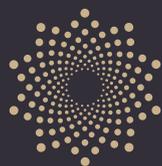


Group Business Plan 2015–18



PEABODY

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Introduction from the Chief Executive

Welcome to our 2015/18 Business Plan, which sets out what we will do and achieve over the next three years.



The past year has seen us make further progress in a challenging operating environment. I'm proud of what has been achieved: significant investment in our homes and neighbourhoods; a development pipeline of 8,000 homes; more people helped into work; and more opportunities for residents to get involved. But I'm not complacent, Peabody is on a journey of growth and transformation, and we should strive for continuous improvement in all that we do.

We're now a larger and more complex Group, and as we grow in scale and ambition we need to ensure our foundations, capability and structures are strong. This means a continued focus on building internal skills and capacity, which we will do through effective recruitment, a resolute focus on learning and development, and the further embedding of our Leadership and Management Programme (LaMP). It also means driving value for money in all our activities, and making sure we have fit-for-purpose organisational structures and a robust governance framework. With these imperatives in mind, this year we will streamline our structures by combining all Group landlord entities into a single organisation.

Our Business Plan shows how each of us plays a crucial role in achieving our objectives. This year, we have identified fundamental priorities that are critical to our success; their achievement will have a long-lasting positive impact on the people and communities we serve.

- Providing a high-quality responsive repairs service that meets the expectations of residents.
- Delivering 1,000 new homes each year.
- Supporting 1,000 people into employment each year.
- Providing services to more than 80,000 Londoners, through an enhanced digital offer.
- Communicating and beginning to deliver an exciting and compelling future for Thamesmead.

Challenges remain in our operating environment. Despite improvements in the economy, many of our residents are still struggling – not least because the impact of changes to welfare benefits continues to be felt. We've done a good job at supporting those affected, and this work will remain important in the coming years as further changes are introduced.

Finding an affordable and quality home continues to be difficult for a large number of Londoners, from those facing homelessness to families wishing to buy their first home. We're in a time when more is rightly expected of housing associations. That means we need to reinvigorate our business and funding models while upholding our primary and enduring focus: the provision of quality affordable homes and excellent services that make a real difference to people's lives. Of course, Peabody can't solve London's housing problems alone, but I'm excited about the pivotal role we can play.

The coming year holds many challenges and opportunities. The outcome of the General Election will herald further changes in our operating environment. Peabody is in a strong position to respond to those changes and take advantage of new opportunities as they arise. It's vital that we maintain that strong position for the success of our work, for example in Thamesmead. This year will start to see some real changes on the ground, with the community fully involved as it happens. We'll continue our commitment to helping even more residents into work, including

supporting young people and expanding our apprenticeship programme. And as we set out our exciting plans for the future, we will maintain a resolute focus on the here and now: getting the basics right and delivering excellent services in the areas that matter most to residents.

I'm ambitious about what we can achieve and confident about our ability to have a really positive impact on the lives of Londoners. Importantly, I'm proud that Peabody has an engaged, skilled and motivated workforce. As an organisation we make a strong commitment to our employees, including a focus on learning, innovative thinking and empowerment. Using the strength of our workforce and by working with partners and engaging residents, we can continue to make a real and lasting difference.



Stephen Howlett
Chief Executive
Peabody Group

2. Building on success, looking to the future

2.1. Our mission

Our enduring mission is to make London a city of opportunity for all by ensuring as many people as possible have a good home, a real sense of purpose and a strong feeling of belonging.

A good home

A place that is safe, warm, clean, light and well maintained.

A real sense of purpose

Regular endeavour through work, learning, caring for others, personal development or volunteering.

A strong feeling of belonging

Active involvement in the neighbourhood and the spirit of togetherness and friendliness that goes with that.

Peabody has been providing homes to Londoners for more than 150 years, and today close to 80,000 people live in a Peabody home. We also provide a wide range of community services that benefit both our residents and the wider London community. Peabody has a clear vision for the 21st century, establishing principles to underpin our mission for the long-term. In partnership with our residents we have developed seven core principles that define an exemplary community for the 21st century.

1. An exemplary community is one where people feel they belong.
2. It is a place where people have homes that meet their needs and are suitable for the changing circumstances of life.
3. It is a place where the landlord's service is tailored to the individual.
4. It is a place where no child is living in poverty.
5. It is a place where all residents are supported in their daily lives and in their longer-term aspirations.
6. An exemplary community feels part of the wider, local area.
7. An exemplary community has a sustainable environment.

These aspirational principles guide the development of our strategic plan. As we move into the next stage of our transformational journey, we will ensure they remain at the heart of our thinking.

