most of their lives

What sets us apart

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 £148 million which we reinvest in our homes and communities and to subsidise new homes.

Physical resources
We have an asset base of £6.8 billion and own 57,000 homes across London, the East and South East. With Town and Country Housing this rises to 66,000 homes.

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.

How we create value

Social housing activities
79%
(2018: 73%)

Market sales
16%
(2018: 22%)

Other
5%
(2018: 15%)

What we do with the value we create

Build many more affordable homes for rent and shared ownership

Deliver services to support our residents and customers

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

The value we share

Customers
We invested £356m in developing new homes, £84 million in maintaining our existing homes and communities, and £9 million through Community Activities.

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.

Driving our business through clear strategic priorities

Develop and deliver reliably good modern services

Our performance
We have sustained high customer satisfaction scores throughout a period of profound change for the organisation. We want to offer a better service and experience for our customers.

Our priorities
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.

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

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

Build and maintain the best quality developments

Our performance
Our completions are higher than last year, although we fell short of our annual target. We have identified all the homes required to fulfil our strategic partnership with the GLA to deliver 6,000 new affordable homes by 2022.

Our priorities
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.

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

Key risks
- 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

Work with local communities and build long-term partnerships

Our performance
We have produced a new strategy for the Peabody Community Foundation which will be implemented through the rollout of local area plans to identify how all of our services can work in collaboration with neighbourhoods to maximise social impact. Reviews are being undertaken of our care and support services and properties to ensure better alignment with our strategic vision.

Our priorities
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.

Measuring our progress
- 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

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

Grow and use our position of influence to create positive change

Our performance
We use our knowledge and experience to influence local and national policy on the issues that affect our communities. We have responded to consultations, including the London Plan and Social Housing Green Paper.

Our priorities
We aim to deliver an integrated communications service that supports business objectives and uses resources effectively. Alongside this, we are seeking to deliver our research programme to contribute to policy debates on housing and other key issues in the lives of low-income Londoners.

Measuring our progress
- Stakeholder perception survey
- Media coverage
- Website/social media engagement
- Responding to public consultations and input to policies
- Publication of research

Key risks
- Failure to optimise income and manage the impact of welfare benefit reforms
- Operational issues affecting reputation
- Reputational damage as a result of action taken towards tenant arrears

Strategic priority:
Develop and deliver reliably good modern services

Customers
Modern services, locally focused

We want to provide an effortless experience for people living in our homes. It should be easy for residents to contact us, access their accounts and arrange their services in a convenient way. Our local focus will make sure the right support is in place for everyone.

Listening to residents
We have been listening to residents this year, gathering feedback and analysing data on our services. This is informing our approach to modernisation. Residents told us that the format of our tenancy agreements was unhelpful to them. As a result, we have replaced them with partnership agreements which better reflect our relationship.

The new agreements set out our obligations, and meet the needs of both Peabody and our residents. We have improved the layout and, by using less legal terminology, have made it 'human and kind' so that it is easier to understand. Our Executive Team holds regular surgeries to meet residents and listen to their views.

Improving our repairs service
We have grown our in-house repairs service and are now delivering 80% more work through it. It will be focusing on three main boroughs in line with our local approach. As we modernise our service, we are procuring new responsive repairs contractors who can help us utilise digital technology to provide an easier, quicker service.

New Customer Hub
We have launched our new modern Customer Hub in Pitsea. The new team can respond effectively to routine demands and will be backed up by a specialist team which can support more complex enquiries.

New systems are in place to support this and we have integrated our housing management and asset management processes.

Managing properties wisely
Our asset management team surveyed more than 11,000 homes this year. This information will inform our programme of planned repairs and maintenance of residents' homes.

We are now reviewing the 10% of homes which have the most issues and will be developing a strategy to address these.

Laurence O'Brian, Dalgarno Estate Residents' Association

"I have been a Peabody resident for 50 years and was interested and surprised to hear some repairs were being taken back in-house. My experience with Peabody Group Maintenance has been very positive, what a marvellous team of people! I cannot praise them more highly. Within 30 minutes of work, they turned the whole situation around. The anxiety and angst I felt was resolved and we worked on fixing the situation together."

Developing our services with residents

More than 2,700 residents shared how they would like to be involved in influencing and changing services. Local issues overwhelmingly matter most to them. We are now working with our Resident Strategy and Policy Panel to develop a new approach with a strong local offer at the heart.

Lisa Rae, Resident and Chair of Strategy and Policy Panel

"Involving residents is key to delivering the quality services that we residents need, and at good value. Residents will – and must – stay at the heart of what Peabody does. I'm proud to be involved with an organisation like Peabody, that is not only providing homes but is also investing in local communities."

66

active resident groups

329

residents attended Q&A sessions with the Peabody Executive Team

Strategic priority:
Build and maintain the best quality developments

Development
More homes for London

We design, build and maintain homes and neighbourhoods which people are proud to live in. We invest in the areas where we operate over a long period of time – creating great places that benefit our residents and the wider community. We are proud to offer affordable homes, and we are committed to keeping rents as low as possible.

Tackling London's housing crisis
Our ambitions remain focused on tackling London's housing crisis by building more new homes. In 2018/19 we completed 1,103 new homes and started 1,002 on site. We intend to be building 3,300 new homes a year from 2021/22 onwards, as long as the economic climate continues to help make this financially sustainable. This year, our sales performance has remained strong in a very challenging market, particularly around shared ownership.

Design and place-making
We invest in places for the long term and recognise the contribution our homes make to London and the surrounding areas. Good design makes sense in terms of value for money and it also helps create the communities of tomorrow. We have created a new Design Guide for our project teams of architects and designers, which includes our core principles and objectives when developing new homes and neighbourhoods.

Safety and standards
Building safety is our first priority. We work closely with residents on safety plans and general compliance standards, including our role as 'early adopters' of the reforms proposed in the Hackitt Review. Safety and quality go hand in hand.

Our teams work together to make sure our developments are high quality and meet our customers' expectations. Customer satisfaction with our sales process was 94% for 2018/19. This helped us achieve a 'Gold' award for customer satisfaction. The awards are run independently by a specialist market research company, and are based purely on how people feel about the services we provide.

Partnerships
Through partnerships, our own cross-subsidy and our long-term investment approach, we play a vital role in building quality new homes across all tenures. Our joint venture strategy enables us to share risk and costs with our development partners and increases our capacity to deliver more affordable homes.

Holloway Prison
In March 2019, we bought the former Holloway Prison site from the Ministry of Justice. We will be working in partnership with developer London Square over the next few years to deliver this long-term project, which will provide over 1,000 new homes, of which 60% will be affordable. We will also deliver quality new public spaces and community amenities for local people, including a new centre for women in recognition of the site's heritage.

Tony Clements, Executive Director for Regeneration and Housing at Ealing Council

"Ealing is committed to delivering 2,500 genuinely affordable homes by 2022, and working with housing associations that have a strong social conscience, like Peabody, is key to this."

The Green
We have signed an agreement with Ealing Council to deliver around 500 homes over the next five years in Southall, West London. As well as the new homes, the development will include 5,000m² of commercial space.

92%

satisfaction with quality of home

94%

customer satisfaction with our sales process

Fish Island Village
We have now completed 171 homes at Fish Island Village, our joint venture with developer Hill. 98% of homes were sold before the completion of phase 1, and 91% of purchasers so far are first time buyers. The scheme was highly commended in the 'Best First Time Buyer Home' category at the Evening Standard New Homes Awards 2019.

Medina Road
We are on site at Medina Road, a new supported housing scheme in Grays, Essex for young people with autism. This is the first scheme of its kind in Thurrock, and we are working closely with the council to provide six new fully adapted homes which will provide a 24 hour a day personalised care and support service for local residents.

"I chose to live at Fish Island Village because of the well considered planning of the apartment. Throughout the building the level of care and attention to detail is obvious. From quality materials, generous communal spaces through to my own apartment. Not having to put the heating on at all has been an unexpected bonus. This is a quiet, crafted building that is a joy to call home."

Paul Wynn,
first time buyer at Fish Island Village

Strategic priority:
Build and maintain the best quality developments

Thamesmead
A bright future

To celebrate Thamesmead's 50th anniversary, we unveiled a new Thamesmead brand and held a major programme of cultural events and performances featuring local and international artists, with more than 10,000 people getting involved.

Realising the potential of London's new town
Peabody will be investing significant sums in Thamesmead over the next 10 years. We are building new homes, refurbishing existing ones and working with the community to create a better place to live for the town's 45,000 residents. We are enabling Thamesmead to fulfil its potential as London's new town with 20,000 additional homes for London, a unique cultural and commercial offer and thousands of new jobs.

New waterfront district
In one of the largest regeneration projects London will see in the coming years, we selected Lendlease as our preferred joint venture partner to create an exciting new waterfront district of 11,500 homes and a new town centre.

Thamesmead's 50th anniversary
Thamesmead celebrated its 50th anniversary and marked this important event with a festival, a book detailing the town's heritage and even an exhibition at the Royal Institute of British Architects. But it was the changes in the town itself that made the most impact.

A thriving community
Through our community services we helped 156 people to find jobs and another 166 to gain qualifications, as well as launching a successful intergenerational scheme that sees four-year-olds regularly visiting older residents at one of the town's care homes.

South Thamesmead begins to transform
The first phase of our 1,500 home development in South Thamesmead began and we finalised designs for new commercial and leisure facilities as part of our wider regeneration plans, including a new library. We also started a wide-ranging improvement programme for the town's 19 tower blocks.

The Reach
The Reach is a new residential development in West Thamesmead nearing practical completion and will eventually bring 66 families to the town. Not only are all 66 homes affordable but the development will also provide a key amenity space for the area.

John Lewis, Peabody Executive Director, Thamesmead

"The 50th anniversary gave residents the opportunity to celebrate everything that's great about Thamesmead and also look forward to the exciting future ahead. There is a real sense of progress and momentum in the town."

Film-maker and Thamesmead resident, Dagmar Scheibenreif

"Thamesmead is so different, so diverse and visually extremely interesting. Since coming here, I have got to know and really appreciate the town. I have met some amazing people along the way, many of whom I now call my friends. It has been nothing but rewarding and I have really come to love this place."

Back-a-Yard Grill: award-winning local business

Back-a-Yard Grill is founded in Thamesmead by Peabody resident Adrianna Baker. The success of the venture saw her named Young Entrepreneur of the Year at the 2019 Best of Greenwich Business Awards. Back-a-Yard Grill is based at Birchmere Hub, a Peabody community space in the heart of the town which enables start-ups to concentrate on growth rather than paying high rents and overheads.

Community archive

As part of the 50th anniversary the Thamesmead Community Archive was launched to celebrate and commemorate the town's rich history. Dozens of residents came forward to donate documents and pictures, and to record their memories.

20,000

additional homes for London

156

local residents supported into employment

2,000

local school children visited the Tump 53 Nature Reserve

Strategic priority:
Work with local communities and build long-term partnerships

Peabody Community Foundation

Healthier, wealthier and happier

Our communities are at the heart of our mission to help people make the most of their lives. Our ambition is to create communities that are healthier, wealthier and happier. We believe that people have the power to create the change they want to see – in their lives, in their communities and in society.

A local approach

The need for organisations like Peabody to invest in local communities has never been greater. This year we spent £7 million in supporting residents through the Community Foundation and £2 million elsewhere in the Group.

Over the next three years, we will be adapting the way we offer our services. By moving to a local approach in key boroughs, we will be able to understand the issues faced by our communities, measure the impact of our work and collaborate with residents and partners to co-produce services.

Increasing household income

Our employment and training offer aims to boost household incomes by supporting people into better-paid, higher-quality jobs.

This year we supported 1,231 people into jobs and apprenticeships to help people become more financially independent. Our annual jobs and apprenticeships fair has gone from strength to strength, and was attended by over 1,100 people this year.

Improving social mobility

We are working to improve and accelerate social mobility, by providing opportunities for people to develop new skills and raise their aspirations. 2,373 young people took part in our youth services programmes which include:

- Young Leaders and Young Ambassadors
- Careers Academy
- Enterprise and business support

We helped over 1,600 volunteers to take part in community projects and gain valuable new experiences.

Community mobilisation

Through our extensive network of community centres across London, we continue to work with residents and partners to host a wide range of services which bring the community together. This year, we delivered more than 77,500 hours of free services from our centres. We also distributed over £300,000 in grants through the Peabody Community Fund to over 35 community groups across the capital.

Improving health and wellbeing

We work collaboratively with a wide range of partners including local authorities, community partners and specialist delivery organisations to help people improve their mental and physical wellbeing. In Thamesmead, we have partnered with YMCA to deliver a range of sports and leisure activities. We are also working with the Anna Freud Centre to develop services to improve mental health for young people.

1,231
jobs and apprenticeship opportunities secured

77,500+
hours of free to access services delivered through our community centres

Ngozi Nwosu Angie, Thamesmead resident and local sports champion

Together with her children, Ngozi Nwosu Angie attended Peabody's bike club sessions at the Thamesmead Sporting Club. After working closely with our community sport activator, she developed a love of cycling and has since achieved qualifications in coaching, cycling, safeguarding and first aid.

Angie now works as a cycle instructor teaching in schools across Thamesmead.

Strategic priority:
Work with local communities and build long-term partnerships

Care and support
Putting the most vulnerable first

Our care and support services continue to champion the most vulnerable in our communities and support people to feel safe, manage independently and be happy. With budgets still being stretched across the sector, these services are facing unprecedented levels of need. Despite these challenges, our services continue to adapt and thrive.

Newly expanded Essex Outreach service

Our Essex Outreach service has won a floating support contract covering the whole of the county. Commissioned by Essex County Council, the service offers short-term support to families and adults who might be experiencing issues that impact on their housing, health or finances. It will focus on preventing homelessness, and will support people to sustain their tenancies. The new contract started at the beginning of April 2019, runs for seven years and will support an average of 18,000 people per year.

Satisfied people

Customer satisfaction with our services was an impressive 97% during the year. We now support around 16,150 vulnerable people. Optimising the value we provide, we generated a surplus of just £0.2 million on contracts worth £30.1 million. We helped over 5,647 households to increase their independence through aids and adaptations. 890 people were also supported to return home safely after a stay in hospital.

Ending the scandal of homelessness

The impact of the housing crisis continues to be seen, not least in the increase in homelessness and rough sleeping in London and the South East. Working with the GLA and St Mungo's, we provide more than 1,000 bed spaces for rough sleepers. We are also committing properties to Housing First, which offers tenancies alongside intensive personalised support to homeless people with multiple and complex needs.

Increasing people's skills and confidence

Our inspirational Peer Support Training programme won the Excellence in Engagement in Support and Care Award at this year's Tpas National Awards. 48 people have been accredited through the programme since 2015, to deliver recovery-focused training for people who have experienced mental distress.

Pioneer House

Pioneer House is a supported housing scheme in Chelmsford for adults with support needs like learning disabilities, mental health issues and brain injuries. Residents at Pioneer are treated as unique individuals and our support for them is person centred. A visionary board sets personal goals for each person and support can involve workshops, community activities or using assistive technology tools.

89.9%

care and support customers leaving for positive reasons

"Being involved in the development and delivery of Peer Support Training, as well as co-facilitating reflective workshops for Peabody staff, has been incredibly rewarding and empowering. I no longer see myself as simply a dependent 'service user' but as someone with expertise who has a valuable contribution to make."

