Peabody

ANNUAL REPORT AND ACCOUNTS 2022

160 years of Peabody

The Peabody Group is responsible for 68,000 homes across London and the South East.

This year as we celebrate our 160th anniversary, we continue to build on our history, experience and expertise.

OPERATIONAL HIGHLIGHTS

Satisfaction with landlord services*

79%

(2021: 82%)

Satisfaction with landlord services (general needs and housing for older people)

63%

(2021: 67%)

Customers supported via care and support services

16,809

(2021: 15,958)

Value of investment in community activities across the Group

£6m

(2021: £8.0m)

FINANCIAL HIGHLIGHTS

Social rent subsidy**

£478m

(2021: £477m)

Operating Surplus before change in investment property valuation

£213m

(2021: £195m)

Development pipeline

£1.1bn

(2021: £1.4bn)

Gearing (debt: assets at cost)

38%

(2021: 37%)

Credit rating

A3

Moodys (2021: A3)

A-

Standard and Poor's (2021: A)

Total Group assets

£8.8bn

(2021: £8.3bn)

Investment in new homes

£355m

(2021: £304m)

Available debt funding

£4.6bn

(2021: £4.2bn)

Regulatory rating

G1, V2

(2021: G1, V2)

Total Group turnover

£664m

(2021: £630m)

Investment in existing homes

£113m

(2021: £90m)

Unused property security

£2.7bn

(2021: £2.8bn)

* This satisfaction figure is measured by a combination of perception and transactional surveys.

** Annual subsidy of Peabody's rents to the market level.

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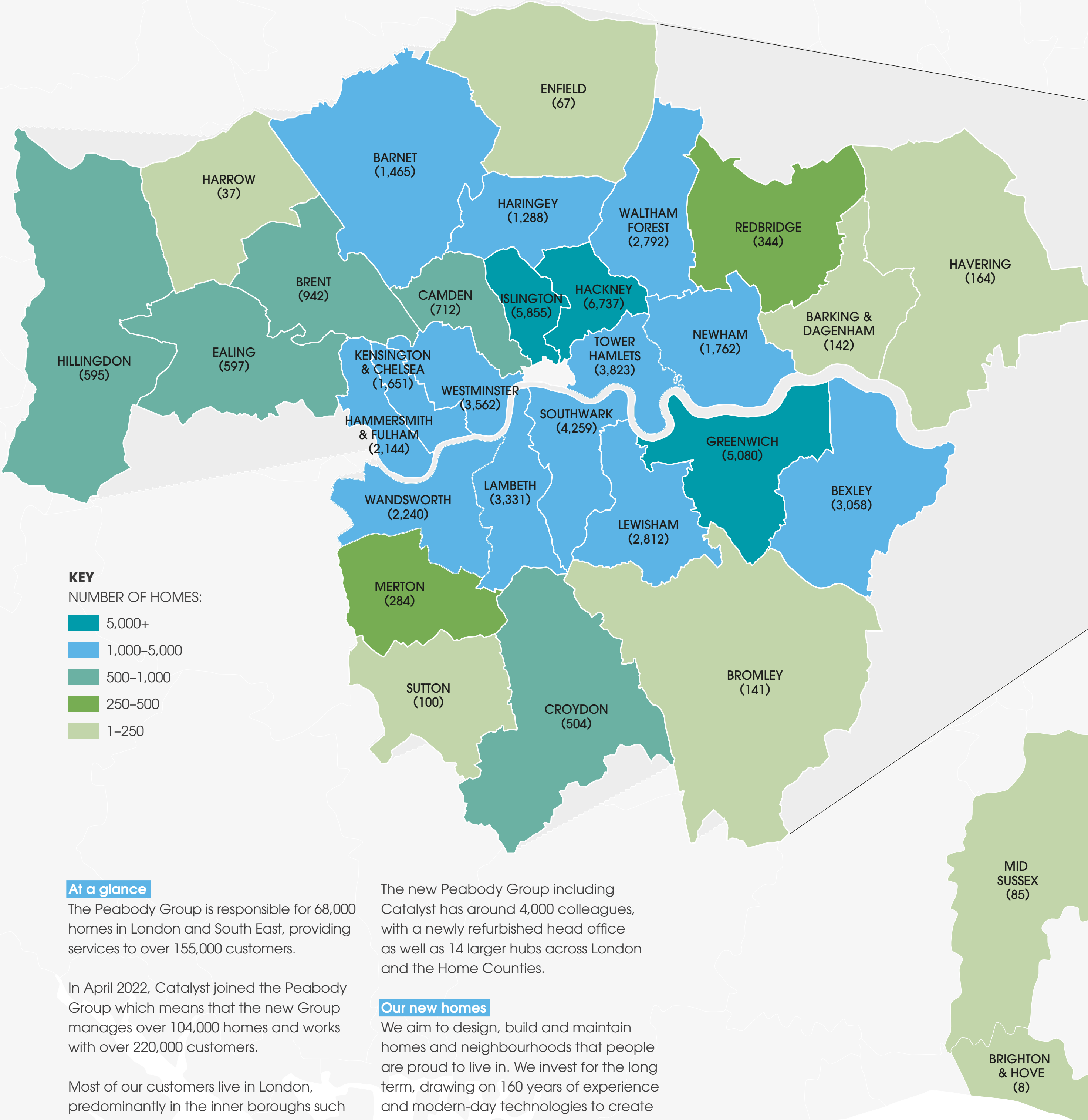
Read more online at *peabody.org.uk*



At a glance

The Peabody Group is responsible for 68,000 homes in London and South East, providing services to over 155,000 customers.

In April 2022, Catalyst joined the Peabody Group which means that the new Group manages over 104,000 homes and works with over 220,000 customers.

Most of our customers live in London, predominantly in the inner boroughs such as Islington, Southwark and Hackney. Many of our sheltered and supported properties remain in the South East, in particular in Essex and Kent.

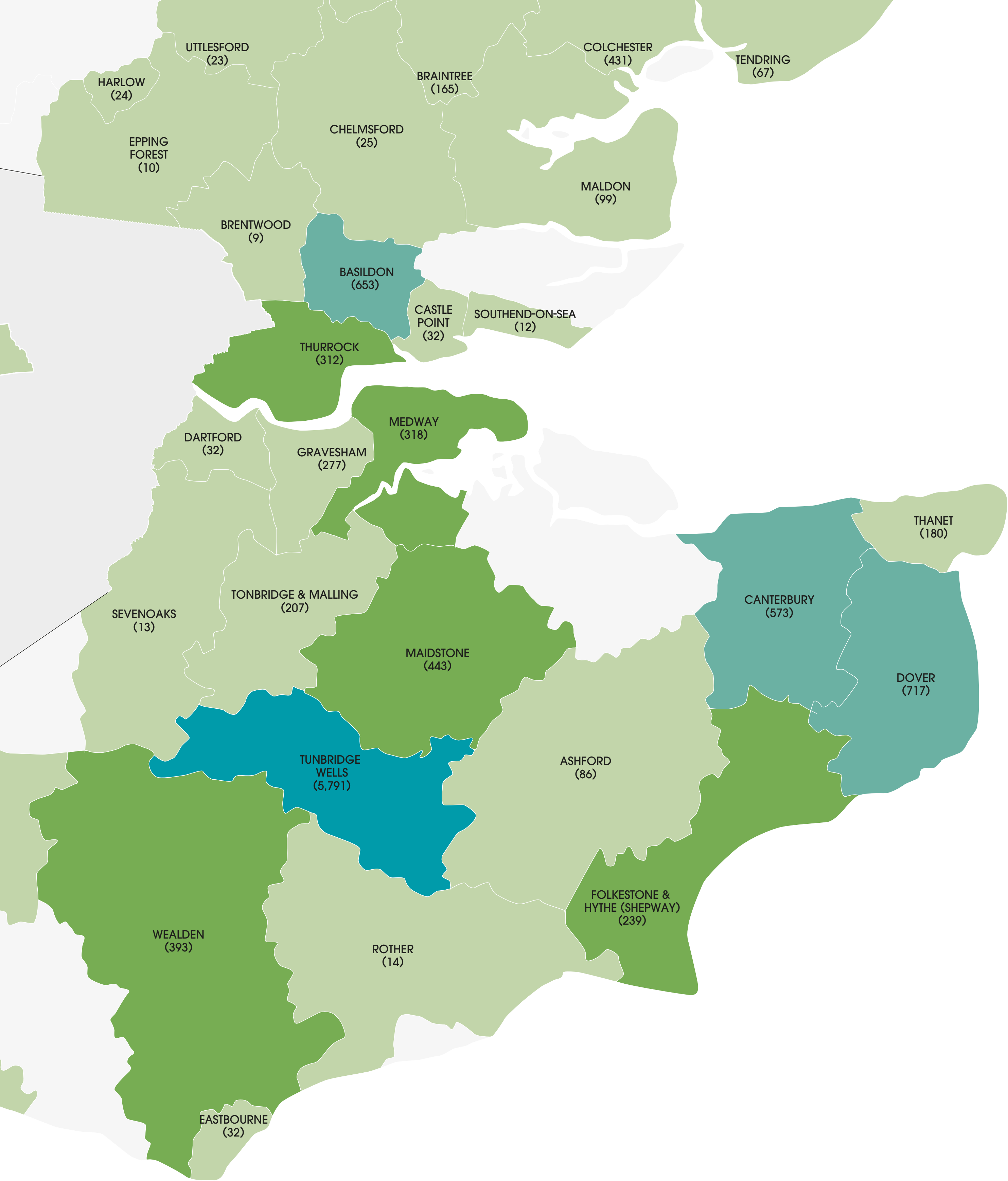
Our new organisation reflects the values and history of Peabody and Catalyst, and by joining together, we'll go further and faster with our plans to improve our services and invest in our homes and communities.

The new Peabody Group including Catalyst has around 4,000 colleagues, with a newly refurbished head office as well as 14 larger hubs across London and the Home Counties.

Our new homes

We aim to design, build and maintain homes and neighbourhoods that people are proud to live in. We invest for the long term, drawing on 160 years of experience and modern-day technologies to create great places where people can make the most of their lives.

We continued to invest in much needed affordable homes this year, with 74% of the new homes we developed for affordable rent and shared ownership. All of our developments are guided by our commitment to sustainability so that they are fit for the future.


UTTLESFORD
(23)
HARLOW
(24)
COLCHESTER
(431)
TENDRING
(67)
BRAINTREE
(165)
EPPING
FOREST
(10)
CHELMSFORD
(25)
MALDON
(99)
BRENTWOOD
(9)
BASILDON
(653)
CASTLE
POINT
(32)
SOUTHEND-ON-SEA
(12)
THURROCK
(312)
MEDWAY
(318)
DARTFORD
(32)
GRAVESHAM
(277)
THANET
(180)
TONBRIDGE & MALLING
(207)
SEVENOAKS
(13)
CANTERBURY
(573)
MAIDSTONE
(443)
DOVER
(717)
TUNBRIDGE
WELLS
(5,791)
ASHFORD
(86)
FOLKESTONE &
HYTHE (SHEPWAY)
(239)
WEALDEN
(393)
ROTHER
(14)
EASTBOURNE
(32)

HELPING PEOPLE TO **MAKE THE MOST** OF THEIR LIVES

GREAT CUSTOMER EXPERIENCE
Co-creating thriving communities through a local focus.

GREAT SOCIAL IMPACT
Creating resilience and preventing homelessness.

GREAT HOMES AND PLACES
Investing and maintaining for the long term.

GREAT PLACE TO WORK
Establishing diverse, inclusive, engaged and creative teams.

Focused on doing more to help people flourish

Our new values

DO THE RIGHT THING

CELEBRATE DIVERSITY

BE KIND

PULL TOGETHER

LOVE NEW IDEAS

KEEP OUR PROMISES

LORD BOB KERSLAKE Chair

Putting customers first
As we mark our 160th anniversary in 2022, I am struck by the enduring legacy of our founder George Peabody. He could not have imagined that his donations of half a million pounds in the 1860s would grow into an organisation with over 100,000 homes across the south of England. Our contribution to the fabric of London, and the social and economic fortunes of its people, is truly significant.

Part of my job as the Chair of the Peabody Group Board is to ensure that the organisation continues to live up to this remarkable legacy. This means putting our values into action every day, investing in our people and homes for the long term, striving to deliver great quality services and providing much more choice and convenience for our customers.

The past year has been one of significant challenge for not-for-profit social landlords, and one of growth and transition for Peabody. We welcomed our new CEO, Ian McDermott, from Catalyst in October 2021 and have appointed our senior leadership team to live our values and drive continuous improvement for the benefit of people living in Peabody neighbourhoods.

I am pleased we have been able to invest more in building safety and planned repairs and maintenance in our homes this year, with a combined spend of £113 million. We have also continued to develop new homes, growing our starts on-site by 36% over the previous year (page 20). We had a very successful, oversubscribed £350 million sustainable bond issue in February 2022, and our performance in terms of our Environmental, Social and Governance impact is a highlight that is bringing great benefits to our communities (page 6).

We are making good progress in Thamesmead, where our 'whole place' approach is delivering tangible improvements. Existing customers in older accommodation are taking the opportunity to move into our brand-new affordable homes close to Southmere Lake this year, and we are pleased to have opened The Nest, which is a superb community building. The team's co-design work with the community ranged from small-scale activities to long-term projects such as the refurbishment of the Moorings Sociable Club and the development of the South Thamesmead Garden Estate.

We joined together with Catalyst on 1 April 2022, with a new strategic business plan. This will make sure that our customers are front and centre of everything we do. As Chair, I am clear that our move towards a more locally-focused organisation that is strongly connected with customers is absolutely the right way forward (page 14).

In this sense, we are closely aligned with the Government's new legislation and regulation, which aims to improve the experience of people living in social housing. I welcome the increased scrutiny and focus on the sector and on making things better. There are significant challenges ahead, but the journey to improve and achieve excellence is one we were already on and represents a real opportunity for us to help people flourish and succeed.

This year's performance is a strong foundation for the new Peabody and our ambitions to be the best we can be for our customers.

Lord Kerslake
Chair
3 August 2022

Reflecting on 2022 with Ian

Having joined together with Catalyst, we have a great opportunity to increase our positive impact

Q. Ian, you joined Peabody in October 2021, halfway through the financial year, what were your early impressions?
There have been some significant challenges since I joined but I have been really impressed with the dedication and professionalism of my colleagues. The organisation is full of people who are committed to the people they serve. Almost every day I have seen examples of great customer service, caring and empathetic exchanges, and work that makes a real positive difference in people s lives.

However the tragic case of Sheila Seleoane highlighted that we also have much work to do, and the need for us to get closer to our customers is clear. For me this has reinforced how much our focus on developing a local approach, backed up by excellent digital services and innovations is the right way to go. What is also clear is that we have shared values and the same aspirations to build on so we can go further and faster for our customers, partners and communities

Q. How has the organisation been managing the current economic challenges and competing priorities for investment over the last year?
Rising prices affect everything we do as an organisation, and of course, economic headwinds make it more challenging and expensive to achieve our objectives. Despite this, we have been able to increase spending on both building safety and in our existing homes in 2021/22.

Of course, rising consumer inflation makes things much more difficult for our customers, so it is vital that we re able to keep driving continuous improvement in our homes and services. We re making good progress on improving the energy efficiency of homes and on customer satisfaction too, and we re continuing to deliver desperately needed new homes and investment in our community programmes.

Q. What does the year ahead look like?
Having joined together with Catalyst, we have a great opportunity to increase our positive impact. Both organisations are deeply committed to our social purpose, robust governance, and putting sustainability at the heart of everything we do. We've both been awarded "Frontrunner" status across all three Environmental, Social and Governance (ESG) dimensions by RITTERWALD for 2022 which provides independent quality assurance on our performance. As one of the largest Not-for-Profit associations in England, we are really well placed to scale up our delivery even more.

We are ambitious for people living in our neighbourhoods and will be more closely connected with them as we drive decision-making down to a much more local level this year. We want to accelerate this, integrate our teams, and ensure that our services and community investment activities are joined-up. We'll be working with customers to design our services and programmes to ensure we get the basics right and help people flourish.

In many ways, this will require a shift in mindset for the organisation, where customers are much more involved with colleagues and vice-versa. I want us to work, learn, develop and grow together which is a bit of a change from a traditional landlord/tenant relationship. We're putting detailed plans in place to begin this journey in the year ahead which is tremendously exciting.

£468m
Investment in new and existing homes

£150m
Surplus

Ian McDermott
Chief Executive
3 August 2022

IAN MCDERMOTT Chief Executive

160 years of Peabody

1879
Peabody starts work with the Metropolitan Board of Works on London's first slum clearance schemes.

1945
The Second World War ends. Bombing has destroyed 30 of our blocks and damaged 80 more. 200 residents and three staff die in the conflict.

1862

1862
George Peabody founds the Peabody Trust.

1914
Outbreak of the First World War. The total number of residents Peabody houses is over 22,000.

1864
The first Peabody estate opens at Spitalfields.

1900
Peabody receives its Royal Charter.

1962
The Queen Mother unveils a plaque marking Peabody's centenary.

1948
Peabody has its own private Act of Parliament pass, extending its activities to a radius of 25 miles from the Royal Exchange in the City of London. This enables us to start post-war reconstruction.

2019
Town and Country Housing joins the Peabody Group.

2022
Catalyst joins the Peabody Group. We now have more than 220,000 customers in over 104,000 homes across London and the Home Counties.

2023

1997
Community Services directorate is created with sole purpose to tackle local poverty.

2019
30-year plan to build 11,500 new homes in the new waterfront district of Thamesmead is unveiled.

2018
Family Mosaic merges with Peabody. Both organisations share a strong social purpose and vision to provide high-quality, affordable housing.

Our ESG at a glance

Sustainability is at the heart of what we do

Leading on robust ESG reporting

We have been at the forefront of ESG reporting within the housing sector, having played a key role in establishing the Sustainability Reporting Standard for Social Housing in 2020 alongside other housing and service providers, investors and other leading organisations. This framework has made it easier for lenders and investors to assess the ESG performance of housing providers. It also provides more opportunity for us all to make positive social and environmental impacts and to improve on these areas over time.

We published our first ESG report in 2021, detailing our performance against 48 metrics which demonstrates our positive impact. As well as sharing the benchmark we use for continuous improvement across the Group, we also set out our approach to embedding sustainability in everything we do.

International recognition for our ESG approach

We have been awarded the Certified Sustainable Housing Label 2022 by leading German consultancy, RITTERWALD. On all three ESG dimensions, we were ranked 'Frontrunner' – the highest possible recognition.

The label is an accreditation recognised by companies and investors across Europe and helps ratify and benchmark Peabody's sustainability performance and ESG credentials. The award follows a rigorous accreditation process with RITTERWALD, assessing our performance against ESG metrics that are aligned with the United Nation's Sustainable Development Goals.

Sustainability-linked loans

We currently have five sustainability-linked loans that provide interest cost savings tied to achieving social and environmental objectives. These include improving the energy efficiency of our homes year on year, increasing the number of electric charging points for colleagues and customers, supporting grassroots organisations through a Social Innovation Fellowship programme, and facilitating more affordable childcare places for working parents.

Our priorities for the year

1. Improving the energy efficiency of our homes
2. Building genuinely affordable homes
3. Reducing our carbon emissions
4. Increasing access to electric charging points

Environmental

As part of our Sustainability Strategy 2021-24, our ambition is to be net zero carbon in our new and existing homes by 2050 and in our day-to-day business activities by 2030. We know that we cannot achieve our targets alone. So, we will work with key local authorities and partners alongside our employees and customers to achieve our sustainability objectives.

74.5%
Homes rated EPC C or above

£2.4m
Grant funding secured to improve existing homes

285
Customers supported to reduce their energy use through our Energy Advice Service

600
Trees planted in new Tiny Forest at Dagenham Green

Social

We provide accommodation to those in greater need through social rented homes that are significantly below market levels. 74% of our newly built homes were for affordable rent and shared ownership. The annual subsidy of Peabody's rents to the market level is over £478 million.

In the last year, we've also invested £6 million in community activities across the Group. This meant that we could support 884 people into jobs and apprenticeships across a range of industries, as well as help 579 people to achieve qualifications.

£1.1m
Grants awarded to support grassroots community organisations

203
Businesses helped to access enterprise support and resources

788
Community members and employees who volunteered for us

884
People supported into jobs and apprenticeships

Environmental, Social and Governance

Governance

Our activities take place within sound governance arrangements which are fit for purpose and ensure we have strong controls. We will seek to maintain fully compliant regulatory ratings to continue to inspire business confidence and trust while we grow in a sustained way. The Peabody Trust Board ('the Board') is responsible for the effective governance of the Peabody Group and has ensured that the Governance Framework of the Group continues to evolve and reflect the changing external and internal economic, risk and regulatory environments.

As part of our commitment to achieving greater diversity on the Board, we've adopted the G15 pledge to achieve an average of 30% Board members being of ethnic minority heritage by 2025.

G1
Rating on Governance from Regulator of Social Housing

How we work

Our inputs

Financial resources
We are an efficient organisation delivering a surplus of £150 million which we reinvest in our homes and communities and to subsidise new homes.

Physical resources
We have an asset base of £8.7 billion and own 68,000 homes across London and the South East.

Following Catalyst joining the Peabody Group in April 2022, our asset base grows to £11 billion with 104,000 homes across London and the Home Counties.

Our people
We have around 3,000 skilled and knowledgeable permanent employees. This becomes nearly 4,000 employees following Catalyst joining the Peabody Group in April 2022.

Our know-how
Our experienced leadership team is well respected among our stakeholders and we have many specialist teams across the organisation.

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

Our strengths

Our income

79%
Social housing activities
(2021: 83%)

5%
Other
(2021: 6%)

16%
Market sales
(2021: 11%)

Our strategic approach
We have an ambitious and transformational agenda for the Peabody Group. We combine local affinity, familiarity and insight with the advantages of scale, resources and influence to deliver on our purpose.

Our ESG approach
We place sustainability at the heart of what we do to mitigate the impact of climate change and play our part in preventing the climate emergency. Our business model enables us to provide good services and value to our customers whilst creating positive change to improve the natural environment and wider society.

What we do

Develop and deliver reliably good modern services

We put the most vulnerable first

What we do with the value we create

Safety
Maintain the safety of our customers and the buildings they live in and use.

£40m

Service
Deliver community services to support our customers.

£6m

Sustainability and supply
Invest in our existing homes to ensure they remain great, safe places to live. Build new, sustainable homes that are easy to maintain and more energy efficient.

£468m

The value we share

Customers
We invested £355 million in developing new homes and £113 million in maintaining our existing homes.

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 flexible, modern workplaces 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 customers.

Community
We invested £6 million across the Group in our community activities.

Environment
We have set a goal and developed a plan to become a net zero carbon organisation by 2050. All of our developments are guided by our commitment to sustainability so that they are fit for the future.

We create great places where people want to live

We build resilience in people and communities

Responsive to changes in the operating environment

Sectoral issues

Market Drivers	About	Our Response	
Building safety	The passage of the Building Safety Act will mean fundamental changes across the sector as the Government responds to systemic issues highlighted by the Grenfell Tower tragedy. A new regulatory regime overseen by the Building Safety Regulator will be created and will change the way developers, including housing associations, operate in future.	We're aligning our practices with the new legislation as well as delivering an extensive programme of investigation and remediation on our existing buildings to remove dangerous cladding. Although a national shortage of fire engineers has posed challenges, we are continuing with all planned activities.	9,883 Health and safety checks completed across all our buildings
The cost-of-living crisis	Inflation and the rising cost of living have continued to impact our customers. Our research (Peabody Index, published in October 2021) has found that 17% of our customers are at substantial risk and 54% are at medium risk of experiencing fuel poverty. We have found that those on pre-payment meters are experiencing the toughest financial challenges. Inflation is also creating cost pressures for the Group, such as increased asset management costs.	We have grown our Financial Inclusion team to support even more customers and will be increasing our Emergency Hardship Fund to £250,000 to support customers in emergency situations with small grants. We've also secured £2.4 million in grant funding to improve our existing homes and to make them more energy efficient. We continue to support people to increase their household income and this year supported 884 people into jobs and apprenticeships.	726 Households supported with fuel assistance vouchers
Social housing regulation	This year has seen significant change to the legal and regulatory environment we operate in, as the Government is due to implement measures set out in the Social Housing White Paper, including a new regulatory approach and the introduction of Tenant Satisfaction Measures to facilitate more transparency about how housing providers are performing.	We've continued to engage our customers in open and honest ways, seeking their input where there is genuine scope for shaping decisions, and at a stage where input will be impactful. We've procured a new online platform to enable quicker consultation and to simplify ways to provide feedback to us. We've also ensured that the new Tenant Satisfaction Measures will be accurately tracked.	19 Customers recruited to join our Strategic Resident Groups
Climate change	Climate change remains the most pressing global challenge and one which we as an organisation and a sector must respond to. The International Panel on Climate Change said in its sixth assessment report in February that urgent action is required to deal with increasing risks.	We're working to ensure our homes are as energy efficient as possible. The average SAP rating for our homes was 72.2, an improvement on our rating of 71.8 in 2021. It also means we have achieved our target as set out in our Sustainability Action Plan.	74.5% Homes rated EPC C or above
Digital technology and transformation	The Covid pandemic accelerated an already rapid trend toward digital connection and reliance on online technologies. Our customers' use of the Internet increased in the pandemic, with 31% of households installing broadband for the first time and a further 11% upgrading their package, as well as many buying new devices.	We have made major improvements to our self-serve portal, My Peabody, which will launch in mid-2022. Customers will be able to make online payments and raise repairs, with additional services to be gradually introduced. We see digital and in-person services being offered simultaneously so that all customers can access what they need, when they need it.	64% Customers find us easy to deal with

Our priorities this year were to help us deliver our mission:

GREAT CUSTOMER EXPERIENCE

co-creating thriving communities through a local focus.

GREAT SOCIAL IMPACT

creating resilience and preventing homelessness.

GREAT HOMES AND PLACES

investing and maintaining for the long term.

GREAT PLACE TO WORK

establishing diverse, inclusive, engaged and creative teams.

Foundations

Information management

Information and data are vital to ensuring we can deliver our priorities. Knowing our customers, understanding their lived experience and using this insight means we can tailor our services to their needs and influence effectively on their behalf. Similarly, knowing our properties and assets means we can make the right decisions about how to make them safe, manage them and invest in them for the long term.

Comprehensive work is underway to ensure we use data effectively and have the right technology and systems to enable good information and insight. Our vision for this work is for people to have access to data which is accurate, consistent, comprehensive, easily accessed, and available at the time it is needed.

Finances and value for money

The fire safety landscape poses many challenges for the housing sector. However, we have a well governed, thoughtful process for working our way through this challenge. Attracting sustainable investment across our development, economic and social activities is essential if we are to achieve our ambitions. We're committed to continuing to be an 'A' grade investment proposition and will reinvest our surplus into helping people make the most of their lives.