2.2 Our progress so far

Our ambitious programme of growth and service improvement continues to change the size and structure of the Peabody Group. Over recent years, we have focussed on ensuring our structures, capability, governance and financial management reflect the increasing complexity of a growing organisation. Through a wide-ranging change programme, we have successfully delivered improvements that provide firm foundations for our future growth and investment. These include:

- Creating an effective multi-tenure housing management model that enables improved co-ordination and increased investment in front-line services.
- Welcoming Gallions, Trust Thamesmead and Tilfen Land into the Peabody Group, enabling us to benefit from economies of scale through shared back-office functions and the delivery of regeneration schemes and new homes.
- Beginning to strengthen the way we involve residents in the design, delivery and evaluation of our services through an enhanced menu of engagement channels and mechanisms.

In 2014-15, we...

Deliver great services and quality homes

- Invested almost £30 million in the fabric of our homes through our Quality Homes programme, with improvement works completed at our Abbey Orchard, Vauxhall, Horseferry, Ipsden and Peabody Hill estates.
- Supported our Resident Scrutiny Panel to review the effectiveness of communication in the repairs process and began to deliver an improvement action plan based on residents' recommendations.
- Conducted in-depth research to explore our residents' opinions of the services that matter most to them, which confirmed the crucial importance of high-quality repairs.

Achieve business excellence

- Achieved Investors in People silver accreditation, recognising our strengthened customer service through the provision of bespoke Peabody Behaviours and Customer First training.
- Launched a new intranet for all Peabody, CBHA, Gallions and Trust Thamesmead employees.
- Developed a comprehensive, long-term IT Strategy to ensure we have the tools, architecture and capacity to achieve our future growth and investment ambitions.

Influential growth

- Welcomed Trust Thamesmead and Tilfen Land to the Peabody Group.
- Increased our development capability to deliver a pipeline of 8,000 new homes, and raised more than £30 million in sales revenues for reinvestment in affordable housing.
- Worked with the Royal Borough of Greenwich and the London Borough of Bexley as the key delivery partner on their successful Housing Zone bids at Abbey Wood and Plumstead.

Build thriving communities

- Helped 500 people to find work.
- Engaged with 750 young people through volunteering, education, training and social enterprise.
- Supported residents to set local priorities by increasing the number of Peabody households covered by Neighbourhood Charters to 13,000.

2.3 Our critical priorities

Peabody's strategic framework sets out the four overarching objectives and 10 goals that support the achievement of our long-term mission. In order to ensure an emphasis on the things that matter most, each year we scrutinise our progress, performance and operating environment to identify the critical priorities that are fundamental to our success. These are the battles that we need to win, and success in these areas will have a long-lasting positive impact on our performance, on the experience of our customers and on the communities we serve.

We will provide a high-quality responsive repairs service that meets the needs and expectations of our residents.

The experience and satisfaction of residents is our main focus, reflecting our commitment to put customers at the heart of all we do. We understand the importance of high-quality and efficient repairs to residents, and know that their experience of this service is one of the foremost influences on overall satisfaction with Peabody. The exemplary communities we strive to create and preserve are those where the landlord's service is tailored to the needs of each individual. We therefore endeavour to continuously improve our repairs service so that it consistently meets the needs and expectations of our residents, and ensures the safeguarding and enhancement of our properties for future generations.

While satisfaction with our repairs service continues to increase, we know that there is more to do. In 2015/16 we will build on our work so far to ensure appointments are kept, problems are fixed first time wherever possible, and residents are kept informed throughout the process. Our target is for at least 85% of residents to be satisfied with their last completed repair by the end of March 2016. As part of our strategy to improve the repairs service to residents, we will further expand the services provided by Peabody Group Maintenance (PGM) through the gradual and sustainable transfer of management of Peabody Group properties to the company.

We will play our part in meeting the demand for high-quality and affordable housing in London through an ambitious development pipeline of 8,000 new homes and delivery of around 1,000 homes each year.

Housing need in London remains acute, widespread and diverse, and in many areas there is a continuing and

escalating affordability crisis with pressure felt across the income scale. Peabody's ambitious development pipeline of 8,000 new homes will support the achievement of our mission to ensure as many people as possible have a good home. Our approach to rent-setting, the range of products we offer and the tenure mix of our portfolio and pipeline will be balanced, so that we respond to the many manifestations of housing need in the capital - including Londoners with low and modest incomes.

We will continue to make prudent and long-term investment decisions that ensure Peabody plays a critical role in helping to alleviate housing need in London. In 2015/16 we aim to build more than 1,200 new homes and an average of 1,000 new homes each year after that. A proportion of these will be earmarked for market tenure, with revenues reinvested in the construction of affordable and social homes.