Katharine, Peer Trainer, East London

"The local housing office said they can't help but Mike's already done me an online housing application and is really helping me find somewhere more suitable to live – I would be really struggling without his help."

Tom, STEPS customer, Bexhill

Strategic priority:
Grow and use our position of influence to create positive change

Influencing policy for 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.

With around 133,000 residents including Town and Country Housing, we are in a strong position to gather views, evidence and data about a wide range of public policy issues. We engage in a number of ways, including through meetings with policy makers, responding to consultations, conducting research, taking part in debates and engaging with the media.

Evidence-led influencing

This year we launched the Peabody Index – a research project tracking the experience of low-income Londoners over time. We also published research showing how housing and the health service can work better together. Our Chair, Lord Kerslake, has called for an independent health and housing commission to investigate how the two sectors can complement each other's work.

We have also published a new approach detailing the landlords' role in tackling anti-social behaviour in communities, and our work on domestic abuse has pioneered early intervention in the housing sector. We are also using research to continue our campaign to reform Universal Credit.

Influencing in partnership

We work with a range of partners to help us achieve our goals. Working with G15 colleagues, the All-Party Parliamentary Group on Housing and Care for Older People, the Social Market Foundation, London First and others, our research pipeline spans housing, health and wellbeing. We are early adopters of the new Building Safety Charter which aims to influence industries' approach to safety in the built environment.

We have joined the Give Us a Chance (GUAC) network, a consortium of housing providers committed to supporting people into work. We are also founding members of the Community Impact Partnership, creating an investment fund to help social enterprises and charities to grow and further benefit local communities.

With others, we are continuing to demonstrate the social and economic value of genuinely affordable housing in London. We are also working with the Mayor of London and local councils across the capital to deliver as many low-cost homes as we can.

Leading the way in fire safety: founding members of Early Adopters Scheme

Following recommendations of the Hackitt report into building regulations and fire safety, we have become founding members of an Early Adopters scheme to lead the way on safety in our sector.

Representing our residents in national media: Brendan Sarsfield on Sunday Politics

Using a range of platforms including national media, we have been asking the Government to make further changes to Universal Credit. Our analysis of the impact of the delay in payments for new claimants found that more than 100,000 children were likely to suffer at Christmas time because of this delay. This shocking finding was reported by a range of national media.

Peabody Index: tracking the experiences of our residents

We have developed an index of key indicators to track our residents' economic wellbeing and prospects together with the Social Market Foundation. Using economic data, the Peabody Index provides important evidence for policymakers to make decisions about policy changes.

Turning our strategic objectives into tangible performance

Satisfaction with landlord

70%

(target = 71%)

Link to strategy

Definition
A single satisfaction measure expressed as a percentage which is representative of all tenures across the Peabody Group.

Why it is important to Peabody
This provides a strategic overview of resident perception of every aspect of our landlord service.

Progress
A single measure of customer satisfaction has been rolled out for all Peabody residents.

Satisfaction during 2018/19 remained stable throughout the year, although lower satisfaction among leaseholds has prevented achievement of the target. We have now moved to a single Customer Hub that can more effectively respond to complex enquiries.

Statutory and regulatory compliance

96%

(target = 100%)

Link to strategy

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 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

1,103

(target = 1,324)

Link to strategy

Definition
The number of homes where all building work is complete in accordance with the contract, and the property is considered fit for occupation.

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 2018/19, 83% of the full-year completions target was achieved, with a shortfall of 220 homes. The cumulative shortfall is made up of a number of projects with completions slipping out of 2018/19. However, the shortfall has been partially offset by some completions coming forward from 2019/20.

Key

Strategic priorities

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

Number of starts on site

1,002

(target = 2,681)

Link to strategy

Definition

The number of homes where construction has started.

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 2018/19, 37% of the starts target was achieved, with a shortfall of 1,679 homes. Starts on site have been impacted by a conscious decision to hold back in order to manage the level of contractual risk, with just over 1,000 homes affected by the decision.

Number of people supported into work/ apprenticeships

1,231

(target = 1,200)

Link to strategy

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 1,231 people into work or apprenticeships during 2018/19. Going forward we will increasingly be focused on measuring the quality of jobs and apprenticeships. We supported 231 young people to participate in social action.

Operating margin

31%

(target = 32%)

Link to strategy

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

Further analysis is provided in the Financial review on page 34.

Our people and culture

Putting people first
Everyone at Peabody is here to help people make the most of their lives. We cannot achieve our strategy without great people from a diverse range of backgrounds. This year we have focused on developing our offer to our people. At the heart of this is a range of great opportunities to help develop and grow our employees, a new package of flexible benefits and a performance framework that has been created to help our teams live and breathe our values.

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

Key principles

Effortless experience
We provide services that 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 treat each other and communicate.

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

My Contribution
We have launched our new behavioural framework for employees that defines what we need from everyone at Peabody and captures People First. 'My Contribution' is a new performance review processes driven equally by both 'what' objectives colleagues achieve and 'how' they achieve them (the values) to deliver a good customer experience.

My Leadership
This year, we have been working with leaders to enable them to support their teams in a faster moving large organisation. We have launched a new leadership framework which defines what we need from each leader. Our support includes coaching, 360 degree reviews, action learning sets, courses, workshops and professional qualifications.

Rewarding our people
We launched our new 'My Benefits' platform, empowering employees to choose some of their own benefits. Employees are given 1% of their salary with a minimum payment of £300 to a maximum payment of £1,000. There is also a range of anytime benefits providing discounts to a range of leisure and entertainment activities. We also award spot bonuses throughout the year, year-end performance-based bonuses, and Peabody Rewards – where employees can be nominated by their peers and gain points for vouchers to spend on the My Benefits platform.

Making sure work pays
Last year, over 700 of our care and support workers received a pay boost as we introduced the Real Living Wage. We also boosted our pension offer to care and support workers, improved holiday entitlement and introduced a new bonus system. This team works so hard to provide support to vulnerable people and should be fairly and appropriately paid.

WOW! Awards
Our star people are awarded for living our values and demonstrating how they have made a real impact to people's lives through our WOW! Awards. This year 24 employees won a WOW Gold award and 150 received a WOW certificate.

Thandice Bowen, Collections Officer and WOW! Award winner

Customer nomination for Thandice:
"Thandice has been nothing but kind, caring and extremely patient during the darkest hours. She has not just been an employee, she has frankly been a humanitarian. It never went unnoticed the lengths she went to to deliver the most outstanding customer service I have ever experienced. She will always have my and my family's gratitude and respect."

The way we are: human and kind
Our tone of voice is human and kind. We use language that is simple, without jargon and which can be easily understood. And because we genuinely care about residents and colleagues, we are thoughtful and empathetic, whatever the message.

Our complaints team members have particularly embraced a human and kind approach, changing their processes to be focused on solutions and positive outcomes for our residents.

"Communicating with people in a human and kind tone of voice can dramatically affect the way the person feels they are being treated. This has helped to reduce escalations and complaints and made us all think about the way we communicate."

Leander Mansell,
Head of Customer Experience

Stephen Burns, Executive Director Care and Communities and Chair of the Equality, Diversity & Inclusion group at Peabody:

"Peabody is already a fantastically diverse organisation, but we can do more at a senior level. Everyone should have an equal opportunity to join, progress and lead our organisation irrespective of ethnicity or gender. We hope the move to name-blind recruitment will help remove any unconscious bias, attract and retain valuable skills and talent, and provide more opportunities for people to reach their potential with us."

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

We are committed to promoting equal opportunities and valuing diversity. This year, we introduced changes to the way we recruit in order to tackle unconscious bias: the Rooney Rule means senior posts will always have someone from a Black, Asian and Ethnic Minority (BAME) background in the pool of candidates to interview; and our name-blind recruitment policy means hiring managers will not see the name of the candidate until they are invited to interview. We are rolling out unconscious bias training to help our leaders understand the biases they may inadvertently bring to their work.

We support four employee networks: BAME, Gender, Family and LGBT+. These are grassroots and run by employees with a clear corporate framework that gives the networks licence to operate and access to a small budget.

Leadership 2025

Peabody has signed up to Leadership 2025, which has a long-term ambition of supporting the creation of a housing sector that is vibrant and diverse, with better representation of BAME individuals at leadership levels.

By 2025, our Board and Executive Team aspire to have greater diversity among our leadership, including BAME and women, so that we represent the diversity of our residents and wider communities we serve.

We have developed a talent management strategy which sets out a framework to support leaders in identifying our high-potential BAME and women employees. Alongside this, we are planning to introduce talent moderation boards, to allow the senior leadership team sight of Peabody's high potentials and help to encourage and facilitate cross-directorate moves. We are also committed to interviewing at least one BAME candidate when recruiting to the Board or the leadership team.

Black History Month

During October we celebrated Black history, culture and the importance of community. Employees in our BAME network organised events which included food, inspirational speakers, cultural dress and recommended reading.

We also joined forces with external groups Unify and HouseProud to hold a career development event attended by more than 200 people from across the sector.

Mental Health Awareness Month

Our month-long 'Doing well on the inside' schedule of workshops included talks from a sleep expert, a psychotherapist and the School of Life. Employees also shared their own expertise and made new connections at a 'knit 'n' knatter', a lunchtime walk and talk, meditation and yoga classes. We will be extending these sessions to run throughout the year as an important part of having a healthy and resilient workforce.

Key diversity statistics

Leadership team

- White **28 (70%)**
- BAME **7 (17%)**
- Prefer not to say/unknown **5 (13%)**

Heads of service

- White **65 (70%)**
- BAME **17 (18%)**
- Prefer not to say/unknown **11 (12%)**

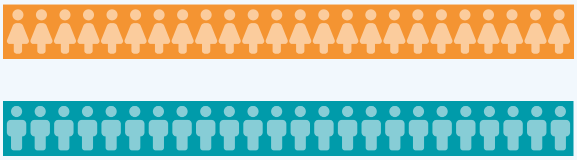
Other employees

- White **1,382 (49%)**
- BAME **874 (31%)**
- Prefer not to say/unknown **563 (20%)**

Gender pay gap

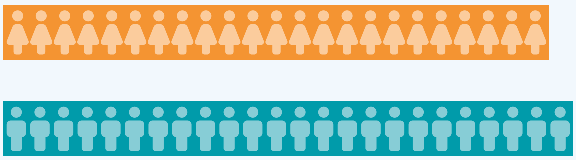
Women are well represented throughout Peabody's lower and upper middle pay bands, making up 60% of the workforce at this level. Women are slightly less well represented in our highest pay band, however, men make up the majority of our lowest pay band.

Leadership team



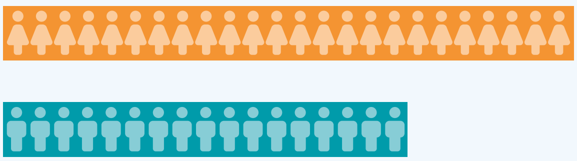
20 50% | 20 50% | 40 total

Heads of service



46 49% | 47 51% | 93 total

Other employees



1,645 58% | 1,174 42%

"With women well represented in Peabody's two highest pay bands, we have many role models to inspire, encourage and mentor more junior employees."

Frances Clancy,
Head of Organisational Development

The gender pay gap is the difference between the average pay of men and women across our business; it is not a comparison of pay rates between men and women doing the same job. Peabody has a slightly positive gender pay gap, meaning that, on average, women are paid slightly less than men. Our pay gap is significantly less than the national average of 17.45.

Mean 0.0%
Median 5.5%

Strong balance sheet and investment proposition

“This is a strong set of financial results given the prevailing uncertain economic climate.”

Susan Hickey,
Chief Financial Officer

Highlights

This is a strong set of financial results given the prevailing uncertain economic climate. The Group has delivered an operating margin of 32% on social housing lettings despite ongoing rent reductions and asset investment needs, including fire safety work.

Maintaining London rents at truly affordable levels is crucial to delivering our social purpose and means a social housing operating margin more than 4% lower than peers who charge permitted regulated rent levels. In addition, low rents provide tenants and the taxpayer with an estimated value of £0.4 billion each year, when rents are compared with the market.

The surplus for the year of £148 million has been fully reinvested, with £223 million net investment in new and existing homes during the year and a £217 million increase in stock of properties in construction.

Interest cover, gearing and debt ratios remain strong, supporting new debt raised during the year. The Group is rated A (stable) with Standard and Poor’s and A3 (stable) with Moody’s.

Highlights	FY 2019	FY 2018
Social housing lettings: turnover	**66%**	60%
Operating margin on social housing lettings	**32%**	32%
Overall operating margin	**31%**	35%
Surplus	**£148m**	£175m
EBITDA MRI interest cover*	**222%**	341%
Gearing	**35%**	31%
Debt: turnover	**3.7 times**	3.0 times

* EBITDA MRI is a measure of the level of net cash generated against interest payments. Cover is lower in 2019 due to a lower operating surplus and higher investment in existing homes.

The year has seen fewer sales, both new build and disposal of existing properties. Taken together with positive valuation movements in the investment portfolio, this accounts for the main variations in surplus compared with 2018.

Turnover including sales

Turnover including sales is £44 million lower than 2018. Sales volumes were down against expectations due to scheduled deferral in the programme in order to deliver enhanced fire safety standards in response to emerging guidance. Completions of these homes is due in the first half of 2019/20.

Operating surplus

Operating surplus is £39 million less than 2018. Fewer properties have been sold from the existing portfolio, resulting in £18 million less surplus. A stock condition survey was completed during the year but slowed properties coming to the market. A further £16 million is attributed to the lower volume of new build sales offset by lower abortive development costs, compared with 2018. The remaining £5 million is predominantly from non-social housing sources.

Margin on private sales is 24% (2018: 26%). Performance on price and margin has been strong: the year-on-year decrease in margin, which is in line with expectations, is a reflection of product mix. Margins have returned to normal levels following the completion of a number of unusually high margin schemes in 2017 and 2018.

Discretionary investment in community regeneration net of external funding has increased to £7 million (2018: £5 million), representing 2% of social housing lettings. The value delivered by this investment is demonstrated by the work on employment training where every £1 invested generated £5.71 in social return.

Social housing activities (excluding shared ownership sales) have recorded a modest improvement and operating surplus (£120 million; 2018: £119 million). Additional expenditure of £8 million on fire safety is offset by lower operating costs, as the first full year of merger efficiencies was delivered.

Statement of comprehensive income (£'000)	FY 2019	FY 2018
Turnover including sales	**565**	609
Operating surplus by source:		
Social housing activities (excluding shared ownership sales)	**120**	119
Community regeneration	**(7)**	(5)
Development and sales (including shared ownership)	**34**	50
Non-social housing	**2**	6
Sale of fixed assets	**24**	42
Operating surplus	**173**	212
Net finance costs	**(60)**	(58)
Valuation movements	**35**	21
Surplus for the year	**148**	175
Pension scheme movements	**(8)**	13
Derivative movements	**-**	(4)
Total comprehensive income	**140**	184

Average weekly rent
£120

Average target rent
£130

Annual subsidy against target rent
£17m

Annual subsidy against market
£0.4bn

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Non-current assets

The growth in fixed assets reflects new homes completed and investment in existing assets. The programme of investment is robustly informed by stock condition data. £84 million was invested in properties during the year, including £19 million on safety-related work. The growth in investment properties reflects new construction (£22 million) and changes in valuation (£35 million).