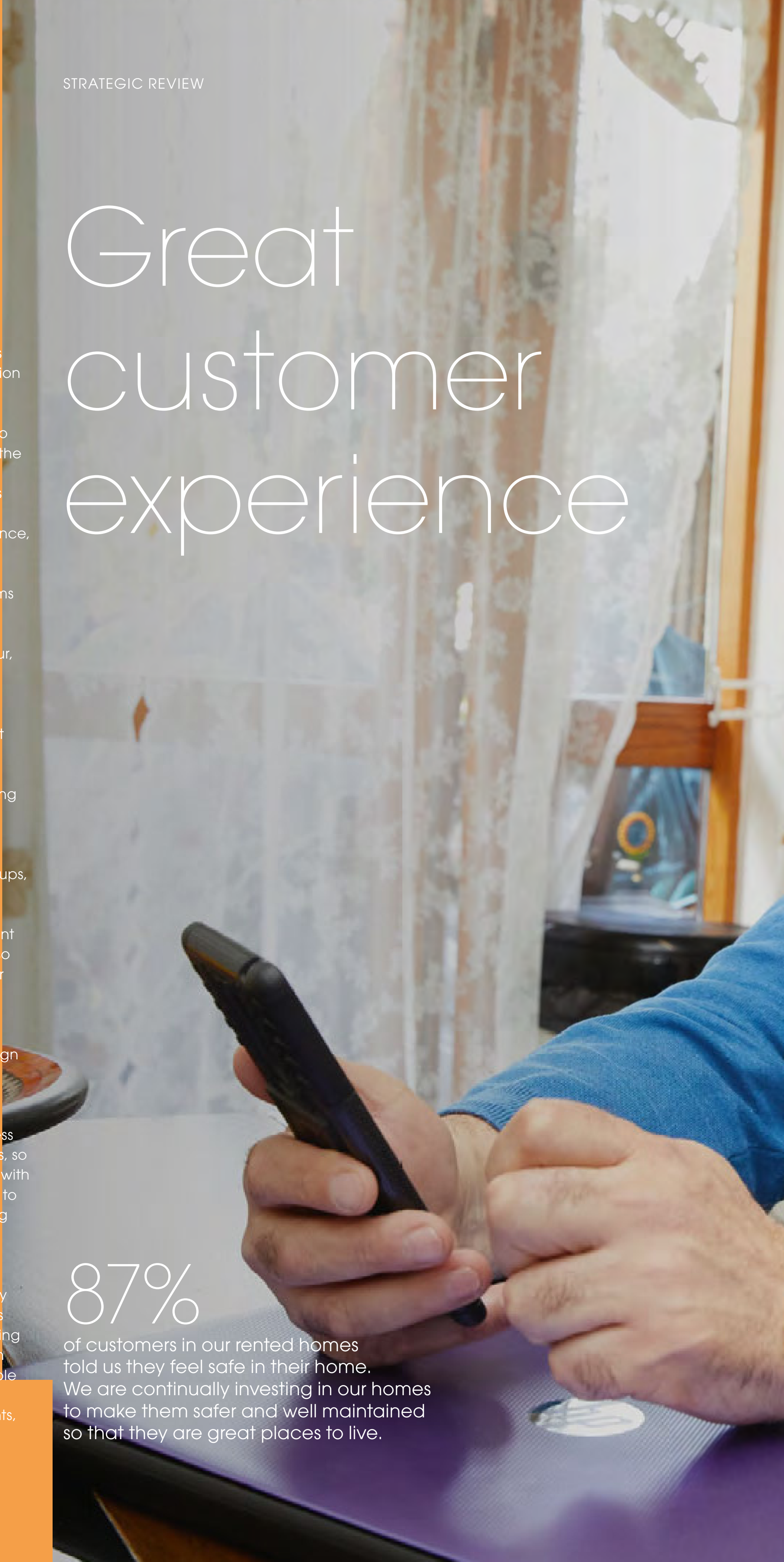
We have launched a new Value for Money Strategy which sets out how we monitor and measure value creation. We will continue to make the best possible use of the resources which are available to us and demonstrate to all of our stakeholders that we have done so.

Protect Peabody

Good governance is crucial to our ambitions. 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 priorities.

Our system of internal control is designed to manage risk to a reasonable level rather than taking a completely risk-averse approach. We don't want to stifle innovation, positive change and growth, and instead choose to take a risk-based approach to decision-making. We have appropriate rules and procedures in place to help us to stay compliant. They cover everything from how we build our homes to how we look after our customers and employees.

Great customer experience



Key objectives

Effortless and caring experience

We aim to offer our customers great services, meaningful involvement in decision making and an effortless experience in getting things done.

In 2022, we completed 142,353 repairs and achieved 79% customer satisfaction with our landlord services. We ve improved response times for reported repairs, including a call back option so that customers don t have to wait on the phone during busy times. 84% of our customers who rent their home told us they feel respected when interacting with us. While this is a strong performance, we will strive to improve.

We ve also embedded specialist teams to deal with complex repairs such as damp and mould issues, as well as sensitive cases of anti social behaviour, safeguarding and domestic abuse.

Customer involvement and influence

We re listening to our customers about what is important to them, with senior managers carrying out regular estate walkabouts, doing Q&As and attending resident meetings.

This year, we also recruited 19 new members to our strategic resident groups, who have helped to shape several new strategies and service delivery frameworks, including our engagement plan for building safety. Customers also helped us to design our new customer focused website, helping to make information easy to find. We are now evolving our approach to work in partnership with customers to co design our services for the new organisation.

New ways to access our services

We want to offer a simple and effortless digital experience to all our customers, so that they can choose how to interact with us. We want customers to find us easy to deal with which is why we re improving our digital services and investing in a more local approach.

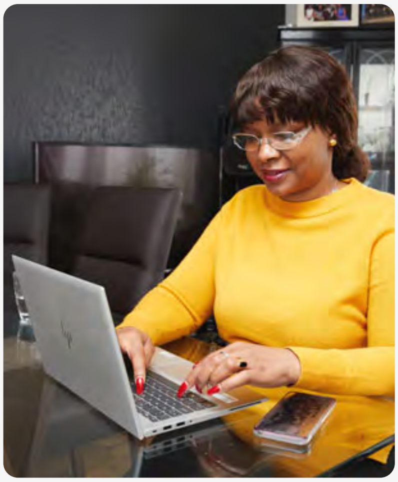
We will also be launching My Peabody in mid-2022. It s a simple and effortless way to access our services online, giving customers control over how and when they access our services. They ll be able to raise and manage a repair, review their rent balance and make payments, as well as update personal details.

87%

of customers in our rented homes told us they feel safe in their home. We are continually investing in our homes to make them safer and well maintained so that they are great places to live.

Case study: You spoke, we listened

We have found new ways of engaging with our customers, using technology to increase our visibility and to better understand their needs. More than 200 people attended our online customer meetings in January 2022. They were able to share their views about services and issues that matter to them. We've followed up on the common themes raised and listened to feedback asking for more opportunities to talk to us about local issues, by holding smaller meetings at different locations. For customers who prefer to speak with us in person, we've continued to meet with them face to face (subject to Covid guidance) either in their homes, at our offices or at our community centres.



Great social impact

Key objectives

Supporting customers through the cost-of-living crisis

Our social purpose is at the heart of everything that we do. Over the past two decades, we have established a successful community programme that continues to grow and adapt to changing community needs.

Over the last year, just as many people have started to recover from the impacts of the pandemic, the cost-of-living crisis has meant that making ends meet has been harder than ever before. Across the Group, we invested £6 million in our community activities in 2022 and continue to work with and support locally-focused partners to maximise our impacts.

A local approach

We have continued to work locally with our partners as part of our place based approach in Islington, Lambeth, Southwark, Hackney, Waltham Forest and Thamesmead. Our focused partnership working in these areas has meant that we have worked closely with local authorities and other strategic partners to develop and provide the services which are truly needed in those areas.

Maximising social value

We ve also started to pilot a new approach to how we can gain even more social value from our procurement contracts to maximise benefits to local communities. Social value is now a key consideration in the procurement of all our large scale contracts with local communities so that they benefit from employment opportunities, funding for grassroots events and projects, volunteering opportunities and much more.

In 2022 we:

- Awarded nearly £1.1 million in grants to support grassroots community organisations
- Worked with and were supported by 788 community and employee volunteers
- Continued to support households to boost their incomes by supporting 884 people into jobs and apprenticeships, as well as helping 579 people achieve qualifications
- 203 businesses were helped to access enterprise support and resources
- Supported customers through our Financial Inclusion team to increase household incomes by £1.9m

Case study: How Rose changed her career and life for the better

Rose owns a shared ownership home with her partner in East London. They were both keen to increase their incomes so they could make their mortgage repayments more comfortably and hopefully to staircase and increase their share of the property.

After getting in touch with her local employment caseworker, everything changed. Rose worked closely with her caseworker to improve her CV and interview skills and was able to quickly find a new role that was better paid and that aligned much more to her career ambitions:

"I can't thank my caseworker enough, I made the best decision to contact her after seeing the service in our local newsletter."

Pictured: Tina, Peabody Employment Caseworker, and Rose, Peabody customer.

Great homes and places

A sustainable future

With rising energy bills and the cost of living crisis, we have been focused on ways to support customers experiencing fuel poverty and to reduce the cost of their energy use. Our Sustainability Strategy 2021 24 sets out our plan to tackle climate change with an ambition to be net zero carbon in our new and existing homes by 2050. We are doing this by improving our existing homes and building all our new homes at average EPC B.

We have secured £785,000 from the Social Housing Decarbonisation Fund to improve 66 homes in Islington, installing insulation and replacing windows where needed. We have also secured grant funding from the Greater London Authority to install solar panels and battery storage on 300 homes in Thamesmead. This will enable residents to capture 60% of the energy generated during the day, allowing them to have free energy in the evenings and save money on their energy bills.

Making green spaces in our communities is important to us as it will help to reduce the impact of climate change and improve the health and wellbeing of our customers. Our Open Spaces Strategy 2021 23 sets out our approach to maximise our open spaces, create vibrant and sustainable neighbourhoods and work with our customers to co design thriving communities.

Key achievements

- 866 new homes completed, of which 74% were for affordable rent and shared ownership
- 1,669 homes started on site and we are on track to start 7,000 homes by March 2023 as part of our partnership with the Greater London Authority
- Over £2.4 million secured in grant funding to improve existing homes
- Gold award won for new homes based on feedback from customers moving into our new build properties
- Received a Special Commendation for National Housing Association of the Year at the National Energy Efficiency Awards for our work in supporting customers to save energy and money off their energy bills
- Installed five Electric Vehicle charging points in Thamesmead (cumulative total of 16) so that we are on track to meet our targets to install 50 across our estates in London over the next four years

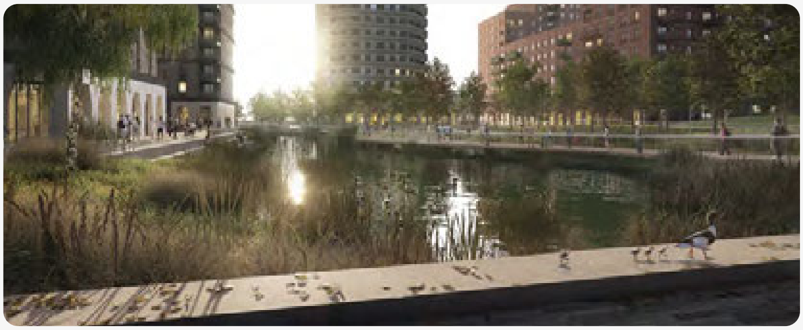
Case study: Southmere, Thamesmead

We've completed the first 130 homes at Southmere in South Thamesmead as part our long-term regeneration of the neighbourhood. We were awarded Best Regeneration Project for our work at Southmere by the Evening Standard New Homes Awards in 2021.

The new affordable homes have been developed alongside a state-of-the-art community building and library called The Nest, a new public square (Cygnet Square) and a range of commercial spaces, as well as an art gallery and events space. Customers also have access to nearby parkland, a children's playground and Southmere Lake. We've invested £2.5 million into enhancing and maintaining the lake, improving the water quality with floating reed beds and a 23-metre high fountain, as well as creating new habitat for wildlife.

We're also investing significantly in Thamesmead's cultural programme, landscape and public realm as part of our wider vision for the neighbourhood. As well as building new homes, we're refurbishing and maintaining existing ones and working with our 45,000 customers to create a better place to live.

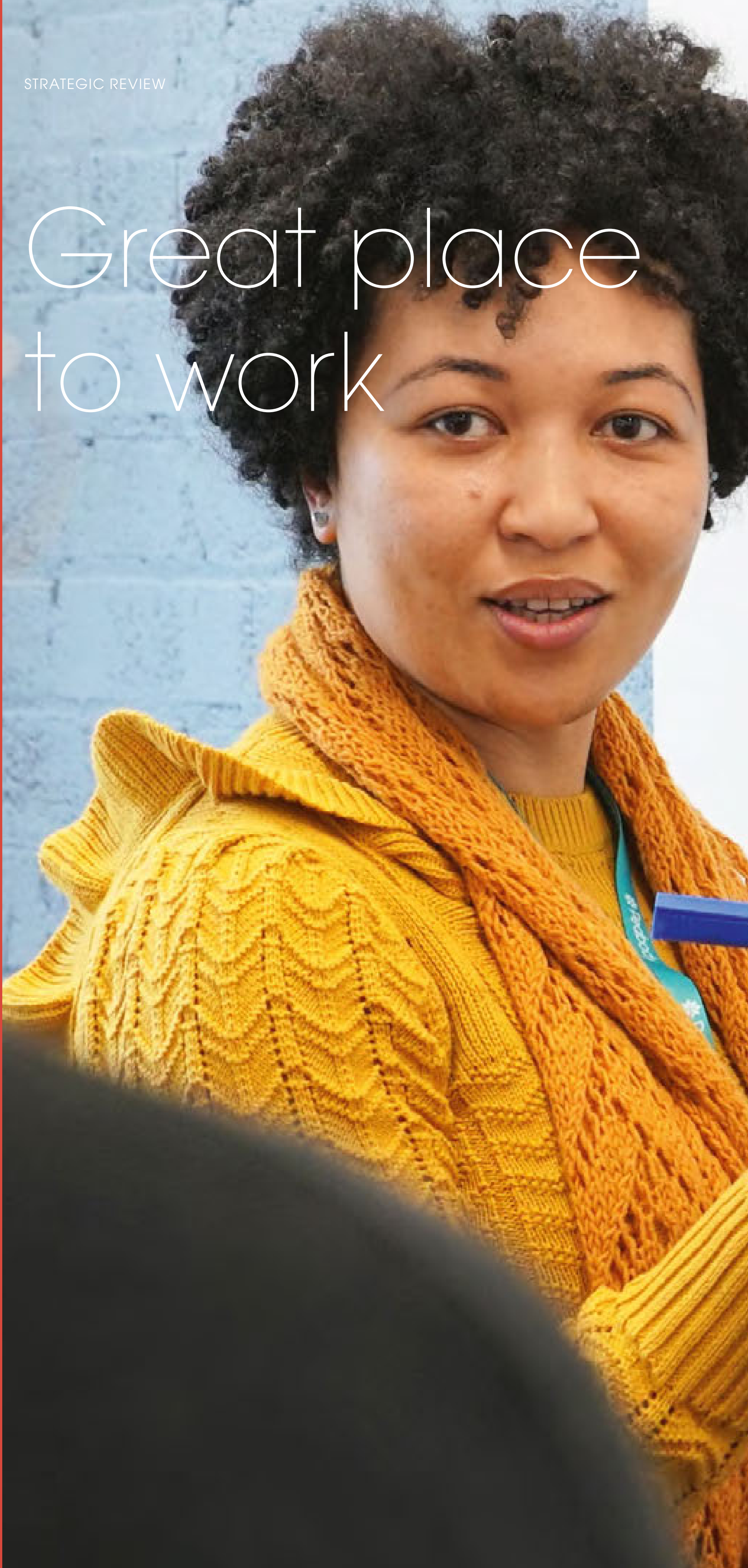
Case study: Dagenham Green



We're working closely with Barking and Dagenham Council, the local community and our partners to create a new sustainable neighbourhood in Dagenham with placemaking at its heart. To be built on the site of the old Ford stamping plant, the mixed tenure development will see over 3,500 new homes, of which 1,550 will be affordable, developed over the coming years. There will be over 10 acres of public realm and landscaping including a central 5-acre urban park and 15,000 sq m of play space.

Our whole place approach to regeneration will ensure the new public realm, biodiverse landscape, shops, amenities and school help Dagenham Green to become a really successful, vibrant new place that's connected with neighbouring communities and to the great opportunities that exist in the borough.

Great place to work



Our people are empowered to deliver services in the best way and have the freedom to be themselves and live our shared values. They have the right tools and technology to enable them to be creative, to collaborate and to effortlessly find the information they need. Our modern workplaces are comfortable and well equipped spaces to drop in, connect and socialise.

Better ways of working

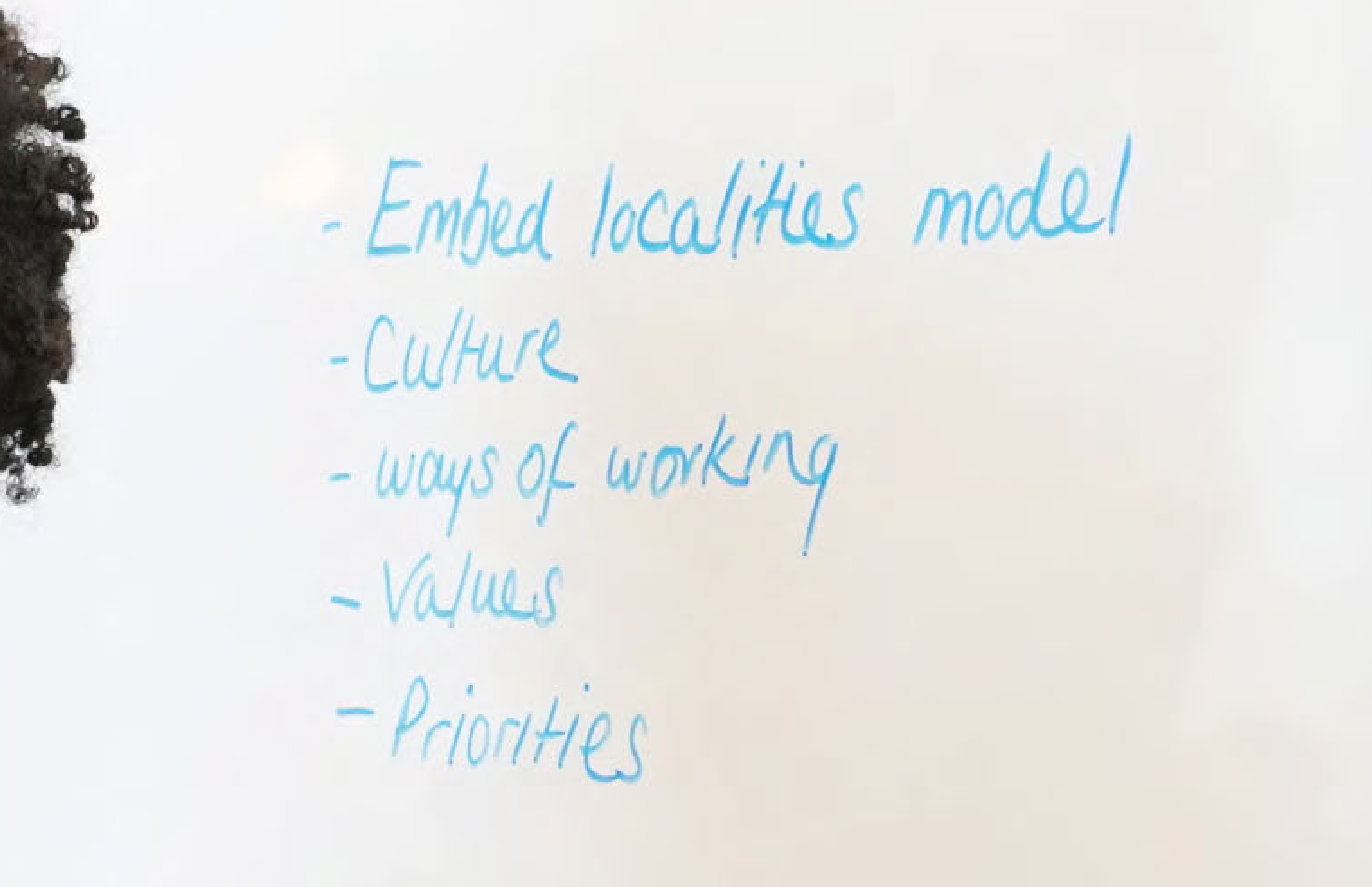
The Covid pandemic changed the way we work almost overnight. For those working with our customers, it showed how essential our role is to support our communities. And for those previously office based, it showed our work is what we do, not where we do it.

Our Better Ways of Working programme focused on finding the best way for all employees to deliver their role and meet the needs of our customers. Instead of being defined by place, teams have focused on their roles and where they can get the best results. For some of our colleagues, this is out in our communities or delivering services, or touching base with colleagues to meet up and collaborate. For others, it is a mix of office, home and community.

Technology and workplaces

We are making flexible and agile working the norm’ and creating a culture and working environment which actively supports innovation and creativity. To do this, we ve provided the right tools, technology and support for our people to do a good job and stay connected regardless of their location.

In the past year, we have invested £2 million in more than 2,000 high spec laptops for all colleagues. We have introduced an internal social network (Workplace by Meta) which gives colleagues the ability to easily connect and communicate online with anyone across the organisation. We ve also completely redesigned our office spaces and welcomed colleagues back to a new, modern headquarters.



Case study: A new modern headquarters

Earlier this year, we welcomed colleagues back into our completely redesigned office spaces, including our new modern headquarters in London.

The space has been designed with collaborative and flexible working in mind, while also meeting sustainability goals with:

- improved insulation through the roof and windows; and
- solar panels which will generate around 12,000 KWh of electricity a year and centralised air conditioning which provides clean air and uses intelligent controls and sensors to adapt to changing outside temperatures and temperature zones within the office.

We have introduced a desk booking system so that colleagues can secure a desk space before coming into the office, and also provide drop-in stations for use between meetings.

Strategic objectives

GREAT CUSTOMER EXPERIENCE

GREAT SOCIAL IMPACT

GREAT HOMES AND PLACES

GREAT PLACE TO WORK

Our 2021/22 performance

KPIs

Satisfaction with landlord services*

2021	82%
2022	79%

Statutory and regulatory asset compliance[1]

2020	99%
2021	99%
2022	99%

Number of practical completions of new homes

2020	1,048
2021	1,176
2022	866

Number of homes started on site

2020	2,380
2021	1,228
2022	1,669

Number of people supported into work or apprenticeships

2020	1,168
2021	536
2022	884

Operating margin

2020	30%
2021	31%
2022	32%

* This satisfaction figure is measured by a combination of perception and transactional surveys.

2020/21 progress and 2021/22 outlook	Key risks	Link to strategic objections
Customer satisfaction with landlord services is 79%. However, we need to work on our perception survey which is at 60%. Our priority for 2023 is to get the basics right and embed our new localities model, which will ensure our local teams are empowered to get things done.	Failure to meet customer service standards and expectations.	
We have safely re-opened all of our offices and community centres. We continue to maintain compliance while protecting the safety of all our customers and employees.	Failure to maintain an effective Health and Safety Management System which supports employees to work and delivery services safely.	
74% of our newly built homes were for affordable rent and shared ownership. Although the number of completions has reduced, this can be partly explained by pressures on construction, supply chain, and logistical issues around the availability of materials. These pressures have affected the development sector more widely.	Non-compliance with laws and regulations, resulting in significant sanctions, losses, fines or reputational damage.	
With a development pipeline for the next five years, our growth aspirations will be focused on medium to long-term opportunities that deliver new homes post 2025. Our focus on the future programme will be around the acquisition and control of large sites, complementing these with shorter-term, lower-risk opportunities.	Failure to maintain and deliver our development programme due to operational, third-party performance or market issues, resulting in loss of investor, stakeholder and customer confidence.	
We continued to assist households to boost their incomes by supporting 884 people into jobs and apprenticeships. The cost-of-living crisis has meant increased pressures on household incomes, with many of our customers interested in boosting their income. Our team of expert employment caseworkers will continue to support customers across our community centres and online to get into employment or find better paid jobs.	Service delivery, including our new locality model, does not meet customers' needs or expectations. There may also be further job losses and recruitment freezes in the wider community, limiting employment opportunities for our customers.	
As we continued to invest in the safety and wellbeing of our existing customers and communities and increase our portfolio to provide more social housing and affordable homes, our operating margin before the movement in investment property valuations has improved to 32%.	With the increased cost-of-living and energy prices in this inflationary environment, our focus is on maintaining rent collections and effective cost control measures to maintain and improve the operating margin. This will ensure our ongoing investment into homes will meet the needs of our customers and sustainability ambitions into the future.	

Working for and with our partners

Customer

Our engagement approach

We're listening to our customers about what is important to them and offering them a choice in ways to engage with us. Our teams meet with customers in their homes, at our offices and across our many community centres. We also offer a range of digital options for customers to interact with us and are continuing to improve our digital services. We are implementing a more local approach with our services.

Key issues

- Building safety, repairs and maintenance
- Fire safety
- Rent and service charges
- Localised services and ease of access to our services

How this affects the Board s decision making

- A new Governance Framework has been adopted which helps strengthen resident voice as part of decision making.
- The Customer Experience Committee ensures that customer focus is embedded within the Group and reviews the model of engagement to make sure that customer voice is being heard and acted upon.
- The Committee advises the Board on compliance with Consumer Standards and Tenant Satisfaction Measures set by the Regulator for Social Housing.
- Customer satisfaction metrics inform our decision making processes. In-depth reviews are conducted where customer satisfaction metrics are unsatisfactory.
- Decisions on our modernisation programme are driven by customer focus, satisfaction indicators and our desire to offer different engagement options.

Employees

Our engagement approach

We connect and engage with our employees across many channels, including our newly launched Meta Workplace platform, intranet, team meetings, regular newsletters and online leadership briefings. Our employee council continues to represent the needs and interests of our colleagues and contributes to the development of many of our policies. Our Meta Workplace platform enables colleagues to collaborate and share stories, including celebrating successes and achievements.

Key issues

- Hybrid working, including flexibility in ways of working
- Promoting and embedding diversity and inclusion
- Health and safety
- Remaining connected with each other and the leadership team

How this affects the Board s decision making

- Employee surveys feed into Board decision making on a range of issues and our 'you said, we did' approach.
- Employee feedback is integral to shaping our proposals on key projects, such as the modernisation programme and Catalyst joining the Group.
- Employees are helping to shape the new Group's culture and values.
- In response to the pandemic and other challenges, the health and wellbeing of employees has been central to the Board's decision making process.

Investors and lenders

Our engagement approach

We look to build a long-term relationship with funders and investors to align objectives and share knowledge and best practice where we can, as well as reviewing financial performance. We believe this is essential for all of us to meet the challenges we face. We're proud to have issued a sustainability bond during the year and have several sustainability-linked loans. The support of our funders has been important through the merger consent process with Catalyst. We've been able to increase our access to funding through that process. Extending and aligning facilities and covenants has provided us with the right platform to deliver on our objectives for the new organisation.

Key issues

- Liquidity, financial viability and strong governance
- Further development and refining of ESG reporting
- Inflation and interest rate management

How this affects the Board s decision making

- Stringent stress testing of our financial plan has guided decisions on delivering strategy, including improving assets within set financial parameters in the future.
- Different funding options, such as Joint Ventures have been considered and utilised where appropriate.
- We have worked closely with investors on issuing our sustainability bond.
- We have also worked with investors, leading housing associations, service providers and other organisations in developing the Sustainable Reporting Standard for Social Housing.

National and local government

Our engagement approach

We work with national, regional and local government for the benefit of our customers and communities. Our approach to management and regeneration seeks to address affordable housing and support needs in partnership with local authorities and the Mayor of London. We play a proactive role as a leading Not-for-Profit housing provider in the UK, representing the views and experience of our customers to government by responding to consultations and calls for evidence on a wide range of issues and policy areas.

Key issues

- Investing in existing homes and services
- Boosting the supply of new affordable homes through placemaking and regeneration
- Building and maintaining strong relationships locally, regionally and nationally
- Delivering as a strategic partner with the Mayor of London and local government
- Communicating the impact of government policies on our customers and the organisation

How this affects the Board s decision making

- Our development decisions are influenced by national, regional and local government engagement.
- Decisions on Thamesmead are developed and guided by engagement with local boroughs, the GLA and the Mayor of London.
- Our membership in the Department for Levelling Up, Housing and Communities Building Safety Programme Working Group informs the Board's decision making.

Regulatory bodies

Our engagement approach

As well as regular meetings with regulatory bodies, we provide returns, surveys and notifications that reflect our plans and performance. These cover areas such as our projected development activity and financial health. We were subject to an In-Depth Assessment by the RSH in early 2021 and have maintained our G1 governance rating and V2 financial viability rating during the year. In May 2022, following Catalyst joining the Group, the RSH issued an interim regulatory judgement confirming these ratings.

Key issues

- Social housing regulation, including value for money and the Social Housing White Paper
- Building regulation and fire safety
- Environmental compliance
- Health and safety
- Listed bond requirements

How this affects the Board s decision making

- The Board promotes legal and regulatory compliance as a key enabler of trust.
- The Board recognises that building safety decisions are driven by engagement with all our partners.
- The Board engages with the RSH on all aspects of compliance, including in the run-up to Catalyst joining the Group, as it is integral to a co-regulatory approach and reviews progress on implementation of Social Housing White Paper recommendations.
- Our Budget, Long Term Financial Plan and Value for Money Strategy are approved in accordance with RSH expectations and engagement.

Other partners

Our engagement approach

We are ambitious for our customers and the wider communities we operate in. Our partnership approach means we work with a wide range of corporate, community organisations, and individuals. Effective partnerships help reduce duplication and better target resources towards programmes that make a difference in people's lives. We also work closely as part of the G15 group of housing associations, think-tanks, researchers and others to scale up and communicate our impact. We are committed to co-design principles, harnessing the skills and expertise of people living in our neighbourhoods.