Development and sales

At 31 March 2019 development work in progress stood at £1,117 million (£519 million fixed assets, £51 million investment properties, £547 million current assets stock) compared with £895 million in 2018.

Levels of development are consistent with the Group's future development plans and risk appetite metrics. There are now two joint ventures operated in LLPs and this operating model is likely to increase in the future.

The Board closely monitor sales. At 31 March 2019, the value of properties held for sale, a mix of shared ownership and private sale, was £39 million (2018: £57 million). Of this total, 46% had contracts exchanged or reserved and 54% were available. Available properties over six months represent 1.3% of total homes handed over in the year.

Statement of financial position (£'000)	FY 2019	FY 2018
Non-current assets		
Fixed assets including housing properties	**5,513**	5,347
Investment properties	**462**	405
Investment in joint ventures	**14**	2
Other investments and debtors	**16**	16
Net current assets	**579**	343
Total assets less current liabilities	**6,584**	6,113
Long-term creditors	**(3,647)**	(3,347)
Provisions	**(24)**	(17)
Pension liabilities	**(96)**	(72)
Reserves	**2,817**	2,677

Long-term creditors

Long-term creditors comprise debt (£2,183 million), grant (£1,452 million) and other creditors (£12 million). The increase in the year is both debt and grant to fund the development programme.

Pension liabilities

The Group has membership in two significant defined benefit pension schemes: the Social Housing Pension Scheme ('SHPS') and the London Pension Fund Authority ('LPFA'). For the first time the Group's share of the assets and liabilities in SHPS (£30 million net liability) have been identified by the fund manager and recorded in pension liabilities (2018: £15 million recorded in creditors). The significant proportion of the movement is attributed to changes since the last SHPS valuation in 2014 rather than changes in accounting methodology. The net change in valuation on both schemes of £8 million loss (2018: £13 million gain) is recognised in other comprehensive income.

Actuarial assumptions are consistent between SHPS and LPFA apart from mortality, where LPFA has used the latest mortality tables published in March 2019, resulting in an actuarial gain of £8 million. Using these same tables, the SHPS liability would be £4 million lower.

The Board has an agreed plan to manage pension liabilities.

Financing and capital structure

Debt facilities at 31 March 2019 stood at £3,104 million with £907 million undrawn; £807 million with bank and private placement facilities, and a further £100 million retained bonds available to issue.

Taken together with cash balances of £132 million, available resources stood at £1,039 million as at 31 March 2019.
New facilities of £772 million have been raised in the year. A £249 million bridge facility completed in March 2018 expired in September 2018 upon the issue of a public bond of £450 million.

Of drawn debt, 78% is fixed and 22% variable. The Group has no stand-alone derivatives or exchange rate exposure. The average cost of borrowing for the year was 3.88%. Refinancing risk is moderate with £799 million (26%) of bank facilities – predominantly revolving credit facilities – due to expire in the next five years. These are likely to be replaced with similar facilities to help facilitate delivery of the development pipeline.

In line with treasury policy, available resources are sufficient to meet the Group's contractual commitments for the next three years. The Group also maintains sufficient resources to withstand for 18 months a scenario of no new funds, no sales and no new development commitments.

Work has continued throughout the year to amalgamate existing loan agreements across a number of banks and building societies. This has included consent negotiations with relevant lenders for the acquisition of Town and Country Housing which joined the Group on 9 May 2019. As a result of these negotiations, facilities in Peabody immediately increased by £39 million and increased by £80 million for the new, enlarged Group.

The Group has significant property security available which is actively managed to optimise use of security and funding arrangements across the Group. The number of unencumbered properties to use as security to generate additional secured funding facilities as at 31 March 2019 is 18,000.

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

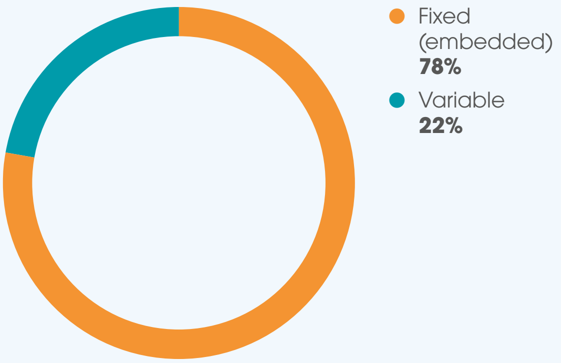
Outlook

The financial position and operating results are forecast to remain strong. The demand for truly affordable housing in London is as high as ever, yet the economic environment remains challenging. This includes heightened risk to the private sale cross-subsidy model operated in recent years. With a strong development pipeline, we will continue to look for opportunities to work in partnership with others to deliver more homes for the least risk.

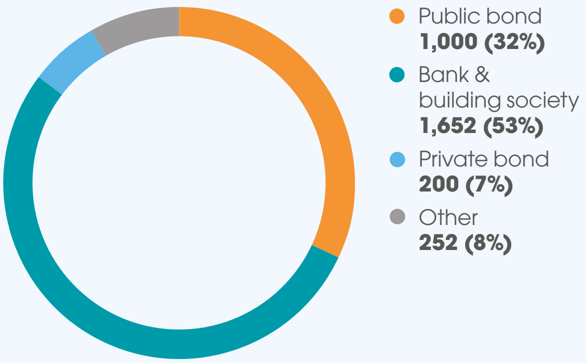
Building on the successful integration to date, the delivery of a reliable and modern service remains a key theme for the future. This will serve not only to further strengthen our financial position but to improve customer satisfaction.

We welcome the growth in investor interest in environmental, social and governance factors and are considering enhanced reporting in this area.

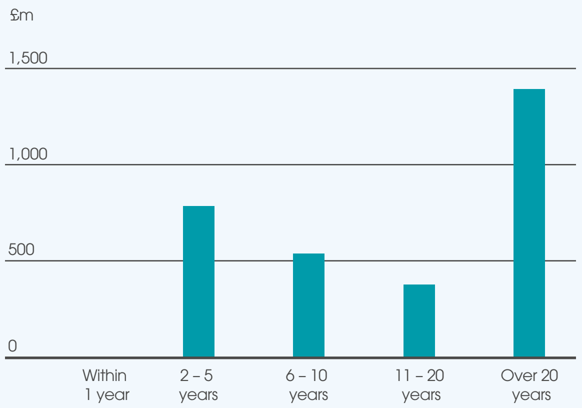
Interest rates



Facility mix



Facility maturity



Available resources

£1,039m

Average borrowing cost

3.88%

Unencumbered properties

18,000+

Value for money

What does value for money mean to us?

At Peabody, delivering value for money simply means making the most of our resources so that we can help people make the most of their lives. Maximising value for money is therefore a central pillar of our Group mission.

We want to get the best return possible from every pound we spend – and that means we do not just look 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

You can read more about our mission and these corporate objectives on pages 14 and 15.

Our value for money strategy for the Peabody Group defines success in the following ways:

- High and consistently improving levels of customer satisfaction across our services.
- Delivery of operational efficiencies through continual process improvement.
- Delivery of the new homes targets in our business plan.
- A strong balance sheet to underpin our investment and development activities.
- A strong IT platform to enable us to deliver value through digitisation and self-service.
- Strong public awareness of how Peabody adds value to customers and communities.
- A reputation for innovation in policy, technology and delivery.

Value for money principles are integral to our Peabody Group Strategy 2019-2022 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.

What have we achieved in 2018/19?

Effective customer engagement is critical to achieving the best outcomes for all those who use our services. 2018/19 saw the creation of two resident groups which will work with Peabody to make a positive difference to the lives of our customers: the Resident Scrutiny Panel, which will enhance the landlord-tenant relationship by providing independent, evidence-based scrutiny of our activities; and the Resident Strategy and Policy Panel, which will bring the customer's voice to the way we shape our services and our presence in our communities. These two groups have been reviewing our complaints handling process, our plans for a new target operating model in Customer Services, our repairs procurement process, our strategy for the Peabody Community Foundation, our older people strategy and our approach to design and sustainability. The outcomes of these reviews are included in information provided to the Board and we will continue to incorporate the groups' recommendations into our plans for these areas.

Our efficiency targets from the merger of Peabody and Family Mosaic in 2017 are fully embedded and we continue to meet or exceed these targets. During the year we completed the post-merger integration of all our core processes and business systems in a programme of changes that touched every part of the organisation. We worked hard to minimise disruption to our customers during this time and are pleased to have maintained our overall customer satisfaction score this year.

Other achievements include the following:

- Development of an Asset Appraisal Model to support the strategic and active asset management of our stock through an assessment of its long-term value
- Creation of a team of dedicated stock condition surveyors whose work informs our investment programme, allowing us to operate a just-in-time approach to capital improvements and ensuring we are realising the full potential life-cycle of an asset
- Consolidation of our customer call centre at one site in Essex to reduce costs and improve service levels
- Signing of agreements for schemes at Holloway and Alperton which will look to deliver 1,000 and 470 homes respectively, in line with our goal to increase efficiency of delivery by targeting new schemes of 200 units or more
- Improved defects management through better and earlier contractor engagement and insisting that residents in Section 106 schemes are part of developers' surveys to assess quality and design
- High customer satisfaction levels with our new homes, where 92% of residents moving into one of our developments would recommend Peabody to friends and family looking for a home like theirs

- Appointment of a preferred joint venture partner for the Waterfront development in Thamesmead, a project that will see the creation of 11,500 homes
- Strategic appraisal of commissioned care and support services to ensure that they can be delivered effectively while maintaining financial viability. In the last 12 months we have consolidated our geographic area of operation by exiting some contracts, ensuring that all transfers and closures are managed carefully so that customers are safeguarded
- Improved attraction and retention of care and support staff as a result of our commitment to paying the Real Living Wage. This has had a positive impact on both service quality and staff wellbeing
- Maximisation of social impact in our community activities by continuing the shift from direct delivery to partnerships with third parties who have the expertise to offer these services more efficiently. This has enabled us to reduce in-house staff costs but maintain social impact
- Negotiation of a loan facility with a new lender to the Group that links social outcomes to a reduced margin on the loan
- Realisation of significant savings from the re-tendering of utility services compared with the incumbent contract.
- Continued rationalisation of the Group's corporate structure to reduce the time and cost to administer its activities

What do we want to achieve in 2019/20 and beyond?

Our Group Strategy 2019-2022 outlines our approach to achieving our core objectives. Fundamentally, we recognise that we need to modernise and deliver a better, easier to access and more consistent service to our customers across every area of our business.

Our plans include:

- Re-procuring our external repairs and maintenance contracts. The new contracts will be 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
- Continuing the expansion of our in-house repairs and maintenance service, reducing the use of subcontractors to drive costs down and deliver higher customer satisfaction
- Completing the rollout of the new Asset Appraisal Model to all areas of the business, including community and commercial assets
- Looking in detail at alternative options for development procurement and construction to improve both cost and quality, including how we incorporate digital construction across our programme
- Developing a new commercial property strategy for our estate in Thamesmead
- Developing new business opportunities with health partners including a step-down hospital discharge service that will help drive NHS savings
- Promoting the work of the Centre for Excellence in Community Investment to increase the impact of community investment across the sector
- Broadening our investor base to reduce risk and to access potentially cheaper finance, including recognised Environmental, Social and Governance (ESG) metrics
- Developing a strategic approach to the automation of back-office processes to reduce handling costs and improve accuracy in high-volume, labour-intensive activities
- Completing the rollout of a new HR system and the consolidation of our HR shared services function to centralise and improve our internal service

We have designed a value framework to identify, define and track the value that we are delivering to the organisation through integration and modernisation, whether those benefits are financial or non-financial. It has been established to help us guide the success of future change and understand the full return on investment. The framework is aligned to our strategic objectives as well as to People First and it is designed to be flexible so that each directorate can shape an individual approach that works for them.

How did we use the value we have created?

All financial savings bolster our surpluses and are reinvested back to further our Group mission. Last year we built 1,103 new homes and we are planning to build 3,300 homes per year from 2021 (including 800 by Town and Country Housing). We also spent £27 million on fire and related safety works, of which £19 million was long-term capital investment.

The newly enlarged Group will invest £270 million over the next three years to improve the quality and fire safety of our existing properties allowing our residents to live in safe, enjoyable communities.

Our Communities team has generated £5.71 in social return for every £1 invested in employment training. We have generated a £1.2 million return on an investment of £0.3 million in volunteering activities and have raised over £1.6 million in external funding to bring added value to our community programme.

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/

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 on the next page shows our performance relative to our peers using both the Sector Scorecard and the regulatory metrics:

	Peabody 2018/19	Peabody 2017/18	G15 average 2017/18
Business health			
1. Operating margin (overall, excluding disposals)*	26%	28%	27%
2. Operating margin (social housing lettings)	32%	32%	32%
3. EBITDA MRI interest cover % (excluding disposals)*	134%	191%	170%
Development (capacity and supply)			
4a. New supply delivered (social housing units)	815	647	544
4b. New supply delivered (non-social housing units)	288	302	293
5a. New supply delivered % – social housing	1.5%	1.2%	1.4%
5b. New supply delivered % – non-social housing	0.5%	0.6%	-
6. Gearing (excluding investment properties)*	38%	34%	43%
Outcomes delivered			
7. Customer satisfaction (social housing)	73%	75%	77%
8. Reinvestment %	4.1%	4.6%	6.4%
9. Investment in communities	£9m	£6m	£3m
Effective asset management			
10. Return on capital employed	2.6%	3.5%	3.6%
11. Occupancy	98.7%	99.8%	99.5%
12. Ratio of responsive repairs to planned maintenance	23%	45%	64%
Operating efficiencies			
13. Headline social housing cost per unit	£6,210	£6,096	£5,096
14. Rent collected as % of rent due (GN)	100.5%	99.9%	100%
15. Overhead costs as % of turnover	9%	9%	12%
Metrics set by the RSH			

* These measures are different from those used to manage the business, as annotated.

What do these metrics show us?

Peabody's performance against these metrics is in line with our G15 peers. We plan to reduce our unit costs, with a focus on repairs and maintenance, to move towards the G15 average over the next two years.

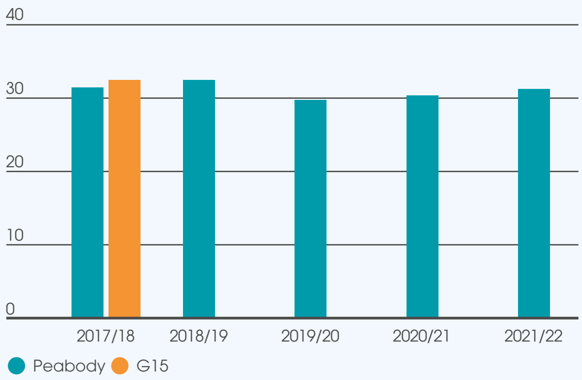
The metrics also show that Peabody's ambitious plans for delivering new homes in London are supported by a strong balance sheet with a low gearing percentage. This will enable us to borrow the funds required to build up to a development programme that will be one of the biggest in the G15.