Key issues

- Foster diverse and sustainable communities
- Help people flourish in partnership
- Maximise the social value of our supply chains and wider networks

How this affects the Board s decision making

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

Building a Great Place to Work

Our focus on equality, diversity and inclusion
In joining together with Catalyst, we want to continue to create a workplace where people understand, respect and celebrate each other's differences. Our foundations for building an inclusive organisation are well established and we'll continue our collective journey with a refreshed vision on what we aim to achieve. To help ensure sustained progress, we have appointed an Executive Director for Care, Supported Housing and Inclusion, who is supported by our dedicated Equality, Diversity and Inclusion team.

Removing barriers to opportunity and closing equality gaps is vital for us to progress as a business. As we establish new services and ways of working, we will use equality impact assessments to make sure we are providing inclusive and accessible services that meet the diverse needs of our customers. The voices of our diverse communities and customers will be key to shaping decisions, improving services and ensuring we deliver high-quality homes. This is why we will ensure our customers have opportunities for meaningful involvement in decision making.

A key priority for us is to take more active steps to improve the gaps and the quality of our workforce and customer diversity data. This will help us to understand the areas where we most need to improve and achieve a diverse organisation representative of the communities we serve.

New ways of working
The pandemic has accelerated the trend to more flexible and hybrid ways of working, particularly for colleagues who were previously office-based. Colleagues are increasingly looking for flexible or hybrid working options and the prospect of less frequent commutes into an office. Flexible working provides a wider and more diverse talent pool, including, for example, those with caring responsibilities.

We've ensured that everyone can collaborate and work in ways that suit them best. Our refurbished, modern workplaces are well-equipped spaces to drop in, connect and socialise, as well as to work and to meet with colleagues and other teams.

Our Better Ways of Working programme focused on finding the best way for everyone to deliver their role and to meet the needs of our customers. We've not defined how individuals and teams should do this, and instead have supported and enabled people to work wherever they are best able to meet their objectives, whether that's the office, home or in the community.

The right technology and tools
We've provided teams with the tools and support they need to best do their jobs and to remain connected regardless of their location. We've made flexible and agile working 'the norm' by ensuring everyone has access to a high-spec laptop and other mobile devices which have reliable access to systems and data.

Modern workplaces for collaboration and flexibility
We've completely redesigned our office spaces and welcomed colleagues back to a new, modern headquarters.

We've redesigned our headquarters with collaborative and flexible working in mind, while also meeting sustainability goals with improved insulation through the roof and windows, solar panels and centralised air conditioning which uses intelligent controls and sensors that adapt to changing outside temperatures and temperature zones within the office.

We've also introduced a desk booking system so that colleagues can secure a desk space before coming into the office, and provided drop-in stations for use between meetings.

Staying connected
We've continued to find new ways to connect and this year have introduced a new internal social network (Workplace by Meta) which gives colleagues the ability to easily connect with one another online. We've continued to host Peabody Exchange, a Zoom style Executive Committee-led meeting for colleagues to hear directly from our senior leadership team. We've also continued to hold regular managers' briefings and distribute an employee magazine that's full of tips and content from across the organisation. All of these things have been important in helping everyone to stay connected.

Understanding our colleagues' experiences
In July 2021, we carried out a full employee survey where colleagues shared their thoughts on how we were doing and how they were feeling. These results were benchmarked against other UK organisations from a range of industries. We received an engagement score of 69%, which was in line with the UK benchmark. One of our highest scores was for equality, diversity and inclusion where 81% of respondents said they thought Peabody was an inclusive organisation. Our other high scores were around line manager support and understanding of our company values.

Strong policies and useful resources
We developed policies and guidance to support colleagues and line managers to ensure we're fostering a truly inclusive workplace. They included:

- Transgender inclusion policy – sets out how we will support colleagues who are transgender or transitioning to ensure that they are treated with fairness, dignity and respect. We launched this policy with a webinar open to anyone in the housing sector and to mark International Transgender Day of Visibility.
- Workplace adjustments guidance – provides advice on how we can best support colleagues who have a disability or health condition or experience changes in their health, where an adjustment to their workplace will enable them to perform at their best. The guidance includes the processes for identifying and putting adjustments in place to help everyone understand their responsibilities.
- Equality, diversity and inclusion resource hub – we collated useful resources to help colleagues learn more about all aspects of diversity and inclusion, from five-minute reads to videos and more in-depth learning resources.
- Returners programme – we have started a programme to support colleagues returning to work after a period of absence, such as maternity leave. We've recruited 'buddies' – colleagues who have experience in returning to work themselves – to be available to provide informal, friendly support to help colleagues settle back in.

Our employee-led diversity networks

Our five employee-led diversity networks (ability, family, gender, race equality and LGBTQ+) have played a central role in supporting the delivery of our equality, diversity and inclusion commitments.

To help ensure the networks achieve maximum impact, they each have dedicated funding to enable them to promote the issues they represent on behalf of their members and to raise awareness of equality, diversity and inclusion across the organisation. The networks have also led numerous internal awareness campaigns and celebrations focused on the areas of diversity they each represent.

Our vision is:

To create an organisation which attracts and retains the best, diverse talent, where everyone can bring their authentic self to work, and which reflects the communities we serve.

Improving the diversity of our senior leadership team

We are committed to increasing the representation of women and Black, Asian and Minority Ethnic (BAME) employees at senior levels of the organisation. We have increased BAME representation of our senior leadership team from 15% to 17% in the past year and have committed to increase to 30% by 2025.

How we perform on diversity and inclusion

Gender and Ethnicity pay gaps
Our most recent Gender and Ethnicity Pay Gap reporting looks at our performance from April 2021 to March 2022. We have reported on both Peabody Trust and our former subsidiary Peabody South East as a combined organisation.

Compared to the previous year, there was a slight increase in the mean gender pay gap from 15.2% to 15.8%. The median gender pay gap also increased by 0.6% to 10.2%. One reason for the Gender Pay Gap is because of the lower paid workforce in Peabody South East, which is predominantly female. Another contributing factor is the male to female split in the top quartile of Peabody Trust which is 55.4% to 44.6%. In terms of the gender bonus gap, the mean gender bonus gap for the combined organisation was 32.6%. This is 20% higher when compared to the previous year.

Our analysis of the gender bonus gap shows that the largest gaps were within the lower pay quartiles of the organisation and that the highest ethnicity bonus gaps were within the upper pay quartile. Given the high proportion of women working in the lower half of the organisation, the higher proportion of men working in the lower quartiles with more opportunities to receive a bonus, and the lower number of BAME employees working in the upper pay quartile, the bonus gaps that have been identified are in line with what would be typically expected.

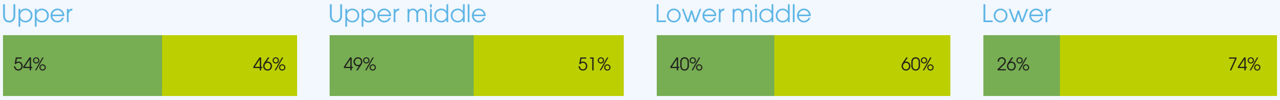
Taking action to reduce the gender and ethnicity pay and bonus gaps further will continue to be an organisational priority and the results of the gender and ethnicity bonus gap assessment will inform the content of the action plan to address the pay and bonus gaps that have been identified. The action plan will be a dedicated workstream within the Group EDI Strategy.

2022 2021

	Gender pay gap	Gender bonus gap	Ethnicity pay gap	Ethnicity bonus gap
Mean 2022	15.8%	32.6%	7.1%	15.9%
Mean 2021	15.2%	12.6%	7.9%	25.7%
Median 2022	10.2%	10.2%	-11.8%	0.0%
Median 2021	9.6%	0.0%	-11.1%	11.7%

Proportion of males and females in each pay quartile band

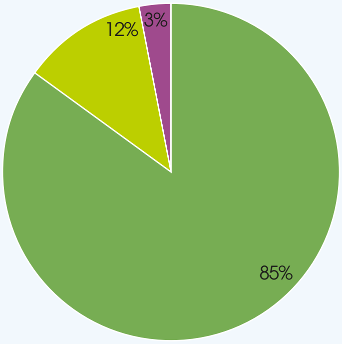
Male Female



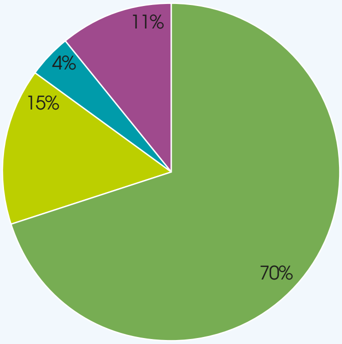
White BAME Prefer not to say Not known/not disclosed

Key diversity statistics

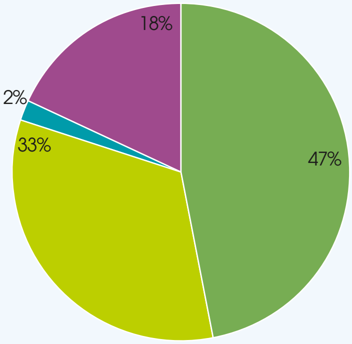
Leadership team



Heads of Service



Rest of business



Value for money

Value for money

We adopt a value for money approach because we want to maximise value in achieving our mission: to help people make the most of their lives. We want to achieve the best return possible from every pound we spend. That means we don't look just at the cost of delivering a service to our customers but also at the quality of the outcome for them.

We periodically review our value for money goals, activities and governance. Our last in-depth review was in June 2020 when we adopted our current strategy which defines value for money as follows:

- Economy: careful use of resources to save expense, time or effort. This means we secure competitive prices for the quality of services provided.
- Efficiency: delivering the same level of service for less cost, time or effort. We continue to streamline processes or partner with other organisations to achieve a better outcome in terms of quantity or quality.
- Effectiveness: delivering a better service or getting a better return for the same amount of expense, time or effort. We aim to deliver services at the right time to meet the needs of our customers.
- Equity: spending fairly and promoting fairness so that we can demonstrate a meaningful impact to those who are not the direct beneficiaries.
- Environment: delivering a positive and sustainable environmental impact.

A new value for money strategy is currently being developed.

Value for money principles are integral to Peabody and are embedded in every part of the business to ensure that customer value is at the heart of our operations. We work to achieve value for money across the organisation including in housing management, development, care and communities as well as in our central functions. Some of our achievements this year are set out here.

As the Covid pandemic pressures started to ease, we focused on efficient cost control to provide effective services. We have generated surpluses through our development work enabling us to invest in our homes and improve their energy efficiency while continuing to build much needed new homes.

Our achievements and areas of focus going forward

We use feedback from customers to understand how our services can be improved, or made simpler and easier. We are also delivering a large scale modernisation programme to ensure that our services are supported by the right technologies. Within our Value for Money Strategy we have set a number of focused 'SMART' targets that are specific, measurable, achievable, realistic and timely.

We have made great progress on all of these targets as detailed below.

Management cost per unit

In 2019/20 we set a four-year plan to reduce our social housing management cost per unit by 10% by 2023 after adjusting for depreciation and inflation. Our target for 2022 was to reduce costs by 5% when compared with the 2020 baseline. After adjusting for the impact of depreciation (a non-cash item), we have exceeded our target and reduced the social housing management cost per unit by 6.7% due to a reduction in office costs, as a result of the sale of some of our offices and the introduction of our Better Ways of Working programme.

We have also met our associated target of reducing overheads excluding depreciation by a further £0.8m.

Sustainable energy use

Across our rented homes, our long-term goal is to reach an average EPC B (SAP 81) rating by 2050. Currently the average SAP rating across our stock is 72.2 (2021: 71.8). Our medium-term target is to improve our SAP rating to achieve an average EPC C rating by 2030.

Generation of surpluses through development

Our goal here was to generate a 15% margin on building for sale in 2022. As in the past, the surplus achieved this year will be used to cross-subsidise the provision of new affordable homes.

The sales margin this year is 14%, just short of the target, although we exceed expectations in terms of sales volumes.

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

Our target for the year was set at £5 million which reflected the tougher economic environment as we emerged from the Covid pandemic. Our investment returns from non-core activities have generated a strong return of £8.5 million which will continue to help fund activities to achieve our social purpose.

Increased customer satisfaction

We are focused on maintaining high satisfaction levels within the service delivery area. Our target remains to achieve at least 90% satisfaction across each of the following three customer measures:

- overall satisfaction with last repair;
- quality of last repair; and
- satisfaction with call handling

Satisfaction declined in the year with customers telling us that the key drivers were communication, repairs and the ease of interacting with Peabody. The merger with Catalyst Group will lead to a more locally focused approach as we look to be more closely connected with our customers and the development of our digital service offer for customers aims to make Peabody easier for customers to deal with. We continued to see the impact of Covid pandemic and global logistical disruption in the form of service delivery restrictions:

- Satisfaction of last repair decreased to 84% (2021: 85%);
- The quality of last repair increased to its target level at 90% (2021: 89%); and
- The satisfaction within the call handling area decreased to 80% (2021: 82%).

These results are collected through independent customer satisfaction surveys from customers who have recently had a repair completed. Customer satisfaction across the three transactional survey measures shows that the quality of repairs delivered has remained stable. Satisfaction with call handling during the year has been impacted due to disruptions to the contact centre team from Covid Plan B measures and the return to homeworking mid-way through the year. It has improved by 1% since January 2022 and improvement programmes continue to progress in service delivery and contract management to address this, as customer satisfaction indubitably remains a key priority across Peabody.

Looking forwards

On 1 April 2022, Catalyst Housing Group became a subsidiary of Peabody Group and the new Group has adopted a three-year Value for Money Strategy that targets the following areas by 2025:

- Optimise recovery of costs incurred on behalf of leaseholders;
- To reduce residential rental and service charge voids to 1.27%;
- To improve customer satisfaction on 'easy to transact with' to above 70%;
- Improving overall EPC rating of our homes to a SAP rating of 74.5 by 2025;
- Generate £8m of investment returns each year from our non-core activities to support the delivery of social values in our communities; and
- To maintain social housing management cost per units at 2022 level.

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. Some of the metrics and definitions we use at Peabody and as quoted elsewhere in this document may be different to these.

Seven of the Sector Scorecard measures overlap with the value for money metrics used by the Regulator for Social Housing (RSH) in its value for money standard. The following table shows our performance relative to our peers using both the Sector Scorecard and the regulatory metrics:

Key: RSH Sector-wide value for money metric

	Group Peabody 2021/22	Group Peabody 2020/21	G15 average 2020/21[1]
Business health			
1. Operating margin – overall[2]	**20%**	23%	21%
2. Operating margin – social housing lettings[2]	**30%**	32%	28%
3. EBITDA MRI % – Social Housing[2,3]	**93%**	119%	126%
Development (capacity and supply)			
4a. New supply delivered – social housing	**641**	1,029	683
4b. New supply delivered – non-social housing	**225**	147	263
5a. New supply delivered % – social housing	**1.0%**	1.6%	0.7%
5b. New supply delivered % – non-social housing	**0.9%**	0.2%	n/a
6. Gearing[4]	**41%**	40%	48%
Outcomes delivered			
7. Customer satisfaction – social housing	**63%**	67%	78%
8. Reinvestment %	**5.8%[5]**	5.1%	5%
9. Investment in communities (£ million)	**6**	8	4
Effective asset management			
10. Return on capital employed	**2.5%**	2.5%	2.6%
11. Occupancy	**98.8%**	98.9%	98.9%
12. Ratio of responsive repairs to planned maintenance	**35%**	37%	72%
Operating efficiencies			
13. Headline social housing cost per unit (£ per annum)	**6,344**	5,464	5,337
14. Rent collected as % of rent due (General Needs)	**99.7%**	99.4%	99.6%
15. Overhead costs as % of turnover	**9.4%**	10.3%	11.3%

Sector Scorecard methodology may differ from measures reported elsewhere in this report
1 G15 data per L&Q benchmarking (latest available)
2 Excludes surplus/deficit on all asset disposals
3 Earnings before interest, tax, depreciation, amortisation, major repairs (including capitalised) included
4 Net debt as % of housing properties at cost (excludes investment properties)

What do these metrics show us?
Our performance against these metrics continue to be broadly in line with our peers in the G15 based on the latest data available of 2020/21. For 2022, we do see the post-pandemic impact on the business – in particular, a rebound in repairs cost resulting from a catch-up in demand that was postponed during the 2021 Covid lockdowns. Our unit costs are influenced by our continued investment in our existing homes which is also reflected in the reinvestment metric. As detailed, a focus for the new Peabody will be examining our social housing cost per unit and diverting efficiencies in management costs towards investments in our housing stock.

The metrics do reflect a reduction in the development of new homes, again an impact post-pandemic. We continue to plan ongoing new development, and these plans for delivering new homes are supported by a strong balance sheet with low gearing (the RSH definition of gearing produces a higher percentage than that used widely by credit rating agencies and funders). The new Peabody Group will retain this low gearing and that will enable us to borrow the funds required to deliver our new homes programme.

Our interest cover (or EBITDA-MRI % in the table above) has decreased from 119% in 2021 to 93% in 2022. This is the result of the post-pandemic increase in major repairs expenditure, along with inflationary cost increases. We also repaid some fixed rate loans at a cost of £2 million, creating greater capacity in 2023 and beyond. If we excluded this cost, the interest cover metric would improve by 1.4%.

We continue to be a significant provider of lower-margin care and support services, effectively breaking even on £29 million turnover. Although our care and support services are a core part of our work, we also consciously separate the care and support element from the housing business: when it is excluded, our overall margin rises from 20% to 21%.

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 again improve from 20% to 21%. Excluding both care and support and community investment brings our overall margin from 20% to 22%.

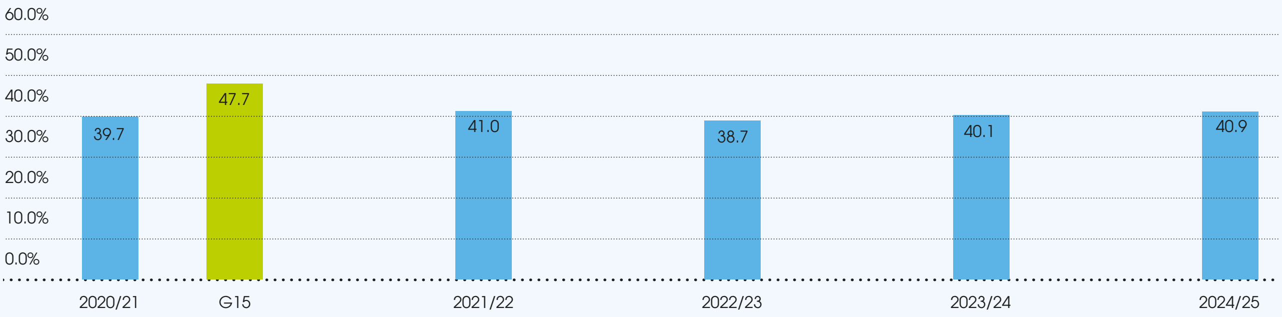
Internally, we examine bespoke versions of some of these metrics. We also examine interest cover from a different perspective to the RSH metric. We focus on the definition set out in our loan covenants which provides far higher cover. We comfortably exceeded the covenant requirement for 2022. Our long-term financial plan shows prudent headroom against the covenants in all years.

These graphs show some of the key measures for 2021 and 2022 with projections for the next three financial years based on our Long Term Financial Plan. They show our operating margin growing and as we continue to build more social homes, our gearing using the RSH's measure also grows.

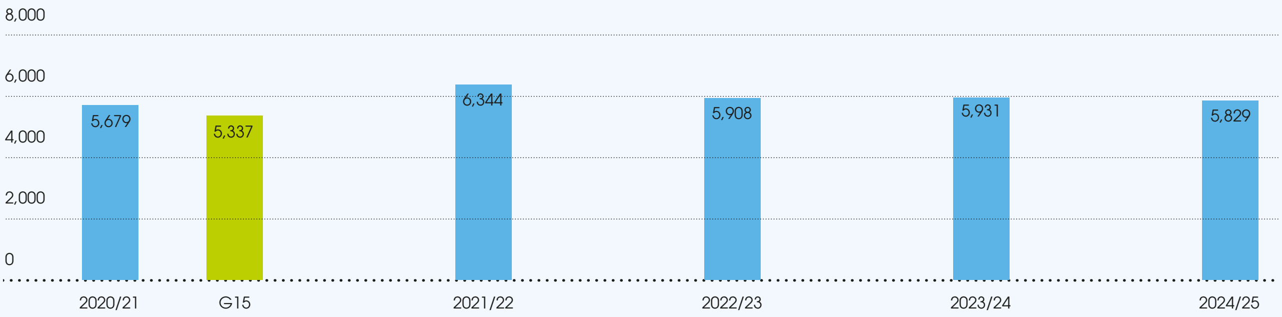
We continue to be a significant provider of lower-margin care and support services, effectively breaking even on £29 million turnover.

Our Long Term Financial Plan shows prudent headroom against the covenants in all years.

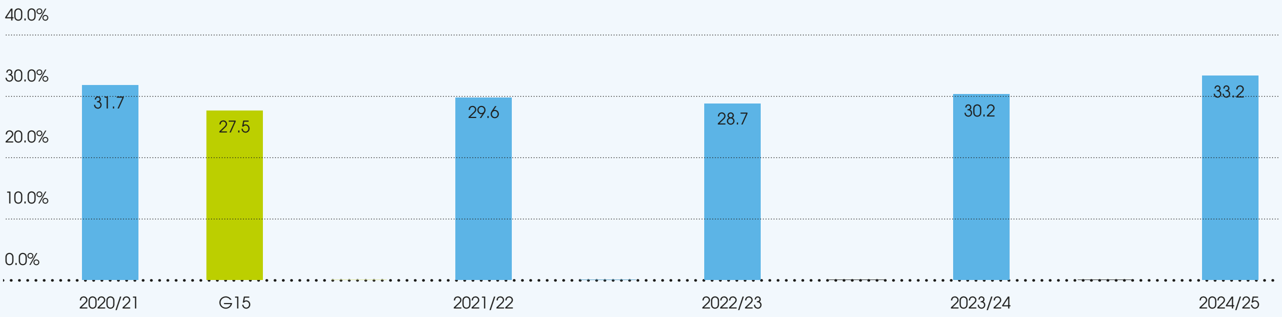
Gearing (RSH Measure) Net Debt/Housing Properties



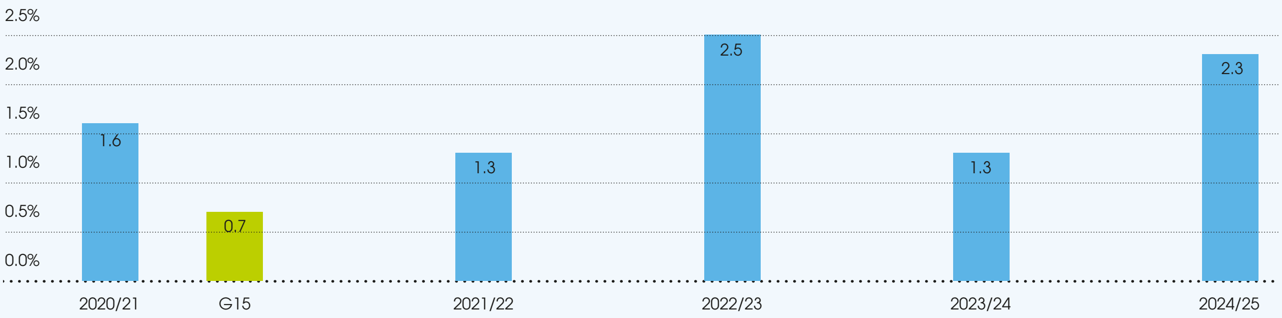
Headline Social Housing Cost Per Unit (£ per annum)



Social Housing Operating Margin %



New Homes Supplied % (Social Housing) Gearing (RSH Measure)



Strong balance sheet and investment proposition

EAMONN HUGHES Chief Financial Officer

Statement of comprehensive income (£m)	FY 2022	FY 2021
Turnover including sales	**664**	630
Operating surplus by source:		
Social housing activities (excluding shared ownership sales)	**134**	139
Development and sales (including shared ownership)	**12**	10
Other social and non-social housing	**(13)**	(5)
Sale of fixed assets (including staircasing)	**80**	51
Operating surplus before change in investment property valuations	**213**	195
Investment property movement in valuation	**34**	(7)
Operating surplus	**247**	188
Net finance costs	**(78)**	(78)
Tax[1]	**(19)**	–
Surplus for the year	**150**	110
Pension scheme movements	**36**	(31)
Total comprehensive income	**186**	79

1 This is a deferred tax charge relating to investment property valuation movements which have no impact on the Group's cashflows.

Highlights

This is a strong set of financial results, where robust performance on income has supported investment in our homes: £40 million on building safety, taking cumulative capital spend to £124 million in the last four years, £73 million in other housing refurbishments, and significant progress on a post-Covid catch-up programme on repairs and maintenance.

Overall operating margin remains strong at 32%. The core social housing business remains resilient, with margin for the year at 30% (2021: 32%). This reduction reflects the increased volume of work in the year from the catch-up programme on repairs and maintenance.

£122
Average weekly rent

£20m
Annual subsidy against target rent

£130
Average weekly target rent

£478m
Social rent subsidy

In February, the Group issued its debut sustainable bond. This secured £350 million of cash predominantly for investment in new affordable homes delivered to a minimum EPC B, as set out in our Sustainable Finance Framework, at a coupon rate of 2.75%. The appetite for the bond reflects the strength and depth of Peabody's ESG proposition.

New build sales volumes exceeded expectation and this cash has been reinvested in the delivery of more genuinely affordable homes.

In February, the Group issued its debut sustainable bond. This secured £350 million of cash predominantly for investment in new affordable homes delivered to a minimum EPC B, as set out in our Sustainable Finance Framework, at a coupon rate of 2.75%. The appetite for the bond reflects the strength and depth of Peabody's ESG proposition. This was set out in detail in our first ESG report under the Sustainability Reporting Standard in September, which has been validated externally by our 'Frontrunner' status obtained from RITTERWALD on the Certified Sustainable Housing Providers label.

On 1 April 2022, we completed our merger with Catalyst, which joined initially as a subsidiary, with a full transfer of engagements proposed for the start of next financial year. The merger gives financial resilience which will be focused on the delivery of local services to existing customers and transforming our digital offer. Service, people and sustainability are the priorities for the new organisation and we retain a commitment to new supply which is supported by the strength of the balance sheet and low gearing.

Turnover including sales

Turnover of £664 million (2021: £630 million) met expectations. There was an increase in revenue from private sales and first tranche shared ownership to £147 million from £127 million in 2021.

Surplus

Underlying operating surplus increased to £213 million (2021: £195 million). The main driver of this increase is staircasing sales which generated a surplus of £28 million (2021: £13 million): 275 of our shared owners increased the proportion of their home that they own by staircasing. The surpluses from staircasing and our disposals programme – an integral element of managing the long-term sustainability of our homes – released the funds for increased spend on repairs and maintenance to deliver work which was not possible because of Covid restrictions in the prior year.

Non-current assets

We continued our catch-up programme, which followed disruptions from Covid restrictions, investing £113 million in our existing homes, including £40 million on fire safety work (2021: £33 million). In addition, we have spent £355 million on the development of new affordable housing.

Development and sales

Close monitoring of sales is important to continued strong performance: the value of completed unsold homes at 31 March was £53 million (2021: £52 million). Of the homes which had been complete for three months or more at the end of the year, 47% were exchanged or reserved.

Strong ESG investment proposition

Peabody's ESG credentials are sector-leading: after leading the development of the Sustainability Reporting Standard, Peabody published its first report under the standard in September 2021 which can be found on our website (www.peabody.org.uk).

In February, we published our sustainable finance framework and announced our accreditation under the RITTERWALD Sustainable Housing Label; we were awarded 'Frontrunner' status in each of the E, S and G dimensions. This was followed by the issue of a debut sustainable bond, raising £350 million for investment in new affordable homes with a minimum energy rating of EPC B, and for the investment in existing homes to bring them up to required energy performance. The bond was substantially oversubscribed with offers over £1 billion which reflects the strong investment proposition that the Group continues to offer.

Long-term creditors

Long-term creditors comprise debt £3,095 million (2021: £2,678 million), grants £1,693 million (2021: £1,630 million) and other creditors £42 million (2021: £30 million). The increase in the year is to fund investment in the development programme.

Highlights	FY 2022	FY 2021
Social housing lettings: turnover	**68%**	70%
Operating margin on social housing lettings	**30%**	32%
Overall operating margin before investment property valuation	**32%**	31%
Operating surplus before investment property valuation	**£213m**	£195m
EBITDA MRI interest cover*	**215%**	207%
Gearing	**38%**	37%
Debt: turnover	**4.5**	4.4

* EBITDA MRI is a measure of the level of net cash generated against interest payments. Basis of calculation is in line with lender definitions.

The new Peabody Group formed on 1 April, when we completed our merger with Catalyst. The Group is focused on delivering a new operating model that will ensure that as a landlord of over 104,000 homes we offer a local service to our customers.

Pension liabilities
We have a number of defined benefit pension schemes, the three main ones being the Social Housing Pension Scheme ('SHPS'), the London Pension Fund Authority ('LPFA') and the Kent County Council scheme.

While higher inflation rates have increased the pension obligations, with strong asset performance and increased discount rates, given that central banks are now increasing interest rates, there has been a reduction in the overall net pension liabilities position. The Group's net pension deficit liability under FRS 102 at the end of March was £72 million (2021: £109 million), with a £36 million actuarial gain for the year (2021: £31 million loss) being recognised in other comprehensive income.

Financing and Capital structure
Our liquidity position for the Group has remained strong throughout the year. At 31 March, this comprised £4,598 million available debt facilities, of which £1,502 million was undrawn, with bank and private placement facilities and a further £100 million fully secured retained bonds available for issue.

When added to accessible cash balances of £125 million, our available resources were £1,627 million at 31 March 2022. In addition to the new bond, we raised new facilities of £343 million during the year, of which £253 million have sustainability-linked targets.

Of the drawn debt, 77% is on a fixed rate and 23% on a variable rate.

Outlook
The new Peabody Group formed on 1 April, when we completed our merger with Catalyst. The Group is focused on delivering a new operating model that will ensure that as a landlord of over 104,000 homes we offer a local service to our customers. Our number one priority is the completion of our building safety programme: we expect a peak year of investment on building safety in the financial year 2022/23 followed by two more years of a more modest level of investment to complete the programme.

We are working hard to support our customers as they contend with the current cost-of-living crisis, providing energy advice and financial inclusion support. We are also monitoring the impact on the business' cost base to ensure that we continue to respond to a fast-moving external environment. Our risk management is really important: 77% of our debt is at fixed rates, and that gives us a large amount of certainty over our future funding costs, and the assurance that we can fund our development programme. Our programme of building new homes is predominantly land-led, giving us significant flexibility over the level and pace of future commitments.

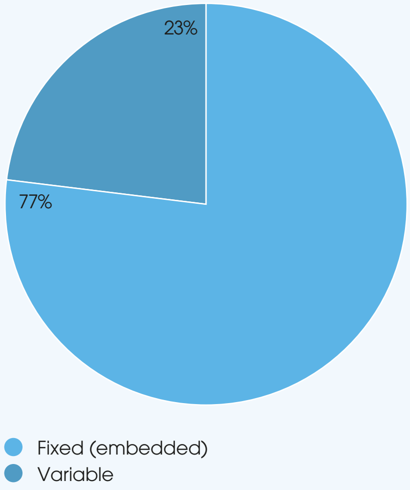
£1,627m
Available resources

13,500+
unencumbered properties

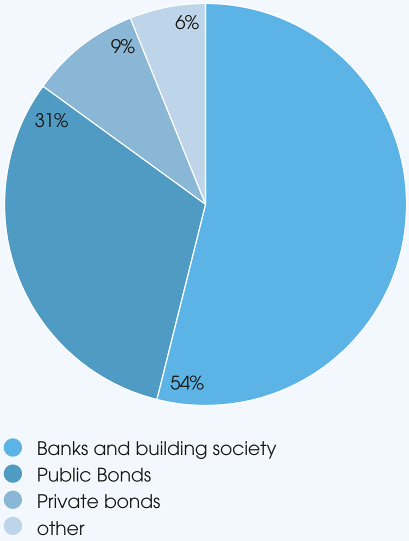
£4,598m
Total facility

Statement of financial position (£m)	FY 2022	FY 2021
Non-current assets		
Fixed assets including housing properties	7,455	7,110
Investment properties	517	479
Investment in joint ventures	44	39
Other investments and debtors	117	74
Net current assets	**372**	**143**
Total assets less current liabilities	**8,505**	**7,845**
Long-term creditors	(4,830)	(4,338)
Provisions	(35)	(16)
Pension liabilities	(72)	(109)
Reserves	**3,568**	**3,382**

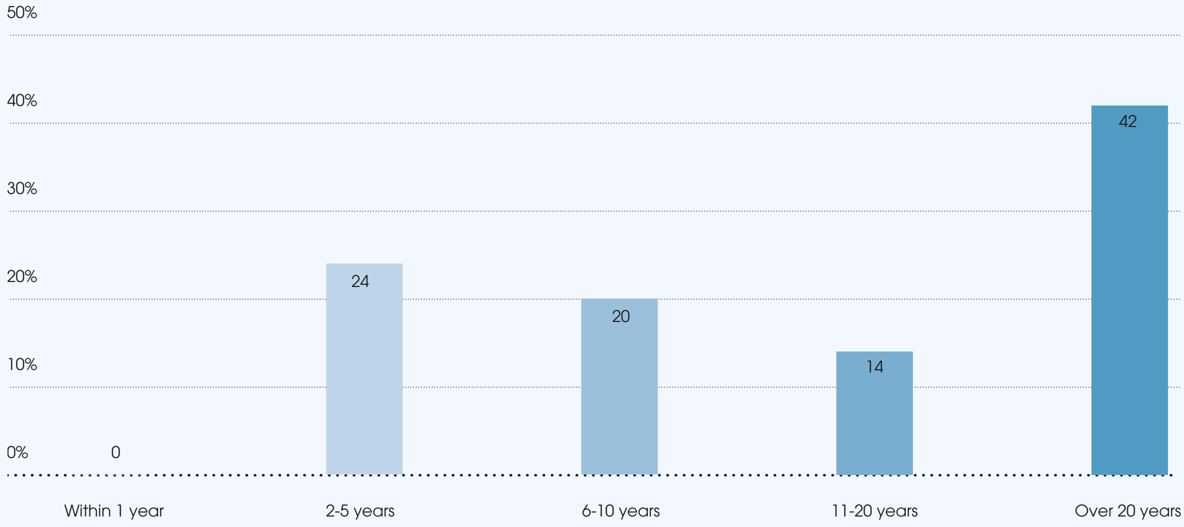
Interest rates



Facility mix



Facility maturity



Embedding risk management

Risk management in fast-moving, uncertain environments

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

As part of our journey in continuous improvement and our objective to further strengthen our risk culture and awareness, in particular, embedding risk management in fast-moving and uncertain environments, this year, we continued to make progress on a number of initiatives to ensure our approach is fit for purpose and aligned to best practices in enterprise risk management.

Three lines of defence model
We maintain a sound system of internal control that supports our Group mission and meets our strategic priorities by embedding the three lines of defence assurance model.

Our aim is to manage risk to a reasonable level rather than taking a completely risk-averse approach, informing a risk-based approach to decision making. Our Group and Directorate Risk Registers include details of the controls and mitigating actions applicable for each risk, mapped against the three lines of defence model.

Risk interdependencies map
Risk interdependencies was an initiative our Executive Committee explored. The primary objective was to ensure we develop a better understanding of the commonalities between the existing strategic risks so that we can take a more robust holistic approach in proactively managing our enterprise level risks.

Our Executive Committee completed a high-level risk interdependencies review by conducting a thorough mapping exercise of the dependencies and cross-linkages between each of the risks, which led to the development of our first risk interdependencies map.

The risk interdependencies map is reviewed and kept up to date through our existing risk governance structure.

Sustainability
Our Board, Audit and Risk Committee and the Executive Committee have maintained a regular dialogue on the subject of sustainability. This involved consideration of sustainability being a key part of our Group's long-term strategic priorities as well as its management via the Group Risk Register. We recognise the necessity for us to be a sustainable organisation and therefore our efforts towards sustainable development and investment need to remain focused, in particular, when we consider related factors such as net zero and carbon retrofitting of our properties.

OUR RISK MANAGEMENT FRAMEWORK
Lines of defence

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 risk interdependencies mapping also highlighted sustainability as a key driver for existing risks as well as an emerging risk in its own right which requires proactive assessment and management.

Our risk champions community

We have a community of Group Risk Champions and Directorate Risk Champions who act as ambassadors for risk and assurance management activities within their respective teams and directorates. 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).

This year, we were able to continue to channel the key risk and assurance themes through the Risk Champions to help embed the risk awareness and risk culture throughout the directorates. In particular, our Risk Champions helped us to maintain the high rate of implementation of our internal audit recommendations. Our Group-wide seven-point improvement plan on compliance culture which included a focus on the proactive management of the risks identified through our internal audit reviews has achieved its aims and been embedded into the operational management teams as business as usual.

Joining with Catalyst – capturing and responding to principal risks and uncertainties

We have developed a new Group Risk Register effective from the date of the joining together of Peabody and Catalyst (1 April 2022). Throughout the build-up to the merger, each entity continued to maintain its own Group Risk Register whilst being mindful of the additional challenges which the merger could bring. The Peabody Group Risk Register was reviewed quarterly by the Executive Committee and the Audit and Risk Committee as well as being approved at least twice a year by the Peabody Board. In particular, the Board ensured that the new Group Risk Register effectively and immediately responded to the common risks faced by both Peabody and Catalyst, and continues to do so in the longer term while enabling informed strategic decision making in pursuit of achieving the new Group's Inaugural Business Plan priorities. Our Board's objective was also to ensure that the focus on bringing the two Groups together did not detract from the management of risk while delivering business as usual, and that the Group Risks remain fit for purpose given the rapidly changing external environment.

The new Group Risk Register was formed after a review and comparison of the common risks between Peabody and Catalyst, and was benchmarked against a range of peer strategic risk registers and some from out of sector. This resulted in a list of nine common risks from the Peabody and Catalyst strategic risk registers, as well as two emerging risks focused on people and sustainability. Integration was also recognised as a Group-level risk and combined with Peabody's pre-existing Major Change Group Risk. Any risks that were deemed outliers from either Peabody or Catalyst and that were not included as risks on the new Group Risk Register have been incorporated within the sub-causes of the risks featured within it, or managed through Directorate and Operational Risk Registers. Our key risks as a social landlord continue to dominate the heatmap, such as health and safety, customer service and building and fire safety, and all risks are managed with successful outcomes for our customers firmly in mind.

We have also carefully reviewed and benchmarked the latest Sector Risk Profile published by the Regulator of Social Housing ('RSH') against our new Group Risks. Our strategic risks around development and customer service as well as other key risk themes align well with the RSH Sector Risk Profile risks themes.

The Executive Committee has continued to focus on the available data and intelligence from the Key Risk Indicators ('KRIs') to monitor the Group Risks' aggregated exposure in order to make informed decisions on additional mitigations and assess exposure from any possible conflation of risks.

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

Assessment of the effectiveness of the existing controls is a key part of our systematic approach which attempts to limit risks to an acceptable net exposure, while additional mitigations help us to determine our target exposure, rather than obviate risks altogether.

There is also a newly developed in-house risk management training course in place which is mandatory for all the managers to complete every two years. This helps to continuously raise risk awareness and culture across the Group.

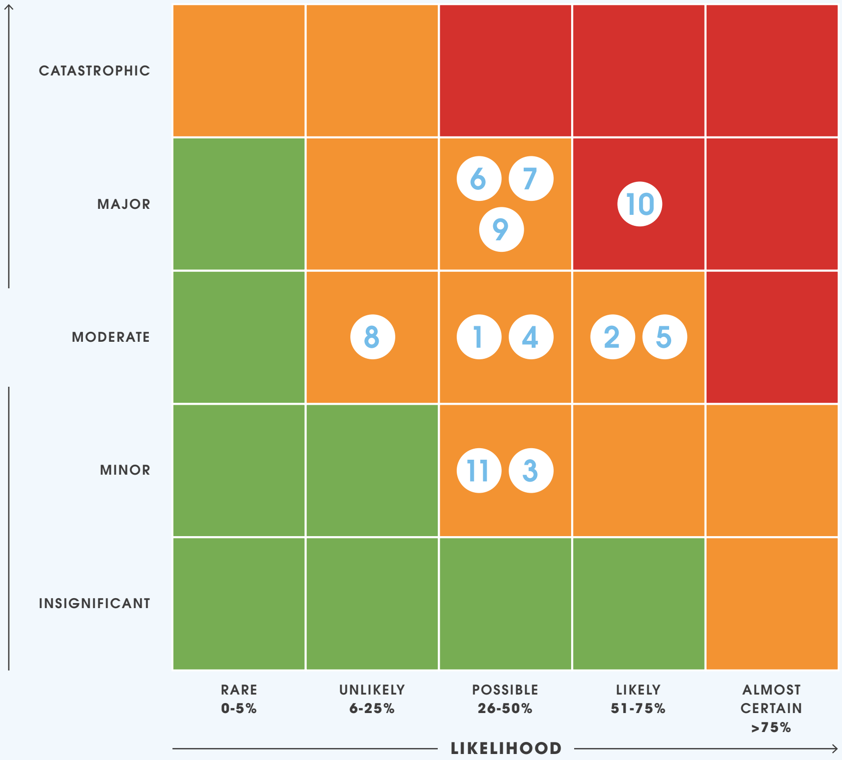
Looking ahead

Looking ahead, we will be continuing to improve our risk management processes and culture. This is even more pertinent for the integration of Peabody and Catalyst. We will focus on risk awareness and culture to ensure the Group maintains a common understanding towards the importance and benefits to be gained from effective enterprise risk management. We have reviewed and updated our risk management policy to ensure it is fit for purpose and succinct for the newly merged organisation. Managing the risks proactively and scanning the horizon to ensure we are prepared for future risks remain our priorities. Our attention will be focused on ensuring that thought leadership continues on the development of risk appetite and tolerance against our strategic priorities.

Our Board is well aware that managing risk is not a standalone or static process, but a continuous review of the internal and external challenges that may hamper us in our efforts to get the basics right, help people flourish, and create a sustainable Peabody. The risks to individual opportunities and projects will continue to be highlighted in the cover sheet of all reports to boards and committees in the Group to allow members to evaluate the up- and down-sides of options and make effective decisions that ultimately benefit our customers.

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

Our risk management framework



1 **Health and safety:** Failure to maintain an effective Health and Safety Management System, which supports safe employment and delivery of safe services, resulting in injury, harm or death to the public, employees, contractors or customers.

Key controls: Our Health and Safety framework embeds a safety culture via Group-wide policies and procedures, including Building Safety, Construction Design and Management (CDM), Procurement, Sickness Absence and Wellbeing policies, and our safety culture is continually informed by employee surveys. Our Safety Management System provides a consistent approach to managing Health and Safety risk across the Group, including an Accident and Incident reporting system, and is actively monitored and audited, retaining an optimum 5-star rating from the British Safety Council's in-year external review. Covid safety measures remain in place for employees who work directly with customers, and include the provision of PPE, personal safety devices and caution alerts. Safety measures have also been put in place for employees working from home and returning to the workplace, including health surveillance. This risk continues to be monitored by using KPIs and reporting to the Health and Safety Committee, and key mitigating controls are tested by the Health and Safety Audit programme.

2 **Laws, regulations and operating environment:** Non-compliance with laws and regulations resulting in significant sanctions, losses, fines or reputational loss.

Key controls: Our Legal, Governance, Risk and Regulatory Compliance division provides training and guidance to the rest of the business to ensure compliance with laws and regulations, and also maintains an open and effective relationship with the principal regulator, RSH. Key compliance controls in place across the Group are tested bi-annually through the Control Self-Assessment process. E-learning modules for key compliance areas such as the Data Protection Act are mandatory for all employees, and training compliance is monitored. An internal compliance programme monitors financial controls and an effective and accurate Asset and Liability Register has been maintained throughout the year.

3 **Funding and liquidity:** Inability to operate within the funding envelope and maintain liquidity, as a result of internal and/or external factors, leading to non-achievement of operational and strategic targets.

Key controls: To mitigate the various external drivers and operational economic risks, cash flows remain closely monitored on a frequent basis with an 18-month forward look assessing any fluctuating impacts on liquidity, and stress testing is performed on cash flows where required, with reporting to the Finance and Treasury Committee ('FTC') and the Development Committee. The Long Term Financial Plan is also stress tested, providing an assessment of mitigating actions, and it is further reviewed by the FTC and approved by the Board. A rigorous budget-setting process is in place and has been updated with forecasts through the year to review performance against budget and covenant compliance. As a third line control, specialist external advisors have been used during the year for market updates and on major transactions, including all new or amendments to existing loan agreements, funding structures and compliance.

4 **Information security and data integrity:** Failure to put in place the appropriate protections and failure to ensure that IT capability is aligned to business needs, either through modernisation or day-to-day IT operations resulting in negative impact on business operations and customer service.

Key controls: The focus this year has been to strengthen the already stable IT operating environment to provide employees with the right tools and systems for our hybrid working model, with a large scale roll-out of new laptops for employees, and improvements to our data centres and servers. A dedicated Information Security team continues to design and operate controls to mitigate the cyber element of this risk with a number of policies and procedures, including information security breach reporting, and mandatory e-learning training is provided for all employees, and our firewalls have also been strengthened.

5 **Data quality:** Failure to appropriately manage the quality of data or develop a culture which appreciates the value of data impacting on operational outputs, customer service and the ability to measure business outcomes.

Key controls: The Information Management Group ('IMG') is a committee of senior managers in the Group which considers all aspects of data and information management. They provided oversight of this risk and also monitor the Information Management Strategy and Programme, which drives the Group's approach to managing this risk. IMG will transition into a new Data Council.

Data Quality completeness and accuracy continues to be monitored and improved using key data metric scorecards, and a set of principles for data integration have been agreed and a data quality tool will be used to measure data quality during integration. As a third line control, external expertise has been used throughout the year to inform best practice to provide assurance by auditing data governance and data quality initiatives.

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

Key controls: Oversight of this risk is maintained through regular scrutiny of the development strategy and programme at Executive level, by the TCH Development Committee for TCH, and by the Group Development Committee for the programme as a whole. A number of development programme stress and commitments reviews have been performed in-year to monitor acquisition and construction commitment risks. This committee oversight is complemented by a multitude of first line controls, such as monthly development review meetings, tracking of departmental KPIs, and programme forecasting and monitoring.

7 **Customer service:** Service delivery, including locality model, does not meet customers' needs or expectations. Our current listening mechanisms for customer engagement don't keep pace with changing customer requirements, meaning we don't fully understand our customers, leading to a decrease in customer satisfaction or engagement and an increase in complaints.

Key controls: Oversight for this risk has been enhanced in-year through the work of the Customer Services Committee, supporting the Board to review the implementation of customer-focused strategies and policies, and monitor the performance of key customer service metrics and the causes and trends of customer dissatisfaction. A project to regularly review damp and mould cases is in operation to identify and remedy pinch point areas and the complaints process has been strengthened in response to Internal Audit review recommendations, and remains aligned to the Housing Ombudsman Service requirements. There are also new controls being put in place to ensure customer experience is enhanced by improved customer engagement and colleague training to ensure the new localities model focuses on the needs of the customer.

8 **People:** We fail to ensure we attract, develop, and retain the right people to deliver the Inaugural Business Plan, resulting in poor outcomes for our customers and employees.

Key controls: The Nominations and Remuneration Committee helps provide challenge and scrutiny for this risk. Our first line controls include a number of policies, processes and procedures, such as the Code of Conduct and the Recruitment and Selection Policy, which are maintained by internal expertise such as the Learning and Organisational Development, Resource Management, and HR Business Partnering teams, working with the rest of the business to ensure training, recruitment and employee management needs are met. A Managers Toolkit is in place, which provides holistic and comprehensive guides on effective management, and there are IT systems in place that are tailored to meet recruitment, employee administration, reward and recognition, and learning and development requirements.

9 **Integration and major change:** Major change is not effectively governed, prioritised or delivered, resulting in a lack of business engagement, merger outcomes and benefits not being realised and negative impact on the customer journey.

Key controls: The Change Board (an Executive-level committee) helps with challenge and scrutiny of this risk, and is supported by a number of sponsor and project boards. Controls are being aligned between both merged organisations to mitigate the risks of delivering integration, and a new Change Framework will provide key documentation and processes to support the integration journey, and will be rolled out using training across the organisation. Existing change commitments, as well as integration activities, are also being tracked and monitored by the Change Board. The Integration team is ensuring a clear business case for all change activities is in place, and is keeping close scrutiny of the cost of change, validating change budgets and reporting on them to the Change Board and Peabody Trust Board. Communication with all stakeholders remains key to mitigating this risk, and a communication plan is in place to ensure everyone is kept on the change journey.

10 **Building and fire safety:** Inadequate management of building safety, leading to serious injury or fatality and/or a breach of legislation.

Key controls: This risk receives scrutiny by review from the Building Safety Board (an Executive-level committee with cross-directorate representation) as well as the Peabody Trust Board, including the reporting of a suite of compliance metrics. The Building Safety Management System supports a data-driven approach to investigating and remediating cladding and other building safety issues, and an implementation plan is in place for the requirements set out by the new Building Safety Act, including Building Safety Case reporting. There are also effective engagement mechanisms in place to listen and engage with our customers in respect of all aspects of building safety.

11 **Sustainability, net zero and carbon retrofitting:** Failure to deliver on government and regulatory expectations, putting customers further at risk of fuel poverty: Peabody wants to be at the forefront of decarbonisation; however, we face a huge challenge – how to cut carbon emissions and tackle climate change whilst delivering major programmes of safety remediation work and developing new homes in response to the housing crisis.

Key controls: A Sustainability Strategy is in place and there are a number of key initiatives to support us to reach our carbon net-zero objectives, including using data modelling to understand the energy performance in our properties, and calculate the cost assumptions to make the necessary improvements. An Energy Management System is also being implemented to measure and reduce our energy usage, including exploring options for our corporate energy contracts to improve our green energy security and stability. The risk of flooding is being mitigated by the implementation of Sustainable Drainage Systems for our new homes, and refurbishing the flood mitigations for our existing homes. For new homes, we are also engaging with contractors to ensure that they can demonstrate sustainable methods of working to allow us to continue to successfully draw down our ESG linked funding, and we are working to demonstrate ESG commitments and maintain overall lender confidence. Our ESG credentials are monitored by an internal steering group with cross-directorate membership and we reported against the Sustainability Reporting Standard for Social Housing in-year, and both Peabody and Catalyst received the highest rating for the Certified Sustainable Housing Label from external accreditors RITTERWALD.

Effective leadership with strong governance

KEY[1]

- ● Chair
- **ARC** Audit and Risk
- **C&S** Care & Support
- **COMM** Communities
- **CEC** Customer Experience (pre 1 April 2022 Customer Services)
- **DEV** Development
- **FTC** Finance and Treasury
- **NRC** Nominations and Remuneration
- **TMC** Thamesmead

1 Information on changes to Committee membership can be found on page 54

Bob Kerslake (Chair) TMC NRC

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.

Ravi Rajagopal (Vice Chair) DEV

Ravi joined the Catalyst Housing Board in November 2020 and became a member of the Peabody Board on the joining together of Peabody and Catalyst in April 2022. He is a trustee of the Science Museum foundation and Chair of the Nandghar Child Care Centre project. Ravi's 35-year career includes 19 years with Diageo plc. His core skills are in finance, control and risk. Ravi is a qualified chartered accountant, Chair of Fortis Healthcare and audit Chair of Airtel Africa plc.

Ian Peters DEV TMC NRC

Ian joined the Family Mosaic Board in September 2013 and the Peabody Board following the Peabody and Family Mosaic merger in 2017. He has led large companies (e.g. 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 UK Health Security Agency, three technology companies and an education charity. He also has a consulting business specialising in large organisational transformations.

Paul Loft ARC FTC CEC NRC

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. 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 including as Finance Director of Debenhams. Paul is a Board member and Chairs the Audit and Risk Committee, at The Solicitors Regulation Authority. He is also a Board Member and Trustee of Paradigm Trust.

Pippa Aitken[2] DEV TMC C&S

Pippa joined the Family Mosaic Board in November 2015 and has served on Peabody Boards and Committees since the merger with Family Mosaic in 2017. 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.

Peter Baffoe CEC COMM

Peter joined the Board as a resident Board member in May 2018. He is currently the Executive Director of the South London Mission, a charity based in Bermondsey, South London. He is a Trustee of Southwark and Deptford Methodist Church. He is also a Trustee of the Maudsley Charity, a charity that supports work around mental health across four London boroughs. He is a School Governor at a Peckham primary school acting as the Link Governor for equalities and curriculum. Having been born and raised in Southwark, he is particularly interested in community and issues of social justice.

Jennie Daly[2,3] DEV TMC

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. Previously the Group Operations Director, she became the Chief Executive Officer on 26 April 2022. Jennie is also a non-executive director of the New Homes Quality Board. Jennie stepped down from the Peabody Board on 30 June 2022.




Ian McDermott

Ian McDermott joined Peabody as Chief Executive Officer on 1 October 2021 and joined the Board on 1 April 2022. He has steered through the merger with Catalyst which formally completed in April 2022. Ian has over 30 years' experience in the sector having previously been CEO at Stonebridge Housing Action Trust, Shaftsbury Housing Association, Aldwyck Housing Association and Catalyst Housing Group. Ian is an alumni of the Harvard Business school, a chartered Surveyor and a Board member of the Chartered Institute of Housing.

Zebrina Hanly CEC

Zebrina joined the Peabody Board as a resident Board member in April 2021. Zebrina is a campaigner for climate action and promoter of sustainable living with a career in environment and sustainability spanning over a decade. A chartered environmentalist, Zebrina currently works as Head of Environment and Climate Change for Royal Mail Group, enabling the transition of logistics and transport to a zero-carbon future.

David Hardy ARC FTC

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

Terry Hartwell ARC DEV

Terry joined the Catalyst Housing Board in November 2016 and became a member of the Peabody Board on the joining together of Peabody and Catalyst in April 2022. Terry is a chartered surveyor with over 35 years experience in commercial property. He has a degree in Valuation and Estate Management and is a Fellow of the RICS. He has held senior positions at William Morrison Supermarkets and Kingfisher Plc. He is Pro-Chancellor and Treasurer at Bradford University.




Helen Edwards ARC COMM C&S

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

Deirdre Moss TMC COMM NRC C&S

Deirdre joined the Family Mosaic Board in September 2014 and the Peabody Board in 2017. She became Chair of the Town & Country Housing Board in December 2021. 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 sits on the advisory group of a training company. She has championed diversity issues throughout her career and continues to work in a voluntary capacity in this area. Chair of Town and Country Housing Board[1].

Cary Wakefield CEC NRC

Cary joined the Catalyst Housing Board in December 2019 and became a member of the Peabody Board on the joining together of Peabody and Catalyst in April 2022. Cary has had a successful career in FTSE, Public Sector and not-for-profit organisations in the UK and Europe. Cary has over 20 years' experience in delivering high levels of customer engagement and satisfaction. From 2011 until 2017, she held a board level position at the BBC where she helped drive business transformation.

Graham Woolfman ARC FTC NRC

Graham joined the Catalyst Housing Board in September 2017 and became a member of the Peabody Board on the joining together of Peabody and Catalyst in April 2022. Graham provides financial and governance consultancy and has worked with companies across a range of sectors. He has been Chair and Non-Executive Director of companies quoted on London's Stock Exchange (AIM). Graham was a founder Director and Manager of a listed Venture Capital Trust, and a Partner and Head of Corporate Finance at a medium sized UK accountancy firm.

Footnotes

2 Pippa Aitken and Jennie Daly were members of the Peabody South East Limited Board, which met on an overlapping basis with the Peabody Board until 31 March 2022 (see page 45 and 46).

3 Jennie Daly was the Thamesmead Committee Chair from 1 July 2021 to 31 March 2022.

A passionate and accomplished leadership team

Ian McDermott – Chief Executive

Read more on page 41

Stephen Burns – Executive Director, Care, Supported Housing and Inclusion

Stephen joined Peabody in 1998 and became a Director in July 2006. He has an extensive background in community development, training and employment, and fundraising. He was a Director of a national training company from 1993 to 1997. Prior to that, Stephen was a computer professional involved in software applications and development, satellite and telecommunications.

Sarah Cameron – General Counsel and Company Secretary

Sarah joined Peabody in 2014 as Director, Legal and Governance. Sarah leads the Legal, Governance, Risk and Regulatory Compliance functions for the Peabody Group. Prior to joining Peabody, Sarah was Group Company Secretary of Smiths Group plc, a FTSE 100 technology company, having previously worked in several compliance and legal roles in Smiths Group, and in private practice. Sarah is a qualified solicitor.