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 £30 million turnover). Although we regard care and support as a core business, we also consciously separate the personal care and support element from the housing business; when it is excluded, our overall margin rises from 26.4% to 27.9%

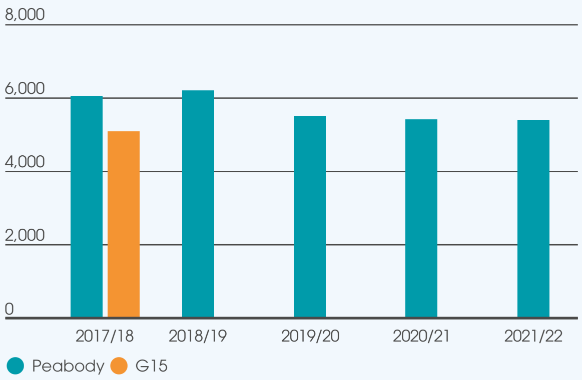
Similarly, we make important discretionary investments in the communities we serve. These investments are mainly funded from our operating surpluses. Excluding these costs sees our operating margin improve from 26.4% to 27.7%. Excluding both care and support and community investment brings our overall margin to 29.5%.

We also examine our interest cover from a different perspective. We focus on our ability to remain within borrowing covenants as set out in our loan agreements, and our risk appetite metrics relate to this capacity. The interest cover metric in our loan agreements differs from the RSH measure. We have comfortable headroom now and moving forward.

Operating margin (social housing) %

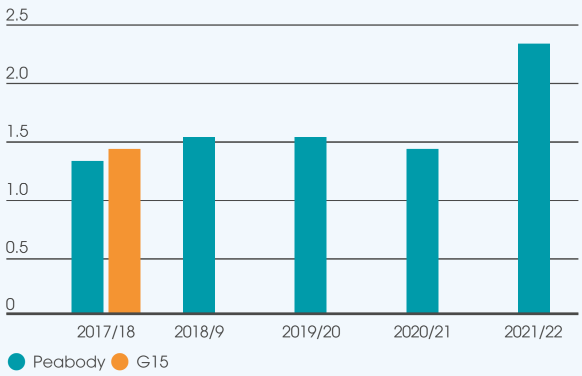


Headline social housing cost / unit (£/a)



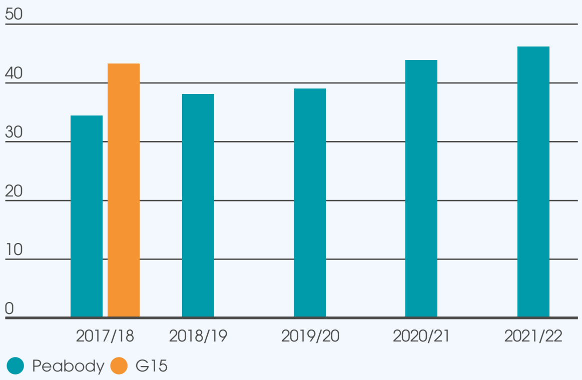
New homes supplied %

Capital investment / housing properties



Gearing (RSH measure)

Net debt / housing properties



Note: charts above show data for Peabody in 2017/18 to 2018/19 and Peabody (including Town and Country Housing) for 2019/20 and beyond.

What do our projected metrics reveal?

Looking ahead, Peabody will be making significant investment into property (including fire safety-related expenditure as well as work at Thamesmead). Savings realised from our target operating model should result in a reduction in social housing cost per unit of c.10% by FY2022. Our gearing will rise in a controlled manner as the development programme ramps up to deliver 3,300 units per year, but remains in line with our peer average. We take a measured and sensible approach to managing financial risk in our development programme, ensuring we can safely and sustainably deliver great new places for our residents to live and our communities to flourish.

Enhancing our risk management approach for Group level growth

Our strategic risk-based position

Our ambitious Group strategy and the four strategic priorities outlined on pages 14 and 15 mean the Group has a high exposure to a range of inherent risks. Our strategic priorities could be impacted by a variety of challenges and we make sure that we have controls in place to manage these and the ability to adapt our plans as necessary.

System of internal control and its purpose

We maintain a sound system of internal control that supports our Group mission and meeting our priorities. In doing so, we safeguard our Group assets and services, our commitments to our stakeholders and public funds.

Our system of internal control is designed to manage risk to a reasonable level rather than taking a completely risk averse approach to eliminate risk. This is because we do not want to stifle innovation, positive change and growth, but take a risk-based approach to business decision-making. We can therefore only provide reasonable and not absolute assurance of effectiveness. Our system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of our Group strategy and priorities;
- evaluate the likelihood of those risks occurring and the impact should they materialise; and
- manage risks effectively, efficiently and economically.

Our risk and control framework

The Peabody Trust Board is responsible for determining the nature and extent of the significant risks it is willing to take and manage in achieving our Group strategic objectives, supported by the Audit and Risk Committee and the Executive Team. Executive Team members are individually responsible for effective risk management within their areas of responsibility. This includes promoting risk awareness and supporting staff in managing risk.

As part of our journey in continuous improvement, we embarked on a transformation programme to review and update our enterprise risk management framework. This ensures it is fit for purpose and is aligned against best practices of risk management. We have adopted the three lines of defence assurance model to support the Group in identifying, assessing and proactively managing risk.

Identifying and managing risks

Our transformation of the enterprise risk management framework this year involved carrying out a strategic review of our Group risks by the senior leadership team. We have consolidated our previous 18 Group risks to nine Group risks which have been approved by Audit and Risk Committee and the Board.

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 the specific three lines of defence was confirmed by our Executive Team and approved by the Audit and Risk Committee.

We have identified Group risk champions and directorate risk champions who act as local ambassadors for risk management. 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).

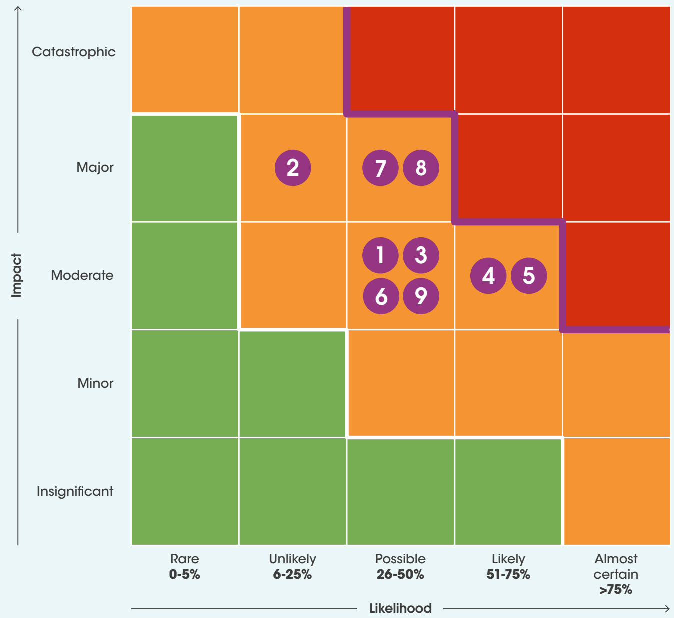
To help us continuously monitor our Group risks exposure, we have incorporated key risk indicators which will help us to build our understanding on whether the risk exposures are reducing, increasing or have not changed. This will enable us to have a robust risk dialogue at the executive level as to what more could and should be done to reduce the risk exposure if necessary.

We have also worked closely with the relevant Executive Directors to develop our understanding and position of the risk appetite (capacity) against the individual Group risks and in consideration of the Group level strategic objectives.

The Audit and Risk Committee and Board have agreed risk appetite statements for each Group risk and we are continuing to develop our thinking in this area in order to further strengthen our approach to fully utilising strategic risk assessment and risk-based intelligence to inform our business decision-making.

Principal risks

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.
2. **Laws and Regulations:** Non-compliance with laws and regulations resulting in significant sanctions or fines.
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.
4. **Information Security and Data Integrity:** Failure to put in place the appropriate protections for security of information and/or integrity of data leading to significant data inaccuracies or information losses, unauthorised disclosures and fines.
5. **Group IT Services:** Failure to maintain and improve the Group IT service, performance, infrastructure and system support resulting in negative impact on business operations and customer service.
6. **Development Targets and Plan:** Failure to deliver our development targets and plan due to operational, third party performance or market issues resulting in loss of investor and stakeholder confidence.
7. **Customer Service:** Failure to listen to customers, meet customer service standards and performance targets resulting in customer harm, regulatory sanction and/or reputational damage.
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.
9. **Major Change Programmes:** The major change programmes of Peabody are not effectively managed and benefits are not realised, resulting in a waste of resources and reputational damage.

Effective leadership with strong governance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1. Bob Kerslake
Lord Kerslake (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. 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.

4. David Hardy
David joined the Board in June 2016. He is Managing Director of the fund management subsidiary of John Laing Group plc. He has over 20 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.

5. Paul Loft
Paul joined the 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.

6. Cath Shaw
Cath joined the Family Mosaic Board in October 2010 and the Peabody Board following merger. She is Deputy Chief Executive of the London Borough of Barnet, working on housing and regeneration, corporate services and commercial partnerships. Prior to joining local government, Cath was a senior civil servant in what is now the Ministry of Housing, Communities & Local Government.

7. June Welcome
June was a resident Board member from 2009 until 2018. She was a founding member and chair of Peabody's Diversity Forum. She worked in social housing for 28 years, and was a trustee on community projects in West Silvertown. June worked with Newham's Peer Support Group for victims of crime in the borough and contributed to Home Office studies on the topic. June stepped down in June 2018 having served the maximum nine-year term.

8. 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.

9. 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.

10. Peter Vernon
Peter joined the Board in April 2015. He is Grosvenor Group's Executive Director with responsibility for its research function, and Chair of its Executive Committee. Peter is a Non-executive Director of the Berkeley Group and has been a Non-executive Director of London First. He was 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.

11. Helen Edwards
Helen joined the Board in July 2016. Helen 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 chairs Recovery Focus and is on the Social Finance Board.

12. 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 18 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.

13. 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.

14. 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.

15. Peter Baffoe
Peter joined the 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 also a member of the British Transport Police Advisory Group and a School Governor, acting as the Link Governor for disadvantaged pupils.

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

* Pippa Aitken and Jennie Daly are members of the PSE Board only, which meets on an overlapping basis with the Peabody Board.

The Board 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 environment.

Overview

Peabody has adopted the principles and provisions of the National Housing Federation ('NHF') Code of Governance – Promoting board excellence for housing associations (2015 edition) and complies with the provisions of the code. 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 Peabody Group ('the Group') follows good practice drawn from supporting guidance. An assessment of compliance with both codes is conducted on at least an annual basis; the last reviews were completed in May 2018 and May 2019.

During the year the Peabody Trust Board ('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 following the in-depth assessment undertaken by the RSH in summer 2018. Peabody was rated as A3 (stable outlook) by Moody's throughout the year.

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 of Governance throughout the financial year. In May 2019, the Board decided, after detailed consideration by the Board and the Nominations and Remuneration Committee of the particular skills and experience provided by three subsidiary board/Group committee members and the future requirements of the Group, to extend the three individuals' terms of office in the Group to beyond nine years in total. Accordingly, revised 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 (both former Family Mosaic Housing board members) also 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.

Expansion, merger and geographic boundary

Following an announcement in November, and subsequent consultation with residents in late 2018, Town and Country Housing ('TCH') joined the Group as a wholly owned subsidiary on 9 May 2019. TCH will remain as a separate landlord within the Peabody Group.

Peabody and TCH will continue to focus on local priorities for their residents. Bringing TCH into the Group is expected to enable TCH to deliver 800 new home starts in Sussex and Kent annually from 2021, which will contribute to Peabody reaching its new homes target of 3,300 a year from 2021.

On 6 February 2019, following consultation with residents and other stakeholders, the Board of Peabody approved the revision of Peabody's charitable objects as set out in its Rules, so as to extend Peabody's geographic area of benefit to approximately 50 miles from the Royal Exchange EC3 (as determined by Local Authority boundaries).

Leadership and control

The Board 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 environment.

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.

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, 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 (formerly Family Mosaic Home Ownership Limited ('FMHO')) and Peabody Enterprises Limited (both development and sales vehicles for residential property), and Charlton Triangle Homes Limited and Old Oak Housing Association Limited (which are local subsidiaries originally owned by Family Mosaic Housing pre-amalgamation).

Simplification of the Group structure post-merger, including the restructure of development subsidiaries, continued throughout 2018/19. Peabody Enterprises Limited was converted to a community benefit society pursuant to Section 115 of the Co-operative and Community Benefit Societies Act 2014 on 6 July 2018.

In August 2018, residents were formally consulted on a proposed transfer of engagements from Peabody Enterprises Limited to FMHO (now Peabody Developments Limited). No issues were raised as a result of this consultation and on 1 April 2019, Peabody Enterprises Limited transferred the whole of its stock, property, assets, liabilities and all engagements to Peabody Developments Limited by way of a statutory transfer of engagements under section 110 of the Co-operative and Community Benefit Societies Act 2014. The activities of Peabody Enterprises Limited will continue to be undertaken by Peabody Developments Limited (a registered society under the Co-operative and Community Benefit Societies Act 2014 and a Registered Provider of social housing), which is now the Peabody Group's primary single developer in London. From 9 May 2019, the Peabody Group also included TCH and its subsidiaries, including Monson Homes Limited, 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 (formerly Family Mosaic Housing Services Limited), a company that provides construction services
- Peabody (Services) Limited, a land servicing company that also provides construction services
- 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 Group structure changes during the last financial year provided further opportunities to enhance governance arrangements to provide greater clarity and efficiency. The Board will keep the corporate structure under review during the year ahead 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 rating and its fully compliant regulatory ratings to continue to inspire business confidence and trust throughout a period of sustained growth.

Stakeholders, transparency and diversity

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 stakeholder engagement is provided in the Strategic Report on pages 8 and 9.

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 Peabody'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.

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 delivers its commitment is available to read on the Peabody website at www.peabody.org.uk.

Board membership

As at 31 March 2019, the Board had 12 members, including two resident board members. The board of the principal subsidiary, PSE, benefits from having a similar composition and operates on an overlapping basis with the Peabody Board with eight 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 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 45. The composition of the boards and executive teams during the financial year ended 31 March 2019 is set out on page 5.

Board selection is aligned to the Board Recruitment and Succession Policy. The policy supports an open and transparent recruitment process during which members of the Board and committees are selected and appointed objectively, based on core skills and competencies, qualification and attributes required, having regard to the inclusion of members with diverse backgrounds, balance of skills, experience and knowledge.

The Board holds dedicated strategy sessions each year. These events focus 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.

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, having due regard for the benefits of diversity and gender balance.

Board members are drawn from diverse backgrounds, bringing together professionals with a range of perspectives to ensure healthy debate with, and challenge of, the Executive Team.

In 2018, Peabody instituted a search for a new resident Board member to replace June Welcome, who had served on the Board for the maximum term of nine years, at the point she stepped down in June 2018. Candidates took part in a question and answer briefing session and two stages of interview. As a result, we were pleased to welcome Peter Baffoe to the Board on 16 May 2018.

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 are held as required.