David Lavarack – Executive Director, Corporate Services

David leads the People, IT, Facilities, Communications and Health & Safety teams. He joined us in March 2007 from Barclays Bank, where he held several senior posts, including UK Small Business Banking Director and Chief Operating Officer for the marketing and communications functions. David has extensive experience in strategic change management and organisational development.

John Lewis – Executive Director, Thamesmead

John is leading one of London's largest regeneration programmes in Thamesmead and is Group Lead for Placemaking. Before joining Peabody in 2016 John held CEO positions at Letchworth Garden City Heritage Foundation and Milton Keynes Partnership. John is a Chartered Surveyor and has a Master of Arts in Urban Regeneration. He is the Chair of Greatwell Housing Association and a Director of the Creative Land Trust, a charity established to secure affordable workspace for creatives in London.

Sarah Thomas – Chief Operating Officer

Sarah has 11 years' experience in the housing sector at Executive level, most recently as Chief Operating Officer at Peabody, and Interim Chief Executive and Chief Operating Officer at Catalyst. Prior to roles in housing, Sarah worked in the commercial sector including over eight years' experience at a senior level at Eurostar. Sarah's roles have covered a wide range of business activities including strategic planning, transformation, operations, customer experience and corporate services. Sarah has also been a non-executive on the panel of advisors for the Housing Ombudsman and is currently a board member for the for-profit housing provider, Rezide.

Peter Evans
– Executive Director, Property Services and Assets

Peter joined Peabody from Catalyst, where he was Group Director of Property Services. He has been working in property and construction for nearly 40 years in a variety of capacities and sectors. Peter's experience in social housing comes from executive roles covering property, housing management and development. He has overseen delivery of top quartile services and the development of a large direct labour organisation and an in-house new build construction function.

Ashling Fox
– Deputy Chief Executive Officer

Ashling joined Peabody as Executive Director of Customer Services in July 2017 and was appointed Chief Operating Office in February 2018. She was Group Customer Services Director at Family Mosaic from March 2015 and was previously Head of Home Emergency Operations at the AA. Ashling has a wealth of experience in customer service relationship management through many channels of service delivery.

Bob Heapy
– CEO, Town & Country Housing ('TCH') and Rosebery

Bob Heapy joined Town & Country Housing (TCH) as Chief Executive in October 2010 and since TCH's merger with Peabody in 2019 has been an Executive Director of the Group. Bob became the Chief Executive of Rosebery on 1 July 2022 following Peabody and Catalyst joining together. He has successfully led major organisations in the public and private sectors and has more than 30 years' experience in construction and social housing sectors. He has extensive experience in regeneration projects and is a quantity surveyor. Bob undertakes a number of non-executive roles within the sector.

Eamonn Hughes
– Chief Financial Officer

Eamonn joined Peabody as Finance Director for Development and Regeneration in 2018 and took up his current role as Chief Financial Officer in February 2020. Before joining Peabody Eamonn was a Finance Director at the Berkeley Group, and his prior experience includes seven years working for KPMG, where he trained as a Chartered Accountant and worked in roles across the firm's audit, transactions and restructuring practices. Eamonn is a fellow of the Institute of Chartered Accountants for England and Wales.

Philip Jenkins
– Executive Director, Development

Before joining Peabody, Philip was Group Development Director at Catalyst. He joined from Taylor Wimpey where he was its central London Managing Director. Philip has held executive roles at CityWest Homes, the John Lewis Partnership, SPAR and Crabtree & Evelyn. He held a non-executive role at the Dolphin Square Foundation. He is a Fellow of the Royal Institution of Chartered Surveyors and alumnus of the University College of Estate Management, with a property development career spanning three decades, in private, public and not-for-profit businesses.

Do the **right** thing

The Board is responsible for the effective governance of the Group. Our Governance Framework was reviewed during 2021/22 to ensure that the new post-merger framework would support the delivery of the Group's purpose and strategic objectives and reflect the changing external and internal economic, risk and regulatory environments.

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

As at 31 March 2022, the Board had ten non-executive members. Brendan Sarsfield stepped down as Chief Executive Officer of Peabody and as a member of the Board on 30 September 2021. Ian McDermott replaced him on 1 October 2021and was subsequently appointed as a member of the Board on day one of the Peabody and Catalyst merger on 1 April 2022. At the time of publication of this report, the Board has 14 members in total. The following non-executives stepped down from the Board during the last 18 months (see inside back cover): Barry McNamara on 13 April 2021; Peter Vernon on 30 June 2021; Francis Salway on 30 November 2021; and Jennie Daly on 30 June 2022. Four new non-executive directors: Terry Hartwell, Ravi Rajagopal, Cary Wakefield and Graham Woolfman were appointed as Board members on 1 April 2022 (additional information can be found at pages 40 to 41). The Board members bring a broad range of skills, experience and knowledge to their roles, including expertise in finance, business and customer service. The Board has the collective skills to fulfil its responsibilities of overseeing the strategic direction of the Group.

During the year to 31 March 2022, Peabody applied the principles and provisions of the National Housing Federation ('NHF') Code of Governance for housing associations (2020 edition), ('the NHF Code'). Peabody has substantially complied with the requirements underlying the principles-based NHF Code and has identified areas where it needs to explain its approach and progress towards compliance (see page 45). Peabody has also met the principles of the NHF Code of Conduct (2012 edition) through adhering to the Peabody Code of Conduct. The Board agreed to adopt the NHF Code of Conduct (2022 edition) in July 2022.

In fulfilling its obligations under both codes, the Group follows good practice drawn from supporting guidance. The next independent assessment of compliance will be undertaken later in the current financial year.

A governance review was undertaken prior to Catalyst Housing Group ('Catalyst') joining the Group, and as a result, a new Governance Framework was adopted on 1 April 2022.

During the year, the Board was 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 was subject to an In-Depth Assessment ('IDA') by the RSH during the year to 2021 and the Group has maintained its G1 governance rating and V2 financial viability rating during the year. In May 2022, following the merger with Catalyst, the RSH issued an interim regulatory judgement confirming the enlarged Group's G1/V2 rating. Following Catalyst joining the Group, credit ratings remained the same. Peabody continues to be rated as A3 (stable outlook) by Moody's and A- (stable outlook) by Standard & Poor's (Global Rating).

Compliance with the NHF Code
Adoption of the NHF Code by the Board with effect from 1 April 2021 has enabled Peabody to consider more ways to enhance the governance arrangements which ensure accountability and assurance remain at the core of the organisation. The Group was substantially compliant with the NHF Code during 2021/22. A detailed analysis undertaken in May 2022 provided evidence of compliance and highlighted opportunities to strengthen the effectiveness of governance, particularly in the light of Catalyst and Peabody joining together. Further enhancements to the approach to compliance with the NHF Code following reviews in Catalyst and Peabody were approved in July 2022.

The following paragraphs explain relevant principles of decision making during the period 1 April 2021 to 28 July 2022.

Board tenure
The Board and the Nominations and Remuneration Committee ('NRC') determined that whilst six-year terms would be applied for new Board and Committee members appointed after the adoption of the NHF Code on 1 April 2021, subject to annual evaluation, existing members could continue beyond six years up to a maximum of nine years, if it was considered in the best interests of the organisation to do so in line with the provision of the NHF Code to this effect. Having carefully considered the particular skills and experience provided by individual Board members and the future requirements and best interests of the Group, the Board approved several Board members continuing to serve beyond six years: Jennie Daly (stepped down in June 2022), Helen Edwards, David Hardy, Bob Kerslake, Deirdre Moss, Ian Peters, Paul Loft, and, following the joining together with Catalyst, Terry Hartwell.

Board size and diversity
The Board's size (14 members) is currently above the NHF Code maximum guidance of 12 members. Peabody will seek to achieve compliance with this requirement over time, but following the joining together with Catalyst, the Board values the experience and skills provided by members from both legacy Boards whilst also welcoming fresh thinking and perspectives. The Board's first priority is to maintain good governance through ensuring the right skill set and aptitudes are in place on the Board and Committees, whilst also meeting its goals for Board diversity outlined in the description of Board membership on page 47. Opportunities to reduce the Board size to comply through natural departures are being balanced against ensuring the Board commitment to having two resident Board members is always met and making sure adequate skills coverage is in place, with appropriate strength in depth for subsidiary Board and Group Committee chair succession.

Whilst the Board and NRC consider skills and relevant experience to be the primary factors for recruitment, succession planning and good governance, another very important dimension is board diversity, and ensuring our Boards and Committees are more representative of the people we serve. Diversity goals are described in pages 24 to 27. Peabody has committed to 30% of the Board being Black, Asian or Minority Ethnic (BAME) by December 2025. Currently, the Board of 14 is 21% BAME. To achieve this (in line with the equality, diversity and inclusion focus of the Group's Inaugural Business Plan) the Board is willing to accept that full NHF Code compliance in terms of Board size may not be achievable until 2025.

As explained in previous annual reports, given their skills and experience, Richard Stevens and Keith Clancy continue to serve on the Board of Charlton Triangle Homes, a registered provider subsidiary with a constitutionally agreed Board comprising Peabody Trust, local authority and resident nominees.

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.

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

The role of the Board and its Committees
The Board is responsible for:

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

The Board has delegated the operational management of Peabody and its subsidiaries to the Chief Executive, the Executive Committee and the Capital Management Group (which considers capital spend within certain limits). The Board 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 Board and Chief Executive are separate, reflecting the different responsibilities of leading the Board and the Executive Committee. The Chair and the Vice Chair are both non-executive members of the Board.

Policies and strategies
The 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 key areas (such as the Customer Experience Strategy, Development Strategy, Investment Policy and Strategy, People Strategy and Value for Money Strategy).

Group structure
During the financial year, the Group included five registered providers of social housing ('RPs'): the parent entity, Peabody Trust, plus Town & Country Housing ('TCH') (the Group's wholly owned subsidiary operating in Kent and Sussex), Peabody South East ('PSE') (which owned homes and provided services largely outside Greater London), Charlton Triangle Homes Limited (a small RP operating in the Royal Borough of Greenwich) and Peabody Developments Limited ('PDL'). PDL in addition to being an RP, is the Group's primary development vehicle. TCH has its own separate development subsidiary, Monson Homes Limited, which acts as a developer in Kent and Sussex.

During the year, PSE divested contracts, staff and buildings in Kent to TCH and transferred the remainder of PSE's assets, liabilities, property and staff to Peabody Trust by way of a transfer of engagements pursuant to S.110 of the Co-operatives and Community Benefit Societies Act 2014. PSE was established in 2017 to hold assets and contracts previously held by Family Mosaic, outside of Peabody's then charitable geographic boundary of 30 miles of EC3. In order to prepare for the merger with Catalyst and streamline the Group, Peabody extended its area of charitable operations to counties within or intersected by a radius of 50 miles of central London on 4 January 2022, which allowed for the assets and contracts held by PSE to subsequently be transferred to Peabody on 31 March 2022. As soon as all the formalities and registrations are completed, steps will be taken to de-register PSE as a community benefit society and RP.

Other Group subsidiaries as at 31 March 2022 include:

- Dagenham Dock Limited, managing the Group's redevelopment of the former Ford Stamping Plant site in Dagenham, East London;
- Peabody Community Foundation, the Group's principal charitable community investment vehicle;
- Peabody Construction Limited, a company that provides construction services;
- Peabody (Services) Limited, a land servicing company that also provides construction services;
- Peabody Waterfront Limited, which holds Peabody's interest in Thamesmead Waterfront (Peabody's joint venture with Lendlease);
- Peabody Land Limited, which holds commercial property and development land; and
- Tilfen Land Limited, a company which acts primarily as a commercial asset management company in Thamesmead.

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

Governance Framework
Peabody has demonstrated its commitment to good governance and robust arrangements proportionate to the Group's size and complexity together with a continued focus on improving compliance culture. Following a full review of governance arrangements undertaken during 2021/22 a new Governance Framework for the Group was proposed and implemented from Day 1 of merger with Catalyst.

The new Governance Framework will continue to support the Board in its management of risk and in its responses to changes in the external environment. Risk is monitored, managed and mitigated in order to minimise, for example, the likelihood and impact of financial loss, compromised service delivery, damage to our reputation or non-compliance with law or regulation. The Group's approach is that risk can and should be taken to achieve our business objectives, provided that it is justified and actively managed. The Board keeps the corporate structure under review and will consider further changes to streamline the enlarged Group, while managing risk, delivering quality services to customers and others, and making sure the Group has both the capacity and capability to deliver its vision.

During the year, the Group's Operating Regulations, delegated authorities and financial regulations forming part of the pre-merger Governance Framework continued to apply. The new Governance Framework applicable from 1 April 2022 has provided the opportunity to enhance the governance of the Group, including the introduction of new policies and strategies for the enlarged Group.

There are eight committees in the new Governance Framework. All the terms of reference contain standard provisions about membership. Committees generally have a maximum membership of eight, but with the intention to have five to seven members, but with the eight place to be used if necessary to allow a smooth transition for an incoming member, before an experienced member departs. The exception to this is the two customer-facing Committees, Customer Experience and Communities, which have a maximum membership of ten to allow customer participation. Terms of reference for Board committees also reflect the expectations of the NHF Code, RSH requirements and best practice, and feedback provided during consultation pre-merger with Board and Committee Chairs, vice Chairs, members and lead executives.

Peabody established a new Customer Experience Committee to be responsible for ensuring good-quality, value for money services to current and future customers. Its remit includes undertaking 'deep dives' into service areas and monitoring learnings from complaints, Housing Ombudsman publications and the changes proposed in the Charter for Social Housing Residents: Social Housing White Paper in order to make recommendations to the Board and drive continuous improvement.

The Board shall, however, remain responsible for: approving any major changes in strategy, service standards or service delivery. This includes ensuring that customer needs and priorities identified through resident engagement and customer insight are reflected in the Group's strategies and plans; and reviewing and scrutinising any areas of serious under-performance, significant risk or potential non-compliance with the Regulator's Consumer Standards.

The following Executive Committees have formal terms of reference and delegations:

- Executive Committee
- Capital Management Group

These Executive-led groups may be supplemented by delegations to other formal Committees or groups in future (subject to Peabody and Catalyst Board approval), as integration and alignment is progressed. In the meantime, the Executive Committee will be responsible for the oversight of the next tier of groups and governance structures which facilitate day-to-day business and overseeing the compliance arrangements of the organisation, e.g. Health and Safety, Change Board.

See pages 49 to 51.

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

Stakeholders, transparency and diversity
The Group continues to build relationships with a range of stakeholders and policymakers. Our relationship-building approach has helped us to deliver our strategic goals and to achieve the social purpose of our mission statement. Insight into partner engagement and how it informs Board decisions is provided in the Strategic Report on pages 22 and 23.

Peabody is committed to being open and transparent in the way the business is conducted and in interactions with our 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 (including detailed information on complaints) on its website for all Peabody's stakeholders.

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

Corporate responsibility
Peabody embeds corporate responsibility and sustainability across the organisation. This includes working with suppliers to embed sustainable practices and our commitment to openness and transparency in the way

we conduct our business and interact with our customers. Peabody is committed to achieving equality and diversity in all aspects of its operations, and our policies, strategies and practices reflect this. Peabody has a Group equality, diversity and inclusion ('ED&I') plan to make sustainable progress towards our goal of embedding equality and diversity throughout the full breadth of our work. Further insight is provided in the Strategic Report on pages 24 to 27.

Peabody modern slavery and human trafficking statement

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

Board membership

As at 31 March 2022, the Board had ten members, including two resident Board members. During the year, the Board met alongside the Board of PSE, which benefited from having a similar composition and operated on an overlapping basis with significant common membership with the Board, but the PSE Board also had two independent Board members, namely Pippa Aitken and Jennie Daly, who provided an appropriate degree of independence as and when necessary.

Details of Board members' experience and main commitments are outlined in the Board biographies section on pages 40 and 41. The composition of the Board and Executive Committee during the financial year ended 31 March 2022 is set out on the inside back cover.

The Board holds a dedicated strategy session each year, which focuses on long-term targets, risks and opportunities, and includes briefings on the operating environment and future landscape. The Board also receives regulatory or other topical presentations and briefings during the year, including briefings on the Regulatory Framework, legislative changes, and other topics relevant to the Group's activities.

The composition of the Boards of Directors of operating subsidiaries are reviewed regularly by the NRC, which oversees appointments to the Boards of all Group entities 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. The Recruitment and Succession Policy supported open and transparent recruitment processes in 2021. Selection and appointment was undertaken objectively, based on core skills and competencies, qualification and attributes required, and the NRC has regard to the inclusion of members with diverse backgrounds, balance of skills, experience and knowledge.

A new Board Skills, Succession Policy was adopted on 1 April 2022 to ensure closer alignment with the NHF Code. As outlined in the compliance statement on page 45 the new standard maximum six-year tenure has been adopted for new Board and Committee members.

The Board is committed to building a diverse and inclusive organisation where everyone is welcome and can thrive. The Board wants to attract, retain and develop a diverse representative workforce to give us the best opportunity to meet the differing needs of our customers. A dedicated Head of ED&I was recruited during the year to lead on the shaping and driving of the ED&I plan, which outlines Peabody's commitments to align with the NHF Code and the NHF Code of Conduct 2022.

More insight on Peabody's vision to create an organisation which attracts and retains the best, diverse talent, where everyone can bring their authentic self to work, and which reflects the communities we serve can be found at pages 24 to 26. One way for Peabody to meet these commitments is to assess and publish gender and ethnicity pay gaps and take action to address the gaps identified. Information on Peabody's gender and ethnicity pay gaps can be found on page 27.

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 resident members.

The Conflicts of Interest Policy includes a Statement of the role of Executive Board members, which is published on our Intranet within Peabody's policy suite.

Appointments to the Board

The NRC has a formal and rigorous procedure for the appointment of new Board members. Appointments are made on merit against objective criteria, with due regard to the importance of including members with diverse backgrounds (including diversity of gender, social and ethnic backgrounds), balance of skills, cognitive and personal strengths, experience and knowledge. The approach to recruitment brings together professionals with a range of perspectives and ensures healthy debate with, and challenge of, the Executive Committee.

During the year, Zebrina Hanly was appointed to the Board on 13 April 2021. Jennie Daly and Pippa Aitken joined the Board on the transfer of engagements of PSE to Peabody on 31 March 2022. Ian McDermott, Ravi Rajagopal, Terry Hartwell, Cary Wakefield and Graham Woolfman joined the Board on 1 April 2022 when Catalyst and Peabody joined together.

Prior to merger, a governance review was considered by the Joint Project Board of Peabody and Catalyst, which was a joint Committee comprising Board members from both organisations including the Chairs and Vice-Chairs, with support from both the Governance teams and external consultants. This considered the number and type of Committees, the remit of each Committee, the composition of Committees, and the composition of the post-merger Peabody and Catalyst Boards. A review and selection process was conducted by the Joint Project Board, and having considered the skills, experience and diversity of existing members of both organisations' existing Boards and Committees, and the expected demands and requirements of the new Group, recommendations were approved by both the Catalyst and Peabody Boards at end March 2022.

The NRC has agreed skill areas should be a priority for Board and committee member recruitment in 2022 in line with succession modelling. Further insight into the most recent review can be found at page 53.

Board meetings

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 were held in 2021/22 due to the merger with Catalyst (see page 52 and 54 for more detail).

Board Committees

During the year, the Board had seven Committees which were accountable to, and supported the work of, the Board:

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

Following the adoption of a new Governance Framework on 1 April 2022, the Board is now supported by eight non-executive Committees:

- Audit and Risk Committee
- Care and Support Committee
- Communities Committee
- Customer Experience Committee
- Development Committee
- Finance and Treasury Committee
- Nominations and Remuneration Committee
- Thamesmead Committee

The new Governance Framework also created the following Executive-led committees which have formal terms of reference and delegations from the Board:

- Executive Committee
- Capital Management Group

Details of the activities of each committee are set out on pages 50 and 51.

CARE AND SUPPORT COMMITTEE

The Care and Support Committee was established in April 2022, to help ensure proper oversight of the Group s care and support activities. This also reflects the Group s greater emphasis on care and support with the addition of Catalyst's facilities and expertise in Older People's services, as well as supported housing and floating support in Hertfordshire and Bedfordshire. The Committee will aim to adopt a strategy of co creation with service users, and up to two of its members (out of a total of up to ten) will be service users or customers. The Committee will meet at least three times a year, with additional meetings as required by the reporting cycle or the Committee's other duties. Part of the Committee's remit will be to help ensure that regulated care and support schemes comply with the requirements of the Care Quality Commission. Beyond that, the Committee will oversee the Group s delivery of high-quality services beyond statutory requirements that demonstrate the values of a human and kind organisation and a commitment to those most in need in our communities.

CUSTOMER EXPERIENCE COMMITTEE (FORMERLY CUSTOMER SERVICES COMMITTEE)

The Customer Services Committee was established in February 2021. The new Committee's focus was to ensure that Peabody puts resident voice at the heart of its culture and decision making, and has the policies in place to meet strategic customer service objectives. Chairs of the Resident Scrutiny Panel and Strategy and Policy Group were invited to alternate meetings throughout the year so that they could lend their expertise to this work. The Committee had considered progress of the implementation of the recommendations of the Social Housing White Paper, our commitment to the Together with Tenants initiative and our focus on the application of the principles within the NHF Code of Governance. Going forward, the Customer Services Committee was replaced by the Customer Experience Committee on 1 April 2022. The Committee will be focusing on the Group s model of customer engagement to ensure the views of the customer are being heard, reviewing and scrutinising the Group s Customer Experience Strategy to ensure it meets the needs of customers and is in line with the ED&I Plan, monitoring compliance with consumer standards, reviewing performance against the proposed RSH's Tenant Satisfaction Measures, and monitoring compliance with the Ombudsman's Complaints Handling Code (further insight into the role of the Committee can be found on page 50).

Leadership

Board

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

Governance and compliance

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

Strategies and policies

Principal policies and strategies, including:

- Group Strategy
- Asset Management Strategy
- Care and Supported Housing Strategy
- Customer Experience Strategy
- Development Strategy
- Group IT Strategy
- Investment Strategy
- People Strategy
- Sustainability Strategy
- Treasury Strategy and Management Policy
- Risk Management Policy
- Health and Safety Policy

Customers and stakeholders

- Considers impacts of proposals on customers
- Considers customers' and other stakeholders' views

Financials and risk management

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

Operational performance

- KPIs
- Reviews of operational areas

Peabody behaviours

- Tone from the top
- Our values
- Peabody Code of Conduct
- Employee engagement

Chief Executive

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

The Board has delegated the operational management of Peabody and its subsidiaries to the Chief Executive, the Executive Committee and the Capital Management Group.

Executive Committee

Responsible for formulating the Group s strategy within the parameters set by the Board, and for delivering the strategic objectives of the business. It is also responsible for:

- the day-to day running of the business, ensuring the Group s good governance and championing its values;
- ensuring that the Group delivers good financial and operational performance to meet the needs of customers, regulators and other stakeholders;
- assessing and controlling risk and identifying and assessing opportunities; and
- prioritising and allocating capital and resources.

Operates on behalf of the Peabody Board and the Boards of other subsidiaries in the Group.

Capital Management Group

- Approves and monitors major projects and activities that the Group undertakes. Some projects reviewed and approved by the Capital Management Group ('CMG') will subsequently be provided to the Development Committee, Thamesmead Committee or relevant Boards or Committees within the Group for further consideration and approval.
- Ensures approved projects deliver agreed objectives within agreed parameters, programme key performance indicators ('KPIs') and that the risks associated with such projects are monitored and managed to ensure that they do not adversely impact on project delivery or any part of the Peabody Board's activities.
- Approves investment in new development and regeneration opportunities, property and land acquisitions and new business proposals within set levels of delegated authority.
- Ensures appropriate levels of investment are made in the Group s properties in line with the Asset Management Strategy.
- Ensures the appropriate financing of all investment activities.
- Scrutinises the cumulative value of the Group s investments and their impact on key business plan ratios, including interest cover, gearing and on-lending.

Board Committees

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

Audit and Risk Committee	Care and Support Committee
• Exercises independent scrutiny and challenge in relation to risk, control, financial reporting and accounting issues to provide assurance to Peabody and subsidiary Boards (the "Boards"). • Maintains an appropriate relationship with the Group s Internal and External Auditors. • Lead role in providing assurance to the Boards that legal and regulatory requirements are being met in the areas of procurement, business continuity, data and IT security. • Provides oversight, review and challenge in relation to external audit, internal audit, internal controls, risk management systems, regulatory compliance, whistleblowing, fraud, bribery, financial viability, financial reporting, narrative reporting, risk management, risk appetite, risk tolerance and risk strategy and any other related matters. • Reviews audited Group financial statements and recommends to the Board for approval.	• Oversees and scrutinises the care and support activities of the Group (including supported housing activity). • Monitors performance against the Care and Support Strategy and financial and operational KPIs. • Identifies opportunities for growth of care and support activities in line with the strategic objectives and more widely in the care sector, including consideration of external programmes and partnerships. • Ensures that there is effective connection between the Care and Support Strategy, the Communities Strategy and the delivery of Group objectives. • Approves policies relating to care and support such as Safeguarding of Vulnerable Adults and Children, the Care and Supported Housing Strategy Policy, and Health and Safety policies specific to Care and Support. • Reviews internal controls for risks in relation to the provision of Care and Support and scrutinises outcomes. • Monitors risks associated with the Group s care and support activities, including monitoring and obtaining assurance relating to the implementation of relevant legal, regulatory and policy changes.
Communities Committee	**Customer Experience Committee**
• Provides strategic oversight of the delivery of both the Community Investment and Peabody Community Foundation Strategy within the Group. • Supports Peabody's strategic objective of helping people flourish by making a positive difference to the communities we serve. • Designs and develops the Community Investment and Peabody Community Foundation ('PCF') Strategy in partnership with the Executive and recommends for approval by the Board; • Scrutinises and oversees the delivery of the Community Investment and PCF Strategy. • Monitors the financial and operational performance of the Group s community activities, including partnerships, direct impact on beneficiaries and on wider communities. • Makes recommendations to the Board in relation to major proposals. • Monitors internal controls and matters with significant implications for the beneficiaries of the Group s community work.	• Provides assurance to the Board on the performance, quality and value for money of all services provided to the Group s current and future customers. • Provides assurance that customer focus is embedded within the Group. • Reviews the Group s model of customer engagement to ensure that the voice of the customer is being heard and feedback is being acted upon, recommending any significant changes to the Board. • Monitors compliance with Consumer Standards set by the RSH (including monitoring of reforms), housing and estate services, customer services, customer engagement and investment works and responsive repairs. • Reviews and scrutinises the design and implementation of the Customer Experience Strategy to ensure it meets the needs of customers and is in line with the Equality, Diversity and Inclusion Plan. • Reviews performance against the proposed RSH's Tenant Satisfaction Measures. • Scrutinises reports on complaints, complaints handling and customer satisfaction to ensure that lessons are learnt to improve service delivery. Obtains assurance that the Group complies with the Housing Ombudsman Complaints Handling Code.

Board Committees continued

Development Committee	Finance and Treasury Committee
• Provides oversight of the Group s development programme and delivery of its development strategy, including provision of new affordable housing, housing for market sale and rent, regeneration, land banking, joint ventures and any other commercial development activities. • Considers the Group s Development strategy and recommends it for approval by the Board and monitors delivery of the strategy. • Considers, recommends and approves proposals relating to development by any entity of the Group of homes for sale or for rent (social, affordable or market). • Considers and recommends to the Board and relevant subsidiary Boards for approval significant contracts with Homes England and the GLA or with other grant giving bodies in relation to grants or other financial support. • Ensures alignment of Joint Ventures ('JVs') in support of the Group s missions and objectives. • Reviews the risks and benefits associated with proposals for new JVs and all existing JVs on an annual basis. • Keeps under review the performance of investment in new homes and development schemes.	• Exercises oversight and scrutiny of the financial viability and financial performance of the Group and exercises delegated authority in relation to certain finance and treasury activities. • Ensures the Group adopts sound treasury management, borrowing and investment, and risk management policies and strategies, and maintains financial viability, including liquidity, at all times. • Provides scrutiny and support to the Board and relevant subsidiary Boards concerning the Group s Treasury Management Policy and Treasury Strategy. • Considers the Budget and Long Term Financial Plan for the Group and recommends each to the Board for approval. • Considers the financial and legal structures of corporate joint ventures, including associated financial risks and benefits, prior to their approval by the Board and monitors their financial position and performance over time, reporting to the Board any issues, significant risks or material under-performance. • Oversees the development of the Group s Value for Money Strategy and targets and monitors performance against each.
Nominations and Remuneration Committee	**Thamesmead Committee**
• Provides oversight of the Group s arrangements for remuneration, recruitment, retention, succession planning (including talent management), appraisal (including performance management), nominations, terms and conditions, and the Group s delivery of its strategic objective to be a great place to work. • Reviews the Governance Framework to ensure it is up to date and fit for purpose, recommending any significant amendments to the Board. • Oversees the work of the Committees of the Board, periodically reviewing their remits and effectiveness and determines their future accordingly. • Approves and oversees the process for the appraisal and training and development of all Board, subsidiary and Committee Members. • Reviews and recommends the Group Chief Executive's remuneration package to the Board, approves the remuneration packages of all Executive Directors and the Group s remuneration structure and Thamesmead Committee policy. • Recommends an ED&I Strategy and Action Plan to the Board and obtains assurance about how these commitments and objectives are being delivered in practice.	• Provides oversight and delivery of the Thamesmead Strategic and Delivery Plans, maintaining and realising an ambitious long-term vision and plan for Thamesmead. • Considers and recommends to the Board (and other Boards as required) for approval the Thamesmead Strategic and Delivery Plans. • Keeps under review the performance of Peabody's investment in Thamesmead in accordance with agreed key performance indicators and investment criteria. • Monitors internal controls and considers changes in Thamesmead risk, for referral to the Audit and Risk Committee or the Board. • Oversees the strategic management of those third-party stakeholder relationships and partnerships whose support is necessary to achieve the Thamesmead Plan. • Monitors the progress of the Thamesmead Waterfront joint venture.