Board committees

Committees

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

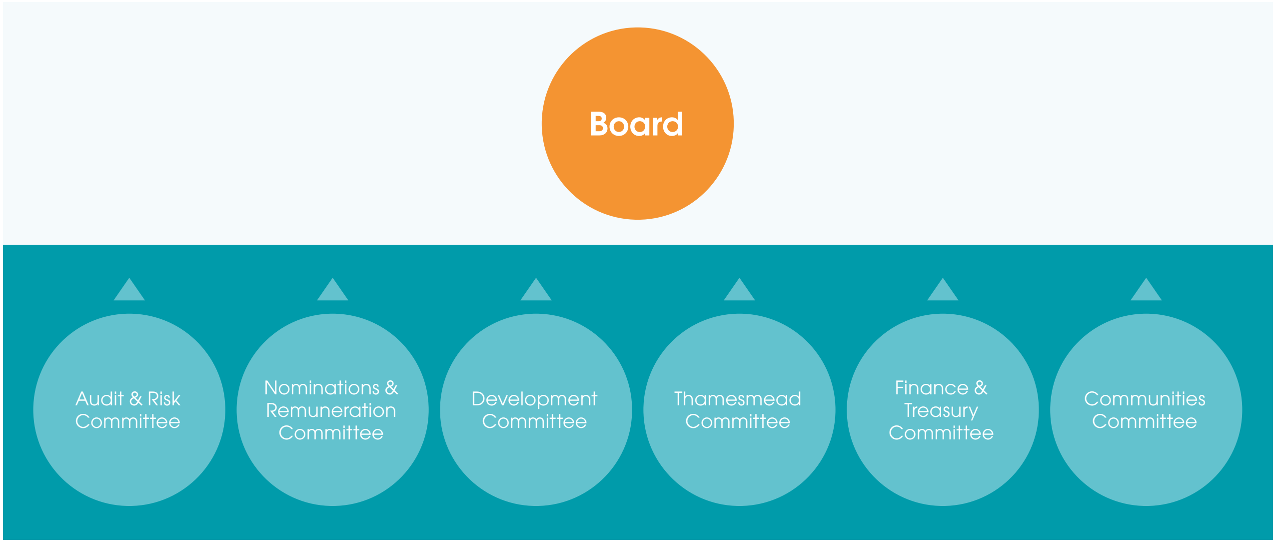
- Audit and Risk Committee
- Nominations and Remuneration Committee
- Development Committee
- Thamesmead Committee
- Finance and Treasury Committee; and
- Communities Committee

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

The Audit and Risk Committee oversees the work of both the external and internal audit function 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, narrative 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.

Joe Seet was recruited to join the Audit and Risk Committee and Finance and Treasury Committee in August 2018. He is a semi-retired specialist advisor to financial services firms on corporate governance, compliance, accounting and tax matters. Joe also has experience in housing and has previously served as a non-executive on a number of board committees within Places for People.

Committee structure



The Nominations and Remuneration Committee oversees the composition and membership of the Board, subsidiary boards and Board committees. It reviews the effectiveness of those 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 Nominations and Remuneration Committee considers remuneration (including Board and committee pay), 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 Nominations and Remuneration 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.

The 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.

The 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.

The 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 to the Board for approval and considers the financial performance, viability and stability of the Group. The Finance and Treasury Committee also reviews the efficiency of the Group, its structure and tax planning arrangements.

The 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.

Board responsibilities

Governance and Compliance

- Reviews of Board performance and effectiveness, governance updates, legal & regulatory issues

Policies

- Health and Safety
- Equality and Diversity
- Peabody Code of Conduct
- Treasury Management Policy
- Risk Management Policy

Customers and Stakeholders

- Resident Involvement Strategy
- Considers resident, customer and other stakeholders' views

Committee membership during the financial year ended 31 March 2019 and up to the date of this report

Board member	Audit & Risk	Finance & Treasury	Development	Thamesmead	Nominations & Remuneration	Communities
Lord Kerslake (Chair)					✓	
Ian Peters (Vice Chair)			✓ (Chair)	✓	✓ (Chair)	
Brendan Sarsfield (Chief Executive)						
Pippa Aitken			✓	✓		
Peter Baffoe						✓
Jennie Daly			✓	✓		
Helen Edwards						✓
David Hardy[1]	✓	✓ (Chair)			✓	
Paul Loft	✓ (Chair)	✓			✓	
Jane Milligan	✓					
Barry McNamara					✓	
Deirdre Moss				✓	✓	✓ (Chair)
Cath Shaw			✓	✓		
Peter Vernon			✓	✓ (Chair)		
Committee members only						
Keith Clancy						✓
Michael Cleaver						✓
Peter Morton	✓	✓				
Catherine O'Kelly						✓
Joe Seet	✓	✓				
Richard Stevens	✓					
Janice Tucker						✓
Michael Verrier[2]		✓				
Mark Dickinson[3]			✓			
Marianne Ismail[3]					✓	
Gaylene Kendall[3]		✓				
Valerie Marshall[3]	✓					

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

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

3 Mark Dickinson, Marianne Ismail, Gaylene Kendall and Valerie Marshall joined the respective committees listed above on TCH joining the Peabody Group on 9 May 2019.

Financials
- Quarterly performance, budgets, forecasts
- Financial risk and treasury reports

Operational Performance
- KPIs
- Complaints review

Peabody Behaviours
- Tone from the top
- Code of Conduct

Board evaluation, induction, development and appraisals

The Board undertakes a formal and rigorous evaluation of its own performance annually.

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.

An external review of the effectiveness of the Boards of Peabody and PSE, and the six Board committees was undertaken by Elaine Sullivan of Manchester Square Partners (an independent consultancy) in April/May 2019. This was supported by self-evaluation questionnaires completed by Peabody Board and PSE board members, committee members and members of principal subsidiary boards. The review process highlighted a number of strengths of the governance framework, including the clarity and alignment on the Board's role and the Group's strategic priorities, the commitment of all board members and the exceptionally strong breadth and depth of complementary skills and experience on the Board, which were well utilised. Areas for continuing focus and review included further strengthening customer voice and insight, balancing strategic transformation and short-term delivery, additional consideration of risk appetite and emerging risks, and providing more opportunity for free flowing debate. The Board has agreed an action plan to address the key areas highlighted in the review.

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 regeneration programme. Board members have opportunities to meet residents and other service users during such visits.

The Board 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. Full disclosure for the financial year 2018/19 is provided in the table opposite:

Full Name	Peabody Board	PSE Board	Committee/ subsidiary boards
Pippa Aitken		£12,000	
Peter Baffoe	£12,000		
Keith Clancy			£7,000
Michael Cleaver			£7,000
Jenny Daly		£12,000	
Helen Edwards	£12,000		
David Hardy	£15,000		
Paul Loft	£15,000		
Peter Morton			£7,000
Deirdre Moss	£15,000		
Ian Peters	£18,000		
Joe Seet (from August 2018)			£4,667
Richard Stevens			£7,000
Janice Tucker			£7,000
Peter Vernon[1]	£15,000		
Michael Verrier			£7,000
June Welcome	£3,000		

1 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.

Barry McNamara, Jane Milligan and Cath Shaw have elected not to receive payments as Board members, and Catherine O'Kelly has elected not to receive pay as a committee member. 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.

Arrangements relating to board and committee members of TCH will be disclosed in the 2019/20 accounts.

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.

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 auditors of the Peabody Group. Therefore, after due consideration of the recommendation of the Audit and Risk Committee at a meeting held on 24 July 2019 and the requirements under section 93 of the Co-operative and Community Benefit Societies Act 2014, the Board reappointed KPMG LLP as auditors of Peabody Trust on 31 July 2019.

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. The Board approved a revised Group Risk Management Policy in February 2019 and in May 2019 the Board approved further revision to its risk appetite statements.

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 nine key risks outlined in its risk register which was approved by the Board on 6 February 2019. 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 2019 at its April 2019 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:

"When taken in aggregate, we do not believe that these risks identified are pervasive to the system of internal control as a whole.

The high-risk findings, in conjunction with the medium-risk findings identified across all other reviews, have a moderate impact upon the effectiveness of the system of internal control during the year.

Given the level of integration ongoing across the Group over the year, we have seen an improvement of internal controls compared to the prior year."

The Committee also met with PwC in a private session on 24 July 2019.

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 twice yearly 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 2019 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's 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 on progress with compliance with GDPR.

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 staff. 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 staff to anti-money laundering roles and has an Anti-Money Laundering Policy, as required by current legislation, and is rolling out training and revised procedures. 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 makes it clear that the Group has zero tolerance for any form of bribery, and anti-bribery training is provided to all staff.

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 2018 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 reviewed Group Risk Register
- 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
- formal recruitment, retention, training and development policies for all staff
- formal Board evaluation and appraisal procedures;
- an annual review of compliance with the NHF Code of Governance
- established authorisation and appraisal procedures for significant new initiatives and commitments
- Committee approved internal audit plan and internal audit reporting at Committee meetings
- approval by the appropriate committee or Board of key policies
- regular reporting to the Audit and Risk Committee and Board of risk information
- 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
- regular updates and reporting by the external auditor
- regular reporting to the appropriate committee on key business issues, objectives, targets and outcomes
- regular monitoring of loan covenants and requirements for loan facilities
- twice-yearly self-assessment by management of effectiveness of controls tailored to evidence key-control status
- Chief Executive's assurance to the 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
- regular updates of key legislation changes to senior managers
- periodic review and assessment of compliance with the RSH regulatory standards; and
- clearly defined responsibilities for compliance with the RSH regulatory standards

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 2018 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.

Statement of Board's responsibilities in respect of the Board's report and the 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 2015. 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
31 July 2019

Opinion

We have audited the financial statements of Peabody ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the 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 2019 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 2015

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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as impairment to stock and fixed assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group and the association's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group and the association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a housing association and this is particularly the case in relation to Brexit.

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's business model, including the impact of Brexit, 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 Board's Strategic Report and the Statement on Internal Financial Controls. 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.

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 57, 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.

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
Canary Wharf
London E14 5GL

31 July 2019

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Turnover	3.1	565	389	609	420
Operating costs	3.1	(416)	(283)	(439)	(298)
Surplus on sale of fixed assets	7	24	22	42	42
Operating surplus	3.1/8	**173**	**128**	**212**	**164**
Interest receivable and similar income	9	–	28	–	15
Interest payable and similar charges	10	(60)	(82)	(58)	(66)
Change in value of investment property	16	35	23	21	12
Share of operating profit of joint ventures	20	–	–	–	-
Charitable donation within the Group	11	–	–	–	(18)
Surplus before taxation		**148**	**97**	**175**	**107**
Gift aid and charitable donations	11	–	35	–	44
Taxation on surplus on ordinary activities	12	–	–	–	-
Surplus for the year		**148**	**132**	**175**	**151**
Other comprehensive income					
Pension scheme actuarial gain/(loss)	31	(8)	(8)	13	12
Release of hedged instrument	10	–	–	(4)	(4)
		(8)	(8)	9	8
Total comprehensive income for the year		**140**	**124**	**184**	**159**

All operations are continuing.

These financial statements were approved by the Board on 31 July 2019 and signed on their behalf by:

Lord Kerslake
Chair

Brendan Sarsfield
Chief Executive

Sarah Cameron
Secretary

STATEMENT OF FINANCIAL POSITION

	Note	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Non-current assets					
Intangible assets	13	19	19	14	14
Tangible fixed assets – housing	14	5,426	5,004	5,267	4,801
Other tangible fixed assets	15	68	42	66	44
Total fixed assets		**5,513**	**5,065**	**5,347**	**4,859**
Investment properties	16	462	266	405	233
Other investments	17	4	9	4	12
Homebuy loans receivable	18	4	–	4	–
Starter Homes Initiative investment	19	7	7	7	7
Investment in joint ventures	20	14	–	2	–
Total investments		**491**	**282**	**422**	**252**
Debtors due in more than one year	21	1	527	1	429
Total non-current assets		**6,005**	**5,874**	**5,770**	**5,540**
Current assets					
Stock	22	586	41	369	20
Debtors due in less than one year	23	73	397	60	292
Cash and cash equivalents		132	91	117	96
Total current assets		**791**	**529**	**546**	**408**
Creditors: amounts falling due within one year	24	(212)	(172)	(203)	(112)
Net current assets		**579**	**357**	343	296
Total assets less current liabilities		**6,584**	**6,231**	**6,113**	**5,836**
Creditors: amounts falling due after more than one year	25	(3,647)	(3,503)	(3,347)	(3,251)
Provisions for liabilities and charges	30	(24)	–	(17)	–
Pension liabilities	31	(96)	(95)	(72)	(71)
		(3,767)	**(3,598)**	(3,436)	(3,322)
Net assets		**2,817**	**2,633**	**2,677**	**2,514**
Income and expenditure reserve		2,094	1,910	1,954	1,791
Revaluation reserve		723	723	723	723
Cash flow hedge reserve		–	–	–	–
Net assets		**2,817**	**2,633**	**2,677**	**2,514**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on 31 July 2019 and signed on their behalf by:

Lord Kerslake
Chair

Brendan Sarsfield
Chief Executive

Sarah Cameron
Secretary

STATEMENT OF CHANGES IN EQUITY

Group	Note	Revenue reserve £m	Revaluation reserve £m	**Total reserves £m**
Balance at 1 April 2018		1,954	723	**2,677**
Surplus for the year		148	–	148
Pension scheme actuarial gain	31	(8)	–	(8)
Total comprehensive income for the year		**140**	**-**	**140**
Transfer between reserves		–	–	–
Balance at 31 March 2019		**2,094**	**723**	**2,817**

Peabody	Note	Revenue reserve £m	Revaluation reserve £m	**Total reserves £m**
Balance at 1 April 2018		1,791	723	**2,514**
Surplus for the year		132	–	132
Pension scheme actuarial gain	31	(8)	–	(8)
Total comprehensive income for the year		**124**	**-**	**124**
Change in investment in subsidiaries	17	(5)	–	(5)
Transfer between reserves		–	–	–
Balance at 31 March 2019		**1,910**	**723**	**2,633**

Peabody Trust has £11 share capital (2018: £11). The shares carry no rights to a dividend, or provision for redemption or a distribution on winding up. The shares carry voting rights for General Meetings and all shareholders from time to time are Non-Executive Board Members of Peabody Trust.

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.

		Group	
	Note	**2019 £m**	2018 £m
Net cash generated from operating activities	39	**2**	**133**
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	7	40	93
Purchases of intangible fixed assets		(8)	(6)
Purchases of tangible fixed assets		(239)	(216)
Purchases of investment assets		(33)	(20)
Receipt of government grant		42	18
Receipt of non-government grant		–	–
Interest received		–	–
Net cash from investing activities		**(198)**	**(131)**
Cash flows from financing activities			
New bank loans		399	111
Repayment of bank loans		(128)	(85)
Interest paid		(60)	(65)
Net cash used in financing activities		**211**	**(39)**
Net increase/(decrease) in cash and cash equivalents		**15**	**(37)**
Cash and cash equivalents at beginning of year		**117**	**154**
Cash and cash equivalents at end of year		**132**	**117**

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* ('FRS 102'), the Housing SORP 2014: Statement of Recommended Practice for Social Housing Providers ('the SORP'), the Accounting Direction for private registered providers of social housing 2015 ('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 Group's business activities, together with factors likely to affect its future development and position, are set out in the Strategic report of the Board. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, and generate operational cash flows sufficient to finance the Group's day-to-day operations. The Group also has a long-term business plan which shows that it is able to service its debt facilities while continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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.

Combinations that are in subsistence a gift are measured in the Statement of Comprehensive Income at the fair value of assets and liabilities at the combination date.

1.5 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, in hand, deposits and 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.

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

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

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.