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

Do the **right** thing

What the Board did this year

- The Board met nine times during 2021/22 to ensure that:
  key risks and challenges for the Group and the housing sector were considered and effectively mitigated in the run-up to joining together with Catalyst, including the pandemic, legal and regulatory requirements (including the regulatory focus on consumer standards, and the new and upcoming requirements of new legislation), and the wider challenges of the external environment; and financial viability of the Peabody Group was assured.
- Review of key performance indicators and delivery of the Group's strategic goals.
- Review of progress on implementation of the recommendations of the Social Housing White Paper and steps to put the customer at the heart of decision making.
- Continuous review, management and mitigation of the organisation's key risks with particular focus on fire and building safety and development.
- Planning for the joining together with Catalyst, including consideration of the required culture and values, scrutiny and approval of the Inaugural Business Plan, Budget and anticipated Long Term Financial Plan, and how to measure success by reference to delivery of the priorities for customers.

Future Board focus

Ensure the customer voice is heard to inform decision making at both Board and Committee level.

Provide scrutiny of the roll-out of the Localities Model and the customer digital journey to ensure delivery of the strategic priority to get the basics right.

Ensure the wellbeing and safety of Peabody's customers and that this remains paramount as the Group progresses its building safety programmes and meets the requirements of the Building Safety Act and other legislation and regulation in relation to fire safety.

Focus on the impact on Peabody customers of inflation and the cost-of-living crisis, including customers of different tenures and in different situations, and how customers can be supported and relevant outcomes measured.

Monitor the impact on Peabody of inflation and other external stresses with regular review of the Budget and long-term financial planning with appropriate adjustments to ensure Peabody meets in financial commitments and agreed metrics.

Promote customer resilience and the prevention of homelessness through ensuring social impact of community development work is evaluated and Peabody leads in evidence-based research.

Consider approaches to make our business activities and homes (new and existing) more sustainable, tackle climate change and monitor progress towards our carbon neutral and sustainable Peabody goals.

Ensure our homes and buildings are safe and well maintained through understanding stock condition and asset management demands and learning from the Peabody and Catalyst approaches to take the best of both.

Deliver for the most vulnerable by balancing investment in existing homes with new homes delivery.

Measure progress on working towards diverse, inclusive, engaged and creative teams that reflect the communities we work with in line with ED&I goals.

Assess implementation of the People Strategy to ensure defined goals are achieved, and provide oversight of the roll-out of the plans for the Peabody Academy.

Consider progress against the Inaugural Business Plan goals and priorities, and agree any changes required to reflect the challenging external environment and feedback from customers and colleagues.

Review, assess and implement changes to align activities with provisions of the Social Housing Regulation Bill and our own expectations to deliver for customers.

Review and assessment of the effectiveness of governance and risk management, risk appetite and emerging risks, including consideration of any changes required to the new Governance and Risk Frameworks put in place on 1 April 2022.

Board evaluation, skills, induction, development and appraisals

The Chair is responsible for managing the performance of the Board and the Chief Executive. The performance of the Chair is the responsibility of the Board. The Board, supported by the Group's NRC, 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. The last annual review of Board and Committee Effectiveness was undertaken in April 2022. There are no concerns arising from the self- assessment of performance 2021/22.

The results confirmed strong and effective Board and Committees with a small number of suggestions for future areas of focus. The latter have been combined with the output of the similar review of Catalyst Board and Committees to form a combined action plan to further enhance the effectiveness of governance arrangements. The plan was considered by NRC in early July and recommended to the Board on 28 July 2022.

The next independent evaluation of Board effectiveness is expected to be undertaken in 2023 once the new Boards and Committees have been running for 12 months. The results of the recent Board and Committee member skills self-assessments completed by each of Catalyst and Peabody inform Board and Committee succession planning for the new Group. These were collated and reviewed by the NRC in July 2022. The results highlighted particular strengths in the following areas: strategic leadership and scrutiny; human resources and organisational management; and governance, risk, regulation, compliance and assurance. Areas for continuing focus and review include: housing management/service user's needs; property, asset management and appraisal; and IT and data management. The information collated from skills assessments is considered regularly by the NRC in conjunction with the views of the Board, Committee Chairs, and internal and external factors, including the Group's strategic and operational priorities, the key risks to the Group and the sector, legal and regulatory requirements, and the wider challenges of the external environment. The next formal assessment of board skills will be undertaken as part of the 2022/2023 Annual Board effectiveness assessment process.

During the coming months, Board and Committee members will continue their induction and training, which started before Catalyst joined the Group to ensure that members drawn from the Catalyst Board and Committees have sufficient knowledge and understanding of the activities of Peabody and legacy Peabody members have equivalent understanding and insight into the activities of Catalyst. Induction and training for new and existing members includes, where relevant:

- Briefing sessions on governance, strategy, finance and risk management, housing services and community investment.
- Information relating to current issues within the sector and those specific to the relevant Boards and Committees.
- Meeting individually with the Chair and Vice Chair (if applicable) of the relevant Boards and Committees.
- Meeting with key members of management, including Executive Directors, Directors and Heads of Services, and other key personnel.
- Training opportunities such as attending NHF webinars and industry briefings.
- A subscription to Inside Housing magazine.
- Provision of key governance documents as part of an induction pack comprising operating regulations, incorporation documents, Peabody's Code of Conduct, terms of reference as well as Group strategies and policies relevant to the specific role.
- Visibility of Board and Committee packs, meeting minutes and business planners.

Members also participate in site visits to build a deeper understanding of Peabody homes and services as well as development schemes and to meet Peabody colleagues and customers.

The Board and Committee members have the benefit of the Group's directors' and officers' indemnity insurance policy, and all members have access to the advice and services of the Group Secretary.

Committee membership, including changes during the financial year ended 31 March 2022 and up to the date of publication of this report

PEABODY BOARD MEMBERS	Attendance at Board meetings during 2021/22	ARC	FTC	CSC/CEC	DEV	TMC	COMM	C&S	NRC
Pippa Aitken[1]	N/A				✓	✓		✓	
Peter Baffoe	9/9			✓			✓		
Jennie Daly[1, 2]	N/A				✓	✓			
Helen Edwards[3]	9/9	✓					✓	✓	
David Hardy[4]	9/9	✓	✓						
Zebrina Hanly[5]	8/9			✓					
Terry Hartwell[6]	N/A	✓			✓				
Bob Kerslake[7]	9/9					✓			✓
Paul Loft	7/9	✓	✓	✓					✓
Ian McDermott[6]	N/A								
Barry Mcnamara[8]	N/A			✓					✓
Deirdre Moss[9]	9/9			✓		✓	✓	✓	✓
Ian Peters[10]	9/9				✓	✓			✓
Ravi Rajagopal[6]	N/A				✓				
Francis Salway[11]	5/6				✓				
Peter Vernon[12]	1/2				✓	✓			
Cary Wakefield[5, 6]	N/A			✓					✓
Graham Woolfman[6]	N/A	✓	✓						✓

1 Pippa Aitken and Jennie Daly were members of the Peabody South East Limited Board until 31 March 2022.
2 Jennie Daly served as the Chair of the Thamesmead Committee from 1 July 2021 until stepping down on 31 March 2022. She remained in post on the Board and the Development Committee until 30 June 2022.
3 Helen Edwards joined the Audit and Risk Committee on 1 June 2021.
4 David Hardy stepped down from the Audit and Risk Committee on 31 March 2022.
5 Zebrina Hanly and Cary Wakefield joined the Customer Experience Committee on 1 April 2022.
6 Cary Wakefield, Graham Woolfman, Ian McDermott, Ravi Rajagopal and Terry Hartwell joined the Board and joined relevant Committees as set out above at the point of merger on 1 April 2022.
7 Bob Kerslake joined the Thamesmead Committee on 1 April 2022.
8 Barry McNamara stepped down from the Board, the Customer Services Committee and the Nominations and Remuneration Committee on 13 April 2021.
9 Deirdre Moss stepped down from the Customer Services Committee on 31 March 2022.
10 Ian Peters stepped down from the Nominations and Remuneration Committee on 31 March 2022.
11 Francis Salway stepped down from the Board on 30 November 2021. He then served on the Development Committee for a four-month period until 31 March 2022.
12 Peter Vernon stepped down from the Board, the Development Committee and the Thamesmead Committee on 30 June 2021.

COMMITTEE MEMBERS ONLY	ARC	FTC	CSC/CEC	DEV	TMC	COMM	C&S	NRC
Mak Akinyemi[1]	✓							
Gossica Anichebe[2]			✓					
Lydia Benedek-Koteles[1]							✓	
Phyllida Culpin[1]			✓					
Brian Darling[1]		✓						
Sukhraj Dhadwar[1]								✓
Mark Dickinson[3]				✓				
Shreya Hewett[2]						✓		
Marianne Ismail								✓
John Kehoe[1]			✓					
Catherine O'Kelly						✓		
Gaylene Kendall		✓						
Valerie Marshall	✓							
Matthew Martin[1]						✓		
Susan Martin[1]			✓					
Karima Mbarak						✓		
Iain McPherson[1]				✓				
Nigel Perryman[1]		✓						
Joe Seet	✓	✓						
Cath Shaw[4]				✓	✓			
Thelma Stobe[r1]					✓	✓		
Janet Sutherland[1]							✓	
Lindsay Todd[1]					✓			
Christine Turner[1]			✓			✓		
Katharina Winbeck[5]						✓		

1 The following Committee appointments took place at the point of merger on 1 April 2022:
   a. Graham Woolfman, Mak Akinyemi and Terry Hartwell joined the Audit and Risk Committee.
   b. Brian Darling, Graham Woolfman and Nigel Perryman joined the Finance and Treasury Committee.
   c. Cary Wakefield, Christine Turner, John Kehoe, Phyllida Culpin and Susan Martin joined the Customer Experience Committee.
   d. Terry Hartwell, Iain McPherson and Ravi Rajagopal joined the Development Committee.
   e. Bob Kerslake, Lindsay Todd and Thelma Stober joined the Thamesmead Committee.
   f. Thelma Stober, Christine Turner and Matthew Martin joined the Communities Committee.
   g. Helen Edwards (as Chair), Janet Sutherland, Deirdre Moss, Lydia Benedek-Koteles and Phillipa Aitken joined the Care and Support Committee as its initial members.
   h. Cary Wakefield, Graham Woolfman and Sukhraj Dhadwar joined the Nominations and Remuneration Committee.

2 Gossica Anichebe joined the Customer Services Committee on 20 May 2021.
3 Mark Dickinson stepped down from the Development Committee on 20 October 2021.
4 Cath Shaw stepped down from the Development Committee and Thamesmead Committee on 31 March 2022.
5 Katharina Winbeck joined the Communities Committee on 20 May 2021.

Remuneration of non-executive Board members

In May 2022, the NRC reviewed the Board and Committee Pay Policy. This was supported by a benchmarking exercise carried out by an independent consultancy, Forest HR, in January 2022. A new Board and Committee Pay and Expenses Policy (to apply with effect from 1 April 2022) was subsequently adopted, which followed the independent benchmarking, and reflected that for Board and Committee members, there had been no increase in pay for four years. Although a commitment had been given to review pay every two years, this had been delayed given the impact of the pandemic.

Full disclosure for the financial year 2021/22 is provided in the following table:

Remuneration of non-executive Board and committee members[1]

Full name	Peabody Board	PSE Board	Committee
Pippa Aitken		12,000	
Gossica Anichebe			6,059
Peter Baffoe	12,000		
Jennie Daly		14,250	
Mark Dickinson			4,460
Helen Edwards	12,000		
Bryan Halliday			7,000
Zebrina Hanly	11,600		
David Hardy	15,000		
Shreya Hewett			7,000
Marianne Ismail[2]	7,960		
Gaylene Kendall			7,000
Paul Loft	15,000		
Valerie Marshall[2]	7,960		
Karima Mbarak			7,000
Deirdre Moss[2]	15,686		
Ian Peters[3]	18,000		
Francis Salway	–		
Joe Seet			7,000
Peter Vernon	–		
Katharina Winbeck			6,059

1 Peter Vernon and Francis Salway donated the £15,000 in the pay they were entitled to receive to other charities. 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. Barry McNamara elected not to receive payments as a Board member. Cath Shaw and Catherine O'Kelly elected not to receive payments as Board Committee members.
2 These figures were based on concurrent roles which were remunerated through the separate Town & Country Housing pay rates.
3 Vice Chair during the financial year 2021/22.

The new levels of eligibility for payment per annum for Board and Committee members who are legally entitled under the Rules of Peabody Trust are as set out below. Members may still choose to waive right to payment or direct payment to other charitable causes:

For Peabody Chair	£33,000
For Peabody Vice Chair	£21,000
For Committee Chair/Principal Subsidiary Chair	£18,500
For a Board member	£15,000
For a Committee member	£7,500

Board and Committee members who perform multiple roles are entitled to receive remuneration for the highest-paid role only. This means that some subsidiary Board members are paid by the subsidiary, while others who serve on Board Committees are paid by Peabody for their Committee membership role only (which is deemed to reflect their whole contribution to the Group).

Other non-executive members of the Boards and Committees of Catalyst, Town & Country Housing, Peabody Group Maintenance Limited and Charlton Triangle Homes also received remuneration during the year. Details of payments are disclosed in the Annual Report and Financial Statements of each subsidiary.

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.

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, care and community investment, and corporate services. At the tier below, leaders and specialists are recruited in fields such as IT and human resources, as well as leaders in development, regeneration, housing, finance and other fields. The overall framework is agreed by the NRC, 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 amounts paid to the former Chief Executive, Brendan Sarsfield, and the current Chief Executive, Ian McDermott, during the financial year are set out in the notes to the accounts. With regard to other employees, information is provided about the number of employees in each salary band above £60,000.

Auditor
KPMG LLP has indicated its willingness to continue in office as auditor of the Group. Therefore, after due consideration of the recommendation of the Audit and Risk Committee at a meeting held on 19 July 2022 and the requirements under section 93 of the Co-operative and Community Benefit Societies Act 2014, the Board reappointed KPMG LLP as auditor of Peabody Trust on 28 July 2022.

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 system of risk management and internal control is designed to monitor, manage and mitigate the risk of failing to achieve business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss. The system of risk management and internal control also exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of Peabody's assets, services and interests. 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 risk review process
During the year, the Board and the Committee focused on ensuring that a robust risk management framework was in place across the Group. There is a programme to keep all risks and the mitigating controls under regular review via cyclical reports to the ARC and it reports at least twice yearly to the Board. The Group has eleven key risks outlined in its Risk Register which was last reviewed by the Committee on 19 July 2022.

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 2022 at its 28 April 2022 meeting. PwC's annual report included the following statement:

"Based on the scope and findings of our work carried out there has continued to be a reduction in the level of high/critical risk findings and this, alongside strong results from our Continuous Audit Monitoring work and a consistently high implementation rate of recommendations, indicates a robust control environment".

The Committee also met virtually with PwC in a private session in April 2022.

Management's Response
We are pleased to see PwC's positive assessment of our control environment. However, we are not complacent about the need to remain thorough and diligent in our approach to constant review and improvement of our internal control environment.

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 (updated with effect from 1 April 2022) 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 are kept under review, many of which have been, or are being updated, to ensure a consistent and refreshed approach following Catalyst and Peabody joining together.

Key health and safety issues are reported to the Executive-led Health and Safety Committee, and reports on health and safety (including the outcome of specialist audits) are provided regularly to the Committee and at least 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 ARC at its 19 July 2022 meeting. No significant weaknesses have been noted.

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

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

The Group has appointed employees to anti-money laundering roles and has an Anti-Money Laundering Policy, as required by current legislation, and has rolled out relevant training and revised procedures. The Money Laundering Reporting Officer's Annual Report to the Committee in January 2022 outlined the ongoing work comprising the Group's compliance programme. Systems and controls will continue to be closely monitored during 2022.

Peabody values its reputation and is committed to maintaining the highest possible ethical standards in all its business activities. Peabody has a Whistleblowing Policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the organisation. The Peabody Code of Conduct and the Group's Anti-Bribery Policy make it clear that the Group has zero tolerance for any form of bribery, and anti-bribery training is provided to all employees.

Statement on internal controls assurance – Peabody Group
The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of internal control that is appropriate to the various business environments in which it operates. This is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The processes in place for identifying, evaluating and managing the significant risks faced by the Group are ongoing and have been in place throughout the period commencing 1 April 2021 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;
- 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, including more frequent monitoring and reporting during the early months of the pandemic;
- 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;
- 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 Committee and Board of risk information;
- health and safety key issues reporting to the Health and Safety Committee and to the Committee;
- a detailed Group approach to treasury management;
- regular updates and reporting by external auditors;
- regular reporting to the appropriate committee on key business issues, objectives, targets and outcomes;
- regular monitoring of loan covenants and requirements for loan facilities;
- half-yearly self-assessment by management of effectiveness of controls tailored to evidence key control status (CSAs);
- 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 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 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 Committee reviewed the effectiveness of the system of internal control in existence in the Group for the period commencing 1 April 2021 up to the date of approval of the financial statements, and the annual report of the internal auditor, and reported to the Board that it found no significant weaknesses in the system of internal control.

Going concern
The Board has considered whether it is appropriate to prepare the financial statements on a going concern basis. It has determined that it is, for the reasons set out in Note 1.3 to the Financial Statements.

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

The Board is responsible for preparing the Annual Report and Accounts 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 have 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 Peabody Trust ('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's 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 them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

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

R W Kerslake

Lord Kerslake
Chair
3 August 2022

Opinion

We have audited the financial statements of Peabody Trust (the association) for the year ended 31 March 2022 which comprise the group and the association s statement of comprehensive income, the group and the association s statement of financial position, the group and the association s statement of changes in equity, the group 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 2022 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 prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Going concern

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

In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's and the association's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the group or the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the Audit and Risk Committee, internal audit and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the group's fraud register

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the assumptions used in pension valuations and the value of housing stock held in current assets. On this audit we do not believe there is a fraud risk related to revenue recognition because of the low degree of complexity and subjectivity in the group's material revenue streams leading to minimal opportunity for revenue to be fraudulently manipulated. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted by individuals who do not typically post journal entries, and journal entries posted to seldom-used general ledger accounts relating to revenue or borrowings.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumptions used in pension valuations and the value of housing stock held in current assets.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Co-operative and Community Benefit Societies legislation), taxation legislation, pensions legislation, social housing legislation and the requirements imposed by the Regulator of Social Housing and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and data protection laws, recognising the regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information
The association's Board is responsible for the other information, which comprises the Strategic Report and the Corporate Governance Statement. 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 its 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 explained more fully in their statement set out on page 59, 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 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, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of **KPMG LLP, Statutory Auditor**
Chartered Accountants
15 Canada Square
London
E14 5GL
3 August 2022

STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Turnover	3.1, 3.3	664	411	630	397
Operating costs	3.1	(531)	(328)	(486)	(303)
Surplus on sale of fixed assets	7	80	73	51	45
Operating surplus before change in investment properties	3.1, 3.3	**213**	**156**	**195**	**139**
Change in value of investment properties	16	34	3	(7)	(16)
Operating surplus	8	**247**	**159**	**188**	**123**
Interest receivable and similar income	9	–	56	–	54
Interest payable and similar charges	10	(79)	(97)	(78)	(103)
Share of operating profit of joint ventures	20	1	–	–	–
Surplus before taxation		**169**	**118**	**110**	**74**
Gift aid and charitable donations	11	–	17	–	17
Taxation on surplus on ordinary activities	12	(19)	–	–	–
Surplus for the year		**150**	**135**	**110**	**91**
Other comprehensive income					
Pension scheme actuarial gain/(loss)	30	36	36	(31)	(30)
Total comprehensive income for the year		**186**	**171**	**79**	**61**

All operations are continuing.

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on 3 August 2022 and signed on their behalf by:

Lord Kerslake
Chair

Ian McDermott
Chief Executive

Sarah Cameron
Secretary

STATEMENT OF FINANCIAL POSITION

	Note	**Group 2022 £m**	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Non-current assets					
Intangible assets	13	31	31	28	27
Tangible fixed assets – housing	14	7,336	5,978	7,004	5,631
Other tangible fixed assets	15	88	61	78	47
Total fixed assets		**7,455**	**6,070**	**7,110**	**5,705**
Investment properties	16	517	238	479	240
Other investments	17	6	121	8	20
Homebuy loans receivable	18	4	–	4	–
Starter homes initiative investment	19	5	5	5	5
Investment in joint ventures	20	44	–	39	–
Total investments		**576**	**364**	**535**	**265**
Debtors due in more than one year	21	102	1,227	57	420
Total non-current assets		**8,133**	**7,661**	**7,702**	**6,390**
Current assets					
Stock	22	464	–	404	–
Debtors due in less than one year	23	69	66	62	792
Cash and cash equivalents		125	78	127	100
Total current assets		**658**	**144**	**593**	**892**
Creditors: amounts falling due within one year	24	(286)	(203)	(450)	(372)
Net current assets/(liabilities)		**372**	**(59)**	**143**	**520**
Total assets less current liabilities		**8,505**	**7,602**	**7,845**	**6,910**
Creditors: amounts falling due after more than one year	25	(4,830)	(4,485)	(4,338)	(3,989)
Provisions for liabilities and charges	29	(35)	–	(16)	–
Pension liabilities	30	(72)	(68)	(109)	(104)
		(4,937)	**(4,553)**	**(4,463)**	**(4,093)**
Net Assets		**3,568**	**3,049**	**3,382**	**2,817**
Income and expenditure reserve		2,642	2,327	2,456	2,095
Revaluation reserve		926	722	926	722
Reserves		**3,568**	**3,049**	**3,382**	**2,817**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on 3 August 2022 and signed on their behalf by:

Lord Kerslake
Chair

Ian McDermott
Chief Executive

Sarah Cameron
Secretary

STATEMENT OF CHANGES IN EQUITY

Group	Note	Revenue reserves £m	Revaluation reserves £m	Total reserves £m
Balance at 1 April 2021		2,456	926	**3,382**
Surplus for the year		150	–	**150**
Pension scheme actuarial gain	30	36	–	**36**
Total comprehensive income for the year		**186**	**-**	**186**
Balance at 31 March 2022		**2,642**	**926**	**3,568**

Peabody	Note	Revenue reserves £m	Revaluation reserves £m	Total reserves £m
Balance at 1 April 2021		2,095	722	**2,817**
Surplus for the year		135	–	**135**
Pension scheme actuarial gain	30	36	–	**36**
Transfer of engagement from Peabody South East Limited	35	61	–	**61**
Total comprehensive income for the year		**232**	**-**	**232**
Balance at 31 March 2022		**2,327**	**722**	**3,049**

The accompanying notes form part of these financial statements.

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

	Note	**Group 2022 £m**	Group 2021 £m
Net cash generated from operating activities	39	**146**	**132**
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	7	170	129
Proceeds from sale of investment properties	7	10	–
Purchases of intangible fixed assets	13	(13)	(12)
Purchase of tangible fixed assets	14, 15	(499)	(365)
Purchase of investment assets		(28)	(56)
Receipt of government grant	26		58
Receipt of non-government grant	26	3	19
Net cash used in investing activities		**(275)**	**(227)**
Cash flows from financing activities			
New bonds and bank loans		519	200
Repayment of bank loans			(86)
Interest paid		(79)	(78)
Net cash from financing activities		**127**	**36**
Net decrease in cash and cash equivalents		**(2)**	**(59)**
Cash and cash equivalents at beginning of year		127	186
Cash and cash equivalents at end of year		**125**	**127**

Reconciliation of net cash flow to movement of debt	**2022 £m**	2021 £m
Decrease in cash in year		(59)
Cash received from loan advances		(114)
Cash outflow from movement in liquid resources	2	59
Change in debt	**(206)**	**(114)**
Debt at 1 April	(2,911)	(2,797)
Debt at 31 March	**(3,117)**	**(2,911)**

Consolidated analysis of changes in net debt	01/04/2021 £m	Cash flows £m	**31/03/2022 £m**
Cash in hand and at bank	127	(2)	**125**
Debts due within 1 year	(233)	211	
Debts due after 1 year	(2,678)	(417)	**(3,095)**
Total Net Debt	**(2,784)**	**(208)**	**(2,992)**

The accompanying notes from part of these financial statements.

1.1 Basis of preparation

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

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

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

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

1.2 Basis of consolidation

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

1.3 Going concern

The combined new Group's budgets and forecasts for 2022/23, approved by the Board in March 2022, and the Long-Term Financial Plan, approved by the Board in May 2022, have taken into account the increased size of the operations and integration plans are mindful of the inflationary environment. The resilience of the business plan is supported by:

(i) capital at Risk thresholds which are monitored on a monthly basis to ensure there is capacity to absorb a 33% downturn in the property market;

(ii) stress testing across a range of severe but plausible stress scenarios, both in isolation and in combination;

(iii) identified risk mitigations which can be implemented in a stressed scenario; and

(iv) prudent liquidity policies, including a requirement for cash and available facilities to cover 18 months of expenditure from contracted income only.

Trading in the year to date is in line with expectations reflected in our budgets and the Group continues to generate surpluses in the current environment. We continued to receive strong interest in reservations for homes and reservations continue to progress to completion. We have maintained strong liquidity, with cash balances and unutilised loan facilities similar to the 31 March level of £1.6bn.

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

1.4 Business combinations

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

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

1.5 Cash and cash equivalents

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

1.6 Service charge sinking fund

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

1.7 Value Added Tax

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

1.8 Operating segments

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

- Housing for Rent
- Care and Support
- Other Activity

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

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

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

- Determining whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, and where it is a component of a larger unit or development, the viability and expected future performance of that asset.
- Tangible fixed assets, other than land, shared ownership assets and investment properties, are depreciated over their useful lives. The actual lives of the assets and residual values are assessed periodically and may vary depending on a number of factors, such as technological innovation, product life-cycles and maintenance programmes. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Properties that are held to earn commercial rentals or for capital appreciation, or both, must be treated as investment properties and accounted for in accordance with section 16 of FRS 102. There are a number of tenure types of housing property where it is a matter of judgement whether they should be categorised as investment property or property, plant and equipment. The intended use of the property needs to be determined when categorising different tenure types of housing property, providing due consideration to the level of rent charged and with regard to objectives of the Group.
- The valuation of defined benefit pension schemes has been carried out by qualified actuaries based upon assumptions. While key assumptions used in the valuations are based upon published information, there is a degree of judgement involved in selecting the most appropriate financial variables for each scheme.
- Investment properties are professionally valued, by RICS qualified surveyors, 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 because each property is unique, and value can only ultimately be reliably tested in the market itself. The valuation exercise was carried out between April to June 2022 with a valuation date of 31 March 2022, applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2017 ('Red Book') The Directors consider that the valuations are reasonable, and the risk of a material misstatement is low.

3.1 Turnover and operating surplus

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

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

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

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

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

3.1 Turnover and operating surplus continued

Group	Turnover 2022 £m	Operating costs 2022 £m	Operating surplus/ (deficit) 2022 £m	Turnover 2021 £m	Operating costs 2021 £m	Operating surplus/ (deficit) 2021 £m
Social housing lettings	**452**	**(318)**	**134**	**438**	**(299)**	**139**
Other social housing activities						
First tranche shared ownership sales	43	(34)	**9**	57	(48)	**9**
Charges for support services	29	(29)	**–**	27	(26)	**1**
Other	–	(5)	**(5)**	–	–	**–**
	72	**(68)**	**4**	**84**	**(74)**	**10**
Non-social housing activities						
Market sale	104	(92)	**12**	70	(58)	**12**
Development	3	(12)	**(9)**	1	(12)	**(11)**
Community regeneration	1	(6)	**(5)**	1	(8)	**(7)**
Other	32	(35)	**(3)**	36	(35)	**1**
	140	**(145)**	**(5)**	**108**	**(113)**	**(5)**
Total	**664**	**(531)**	**133**	**630**	**(486)**	**144**
Surplus on sale of fixed assets (see Note 7)			80			51
Operating surplus before change in investment properties			**213**			**195**

In 2021, Group income included £2.2m of Coronavirus Job Retention Scheme grant income.

Peabody	Turnover 2022 £m	Operating costs 2022 £m	Operating surplus/ (deficit) 2022 £m	Turnover 2021 £m	Operating costs 2021 £m	Operating surplus/ (deficit) 2021 £m
Social housing lettings	**377**	**(271)**	**106**	363	(249)	114
Other social housing activities						
First tranche shared ownership sales	–	–	**–**	1	(1)	**–**
Charges for support services	7	(7)	**–**	7	(7)	**–**
Other	–	(11)	**(11)**	–	(5)	**(5)**
	7	**(18)**	**(11)**	**8**	**(13)**	**(5)**
Non-social housing activities						
Market sale	–	–	**–**	–	–	**–**
Development	3	(10)	**(7)**	–	(11)	**(11)**
Community regeneration	–	–	**–**	–	–	**–**
Other	24	(29)	**(5)**	26	(30)	**(4)**
	27	**(39)**	**(12)**	**26**	**(41)**	**(15)**
Total	**411**	**(328)**	**83**	397	(303)	94
Surplus on sale of fixed assets (see Note 7)			73			45
Operating surplus before change in investment properties			**156**			139

In 2021, Peabody income included £1.7m of Coronavirus Job Retention Scheme grant income.

3.2 Particulars of turnover and operating costs from social housing lettings

Group	Housing accommodation 2022 £m	Supported and older people 2022 £m	Shared ownership 2022 £m	Intermediate rent 2022 £m	Total 2022 £m	Total 2021 £m
Rents receivable	325	19	28	26	**398**	386
Service charges receivable	22	9	10	–	**41**	37
Gross rental income	**347**	**28**	**38**	**26**	**439**	**423**
Voids	(3)	(2)	–	(1)	**(6)**	(5)
Net rental income	**344**	**26**	**38**	**25**	**433**	**418**
Amortised government grants	11	2	1	1	**15**	15
Other income	4	–	–	–	**4**	5
Total turnover from social housing lettings	**359**	**28**	**39**	**26**	**452**	**438**
Service charge costs	(28)	(5)	(12)	–	**(45)**	(49)
Management	(71)	(9)	(5)	(5)	**(90)**	(97)
Routine maintenance	(49)	(3)	–	(2)	**(54)**	(39)
Cyclical maintenance	(38)	(3)	(1)	(1)	**(43)**	(31)
Bad debts	(3)	–	–	–	**(3)**	(5)
Depreciation	(73)	(6)	–	(4)	**(83)**	(78)
Operating costs on social housing lettings	**(262)**	**(26)**	**(18)**	**(12)**	**(318)**	**(299)**
Operating surplus on social housing lettings	**97**	**2**	**21**	**14**	**134**	**139**
Operating margin %	**27%**	**7%**	**54%**	**54%**	**30%**	32%

Peabody	Housing accommodation 2022 £m	Supported and older people 2022 £m	Shared ownership 2022 £m	Intermediate rent 2022 £m	Total 2022 £m	Total 2021 £m
Rents receivable	267	13	25	24	**329**	319
Service charges receivable	18	6	9	–	**33**	32
Gross rental income	**285**	**19**	**34**	**24**	**362**	**351**
Voids	(2)	(1)	–	(2)	**(5)**	(5)
Net rental income	**283**	**18**	**34**	**22**	**357**	**346**
Amortised government grants	11	1	1	1	**14**	14
Other income	6	–	–	–	**6**	3
Total turnover from social housing lettings	**300**	**19**	**35**	**23**	**377**	**363**
Service charge costs	(24)	(3)	(11)	–	**(38)**	(43)
Management	(64)	(5)	(6)	(6)	**(81)**	(81)
Routine maintenance	(41)	(2)	–	(2)	**(45)**	(30)
Cyclical maintenance	(31)	(2)	(2)	(1)	**(36)**	(26)
Bad debts	(3)	–	–	–	**(3)**	(5)
Depreciation	(60)	(5)	–	(3)	**(68)**	(64)
Operating costs on social housing lettings	**(223)**	**(17)**	**(19)**	**(12)**	**(271)**	**(249)**
Operating surplus on social housing lettings	**77**	**2**	**16**	**11**	**106**	**114**
Operating margin %	**26%**	**8%**	**46%**	**48%**	**28%**	31%

3.3 Operating segments

	Group			Peabody		
	Turnover 2022 £m	**Surplus 2022 £m**	**Assets 2022 £m**	**Turnover 2022 £m**	**Surplus 2022 £m**	**Assets 2022 £m**
Housing for rent	452	134	7,108	377	106	6,426
Development of housing for sale	152	35	1,030	3	20	902
Other activity	60	44	653	31	30	477
	664	**213**	**8,791**	**411**	**156**	**7,805**

	Group			Peabody		
	Turnover 2021 £m	Surplus 2021 £m	Assets 2021 £m	Turnover 2021 £m	Surplus 2021 £m	Assets 2021 £m
Housing for rent	438	139	7,136	363	114	6,028
Development of housing for sale	129	16	555	1	–	897
Other activity	63	40	604	33	25	357
	630	**195**	**8,295**	**397**	**139**	**7,282**

4. Accommodation owned and in management

At 31 March	**Group 2022 Units**	**Peabody 2022 Units**	Group 2021 Units	Peabody 2021 Units
Social	43,665	36,146	43,724	35,212
Affordable	4,700	3,406	4,478	3,191
Shared ownership	5,541	4,685	5,441	4,569
Intermediate market rent	2,318	2,000	2,354	2,025
Supported housing	3,696	3,348	3,654	2,778
Leasehold managed	6,108	5,947	5,599	5,419
Non-social housing	626	486	715	575
Total units owned and managed	**66,654**	**56,018**	**65,965**	**53,769**
Managed on behalf of others	262	262	292	250
Total units in management	**66,916**	**56,280**	**66,257**	**54,019**
Units owned managed by others	1,042	990	1,074	1,008
Total	**67,958**	**57,270**	**67,331**	**55,027**

996 social units (both Group and Peabody) which are occupied by our Rough Sleeper Initiative have reclassified from Social to Supported Housing Units and the prior year unit numbers have been update to reflect this use.

5. Emoluments of Board members and executive officers

	Group 2022 £	**Peabody 2022 £**	Group 2021 £	Peabody 2021 £
Board and committee members received emoluments totalling	335,507	180,931	288,384	154,750
Board and committee members' expenses were:	1,994	1,029	345	307

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

	Group 2022 £	**Peabody 2022 £**	Group 2021 £	Peabody 2021 £
Total emoluments to directors and former directors (including pension contributions and benefits in kind)	2,791,082	2,019,137	2,364,757	1,772,165
The remuneration paid to the Peabody Executive Officers and the Group Chief Executive was as follows:				
Emoluments paid to the new Group Chief Executive	126,748	126,748	–	–
Emoluments paid to the former Group Chief Executive	207,703	207,703	331,277	331,277
Highest paid director	438,442	438,442	331,277	331,277

In 2022, the highest paid director was the former Executive Director, Development and Sales. In 2021, the highest paid director was the former Group Chief Executive. Payments to the former Executive Director, Development and Sales in 2022 include a payment of £175k which was due in respect of loss of office. Total payments to the Peabody Executive Officers in respect of loss of office was £175k (2021: £nil). The Nominations and Remuneration Committee meets twice a year and fixes the remuneration of the Group Chief Executive and the Peabody Executive Team.

6. Employee information

Holiday pay accrual

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

Defined contribution plans and other long-term employee benefits

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

Termination benefits

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

The average number of people employed during the year was:

	Group 2022 No.	**Peabody 2022 No.**	Group 2021 No.	Peabody 2021 No.
Full time equivalents ('FTE')	2,808	1,904	2,847	1,902

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 2022 £m**	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Wages and salaries	107	80	102	75
Social security costs	11	8	10	8
Other pension costs	6	4	6	4
Other employee costs	2	2	5	4
	126	**94**	**123**	**91**

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

	Group 2022 No.	**Peabody 2022 No.**	Group 2021 No.	Peabody 2021 No.
£60,001 to £70,000	101	88	110	98
£70,001 to £80,000	65	61	62	55
£80,001 to £90,000	34	30	31	27
£90,001 to £100,000	34	32	35	33
£100,001 to £110,000	16	14	13	10
£110,001 to £120,000	8	5	11	11
£120,001 to £130,000	6	6	7	7
£130,001 to £140,000	3	3	9	7
£140,001 to £150,000	10	9	1	1
£150,001 to £160,000	3	2	5	4
£160,001 to £170,000	3	3	4	4
£170,001 to £180,000	6	5	1	1
£180,001 to £190,000	2	2	3	2
£190,001 to £200,000	1	1	–	–
£200,001 to £210,000	2	1	–	–
£220,001 to £230,000	2	1	2	2
£230,001 to £240,000	–	–	1	1
£240,001 to £250,000	2	2	2	2
£250,001 to £260,000	1	1	1	1
£330,001 to £340,000	–	–	1	1
£430,001 to £440,000	1	1	–	–
	300	**267**	**299**	**267**

7. Surplus on sale of fixed assets

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

	Group				Peabody			
	Proceeds 2022 £m	**Costs 2022 £m**	**Surplus 2022 £m**	Surplus 2021 £m	**Proceeds 2022 £m**	**Costs 2022 £m**	**Surplus 2022 £m**	Surplus 2021 £m
Shared ownership	52	(24)	**28**	13	49	(23)	**26**	12
Right to Buy/Right to Acquire	1		**1**	–				–
Disposal of housing properties	53	(10)	**43**	38	47	(6)	**41**	33
Investment properties	10	(10)		–				
Other fixed assets	64	(56)	**8**	–	22	(16)	**6**	–
	180	**(100)**	**80**	51	**118**	**(45)**	**73**	45

Included in other fixed assets are sales proceeds of £22m and surpluses of £8m relating to the disposal of two former office buildings (2021: £nil).

8. Operating surplus

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Operating surplus is stated after charging:				
Depreciation of tangible fixed assets	83	68	78	64
Depreciation of other tangible fixed assets	4	4	5	3
Amortisation of intangible fixed assets	10	9	9	9
Operating lease charges	2	1	3	1
Auditor's remuneration:	**£'000**	**£'000**	£'000	£'000
In its capacity as auditor	470	217	460	213
In respect of non-audit services:				
• Other (Service Charges and Treasury)	82	82	41	41

The above audit fees exclude VAT.

9. Interest receivable and similar income

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

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Interest received from Group entities	–	56	–	54
	–	**56**	–	**54**

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 2022 £m**	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Interest payable on borrowings	103	61	100	72
Interest payable to Group entities	–	40	–	28
Other finance costs	3	–	–	–
Loan break costs	2	2	9	9
Net interest cost on pension scheme (Note 30)	2	2	1	2
	110	**105**	110	**111**
Less: interest capitalised	(31)	(8)	(32)	(8)
	79	**97**	78	**103**

Charitable donations received	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Peabody Developments Limited		1	–	5
Tilfen Land Limited		4	–	4
Peabody Construction Limited		11	–	8
Peabody Group Maintenance Limited	-	1	–	–
Total gift aid and donations	**-**	**17**	–	**17**

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 for the year	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Current Tax				
UK Corporation Tax at 19% (2021: 19%)	–	–	–	–
Deferred Tax				
Origination of timing differences	19	–	–	–
Taxation on surplus on ordinary activities	**19**	**-**	–	–

Deferred Tax has been provided in the year to reflect the timing difference between accounting and taxable profits on the revaluation of the investment properties held in the Group's corporate subsidiaries. Whilst a full provision has been made based on the unrealised revaluation at the reporting date, it is not expected that any tax charge will actually crystallise or any tax paid in the foreseeable future given that the properties are held as part of the charitable purpose of the Group. If the properties were ever sold, based on current tax rules and legislation, any profit realised would be mitigated by the corporate entities through charitable donation of profit to Peabody Trust. The Deferred tax liability as at 31 March 2022 has been calculated based on the tax rate that is expected to apply to the reversal of the timing differences of 25%.

Reconciliation of tax charge	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Surplus on ordinary activities before taxation	150	135	110	74
Tax on surplus at corporation tax rate of 19% (2021: 19%)	**32**	**25**	**21**	**14**
Effects of:				
Charitable surpluses not taxed	(26)	(22)	(17)	(14)
Income not taxable	(6)	-	(2)	–
Origination of timing differences – revaluations	19	-	-	-
Effect of Gift Aid	–	(3)	(2)	–
Tax charge/(credit) for the year	**19**	**-**	–	–

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 that 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 2021	57	54
Additions	13	13
Disposals	(2)	–
At 31 March 2022	**68**	**67**
Amortisation		
At 1 April 2021	29	27
Charge for the year	10	9
Disposals	(2)	–
At 31 March 2022	**37**	**36**
Net book value		
At 31 March 2022	**31**	**31**
At 31 March 2021	28	27

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.

14. Tangible fixed assets – housing continued

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	Kitchen	20 years
Boiler	15 years	Lift	25 years
Mechanical systems	30 years	Bathroom	25 years
Roofs – flat	25 years	Electrics	30 years
Roofs – pitched	60 years	Windows and doors	30 years

Depreciation is not charged on land and shared ownership assets. 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.

Impairment of assets

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

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

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

	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 2021	6,182	612	616	308	**7,718**
Additions	113	–	174	179	**466**
Disposals	(20)	(23)	(37)	–	**(80)**
Completed schemes in year	154	149	(160)	(149)	**(6)**
Transfers	10	(9)	22	(4)	**19**
At 31 March 2022	**6,439**	**729**	**615**	**334**	**8,117**
Depreciation					
At 1 April 2021	694	5	–	–	**699**
Charge for the year	83	–	–	–	**83**
Disposals	(10)	–	–	–	**(10)**
At 31 March 2022	**767**	**5**	**–**	**–**	**772**
Impairment					
At 1 April 2021	4	–	11	–	**15**
Completed schemes in year	–	–	(6)	–	**(6)**
At 31 March 2022	**4**	**–**	**5**	**–**	**9**
Net Book Value					
At 31 March 2022	**5,668**	**724**	**610**	**334**	**7,336**
At 31 March 2021	5,484	607	605	308	7,004

Development and major works additions and improvements to housing properties during the year include capitalised interest of £31m (2021: £32m). A number of potential indicators for impairment were assessed during the year and no impairment charges were deemed necessary (2021: £nil).

14. Tangible fixed assets – housing continued

Properties held for security

Peabody Trust had 31,013 (2021: 29,629) properties with a net book value of £3,083m (2021: £2,947m) and EUV SH of £2,977m (2021: £2,831m) 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 2021	5,188	526	452	84	**6,250**
Additions	97	–	124	89	**310**
Disposals	(15)	(22)	–	–	**(37)**
Completed schemes in year	139	143	(145)	(143)	**(6)**
Transfers	9	–	–	–	**9**
Transfer between subsidiaries	127	7	–	–	**134**
At 31 March 2022	**5,545**	**654**	**431**	**30**	**6,660**
Depreciation					
At 1 April 2021	599	5	–	–	**604**
Charge for the year	68	–	–	–	**68**
Disposals	(8)	–	–	–	**(8)**
Transfers	9	–	–	–	**9**
At 31 March 2022	**668**	**5**	**–**	**–**	**673**
Impairment					
At 1 April 2021	4	–	11	–	**15**
Completed schemes in year	–	–	(6)	–	**(6)**
At 31 March 2022	**4**	**–**	**5**	**–**	**9**
Net Book Value					
At 31 March 2022	**4,873**	**649**	**426**	**30**	**5,978**
At 31 March 2021	4,585	521	441	84	5,631

Development and major works additions and improvements to housing properties during the year include capitalised interest of £31m (2021: £32m). Additions to fixed assets include expenditure and major repairs costs of £91m (2021: £74m).

15. Other tangible fixed assets

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

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

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

Group	Freehold offices £m	Leasehold £m	Renewable energy £m	Other £m	Total £m
Cost					
At 1 April 2021	72	3	12	38	**125**
Additions	13	–	6	14	**33**
Disposals	(21)	–	(6)	(1)	**(28)**
At 31 March 2022	**64**	**3**	**12**	**51**	**130**
Depreciation					
At 1 April 2021	19	1	4	23	**47**
Charge for the year	1	–	–	3	**4**
Disposals	(5)	–	(3)	(1)	**(9)**
At 31 March 2022	**15**	**1**	**1**	**25**	**42**
Net book value					
At 31 March 2022	**49**	**2**	**11**	**26**	**88**
At 31 March 2021	53	2	8	15	78

Peabody	Freehold offices £m	Leasehold Offices £m	Renewable energy £m	Other £m	Total £m
Cost					
At 1 April 2021	47	1	–	27	**75**
Additions	9	–	3	15	**27**
Disposals	(21)	–	–	(1)	**(22)**
Transfers between subsidiaries	–	–	–	7	**7**
At 31 March 2022	**35**	**1**	**3**	**48**	**87**
Depreciation					
At 1 April 2021	15	1	–	12	**28**
Charge for the year	1	–	–	3	**4**
Disposals	(5)	–	–	(1)	**(6)**
At 31 March 2022	**11**	**1**	**-**	**14**	**26**
Net book value					
At 31 March 2022	**24**	**-**	**3**	**34**	**61**
At 31 March 2021	32	–	–	15	47

16. Investment properties

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

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

	Completed properties		Properties under construction			
Group	Commercial £m	Market rent £m	Commercial £m	Market Rent £m	Leasehold land £m	Total £m
At 1 April 2021	203	177	79	–	20	**479**
Additions	–	–	23	–	–	**23**
Gains on revaluation	25	9	–	–	–	**34**
Disposals	–	–	(10)	–	–	**(10)**
Completions	1	–	(1)	–	–	**–**
Transfers to tangible fixed assets	–	(9)	–	–	–	**(9)**
At 31 March 2022	**229**	**177**	**91**	**–**	**20**	**517**

	Completed properties		Properties under construction			
Peabody	Commercial £m	Market rent £m	Commercial £m	Market Rent £m	Leasehold land £m	Total £m
At 1 April 2021	85	143	–	–	12	**240**
Additions	–	–	–	–	–	**–**
Gain/(Loss) on revaluation	(3)	6	–	–	–	**3**
Disposals	–	–	–	–	–	**–**
Completions	4	–	–	–	–	**4**
Transfers to tangible fixed assets	–	(9)	–	–	–	**(9)**
At 31 March 2022	**86**	**140**	**–**	**–**	**12**	**238**

17. Other investments

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Investment in subsidiary undertakings	–	115	–	14
Deposit investments	5	5	5	5
Other investments	1	1	3	1
At 31 March	**6**	**121**	**8**	**20**

18. Homebuy loans receivable

Concessionary loans are loans made by the Group that are:

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

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

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

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
At 1 April	4	–	4	–
Redemptions	–	–	–	–
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 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
At 1 April	5	5	6	6
Disposals in the year	–	–	(1)	(1)
At 31 March	**5**	**5**	**5**	**5**

20. Investment in joint ventures

All jointly controlled entities are recognised using the Equity method.

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

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

Gillender 2 LLP	**2022 £m**	2021 £m
At 1 April	6	5
Investment in year		1
Share of profits	1	–
At 31 March	**7**	**6**

Gillender 2 LLP made a profit of £2,140k (2021: £204k loss) during the year, of which the Group has recognised 50% being £1,070k.

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

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

Vulcan Wharf Holdings LLP	**2022 £m**	2021 £m
At 1 April	32	10
Investment in year	3	22
Share of profits	–	–
At 31 March	**35**	**32**

Vulcan Wharf Holdings LLP broke even during the year (2021: £9k loss), so no gain or loss is recognised by the Group (2021: 50% of gain recognised of £5k).

Peabody Developments Limited jointly owns Vulcan Wharf Limited, and also owns 50% of MDP Trinity LLP (a dormant entity).

Peabody Waterfront Limited entered into a 50/50 jointly controlled entity in 2019/20 called Thamesmead Waterfront LLP.

Thamesmead Waterfront LLP	**2022 £m**	2021 £m
At 1 April	1	–
Investment in year	1	1
Share of profits	–	–
At 31 March	**2**	**1**

Thamesmead Waterfront LLP made no profit or loss for the year (2021: £nil).

21. Debtors due in more than one year

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Amounts owed by subsidiary undertakings			–	420
Other debtors and prepayments	102	–	57	–
	102	**1,227**	**57**	**420**

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 drawdown.

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 to the Statement of Comprehensive Income.

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Work in progress	411	–	352	–
Properties held for sale	53	–	52	–
	464	**-**	**404**	**-**

23. Debtors due in less than one year

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

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

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Rent and service charges in arrears	43	39	38	35
Less: provision for rent and service charge bad debts	(24)	(23)	(22)	(21)
Amount owed by subsidiary undertakings	–	24	–	757
Other debtors and prepayments	56	30	51	25
Less: provision for other bad debts	(6)	(4)	(5)	(4)
	69	**66**	**62**	**792**

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Trade creditors	21	15	15	7
Recycled capital grant fund (Note 27)	13	12	7	5
Amounts owed to subsidiary undertakings less than one year		16	–	17
Other taxation and social security costs	4	4	3	2
Accruals and other creditors	226	135	192	114
Debt falling due within one year (Note 28)	22		233	227
	286		**450**	**372**

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

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Grants (Note 26)	1,677	1,461	1,610	1,393
Recycled capital grant fund (Note 27)	16	13	20	18
Debt falling due after one year (Note 28)	3,095	1,705	2,678	1,628
Amounts owed to subsidiary undertakings (Note 28)	–	1,252	–	910
Deferred consideration	–	16	–	16
Other creditors	42	38	30	24
	4,830	**4,485**	**4,338**	**3,989**

26. Grants

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

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

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

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

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

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

Grant amortisation for the Group of approximately £15m and Peabody of approximately £14m is expected to be charged in 2022/23.

Group	Government grants £m	Other grants £m	Total £m
Cost			
At 1 April 2021	1,740	45	**1,785**
Grants received in the year	82	3	**85**
Grants transferred from RCGF	5	–	**5**
Grants recycled on disposals	(7)	–	**(7)**
At 31 March 2022	**1,820**	**48**	**1,868**
Amortisation			
At 1 April 2021	175	–	**175**
Amortisation for the year	15	–	**15**
Unwinding following disposal	1	–	**1**
At 31 March 2022	**191**	**-**	**191**
Net grants			
At 31 March 2022	**1,629**	**48**	**1,677**
At 31 March 2021	1,565	45	**1,610**

Peabody	Government grants £m	Other grants £m	Total £m
Cost			
At 1 April 2021	1,538	20	**1,558**
Grants received in the year	80	3	**83**
Grants transferred from RCGF	5	–	**5**
Grants recycled on disposals	(7)	–	**(7)**
At 31 March 2022	**1,616**	**23**	**1,639**
Amortisation			
At 1 April 2021	165	–	**165**
Amortisation for the year	14	–	**14**
Unwinding following disposal	(1)	–	**(1)**
At 31 March 2022	**178**	**-**	**178**
Net grants			
At 31 March 2022	**1,438**	**23**	**1,461**
At 31 March 2021	1,373	20	**1,393**

27. Recycled capital grant fund

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

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
At 1 April	27	23	18	16
Grant recycled	7	7	10	8
Withdrawals – schemes started on site	(5)	(5)	(1)	(1)
At 31 March	**29**	**25**	**27**	**23**

£13m (2021: £4m) of recycled capital grant fund for the Group and £12m for Peabody (2021: £5m) is repayable in the 12 months from 1 April 2022 if not used for new development.

28. Financial instruments

Borrowing

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

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

Derivative Financial Instruments

Movements in fair value adjustments are recognised in other comprehensive income as far as they relate to the effective part of the swap and presented in a separate cash flow hedge reserve.

Non-utilisation fee

Lending arrangements exist between Peabody (as borrower) and Peabody Capital plc and Peabody Capital No 2 plc (as lenders) in relation to the 2034, 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 2034, 2043, 2048 and 2053 bond investors and the income realised by the lenders. This income comprises the interest receivable from amounts on-lent to Peabody and investment income earned from permitted investments and bank deposits.

(A) Value of debt

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Nominal value				
Bank and building society loans	1,614	1,581	1,651	1,609
Private placement senior notes	155	155	155	155
Covid Corporate Financing Facility	–	–	100	100
Amounts owed to subsidiary undertaking	–	1,254	–	910
2034 Sustainable Bond	344	–	–	–
2043 Bond	207	–	207	–
2048 Bond	341	–	341	–
2053 Bond	359	–	359	–
TCH Bond 2045	80	–	80	–
	3,100	**2,990**	**2,893**	**2,774**
Fair value				
Bank and building society loans	1,811	1,775	1,974	1,925
Private placement senior notes	143	143	154	154
Covid Corporate Financing Facility	–	–	100	100
Amounts owed to subsidiary undertaking	–	1,459	–	1,245
2034 Sustainable Bond	344	–	–	–
2043 Bond	271	–	300	–
2048 Bond	368	–	411	–
2053 Bond	472	–	531	–
TCH Bond 2045	95	–	104	–
	3,504	**3,377**	**3,574**	**3,424**

28. Financial instruments continued

	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Carrying value				
Bank and building society loans	1,620	1,581	1,653	1,609
Private placement senior notes	155	155	155	155
Covid Corporate Financing Facility			100	100
Amounts owed to subsidiary undertaking		1,254	–	910
2034 Sustainable Bond	344		–	–
2043 Bond	207		207	–
2048 Bond	341		341	–
2053 Bond	359		359	–
TCH Bond 2045	103	–	105	–
	3,129	**2,990**	**2,920**	**2,774**
Unamortised issue costs				
Bank and building society loans	(12)	(12)	(9)	(9)
Net carrying value	**3,117**	**2,978**	**2,911**	**2,765**

(B) Maturity of debt

	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Within one year	22	21	233	227
Between one and two years	79	79	97	97
Between two and five years	348	309	288	276
After five years	2,680	2,581	2,302	2,174
	3,129	**2,990**	**2,920**	**2,774**
Issue costs	(12)	(12)	(9)	(9)
	3,117	**2,978**	**2,911**	**2,765**

(C) Interest analysis

	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Fixed	2,265	2,273	2,095	2,047
Floating	864	717	825	727
	3,129	**2,990**	**2,920**	**2,774**

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

Bonds
The Group's bonds are also secured by specific charges over housing properties. The bonds bear charges between 2.75% and 5.25%.

Amounts owed to subsidiary undertaking
Peabody Capital plc has made a loan to Peabody with a nominal value of £200m repayable in March 2043. The loan incurs an interest charge of 5.25% per annum, paid semi-annually. Peabody Capital No 2 plc has issued three (2021: two) loans of £350m each to Peabody repayable in March 2023, December 2048 and December 2053. The loans incur interest charges of 2.75%, 3.25% and 4.625% respectively, paid semi-annually.

Peabody Community Foundation made a loan to Peabody with a nominal value of £4m in March 2020. Peabody Trust is investing the loan into a deposit account to accumulate interest on behalf of Peabody Community Foundation. The deposit account currently receives interest of 0.85% per annum and Peabody pays this directly to Peabody Community Foundation.

Risks

The main risks associated with the Group's borrowings are interest rate and liquidity risk. The Finance and Treasury Committee reviews and agrees policies for managing these risks, which are summarised below:

- Interest rate risk – The Group regularly reviews its policy on the proportion of debt that should be held at fixed and floating interest rates.
- Liquidity risk – Liquidity risk is the risk that the Group might be unable to 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 2022, the Group had total undrawn, fully secured facilities of £1,502m (2021: £1,278m) of which £985m is immediately available and £100m retained bonds available to issue. Other secured facilities accessible include deferred private placement, bank funding and private placement shelf facility. A further £125m of facility was undergoing the charging process as at 31 March 2022. The Group had cash of £125m (2021: £127m).

29. Provisions for liabilities and charges

A provision is recognised when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

In relation to the landfill site and other assets of the Group, expenditure will be required for the foreseeable future in order for the Group to fulfil its legal obligations.