Group	Turnover 2019 £m	Operating costs 2019 £m	Operating surplus/ (deficit) 2019 £m	Turnover 2018 £m	Operating costs 2018 £m	Operating surplus/ (deficit) 2018 £m
Social housing lettings	**375**	**(255)**	**120**	**365**	**(250)**	**115**
Other social housing activities						
First tranche shared ownership sales	42	(26)	16	49	(27)	22
Charges for support services	30	(30)	–	31	(28)	3
Other	–	–	–	1	–	1
	72	**(56)**	**16**	**81**	**(55)**	**26**
Non-social housing activities						
Market sale	90	(68)	22	135	(99)	36
Development	2	(6)	(4)	3	(11)	(8)
Community regeneration	2	(9)	(7)	1	(6)	(5)
Other	24	(22)	2	24	(18)	6
	118	**(105)**	**13**	**163**	**(134)**	**29**
Total	**565**	**(416)**	**149**	**609**	**(439)**	**170**
Surplus on sale of fixed assets (see note 7)			24			42
			173			**212**

3.1 Turnover and operating surplus continued

Peabody	Turnover 2019 £m	Operating costs 2019 £m	Operating surplus/ (deficit) 2019 £m	Turnover 2018 £m	Operating costs 2018 £m	Operating surplus/ (deficit) 2018 £m
Social housing lettings	**353**	**(240)**	**113**	**357**	**(243)**	**114**
Other social housing activities						
First tranche shared ownership sales	9	(5)	4	8	(4)	4
Charges for support services	10	(10)	–	31	(28)	3
Other	–	(5)	(5)	–	(3)	(3)
	19	**(20)**	**(1)**	**39**	**(35)**	**4**
Non-social housing activities						
Market sale	0	(1)	(1)	–	–	–
Development	1	(3)	(2)	7	(5)	2
Community regeneration	–	–	–	–	–	–
Other	16	(19)	(3)	17	(15)	2
	17	**(23)**	**(6)**	**24**	**(20)**	**4**
Total	**389**	**(283)**	**106**	**420**	**(298)**	**122**
Surplus on sale of fixed assets (see note 7)			22			42
Total operating surplus			**128**			**164**

3.2 Particulars of turnover and operating costs from social housing lettings

Group	General needs 2019 £m	Supported and older people 2019 £m	Shared ownership 2019 £m	Intermediate rent 2019 £m	Total 2019 £m	Total 2018 £m
Rents receivable	267	21	19	18	325	317
Service charges receivable	18	8	7	1	34	33
Gross rental income	**285**	**29**	**26**	**19**	**359**	**350**
Voids	(3)	(1)	–	–	(4)	(3)
Net rental income	**282**	**28**	**26**	**19**	**355**	**347**
Amortised government grants	11	2	–	1	14	11
Other income	6	–	–	–	6	7
Total turnover from social housing lettings	**299**	**30**	**26**	**20**	**375**	**365**
Service charge costs	(22)	(7)	(7)	(1)	(37)	(28)
Management	(70)	(4)	(5)	(5)	(84)	(90)
Routine maintenance	(23)	(4)	(2)	(1)	(30)	(44)
Cyclical maintenance	(33)	(3)	(4)	(2)	(42)	(30)
Bad debts	(1)	(2)	–	–	(3)	(3)
Depreciation	(50)	(5)	–	(4)	(59)	(55)
Operating costs on social housing lettings	**(199)**	**(25)**	**(18)**	**(13)**	**(255)**	**(250)**
Operating surplus on social housing lettings	**100**	**5**	**8**	**7**	**120**	**115**
Operating margin %	**33%**	**17%**	**31%**	**35%**	**32%**	**32%**

Peabody	General needs 2019 £m	Supported and older people 2019 £m	Shared ownership 2019 £m	Intermediate rent 2019 £m	Total 2019 £m	Total 2018 £m
Rents receivable	255	18	18	17	308	310
Service charges receivable	17	6	7	1	31	31
Gross rental income	**272**	**24**	**25**	**18**	**339**	**341**
Voids	(3)	(1)	–	–	(4)	(2)
Net rental income	**269**	**23**	**25**	**18**	**335**	**339**
Amortised government grants	11	2	–	1	14	10
Revenue grants	–	–	–	–	–	–
Other income	4	–	–	–	4	8
Total turnover from social housing lettings	**284**	**25**	**25**	**19**	**353**	**357**
Service charge costs	(19)	(6)	(7)	(1)	(33)	(27)
Management	(67)	(4)	(5)	(5)	(81)	(84)
Routine maintenance	(22)	(3)	(2)	(1)	(28)	(45)
Cyclical maintenance	(32)	(3)	(3)	(2)	(40)	(30)
Bad debts	(1)	(1)	–	–	(2)	(3)
Depreciation	(48)	(4)	–	(4)	(56)	(54)
Operating costs on social housing lettings	**(189)**	**(21)**	**(17)**	**(13)**	**(240)**	**(243)**
Operating surplus on social housing lettings	95	4	8	6	113	114
Operating margin %	**33%**	**16%**	**32%**	**33%**	**32%**	**32%**

4. Accommodation owned and in management

At 31 March	Group 2019 Units	Peabody 2019 Units	Group 2018 Units	Peabody 2018 Units
Social	37,747	35,059	37,454	34,627
Affordable	2,701	2,669	2,464	2,345
Shared ownership	4,323	4,174	4,143	3,820
Intermediate market rent	1,968	1,968	1,955	1,954
Supported housing	2,927	2,305	2,969	2,350
Leasehold managed	5,142	4,913	4,800	4,319
Non-social housing	664	664	508	421
Total units owned and managed	**55,472**	**51,752**	**54,293**	**49,836**
Managed on behalf of others	397	351	421	194
Total units in management	**55,869**	**52,103**	**54,714**	**50,030**
Units owned managed by others	809	1,531	1,003	1,003
Total	**56,678**	**53,634**	**55,717**	**51,033**

5. Emoluments of Board members and executive officers

Board and committee members received emoluments totalling £179,167 during the year (2018: £nil). Board members were reimbursed expenses totalling £1,134 (2018: £718).

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

	Group 2019 £	Peabody 2019 £	Group 2018 (Restated) £	Peabody 2018 (Restated) £
Total emoluments to Directors and former Directors (including pension contributions and benefits in kind)	**2,114,126**	**1,924,153**	**2,032,141**	**1,653,522**
Highest-paid Director:				
Emoluments paid to the Group Chief Executive	**329,477**	**329,477**	**307,275**	**307,275**

The Chief Executive is no longer a member of the Social Housing Pension Scheme ('SHPS'). The value of employer contributions on behalf of the Chief Executive during the year was therefore £nil (2018: £4,675).

The Chief Executive receives cash in lieu of pension contributions. The cash paid to the Chief Executive in lieu of pension contributions amounted to £23,850 (2018: £17,888).

The Peabody Group Nominations and Remuneration Committee meets at least three times a year and recommends approval of proposed remuneration for the Group Chief Executive to the Peabody Board and sets the remuneration of other members of 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 2019 No.	Peabody 2019 No.	Group 2018 No.	Peabody 2018 No.
Full-time equivalents ('FTE')	**2,698**	**1,796**	**2,672**	**2,524**

FTEs are calculated in terms of the number of hours worked each week. Staff employed are expected to work 35 hours a week.

Employee costs	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Wages and salaries	92	84	94	87
Social security costs	10	9	9	9
Other pension costs	6	5	6	5
Other employee costs	8	8	5	5
	116	**106**	**114**	**106**

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

	Group 2019 No.	**Peabody 2019 No.**	Group 2018 No.	Peabody 2018 No.
£60,001 to £70,000	100	92	83	77
£70,001 to £80,000	34	33	54	53
£80,001 to £90,000	41	38	24	23
£90,001 to £100,000	20	20	17	16
£100,001 to £110,000	9	9	11	10
£110,001 to £120,000	8	8	6	5
£120,001 to £130,000	5	4	6	5
£130,001 to £140,000	4	3	9	8
£140,001 to £150,000	7	5	3	3
£150,001 to £160,000	5	3	3	3
£160,001 to £170,000	3	3	–	–
£170,001 to £180,000	1	–	1	1
£180,001 to £190,000	2	2	3	2
£190,001 to £200,000	3	3	2	2
£200,001 to £210,000	–	–	2	1
£210,001 to £220,000	–	–	1	1
£220,001 to £230,000	1	1	–	–
£230,001 to £240,000	2	2	2	2
£240,001 to £250,000	1	1	2	2
£250,001 to £260,000	1	1	–	–
£300,001 to £310,000	–	–	1	1
£320,001 to £340,000	1	1	–	–
	248	**229**	**230**	**215**

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.

	Group				Peabody			
	Proceeds £m 2019	**Costs £m 2019**	**Surplus £m 2019**	Surplus £m 2018	**Proceeds £m 2019**	**Costs £m 2019**	**Surplus £m 2019**	Surplus £m 2018
Shared ownership	28	(12)	16	21	24	(10)	14	21
Right to buy/right to acquire	1	–	1	1	–	–	–	1
Disposal of housing properties	11	(4)	7	20	11	(4)	7	20
Social Homebuy	–	–	–	–	–	–	–	–
Subsidised housing loan repayment	–	–	–	–	–	–	–	–
Other	–	–	–	–	1	–	1	–
	40	**(16)**	**24**	**42**	**36**	**(14)**	**22**	**42**

8. Operating surplus

	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Operating surplus is stated after charging:				
Depreciation of tangible fixed assets – housing	59	56	54	54
Depreciation of other tangible fixed assets	4	4	4	3
Amortisation of intangible fixed assets	3	3	4	4
Operating lease charges	2	2	2	1
	£'000	**£'000**	£'000	£'000
Auditors' remuneration:				
In their capacity as auditor	384	315	347	282
In respect of non-audit services				
– Other (service charges, treasury)	133	133	61	61

The above audit fee includes VAT. The external audit fee charged by KPMG in 2018/19 was £320k excluding VAT (2017/18: £289k), and £110k for other works (2017/18: £51k).

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 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Other interest receivable and similar income	–	–	–	–
Interest received from Group entities	–	28	–	15
	–	**28**	**–**	**15**

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.

Charged in surplus for the year	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Interest payable on borrowings	86	57	77	61
Interest payable to Group entities	–	31	–	10
Movement in fair value of financial instruments	–	–	–	–
Interest on recycled capital grant fund and disposal proceeds fund	–	–	–	–
Net interest cost on pension scheme (note 31)	2	2	3	3
	88	**90**	**80**	**74**
Less: interest capitalised	(28)	(8)	(22)	(8)
	60	**82**	**58**	**66**
Financing costs charged through other comprehensive income:				
Change in fair value of hedged financial instruments	–	–	(4)	(4)

The last remaining stand-alone hedge instrument held by Peabody Trust for a nominal value of £10m was settled in 2017/18, resulting in the recognition of a £4.2m loss.

11. Gift aid and charitable donations

Charitable donations received/(paid)	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Freshleaf Homes Limited	–	–	–	–
Peabody Enterprises Limited	–	22	–	9
Peabody Group Maintenance Limited	–	–	–	–
Peabody Developments Limited	–	11	–	35
Tilfen Land Limited	–	1	–	1
Family Mosaic Housing Development Company Limited	–	–	–	–
Peabody Construction Limited	–	1	–	–
Family Mosaic Community Foundation	–	–	–	(1)
	–	35	–	44
Other donations				
Peabody South East	–	–	–	(18)
Total gift aid and donations	**–**	**35**	**–**	**26**

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 believes they will crystallise in the foreseeable future.

Analysis of charge/(credit) for the year	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Current tax				
UK corporation tax at 19% (2018: 19%)	–	–	–	–
Adjustment in respect of prior years	–	–	5	–
Total current tax charge/(credit)	–	–	5	–
Deferred tax	–			
Origination and reversal of timing differences	–	–	(5)	–
Adjustments in respect of prior years	–	–	–	–
Effect of tax rate change on opening balance	–	–	–	–
Total deferred tax charge/(credit)	–	–	(5)	–
Tax on surplus on ordinary activities	–	–	–	–

12. Taxation on surplus continued

Reconciliation of tax charge	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Surplus on ordinary activities before taxation	**148**	**97**	**175**	**107**
Tax on surplus at standard corporation tax rate of 19% (2018: 19%)	28	18	33	20
Effects of:				
Non-taxable surplus on charitable activities	(20)	(18)	(31)	(20)
Income not taxable for charitable activities	(3)	–	–	–
Adjustments to current year tax charge	–	–	4	–
Adjustments to deferred tax provision	–	–	(4)	–
Adjustments to tax charge in respect of prior years – current tax	(1)	–	(2)	–
Effective gift aid	(4)	–	–	–
Tax charge/(credit) for the year	**–**	**–**	**–**	**–**

At Summer Budget 2015, the Government announced legislation setting the corporation tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the Government announced a further reduction to the corporation tax main rate for the year starting 1 April 2020, setting the rate at 17%. These rates have been reflected in calculating the deferred tax balance.

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.

	Group Computer software £m	Peabody Computer software £m
Cost		
At 1 April 2018	31	31
Additions	8	8
Disposals	(4)	(4)
At 31 March 2019	**35**	**35**
Amortisation		
At 1 April 2018	17	17
Charge for the year	3	3
Disposals	(4)	(4)
At 31 March 2019	**16**	**16**
Net book value		
At 31 March 2019	**19**	**19**
At 31 March 2018	14	14

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	50 years
Kitchen	20 years
Lift	25 years
Bathroom	25 years
Electrics	30 years
Windows and doors	30 years

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14. Tangible fixed assets – housing continued

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, existing use value – social housing (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.

	Completed properties		Properties under construction		
Group	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	Total £m
Cost					
At 1 April 2018	4,725	473	385	171	5,754
Additions	71	54	98	11	234
Disposals	(8)	(12)	–	–	(20)
Completed schemes in year	103	30	(103)	(30)	–
At 31 March 2019	**4,891**	**545**	**380**	**152**	**5,968**
Depreciation					
At 1 April 2018	466	5	–	–	471
Charge for the year	57	–	–	–	57
Disposals	(2)	–	–	–	(2)
At 31 March 2019	**521**	**5**	**–**	**–**	**526**
Impairment					
At 1 April 2018	4	–	12	–	16
Charge for the year	–	–	–	–	–
At 31 March 2019	**4**	**–**	**12**	**–**	**16**
Net Book Value					
At 31 March 2019	**4,366**	**540**	**368**	**152**	**5,426**
At 31 March 2018	4,255	468	373	171	5,267

Development and major works additions and improvements to housing properties during the year include capitalised interest of £28m (2018: £22m).

A number of potential indicators for impairment were assessed during the year and no impairment charges are deemed necessary.

Properties held for security

Peabody Trust had 25,901 (2018: 25,418) properties with a net book value of £2,085m (2018: £2,047m) and EUV-SH of £2,849m (2018: £2,144m) pledged as security.

	Completed properties		Properties under construction		
Peabody	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	Total £m
Cost					
At 1 April 2018	4,472	458	321	8	5,259
Additions	72	13	129	31	245
Disposals	(7)	(10)	–	–	(17)
Completed schemes in year	103	30	(103)	(30)	–
Transfers between subsidiaries	–	27	–	–	27
At 31 March 2019	**4,640**	**518**	**347**	**9**	**5,514**
Depreciation					
At 1 April 2018	437	5	–	–	442
Charge for the year	54	–	–	–	54
Disposals	(2)	–	–	–	(2)
At 31 March 2019	**489**	**5**	**–**	**–**	**494**
Impairment					
At 1 April 2018	4	–	12	–	16
Charge for the year	–	–	–	–	–
At 31 March 2019	**4**	**–**	**12**	**–**	**16**
Net Book Value					
At 31 March 2019	**4,147**	**513**	**335**	**9**	**5,004**
At 31 March 2018	4,031	453	309	8	4,801

Development and major works additions and improvements to housing properties during the year include capitalised interest of £8m (2018: £8m).