	Group			Peabody
	Deferred tax liability £m	Other £m	Total £m	Total £m
At 1 April 2021	–	16	**16**	–
Increase/(decrease) in provision during the year	19	–	**19**	–
At 31 March 2022	**19**	**16**	**35**	**-**

Deferred tax liabilities relate to changes in value of investment property and short-term timing differences – see note 12.

The other brought forward provision relates to future maintenance obligations in respect of property and landfill sites owned by Tilfen Land Limited.

30. Pension liabilities

The Group currently operates both defined contribution and defined benefit schemes for qualifying employees.

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Regular valuations are prepared by independent, professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the fund and allow for the periodic increase of pensions in payment. The current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, cost of curtailments and settlements, are charged against the operating surplus in the year. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period, are also recognised in the Statement of Comprehensive Income.

Peabody Group schemes summary

The Group participates in the London Pensions Fund Authority Scheme ('LPFA') for those former Peabody employees who elected to join prior to 31 March 2008. The scheme had been closed to new entrants for some time, and was closed to future accrual on 31 March 2020. The Group has granted a charge on (non social housing) assets in favour of the scheme trustees, in consideration of which the debt on cessation has not been triggered. The pension cost for this scheme, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2019. In 2022, the Group's total LPFA service cost was £nil (2021: £nil).

30. Pension liabilities continued

The Group has an ongoing liability for pension commitments under the Social Housing Pension Defined Benefit Scheme (SHPS), which is also closed to future accrual. The debt on cessation has not been triggered because the Group has contributing members to the SHPS defined contribution scheme.

TPT Retirement Solution's Growth Plan ('The Plan') is for voluntary contributions. The Plan is a funded multi-employer pension plan. The Plan is in deficit and the company has recognised a liability of £13k (2021: £63k).

Until 31 March 2016, Peabody Community Foundation also participated in TPT Retirement Solution's CARE Scheme, which is a funded multi-employer defined benefit scheme. The overall provision of the scheme at 31 March 2022 is £263k (2021: £318k). Further details of this fund can be found in the Peabody Community Foundation Annual Report.

Finally, the Group has liabilities under TPT Retirement Solution's Growth Plan, and three Local Government Pensions Schemes (LGPS): Hammersmith and Fulham, Hackney, and Kent.

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 was recognised in the 2019/20 financial year. On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The valuation assumption for GMP is that the schemes will pay limited increases for members who reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members who reach SPA after this date, we have assumed that the schemes will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and no further adjustments to the value placed on the liabilities was required in 2021/22.

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflected the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid. It is not yet known if, or how, this will affect our schemes and no allowances have currently been made.

The participating employers of the SHPS scheme have been notified that the Trustee of the SHPS Scheme has performed a review of the changes made to the SHPS Scheme's benefits over the years and that there is uncertainty surrounding some of these changes. The SHPS's Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of SHPS Scheme liabilities, but at this time, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy. No adjustment has been made in these financial statements in respect of this potential issue.

In December 2018, the Court of Appeal ruled the 'transitional arrangements' protection in respect of benefit changes to the Judicial and Fire Fighter Pension Scheme amounted to unlawful discrimination ('McCloud case'). This applies to each of the Local Government Pension Schemes, including the LPFA. The consultation closed on 8 October 2020 and a ministerial statement in response to this was published on 13 May 2021; however, a full response to the consultation is still awaited. The impact of the findings will only be known after this process has concluded and a final set of remedial Regulations are published.

While an appropriate McCloud allowance has been measured to obtain the accounting results as at 31 March 2022, we do not believe there are any material differences between the approach underlying the estimated allowance and the proposed remedy. With a small proportion of active members and a salary increase assumption equal to (or less than) CPI, the impact of the McCloud judgement is likely to be negligible.

Following a case involving the Teachers' Pension Scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government has confirmed that a remedy is required in all affected public sector pension schemes, which includes the LPFA, SHPS and LPGS. As this case has only recently been announced, there is not a current accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme.

New qualifying employees are eligible to join one of two defined contribution retirement benefit schemes, with Legal & General for the majority of the Group, and with Aviva for Town and Country Housing employees. The assets of these schemes are held separately from those of the Group. Employer contributions in respect of this scheme are charged to the Statement of Comprehensive Income as incurred.

Defined benefit scheme's liabilities

Group	LPFA £m	SHPS £m	LGPS £m	Total £m
Present value of the defined benefit obligation	200	119	37	356
Fair value of the fund assets (bid value)	(149)	(101)	(34)	(284)
Present value of provisions	**51**	**18**	**3**	**72**
Pension scheme actuarial gain	30	4	2	36

Peabody	LPFA £m	SHPS £m	LGPS £m	Total £m
Present value of the defined benefit obligation	198	119	10	327
Fair value of the fund assets (bid value)	(147)	(101)	(11)	(259)
Present value of provisions	**51**	**18**	**(1)**	**68**
Pension scheme actuarial gain	30	4	2	36

The London Pensions Fund Authority

The pension cost for the Group's and Peabody's share of the London Pensions Fund Authority Scheme ('LPFA'), 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 2019. These figures are prepared in accordance with our understanding of Financial Reporting Standard 102 (FRS 102).

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is 15.5% (2020: 16.6%). 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 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Equities	85	83	75	74
Target return portfolio	32	32	31	30
Infrastructure	15	15	12	12
Property	13	13	12	12
Cash	4	4	5	5
LPFA asset allocation total	**149**	**147**	**135**	**133**

The demographic assumptions for the LPFA are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted were based on the Club Vita mortality analysis. These base tables are then projected using the CMI 2020 model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition to improvements of 0.5% p.a. and a 2020 weighting of 25%.

The assumed life expectations are:	Peabody 2022	Peabody Community Foundation 2022	Peabody 2021	Peabody Community Foundation 2021
Retiring today – male	86.8	87.1	86.8	87.1
Retiring today – female	89.1	89.8	89.0	89.7
Retiring in 20 years – male	87.9	87.1	87.9	87.0
Retiring in 20 years – female	90.8	89.5	90.7	89.5

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

% per annum	Peabody 2022	Peabody Community Foundation 2022	Peabody 2021	Peabody Community Foundation 2021
RPI increases	3.6%	3.6%	3.2%	3.2%
CPI increases	3.2%	3.2%	2.8%	2.8%
Salary increases	N/A	N/A	N/A	N/A
Pension increases	3.2%	3.2%	2.8%	2.8%
Discount rate	2.7%	2.7%	2.0%	2.0%

30. Pension liabilities continued

Statement of Financial Position in relation to the LPFA as at 31 March:	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Present value of the defined benefit obligation	200	198	214	212
Fair value of fund assets (bid value)	(149)	(147)	(135)	(133)
Net defined benefit liability	**51**	**51**	**79**	**79**

The amounts recognised in the Statement of Comprehensive Income in relation to the LPFA are:	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Net interest on the defined benefit liability	2	2	1	2
Total LPFA cost	**2**	**2**	**1**	**2**

Reconciliation of LPFA's opening and closing balances of the present value of the defined benefit obligation	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Opening LPFA defined benefit obligation	214	212	178	177
Interest cost	4	4	4	4
Change in financial assumption	(14)	(14)	41	40
Change in demographic assumption	–	–	(1)	(1)
Experience loss/(gain) on defined benefit obligation	1	1	(3)	(3)
Estimated benefits paid net of transfer in	(5)	(5)	(5)	(5)
Closing LPFA defined benefit obligation	**200**	**198**	**214**	**212**

Reconciliation of LPFA's opening and closing balances of the fair value of fund assets	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Opening fair value of Fund assets	135	133	120	119
Interest on assets	2	2	3	2
Return on assets less interest	18	17	17	17
Other actuarial losses	(1) –	–		–
Estimated benefits paid plus unfunded net of transfer in	(5)	(5)	(5)	(5)
Closing fair value of LPFA's assets	149	147	135	133
Actual return on LPFA's assets	**20**	**20**	**19**	**19**

Remeasurement of the net LPFA defined liability	Group 2022 £m	Peabody 2022 £m	Group 2021 £m	Peabody 2021 £m
Return on Fund assets in excess of interest	16	15	17	17
Change in financial assumptions	14	14	(41)	(40)
Other actuarial losses	(1)	–	–	–
Change in demographic assumptions	–	–	1	1
Experience gain on defined benefit obligation	1	1	3	3
Remeasurement of the net LPFA defined liability	**30**	**30**	**(20)**	**(19)**

Projected LPFA pension expense for the year to 31 March	Group 2023 £m	Peabody 2023 £m
Net interest on the defined liability	2	2
Total cost	**2**	**2**
Employer contributions to the LPFA projected	**–**	**–**

SHPS Defined Benefit Scheme
Peabody participates in the Social Housing Pension Scheme ('SHPS Scheme'), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The SHPS Scheme is classified as a 'last-man standing arrangement'. Therefore, Peabody 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.

30. Pension liabilities continued

The last full actuarial valuation for the SHPS Scheme was carried out as at 30 September 2020. This actuarial valuation showed assets of £5,148m, liabilities of £6,708m and a deficit of £1,560m. To eliminate this funding shortfall, the trustees and the participating employers agreed a revised deficit funding contributions will be paid from 1 April 2022 with the aim to remove the deficit by 31 March 2028, in combination from all employers, to the scheme. The deficit funding contributions will increase at 5.5% p.a. with the first increase in April 2023. The aggregate deficit payments made by Peabody were £3.0m in the year (2021: £2.9m). The deficit payment for 2022/23 is £3.3m.

No charges were posted in relation to the SHPS Scheme to the Statement of Comprehensive Income (2021: £nil).

The net pension liability in respect to the SHPS Scheme accounts in the Statement of Financial Position is as follows:

	Group and Peabody 2022 £m	Group and Peabody 2021 £m
SHPS pension liability	18	25

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

	Group and Peabody 2022 £m	Group and Peabody 2021 £m
Absolute return	4	5
Alternative risk premia	3	4
Corporate bond fund	7	6
Credit relative value	3	3
Distressed opportunities	4	3
Emerging markets debt	3	4
Global equity	20	16
High yield	1	3
Infrastructure	7	7
Insurance-linked securities	2	3
Liability driven investment	28	25
Long lease property	3	2
Opportunistic Credit	–	3
Opportunistic Illiquid Credit	3	2
Private debt	3	2
Property	3	2
Risk sharing	3	4
Secured income	4	4
Total assets	**101**	**98**

The major assumptions used by the actuary to value the liabilities of the SHPS Scheme are:

The assumed life expectations are:	**Group and Peabody 2022 £m**	Group and Peabody 2021 £m
Retiring today – male	86.1	86.6
Retiring today – female	88.7	88.5
Retiring in 20 years – male	87.4	87.9
Retiring in 20 years – female	90.2	90.1

The demographic assumptions for the SHPS are consistent with those used for the most recent fund valuation, which was carried out as at 30 September 2020. The post retirement mortality tables adopted are the S3PXA tables with a multiplier of 114% for males and females. These base tables are then projected using the CMI 2021 model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition to improvements of p.a. and a 2020/21 weighting of 0%.

% per annum	**Group and Peabody 2022**	Group and Peabody 2021
Rpi increases		3.2%
Cpi increases		2.8%
Salary increases		3.9%
Pension increases		2.8%
Discount rate	2.7%	2.0%

Reconciliation of the SHPS Scheme opening and closing balances of the present value of the defined benefit obligation	**Group and Peabody 2022 £m**	Group and Peabody 2021 £m
Opening defined benefit obligation	123	105
Interest cost	2	2
Actuarial gains due to scheme experience	7	(1)
Actuarial gains due to changes in demographic assumptions	(2)	–
Actuarial (gains)/losses due to changes in financial assumptions	(9)	20
Benefits paid and expenses	(2)	(3)
SHPS Scheme closing defined benefit obligation	**119**	**123**

Reconciliation of opening and closing balances of the fair value of SHPS Scheme fund assets	**Group and Peabody 2022 £m**	Group and Peabody 2021 £m
Fair value of assets at start of year	98	89
Interest income	2	2
Experienced gains on plan assets	–	7
Employer contributions	3	3
Benefits paid and expenses	(2)	(3)
Fair value of SHPS Scheme plan assets at 31 March	**101**	**98**

The actual return on the SHPS Scheme plan assets (including any changes in share of assets) was £3.2m (2021 £9.2m).

The SHPS Scheme was closed to active members on 31 March 2015.

Kent County Council Local Government Pension Scheme
Town and Country Housing (TCH) participates in the Kent County Council Local Government Pension Scheme ('Kent LGPS'), a funded defined benefit final salary scheme with assets and liabilities held in a separately administered fund. TCH closed its membership to new entrants in 2003. The Kent LGPS is subject to the regulations of the Local Government Superannuation Scheme. Contributions to the Kent LGPS are determined by a qualified actuary on the basis of the valuations, using the projected unit method.

A full actuarial valuation of the Kent LGPS was carried out at 31 March 2019 by a qualified independent actuary. Contributions to the scheme are made by TCH on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

The particulars of the Kent LGPS are as follows:

Allocation of the Kent LGPS assets as at 31 March is as follows	**Group 2022 £m**	Group 2021 £m
Equities	16	16
Other bonds	3	3
Property	3	2
Cash	–	1
Absolute return fund	2	2
Total Kent LGPS assets	**24**	**24**

The demographic assumptions for the Kent LGPS are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 115% for females. These base tables are then projected using the CMI 2020 model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition to improvements of 0.5% p.a. and a 2020 weighting of 25%.

The assumed life expectancies are:	Group 2022	Group 2021
Retiring today – male		86.6
Retiring today – female		88.6
Retiring in 20 years – male		87.9
Retiring in 20 years – female	90.1	90.1

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

% per annum	Group 2022	Group 2021
RPI increases		3.2%
CPI increases		2.8%
Salary increases		3.3%
Pension increases		2.8%
Discount rate	2.7%	2.0%

Statement of Financial Position in relation to the Kent LGPS as at 31 March:

	Group 2022 £m	Group 2021 £m
Present value of the defined benefit obligation	28	29
Fair value of fund assets (bid value)	(24)	(24)
Net Kent LGPS defined benefit liability	**4**	**5**

The amounts recognised in the Statement of Comprehensive Income in relation to the Kent LGPS are:	Group 2022 £m	Group 2021 £m
Net interest on the defined benefit liability	–	(1)
Total Kent LGPS cost	**-**	(1)

Reconciliation of opening and closing balances of the present value of the Kent LPGS defined benefit obligation	Group 2022 £m	Group 2021 £m
Opening Kent LGPS defined benefit obligation	29	24
Interest cost	1	1
Actuarial (gains)/losses from change in financial assumptions	(1)	5
Estimated benefits paid	(1)	(1)
Closing Kent LGPS defined benefit obligation	**28**	**29**

Reconciliation of opening and closing balances of the fair value of Kent LGPS assets	Group 2022 £m	Group 2021 £m
Opening fair value of Fund assets	24	19
Return on assets less interest	1	6
Estimated benefits paid	(1)	(1)
Closing fair value of Kent LGPS assets	24	24
Actual return on Kent LGPS assets	**1**	**6**

Remeasurement of the net Kent LGPS defined liability	Group 2022 £m	Group 2021 £m
Actual return on fund assets in excess of interest cost	–	5
Changes in financial assumptions	1	(5)
Remeasurement of the net Kent LGPS defined liability	1	–
Actual return on fund assets in excess of interest cost	**1**	**5**

30. Pension liabilities continued

Other Local Government Pensions Schemes

The remaining Local government schemes are valued every three years and the most recent actuarial valuations were carried out as at 31 March 2019. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value at appropriate high-quality corporate bond rates. The net impact of remeasurements shown in other comprehensive income is a credit of £100k (2021: charge £100k).

	Group 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Development expenditure contracted for but not provided for within the financial statements	1,286	274	1,386	181
Development expenditure authorised by the Board, but not contracted	588	157	668	152
Total commitment	**1,874**	**431**	**2,054**	**333**
Of which:				
Stock commitment	776		703	–
Capital commitment	1,098	431	1,351	333
	1,874	**431**	**2,054**	**333**

The Group will fund the following commitments from:

	Group 2022 £m	Group 2021 £m
Debt funding available	1,502	1,278
Cash available	125	127
Funds to be sourced from future surpluses, debt funding and grant	247	649
Total	**1,874**	**2,054**

32. 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 is 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 2022 £m	**Peabody 2022 £m**	Group 2021 £m	Peabody 2021 £m
Operating leases which expire:				
Within one year	1	1	2	1
In the second to fifth years inclusive	2	1	3	1
Over five years	4	3	5	4
Total	**7**	**5**	**10**	**6**

33. 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 and the Group of £468m (2021: £470m), of which £162m relates to the acquisition of Town and Country Housing in May 2019. This contingent liability will be realised if the assets to which the written-off grant relates are disposed.

34. Acquisition of Dagenham Dock Limited

On 5 May 2021, Peabody Trust completed on the acquisition of Dagenham Dock Ltd (DDL) for £100.7m. DDL's sole asset is the c.45-acre former Ford Stamping & Tooling Operations (DSTO) land site, which is in the London Borough of Barking & Dagenham. A grant of £83.7m has been provided from the GLA Affordable Homes Programme to assist in funding the acquisition.

The assets acquired and consideration paid were as follows:

Group	Statement of Financial Position on Acquisition £m	Fair value adjustments £m	**Fair Value Statement of Financial Position £m**
Stock – Work in progress	59	43	**102**
Net Assets Acquired	**59**	**43**	**102**
Fair value of consideration paid, including costs of acquisition			**(102)**
Gain recognised on acquisition			**-**

35. Transfer of Engagement – Peabody South East Limited

On 31 March 2022, the trade and assets of Peabody South East Limited were transferred to Peabody Trust under a transfer of engagement. The following assets and liabilities were transferred and included in the respective lines of the statement of financial position for Peabody Trust. As the transfer was completed as part of a Group reconstruction, the merger accounting approach was adopted and transferred at their respective carrying book values.

Peabody	£m
Tangible Fixed Assets – Housing	126
Other Tangible Fixed Assets	7
Debtors due in less than one year	1
Cash	4
Creditors: amounts falling due within one year	(2)
Creditors: amounts falling due after more than one year	(75)
Transferred to Revenue Reserves	**61**

36. Legislative provisions, taxation and subsidiary undertakings

Peabody is a charitable Community Benefit Society formed under the Co-Operative and Community Benefit Societies Act 2014 and a provider of social housing registered with the Regulator of Social Housing. Peabody has the following wholly owned subsidiaries, all of which are established in England and Wales and have been included in the Group results unless indicated:

- Charlton Triangle Homes Limited (registered social landlord, registered charity, from 18 May 2021 Charlton Triangle Homes Limited was re-registered as a Community Benefit Society)
- Dagenham Dock Limited
- Freshleaf Homes Limited
- George Peabody Donation Fund (registered charity formed under an Act of Parliament)
- Harris Lodge Residents Company Limited*
- Maple Drive Management Company Limited*
- Oxley Close Number 2 Residents Company Limited*
- Peabody Capital plc
- Peabody Capital No 2 plc
- Peabody Central Housing Trust (formerly Create Communities Limited), from 1 April 2021 (registered Community Benefit Society)
- Peabody Community Foundation (registered charity)
- Peabody Construction Limited
- Peabody Developments Limited (registered social landlord, registered Community Benefit Society) and its wholly owned subsidiary:
  - Peabody (Services) Limited
- Peabody Group Maintenance Limited
- Peabody Investment Limited (dormant)
- Peabody Land Limited, and its wholly owned subsidiaries:
  - Peabody Waterfront Limited
  - Veridion Park Management Company Limited
  - Tilflex Management Company Limited
- Peabody South East Limited (registered social landlord, charitable Community Benefit Society)****
- Southmere Village Management Company Limited*
- Tilfen Land Limited and its wholly owned subsidiaries:
  - Cobalt Estate Management Limited*
  - Sienna Management Limited*
  - Tilfen Investment Properties Limited
  - Tilfen Regeneration Limited
  - White Hart Triangle Management Limited*
  - Tamesis Point Limited
- Town and Country Housing (registered social landlord, charitable Community Benefit Society) and its wholly owned subsidiaries:
  - TCHG Capital plc
  - Monson Homes Limited
  - TCHG Living Limited
  - Countrywise Repairs Limited***

* These subsidiaries are excluded from the Group's consolidated results.
** Peabody Trust has a majority holding in Harris Lodge, Oxley Close and Maple Drive which exist to administer service charges where there are owner-occupiers in addition to Peabody tenants.
*** Countrywise Repairs Limited is 51% owned by Town and Country Housing and 49% by Wates Living Space (Maintenance) Limited (part of the Wates Group) and is currently being wound down following termination of agreement with Wates.
**** The trade and assets of Peabody South East Limited were transferred to Peabody Trust on 31 March 2022 under a transfer of engagement.

Peabody Land Limited, Peabody (Services) Limited, Peabody Developments Limited, Peabody Waterfront Limited, Peabody Construction Limited and Monson Homes Limited are trading subsidiaries involved in the development and sale of land and private residential property.

Freshleaf Homes Limited provides environmental services to both Group companies and third parties.

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

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

Southmere Village Management Company Limited provides management services for Peabody.

37. Transactions with related parties

Related party transactions in the Group include transactions with subsidiaries, associates, joint ventures and compensation paid to key management personnel. Key management personnel are senior management team, Board members and their close family. Compensation includes all employee benefits in exchange for services and consideration paid on behalf of Peabody in respect of goods or services provided to the entity. Compensation paid to key management personnel is shown in Note 5.

Rents received from tenant and leaseholder Board members during the year are £18k (2021: £22k). Their tenancy agreements have been granted on the same terms as for all residents, and housing management procedures, including those relating to management of arrears, have been applied consistently to the residents. Their position on the Board does not favour their tenancy agreement, nor allow any preferential treatment.

Peabody has taken advantage of the exemption permitted by FRS 102 – 'Related Party Disclosures' and does not disclose transactions with other wholly owned entities within the Group that are eliminated on consolidation. There are also several subsidiaries in Note 36 which Peabody does not consolidate, but there are no transactions between Peabody and these subsidiaries in 2021/22.

Defined pension schemes are considered to be related parties. Further information of these schemes can be found in Note 30.

Board members of Peabody have disclosed the following interests:

Description	Income/ (Expense) £	Debtor/ (Creditor) £
Helen Edwards is Chair of Recovery Focus (Richmond Fellowship). Peabody rents properties to the mental health charity.	70,560	5,744
Lord Kerslake serves as a member on the Equans U.K (previously Engie UK) Advisory Board which provides strategic advice and insight in the development of Engie's UK businesses. Subsidiaries in the Engie Group provided design and construction services to subsidiaries in the Peabody Group.	(8,141,002)	–
Lord Kerslake is chair of Be First, a regeneration company in Barking and Dagenham that provides planning application advice and related services.	(72,576)	–
Lord Kerslake was chair of London Pension Collective Investment Vehicle until September 2021. The organisation made a contribution towards the employment costs of Lord Kerslake's personal assistant	5,000	–
Lord Kerslake has a close relation who is a board member of Sanctuary Housing Association. Sanctuary Housing Association provided care and support services to Peabody Trust.	(89,712)	–
Ian Peters serves as a member on the Equans U.K (previously Engie UK) Advisory Board which provides strategic advice and insight in the development of Engie's UK businesses. Subsidiaries in the Engie Group provide design and construction services to subsidiaries in the Peabody Group.	(8,141,002)	–
Ian Peters is a director of Agility Impact Holdings Limited. A subsidiary of Agility Impact Holdings Limited Group, AgilityECO, provided software maintenance in relation to fuel poverty, energy-efficiency and low-carbon services to Peabody Trust.	(93,713)	(11,090)
Philippa Aitken is a non-executive director of Camden & Islington NHS Foundation Trust. Camden & Islington NHS Foundation Trust provided care and support services to Peabody Trust.	(125,650)	–
Brendan Sarsfield is a member of a steering group established by the Trustees of the Grosvenor Estate. The steering group has been established to investigate new ways in which Grosvenor could address unmet housing needs in the places where Grosvenor is active. Grosvenor Group owns freehold interests in a number of Peabody Estates	–	7,500
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.	(29,179)	3,307
Peter Vernon is a director of the Grosvenor Group which owns freehold interests in a number of Peabody Estates.	(576,032)	7,500
Peter Vernon is a non-executive director of The Berkeley Group Holdings Plc. During the year, Peabody made net cash payments relating to land transactions and the purchase of affordable homes from The Berkeley Group of £14,881,000.		
Jennie Daly is a director of Taylor Wimpey Plc. During the year, Peabody made cash payments relating to contracts to purchase affordable homes from Taylor Wimpey Group of £5,538,000.		

Information on the composition of Peabody's Board and committees can be found on pages 54 to 55.

Most of the decisions in relation to the third parties referenced above are not made at Peabody Trust or Peabody subsidiary board level since they are operational in nature and are within the authority delegated to executives. Where decisions are made at Board level, Peabody has robust procedures in place which ensure that relevant Board members do not receive the papers, do not count in the quorum and do not participate in any way in the decision making.

38. 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:

	Peabody 2022 £m	Peabody 2021 £m
Total cash outflows to non-registered treasury entities of the Group	(39)	(38)
Total cash outflows to other non-registered entities of the Group	(14)	(40)
Total cash inflows from other non-registered entities of the Group	6	80

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

	Note	**Group 2022 £m**	Group 2021 £m
Cash flows from operating activities Surplus for the year		150	110
Adjustments for:			
Change in value of investment property	16	(34)	7
Net interest payable/(receivable)	9, 10	79	78
Tax on surplus on ordinary activities	12	19	–
Amortisation of intangible fixed assets	13	10	9
Depreciation of tangible fixed assets	14, 15	87	83
Amortisation of grant and unwinding following disposal	26	(16)	(10)
Surplus on sales of fixed assets	7	(80)	(51)
Increase in trade debtors and other debtors		(52)	(45)
Increase in stock		(70)	(61)
Increase in trade creditors		53	12
Net cash generated from operating activities		**146**	**132**

40. Subsequent events

On 1 April 2022, Peabody and Catalyst Housing Association joined together with Catalyst Housing Limited becoming a subsidiary of Peabody Trust. The first consolidated set of Group accounts will be prepared for the year ending 31 March 2023.

Board, Executive Team and Advisers

Peabody Trust (Registration no.7741)

Lord Robert Kerslake	(Chair)
Ian Peters	(Vice-Chair up to 31 March 2022)
Phillipa Aitken	(Appointed 31 March 2022)
Peter Baffoe	
Jennifer Daly	(Appointed 31 March 2022) (Resigned 30 June 2022)
Helen Edwards	
Zebrina Hanly	(Appointed 13 April 2021)
David Hardy	
Terry Hartwell	(Appointed 1 April 2022)
Paul Loft	
Ian McDermott	(Appointed from 1 April 2022)
Barry McNamara	(Resigned 13 April 2021)
Deirdre Moss	
Ravi Rajagopal	(Vice-Chair from 1 April 2022)
Francis Salway	(Resigned on 30 November 2021)
Brendan Sarsfield	(Resigned 30 September 2021)
Peter Vernon	(Resigned 30 June 2021)
Cary Wakefield	(Appointed 1 April 2022)
Graham Woolfman	(Appointed 1 April 2022)

Group Secretary

Sarah Cameron

Chief Executive

Brendan Sarsfield	(Resigned 30 September 2021)
Ian McDermott	(Appointed as interim CEO from 1 October 2021 to 31 March 2022) (Appointed as CEO from 1 April 2022)

Executive Team of Peabody Trust during the financial year ended 31 March 2022 and up to the date of this report

Stephen Burns	Executive Director, Care and Communities (up to 31 March 2022) Executive Director, Care, Supported Housing and Inclusion (from 1 April 2022)
Sarah Cameron	General Counsel and Group Secretary (Executive Team member from 1 April 2022)
Peter Evans	Executive Director, Property Services and Assets (from 1 April 2022)
Ashling Fox	Chief Operating Officer (up to 31 March 2022) Deputy Chief Executive Officer (from 1 April 2022)
Bob Heapy	CEO, Town and Country Housing CEO, Rosebery Housing Association (from 1 July 2022)
Eamonn Hughes	Chief Financial Officer
Phil Jenkins	Executive Director, Development (from 1 April 2022)
David Lavarack	Executive Director, Corporate Services
John Lewis	Executive Director, Thamesmead
Dick Mortimer	Executive Director, Development and Sales (up to 31 March 2022)
Sarah Thomas	Chief Operating Officer (from 1 April 2022)

Registered office, 45 Westminster Bridge Road, London SE1 7JB. Peabody Trust is a charitable Community Benefit Society registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (number 7741) and with the Regulator of Social Housing (number 4878).

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