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

15. Other tangible fixed assets continued

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**
Cost					
At 1 April 2018	68	1	10	28	107
Additions	3	–	–	3	6
Disposals	–	–	–	(1)	(1)
At 31 March 2019	**71**	**1**	**10**	**30**	**112**
Depreciation					
At 1 April 2018	16	1	3	21	41
Charge for the year	1	–	–	3	4
Disposals	–	–	–	(1)	(1)
At 31 March 2019	**17**	**1**	**3**	**23**	**44**
Net book value					
At 31 March 2019	**54**	**–**	**7**	**7**	**68**
At 31 March 2018	52	–	7	7	66

Peabody	Freehold offices £m	Leasehold offices £m	Other £m	**Total £m**
Cost				
At 1 April 2018	50	1	18	69
Additions	–	–	2	2
Disposals	–	–	(1)	(1)
At 31 March 2019	**50**	**1**	**19**	**70**
Depreciation				
At 1 April 2018	13	1	11	25
Charge for the year	1	–	3	4
Disposals	–	–	(1)	(1)
At 31 March 2019	**14**	**1**	**13**	**28**
Net book value				
At 31 March 2019	**36**	**–**	**6**	**42**
At 31 March 2018	37	–	7	44

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 properties		Properties under construction			
Group	Commercial £m	Market rent £m	Commercial £m	Market rent £m	Leasehold land £m	**Total £m**
At 1 April 2018	194	158	31	8	14	405
Additions	–	1	8	12	–	21
Surplus on revaluation	14	21	–	–	–	35
Completion	–	8	–	(8)	–	–
Transfers – tangible fixed assets	–	1	–	–	–	1
At 31 March 2019	**208**	**189**	**39**	**12**	**14**	**462**

	Completed properties		Properties under construction			
Peabody	Commercial £m	Market rent £m	Commercial £m	Market rent £m	Leasehold land £m	**Total £m**
At 1 April 2018	84	133	4	–	12	233
Additions	–	1	–	8	–	9
Surplus on revaluation	2	21	–	–	–	23
Completion	–	8	–	(8)	–	–
Transfers – tangible fixed assets	–	1	–	–	–	1
At 31 March 2019	**86**	**164**	**4**	**–**	**12**	**266**

17. Other investments

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Investment in subsidiary undertaking	**–**	**5**	–	8
Deposit investments	**4**	**4**	4	4
Other investments	**–**	**–**	–	–
At 31 March	**4**	**9**	4	12

During 2018/19 Peabody invested £1.2m in Peabody Group Maintenance. The investment in Peabody Enterprises has reduced from £5m to £6 in 2018/19 as a result of its conversion to a community benefit society. See note 35 for a full list of entities within the Peabody Group.

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; and
- 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 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
At 1 April	4	–	5	–
Redemption	–	–	(1)	–
At 31 March	**4**	**–**	**4**	**–**

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 FRS 102.

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

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
At 1 April	7	7	7	7
Transfer from subsidiary	–	–	–	–
Disposals in the year	–	–	–	–
At 31 March	**7**	**7**	**7**	**7**

20. Investment in joint ventures

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake economic activity that is subject to joint control.

Interests in associated undertakings and jointly controlled entities are accounted for using the equity method. An investment is initially recognised at the transaction price and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. In the consolidated Statement of Financial Position, the Group's share of identified net assets is recognised.

Gillender 2 LLP

Peabody Enterprises 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% of the voting rights.

Gillender 2 LLP	**2019 £m**	2018 £m
At 1 April	2	–
Investment in year	2	2
Share of profits	–	–
Dividends	–	–
At 31 March	**4**	**2**

Gillender 2 LLP made a loss of £638k during the year, of which the Group has recognised 50% being £319k (2018: £nil).

Vulcan Wharf LLP

Peabody Developments Limited, a subsidiary of Peabody Trust, signed an agreement in October 2018 with London Square, to purchase Vulcan Wharf LLP.

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

Vulcan Wharf LLP	**2019 £m**	2018 £m
At 1 April	–	–
Investment in year	10	–
Share of profits	–	–
Dividends	–	–
At 31 March	**10**	**–**

Peabody Developments jointly owns Vulcan Wharf Limited and Project Osprey LLP, and Peabody Enterprises owns 50% of MDP Trinity LLP, all dormant development vehicles.

21. Debtors due in more than one year

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Amounts owed by subsidiary undertakings	–	527	–	429
Other debtors	1	–	1	–
	1	**527**	**1**	**429**

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 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Work in progress	547	30	312	5
Properties held for sale	39	11	57	15
Other stocks	–	–	–	–
	586	**41**	**369**	**20**

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 while 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 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Rent and service charges in arrears	34	32	29	28
Less: provision for bad debts	(21)	(19)	(18)	(18)
	13	**13**	11	10
Amounts owed by subsidiary undertakings		348	–	250
Other debtors and prepayments	60	36	49	32
	73	**397**	**60**	**292**

24. Creditors: amounts falling due within one year

Trade and other creditors are recognised at cost with the exception of SHPS deficit funding which is held at valuation (see note 31).

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Trade creditors	28	17	9	27
Recycled capital grant fund (note 27)	11	11	18	17
Disposal proceeds fund (note 28)	1	1	9	8
Amounts owed to subsidiary undertakings	–	6	–	6
Other taxation and social security costs	5	2	5	1
Accruals and other creditors	151	119	154	45
Debt (note 29)	16	16	5	5
SHPS deficit funding (note 31)	–	–	3	3
	212	**172**	**203**	**112**

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

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Grants (note 26)	1,436	1,288	1,391	1,281
Recycled capital grant fund ('RCGF') (note 27)	16	15	14	14
Disposal proceeds fund (note 28)	–	–	1	1
Debt (note 29)	2,183	1,275	1,924	1,357
Amounts owed to subsidiary undertakings (note 29)	–	908	–	568
Deferred consideration	–	17	–	18
SHPS deficit funding (note 31)	–	–	12	12
Other creditors	12	–	5	–
	3,647	**3,503**	**3,347**	**3,251**

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 2014. 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 the Group of approximately £13m and Peabody of approximately £12m is expected to be charged in 2019/20.

	Government grants	Other grants	
Group	Completed properties £m	Completed properties £m	Total £m
Cost			
At 1 April 2018	1,511	16	1,527
Grants received in the year	35	4	39
Grants transferred from RCGF	8	–	8
Grants recycled on disposals	8	–	8
Transfer to subsidiary	4	–	4
At 31 March 2019	**1,566**	**20**	**1,586**
Amortisation			
At 1 April 2018	136	–	136
Amortisation for the year	14	–	14
Disposals	–	–	–
At 31 March 2019	**150**	**-**	**150**
Net grants			
At 31 March 2019	**1,416**	**20**	**1,436**
At 31 March 2018	1,375	16	1,391

26. Grants continued

Peabody	Government grants Completed properties £m	Other grants Completed properties £m	Total £m
Cost			
At 1 April 2018	1,403	5	1,408
Grants received in the year	8	4	12
Grants transferred from RCGF	8	–	8
Grants recycled on disposals	–	–	–
Transfer to subsidiary	–	–	–
At 31 March 2019	**1,419**	**9**	**1,428**
Amortisation			
At 1 April 2018	127	–	127
Amortisation for the year	13	–	13
Disposals	–	–	–
Transfer to subsidiary	–	–	–
At 31 March 2019	**140**	**–**	**140**
Net grants			
At 31 March 2019	**1,279**	**9**	**1,288**
At 31 March 2018	1,276	5	1,281

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 reinvestment. This amount is disclosed separately within creditors. If unused within a three-year period, it will be repayable to Homes England or the Greater London Authority with interest.

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
At 1 April	32	31	41	40
Grant recycled	3	3	6	6
Transfers to other providers	–	–	(3)	(3)
Interest accrued	–	–	–	–
Transfer from/(to) subsidiary	–	(8)	–	–
Withdrawals – schemes started on site	(8)	–	(12)	(12)
At 31 March	**27**	**26**	**32**	**31**

£11m (2018: £18m) of RCGF for both Peabody and the Group is repayable in the 12 months from 1 April 2019 if agreement is not reached to roll forward and use for new development.

28. Disposal proceeds fund

	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
At 1 April	10	9	10	9
Funds recycled	(9)	(8)	–	–
Transfer from/(to) subsidiary	–	–	–	–
Interest accrued	–	–	–	–
At 31 March	**1**	**1**	**10**	**9**

£1m (2018: £9m) of DPF for both Peabody and the Group is repayable in the 12 months from 1 April 2019 if agreement is not reached to roll forward and use for new development. Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

29. Financial instruments

Borrowing

Interest-bearing borrowings, investments and short-term deposits 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. The Group's last remaining stand-alone hedge instrument with a nominal value of £10m was settled in 2017/18. A loss of £4m was recognised in other comprehensive income.

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.

29. Financial instruments continued

(A) Book value of debt

	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Nominal value				
Bank and building society loans	1,246	1,246	1,329	1,329
Private placement senior notes	55	55	40	40
Amounts owed to subsidiary undertaking	–	908	–	567
2043 bond	207	–	207	–
2048 bond	342	–	–	–
2053 bond	359	–	360	–
	2,209	**2,209**	**1,936**	**1,936**
Unamortised issue costs				
Bank and building society loans	(10)	(10)	(6)	(6)
Book value	**2,199**	**2,199**	**1,930**	**1,930**
Fair value				
Bank and building society loans	1,512	1,512	1,260	1,260
Amounts owed to subsidiary undertaking	–	1,143	–	765
2043 bond	282	–	279	–
2048 bond	374	–	–	–
2053 bond	487	–	486	–
	2,655	**2,655**	**2,025**	**2,025**

(B) Maturity of debt

	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Within one year	16	16	5	5
Between one and two years	12	12	14	14
Between two and five years	140	140	116	116
After five years	2,041	2,041	1,801	1,801
	2,209	**2,209**	**1,936**	**1,936**
Issue costs	(10)	(10)	(6)	(6)
Loans	**2,199**	**2,199**	**1,930**	**1,930**

(C) Interest analysis

	Group 2019 £m	Peabody 2019 £m	Group 2018 £m	Peabody 2018 £m
Fixed	1,729	1,729	1,358	1,358
Floating	480	480	578	578
	2,209	**2,209**	**1,936**	**1,936**

Bank and building society loans

The Group's bank and building society loans are secured by specific charges over housing properties. The borrowings bear interest rates of between 0.5% and 11.5% and are repayable in instalments as disclosed in (B) above.

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.

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 meets 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 the Group had total undrawn, fully secured facilities of £907m (2018: £744m) of which £737m is immediately available, £100m retained bonds available to issue and £70m is available as an uncommitted private placement shelf facility. The Group had cash of £132m (2018: £117m)

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.

	Deferred tax liability £m	Other £m	**Group total £m**	Peabody total £m
At 1 April 2018	1	16	17	–
Increase in provision during the year	6	1	7	–
At 31 March 2019	**7**	**17**	**24**	**–**

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.

31. Pension liabilities continued

Peabody Group schemes summary

The Group participates in the London Pensions Fund Authority ('LPFA') scheme for those former Peabody employees who elected to join prior to 31 March 2008. The scheme is now closed to new entrants. The pension cost for the LPFA scheme, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2016. In 2019 the Group's total LPFA scheme service cost was £2m (2018: £2m).

The Group has an ongoing liability for pension commitments under the Social Housing Pension Scheme ('SHPS'), Local Government Pension Scheme ('LGPS') and The Pensions Trust's ('TPT') Growth Plan. SHPS was closed to all staff from 1 April 2015. The Group participates in four LGPS schemes: Hammersmith & Fulham, Havering, Waltham Forest and West Sussex. The West Sussex scheme was transferred to the local authority in July 2018 and there is no ongoing liability for Peabody.

TPT's Growth Plan ('the Plan') is for voluntary contributions. The Plan is funded and is not contracted out of the State scheme. It is a multi-employer pension plan. The Plan is in deficit and the company has recognised a liability of £91k (2018: £105k) for the deficit.

Until 31 March 2016, the Peabody Community Foundation also participated in the Pensions Trust CARE scheme ('the Scheme'), which is a funded multi-employer defined benefit scheme. The overall provision of the scheme at 31 March 2019 is £455k (2018: £482k). 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 LPFA, SHPS and CARE schemes has been recognised in the year.

The Group has reviewed the impact of GMP Equalisation in respect of its three Local Government Pension Schemes and identified that a range of approaches has been adopted by the scheme actuaries for those schemes. These approaches range from a detailed assessment of the impact of the requirements in 2019 through to limited recognition of the impact as the scheme actuaries wait for guidance from the Government on the methodology to be applied in calculating the full liability. No further adjustments have been made to the present value of obligations (£10m) as the effect is not considered material.

In 2018/19 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'). The impact is not deemed material to the Group's pension schemes.

Current Peabody employees are able to join the defined contribution scheme operated by Legal & General. The assets of this scheme 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

Peabody Group

	LPFA £m	SHPS £m	LGPS £m	**Total £m**
Present value of the defined benefit obligation	193	115	10	318
Fair value of the fund assets (bid value)	(128)	(85)	(9)	(222)
Present value of provisions	**65**	**30**	**1**	**96**
Pension scheme actuarial gain/(loss)	8	(17)	1	(8)

Peabody

	LPFA £m	SHPS £m	LGPS £m	**Total £m**
Present value of the defined benefit obligation	191	115	10	316
Fair value of the fund assets (bid value)	(127)	(85)	(9)	(221)
Present value of provisions	**64**	**30**	**1**	**95**
Pension scheme actuarial gain/(loss)	8	(17)	1	(8)

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 consulting actuaries based on an actuarial valuation every three years. The most recent valuation was as at 31 March 2016. These figures are prepared in accordance with our understanding of FRS 102.

The return on the fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 11% (2018: 4%). 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 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Equities	70	69	73	72
Target return portfolio	34	34	27	26
Infrastructure	8	8	5	5
Property	12	12	8	8
Cash	4	4	6	6
Total	**128**	**127**	**119**	**117**

The demographic assumptions are consistent with those used for the formal funding valuation as at 31 March 2018. 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 1.5% p.a.

The assumed life expectations are:	Peabody	Peabody Community Foundation
Retiring today – male	85.4	86.4
Retiring today – female	88.1	88.3
Retiring in 20 years – male	87.2	88.1
Retiring in 20 years – female	89.8	90.0

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2019 under FRS 102 are:

% per annum	Peabody	Peabody Community Foundation
RPI increases	3.4%	3.4%
CPI increases	2.4%	2.4%
Salary increases	3.9%	3.9%
Pension increases	2.4%	2.4%
Discount rate	2.4%	2.4%

Statement of Financial Position as at 31 March:	**Group 2019 £m**	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Present value of the defined benefit obligation	193	191	189	187
Fair value of fund assets (bid value)	(128)	(127)	(119)	(117)
Net defined benefit liability	**65**	**64**	**70**	**70**

The amounts recognised in the Statement of Comprehensive Income are:	**Group 2019 £m**	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Service cost	2	2	2	2
Net interest on the defined benefit liability	2	2	2	2
Administration expenses	–	–	–	–
Total cost	**4**	**4**	**4**	**4**

31. Pension liabilities continued

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	**Group 2019 £m**	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Opening defined benefit obligation	189	187	197	195
Current service cost	3	3	2	2
Interest cost	5	5	5	5
Change in financial assumptions	10	10	(10)	(10)
Change in demographic assumptions	(9)	(9)	–	–
Experience loss/(gain) on defined benefit obligation	–	–	–	–
Estimated benefits paid net of transfer in	(5)	(5)	(5)	(5)
Past service costs, including curtailments	–	–	–	–
Contribution by scheme participants and other employers	–	–	–	–
Unfunded pension payments				–
Transfers from subsidiaries	–	–	–	–
Closing defined benefit obligation	**193**	**191**	**189**	**187**

Reconciliation of opening and closing balances of the fair value of fund assets	**Group 2019 £m**	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Opening fair value of fund assets	119	117	117	115
Interest on assets	3	3	3	3
Return on assets less interest	9	9	2	2
Other actuarial gains/(losses)	–	–	–	–
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)	(4)	(5)	(5)
Transfers from subsidiaries	–	–	–	–
Closing fair value of fund assets	**128**	**127**	119	117
Actual return on plan assets	**12**	**12**	**9**	**9**

Remeasurement of the net defined liability	**Group 2019 £m**	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Return on fund assets in excess of interest	9	9	2	2
Other actuarial gains on asset	–	–	–	–
Change in financial assumptions	(10)	(10)	10	10
Change in demographic assumptions	9	9	–	–
Experience gain/(loss) on defined benefit obligation	–	–	–	–
Remeasurement of the net defined liability	**8**	**8**	**12**	**12**

Projected pension expense for the year to 31 March	Group 2020 £m	Peabody 2020 £m
Service cost	2	2
Net interest on the defined liability (asset)	2	2
Administration expenses	–	–
Total cost	**4**	**4**
Employer contributions	**2**	**2**

SHPS

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 have agreed that additional contributions will be paid, in combination from all employers, to the scheme. This new recovery plan will be effective from 1 April 2019, removing the previous tier system and increasing contributions from £147m to £161m per annum. The aggregate deficit payments made by Peabody Trust were £2.3m in 2018/19 (2018: £2.1m), and will be £2.9m in 2019/20.

SHPS accounting update March 2019

Previously it has not been possible for Peabody to obtain sufficient information to account for the SHPS scheme as a defined benefit scheme. Therefore, the scheme was previously accounted for as a defined contribution scheme, with a liability recognised in creditors. At the 2018 year end the value of this obligation was £15m. The amount recognised was the net present value of the deficit reduction contributions payable under the agreement.

Each year the creditor was adjusted to reflect payments made as well as a nominal financing charge. This nominal charge is calculated using the prevailing rates on good quality long-term corporate bonds. As at 31 March 2018, a rate of 2.55% was used.

From 2018/19 onwards, Peabody's share of the assets and liabilities for the scheme can now be identified by TPT. The pension scheme can now be accounted for using a defined benefit method. As a consequence the SHPS deficit contribution in creditors has been transferred to pension liabilities. The change in accounting method has been recognised as an adjustment in 2018/19 in other comprehensive income, along with a valuation of the scheme as at March 2019.

A reconciliation of the charges posted to the Statement of Comprehensive Income in 2018/19 is as follows:

	Group and Peabody 2019 £m
Initial recognition of multi-employer defined benefit scheme	(9)
Finance charge in 2018/19	(1)
Movement in pension actuarial gain/loss in 2018/19	(7)
Total	**(17)**

A reconciliation of the accounts in the Statement of Financial Position is as follows:

	Group and Peabody 2019 £m	Group and Peabody 2018 £m
SHPS short-term creditor (note 24)	–	3
SHPS long-term creditor (note 25)	–	12
SHPS pension liability	30	–
Total pension liability	**30**	**15**

31. Pension liabilities continued

The estimated asset allocation for the scheme as at 31 March is as follows:

	Group and Peabody 2019 £m	Group and Peabody 2018 £m
Absolute return	7	10
Alternative risk premia	5	3
Corporate bond fund	4	3
Credit relative value	2	–
Distressed opportunities	2	1
Emerging markets debt	3	3
Fund of hedge funds	–	3
Global equity	14	16
Infrastructure	5	2
Insurance-linked securities	2	2
Liability driven investment	31	30
Long lease property	1	–
Net current assets	–	–
Over 15 year gilts	–	–
Private debt	1	1
Property	2	4
Risk sharing	3	1
Secured income	3	3
Total assets	**85**	**82**

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2019 under FRS 102 are:

The assumed life expectations are:	Group and Peabody
Retiring today – male	86.8
Retiring today – female	88.5
Retiring in 20 years – male	88.2
Retiring in 20 years – female	89.7

% per annum	Group and Peabody 2019	Group and Peabody 2018
RPI increases	3.3%	3.2%
CPI increases	2.3%	2.2%
Salary increases	3.3%	3.2%
Discount rate	**2.3%**	**2.6%**

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Group and Peabody 2019 £m
Opening defined benefit obligation	107
Interest cost	3
Actuarial losses due to scheme experience	1
Actuarial losses due to changes in demographic assumptions	–
Actuarial losses due to changes in financial assumptions	7
Benefits paid and expenses	(3)
Closing defined benefit obligation	**115**

Reconciliation of opening and closing balances of the fair value of fund assets	Group and Peabody 2019 £m
Fair value of assets at start of period	82
Interest income	2
Experience on plan assets	2
Change contributions by the employer	2
Benefits paid and expenses	(3)
Fair value of plan assets at end of period	**85**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £4m.

The defined benefit scheme was closed to active members on 31 March 2015.

Local Government Pension Schemes ('LGPS')
All schemes are valued every three years and the most recent actuarial valuations were carried out as at 31 March 2016. 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 actuarial gain for the year on LGPS schemes is £420k (2018: £214k) and is shown in the Statement of Comprehensive Income.

32. Capital commitments

	Group 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Development expenditure contracted for but not provided for within the financial statements	822	236	852	444
Development expenditure authorised by the Board, but not contracted	950	248	621	388
Total commitment	**1,772**	**484**	**1,473**	**832**
Of which:				
Stock commitment	708	–	527	–
Capital commitment	**1,064**	**484**	**946**	**832**
	1,772	**484**	1,473	832

The Group will fund the following commitments from:

	Group 2019 £m	Group 2018 £m
Debt funding available	907	744
Cash available	132	117
Funds to be sourced from future surpluses, debt funding and grant	733	612
Total	**1,772**	1,473

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 2019 £m	**Peabody 2019 £m**	Group 2018 £m	Peabody 2018 £m
Operating leases which expire:				
Within one year	2	2	2	1
In the second to fifth years inclusive	6	2	3	2
Over five years	4	4	3	2
Total	**12**	**8**	**8**	**5**

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 2014. 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 Trust and the Group of £308m (2018: £308m). This contingent liability will be realised if the assets to which the written-off grant relates are disposed.

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. At 31st March 2019 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 (formerly Family Mosaic Housing Services Limited)
- Peabody Developments Limited (formerly Family Mosaic Home Ownership Limited)
- Peabody Enterprises Limited (registered social landlord)
- Peabody Group Maintenance Limited
- Peabody Investment Limited
- Peabody Land Limited
- Peabody (Services) Limited
- Peabody South East (formerly Gateway Sustainable Investments)
- Peabody Waterfront Limited (formerly Family Mosaic Housing 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
- Veridion Park Management Company Limited
- White Hart Triangle Management Limited

* 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 Enterprises Limited, Peabody (Services) Limited, Create Communities Limited, Peabody Developments Limited, Family Mosaic Housing Development Company limited, Peabody Construction Limited and Freshleaf Homes Limited are trading subsidiaries involved in the development and sale of land and private residential property.

Peabody Group Maintenance Limited provides repairs and maintenance services to Peabody.

Peabody Capital plc and Peabody Capital No 2 plc raise finance for use by Peabody Trust and its subsidiaries.

Southmere Village Management Company Limited provides management services for Peabody Trust.

Town and Country Housing and its subsidiaries joined the Group in 2019/20. See Note 38 for further details.

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 the 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 (2018: £34k). 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 them. Their position on the Board does not favour their tenancy agreement, nor allow any preferential treatment.

Defined pension schemes are considered related parties and transactions disclosed in note 31.

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.

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. Peabody owns and manages a number of properties in the Borough and pays Council Tax to the Authority.	(25,198)	7,005
Peter Vernon is a director of the Grosvenor Group which owns freehold interests in a number of Peabody Estates.	(635,658)	(30,077)
Helen Edwards is a director of Richmond Fellowship. Peabody rents properties to the mental health charity.	58,419	4,693
Jane Milligan is an Accountable Officer at Tower Hamlets Clinical Commissioning Group. Peabody provide day care services.	2,185	2,185
Jane Milligan is an Accountable Officer at Hackney Clinical Commissioning Group, who rent rooms at Peabody's facilities.	321	321
Lord Kerslake's daughter is a councillor for Southwark Council. 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.	(32,749)	38,595
Francis Salway is the Chair of London Community Foundation. Peabody provides grant funding to the Charity.	(446,000)	(110,000)
Jennie Daly is a director of Taylor Wimpey Plc. During the year Peabody made payments relating to contracts to purchase affordable homes from Taylor Wimpey PLC of £4,550,000.		
Peter Vernon is a non-executive director of The Berkley Group Holdings Plc. During the year Peabody made payments relating to contracts to purchase affordable homes from The Berkley Group Holdings Plc of £38,415,585.		

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:

	2019 £m	2018 £m
Total cash inflows from non-registered treasury entities of the Group	**33**	27
Total cash outflows to other non-registered entities of the Group	**(14)**	(19)
Total cash inflows from other non-registered entities of the Group	**37**	**38**

38. Post balance sheet events

Peabody Developments Limited

On 1 April 2019, Peabody Enterprises Limited transferred all its activities to Peabody Developments Limited. This transfer of engagements is part of the ongoing work to simplify the Peabody Group structure. No accounting adjustments have been identified affecting the 2018/19 year and there is no impact on the results of the Group arising from the transfer.

For the purposes of the 2018/19 financial year, Peabody Enterprises Limited and Peabody Developments Limited have presented their results as separate legal entities, reflecting the date of the transfer. The first combined Annual Report and Accounts for Peabody Developments Limited will be presented for the year to 31 March 2020 using the merger accounting method.

Peabody Enterprises is expected to be de-registered with the relevant bodies in 2019/20 and will cease to exist.

Town and Country Housing Group

On 9 May 2019, Town and Country Housing Group ('TCHG') joined the Peabody Group as a separate subsidiary. It retains its own Board and Executive Team.

For the purposes of the 2018/19 financial year, Peabody and Town and Country Housing Group have presented their results as separate groups, reflecting the date of the transaction. The first combined Annual Report and Accounts for the enlarged Group will be presented for the year to 31 March 2020. No material adjustments have been identified. The combination will be treated as a gift on acquisition as per section 34 of FRS102.

Old Oak Housing Association

On 26 April 2019, a deed of termination of independence was agreed between Peabody Trust, London Borough of Hammersmith & Fulham, Old Oak Housing Association ('Old Oak') and its tenants.

Old Oak will no longer be a separate subsidiary within the Peabody Group, and is expected to be de-registered with its regulatory bodies in 2019/20. Its trade and activities will continue, with the Peabody Community Foundation undertaking its community operations, and Peabody Trust operating the resident services. For the purposes of the 2018/19 financial year, Old Oak will present a full year's financial results.

Any remaining assets Old Oak possesses at its termination date will be donated to either the Peabody Community Foundation or Peabody Trust. No impact on Group results is expected.

39. Reconciliation of surplus for the year to net cash generated from operating activities

	Note	Group 2019 £m	Group 2018 £m
Cash flows from operating activities			
Surplus for the year		**148**	**175**
Adjustments for:			
Taxation on surplus on ordinary activities	12	–	–
Change in value of investment property	16	(35)	(21)
Net interest payable/(receivable)		64	59
Amortisation of intangible fixed assets	13	3	4
Depreciation of tangible fixed assets		61	58
Amortisation of grants	26	(14)	(12)
Surplus on sales of fixed assets	7	(24)	(42)
(Increase)/decrease in trade and other debtors		(14)	22
(Increase)/decrease in stock	22	(217)	(74)
(Decrease) in trade creditors		(3)	(39)
Increase/(decrease) in provisions		33	3
Taxation paid		–	–
Net cash generated from operating activities		2	133

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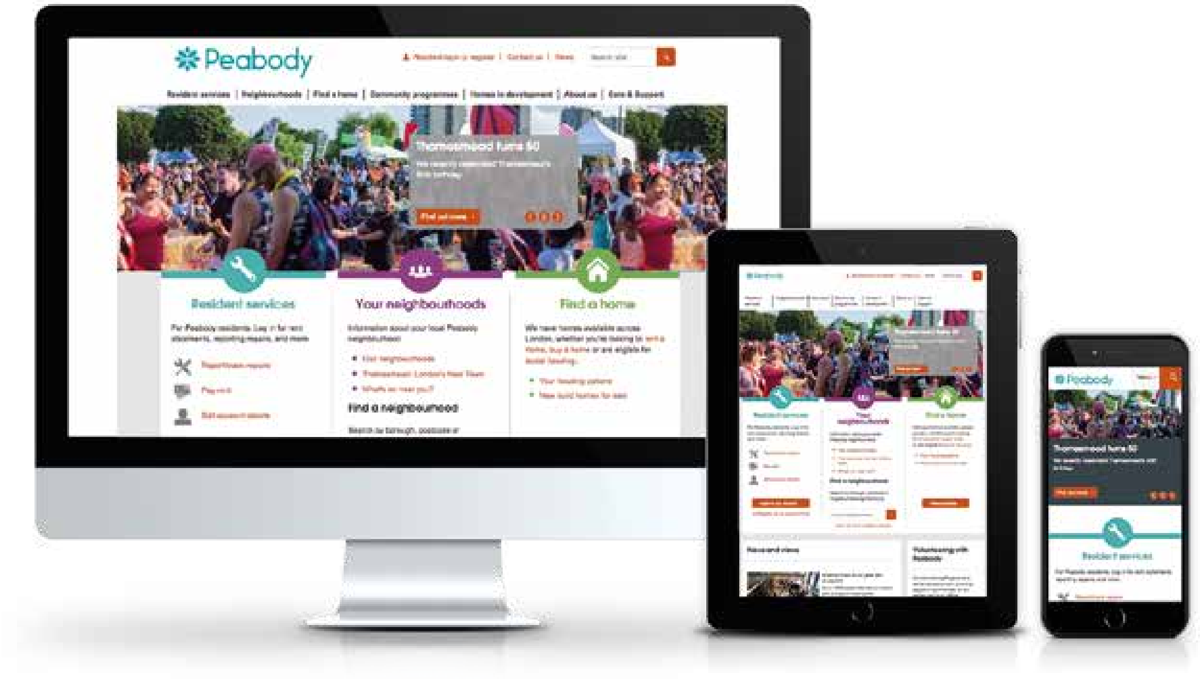

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