We will help more than 1,000 people each year to find work.

Peabody's vision of an exemplary 21st century community looks beyond bricks and mortar, and at the heart of our vision are thriving communities with high levels of employment and community involvement, positive educational outcomes and good health. Over the next three years we will do even more to support our residents and Londoners to achieve their aspirations.

Peabody offers tailored and practical employment support, training and advice to people who are unemployed and looking for work. Each year, we support hundreds of people to find and keep a job and over the next three years we will invest in these services to significantly increase the number of beneficiaries. From 2015/16 we aim to support more than 1,000 people into employment each year.

We will provide great services to more than 80,000 residents through an enhanced digital offer.

Our pledge to deliver excellent, customer-focused services is at the heart of all that we do. Getting the basics right, and maintaining an unswerving commitment to quality, continuous improvement and efficiency in service-delivery, underpins all our work. We constantly strive to learn more about the needs and expectations of our residents, and to involve them in the design, delivery and evaluation of our services. Technological advances continue to revolutionise the way people interact, transact and communicate.

Peabody aims to be at the forefront of innovative thinking in relation to service delivery, so that we are best placed to meet our customers' expectations in relation to choice, accessibility, quality and efficiency. We have launched a new website that includes interactive tools and an easy-to-navigate layout. Over the lifetime of our business plan, we will continue to harness the opportunities afforded by digital technology to improve our customers' experience of communicating and transacting with us. This includes improving the range, quality and accessibility of our online services and establishing functionality that will allow residents to use social media to access services.

We will set out and start to deliver an exciting and compelling future for Thamesmead.

In 2014, Peabody formally welcomed Gallions Housing Association into the Peabody Group, along with the sister organisations Trust Thamesmead and Tilfen Land. Gallions brought around 6,500 properties to Peabody, Tilfen land brought a strong portfolio of assets including 103 acres of development land, and Trust Thamesmead provides opportunities to maximise community development skills and capacity.

Thamesmead was built as a new town in the 1960s and has many of the elements required to make a vibrant and successful neighbourhood. We believe Thamesmead has the potential to be London's major garden suburb, with beautiful green spaces, first-class amenities, excellent schools and rapidly improving transport connections including the arrival of Crossrail in 2018.

In 2014/15, we made progress in building the partnerships necessary to translate our vision of a mixed, economically-active and vibrant community into reality. In 2015/16, we will launch the Thamesmead Futures plan, which will set out our plans to regenerate Thamesmead over the next 10 years. We will also continue to deliver an ambitious programme of neighbourhood improvements to enhance the quality of life and homes of existing residents.

3. How we will achieve our goals

Deliver great services and quality homes

Thriving Peabody communities are about high-quality, well-designed homes and open spaces that residents can be proud of and consistently high levels of service. We will maintain clean and safe estates and communal areas, and give people a stake in their communities and opportunities to influence and shape services. Our ambitious growth agenda means a significant

number of new homes will come into management each year. It also means a more diverse customer base whose needs we will meet through new and revitalised services. We will also continue to explore ways of enhancing collaboration and integration across the Group so that we realise efficiency savings and provide the highest-quality services to all.

Strategic goals	In 2015-18 we will...
1: Be great at the basics – deliver excellent customer-focused services and continuously improve those that our customers and residents value most	<ul style="list-style-type: none"> • Provide a first class repairs and maintenance service, increasing resident satisfaction with last completed repairs to 85% in 2015/16 and to 88% from 2016/17. This will contribute to the achievement of our Group average target of 75% residents satisfied with the overall service we provide in 2015/16. • Drive continuous improvement in the quality, effectiveness and value-for-money of the services that matter most to our residents through a rolling programme of in-depth reviews and implementation of recommendations. • Provide exemplary lettings and rent collection services that safeguard our revenues and meet the needs of residents, achieving satisfaction levels of more than 90% (lettings) and 75% (rent collection) each year from 2015/16.
2: Develop a greater understanding of our residents and customers and how they use our services, enabling us to better meet their diverse needs and preferences	<ul style="list-style-type: none"> • Involve residents in the design, delivery and evaluation of services through a strengthened menu of involvement that reflects sector best practice, including scrutiny and consultative panels; local and topic-focussed groups; resident-led reviews; virtual forums and a Resident Council. • Implement a new approach to handling customer complaints, resolving at least 85% at the first point of contact by March 2016 and using feedback to continuously improve our services. • Undertake a comprehensive and rolling insight research programme to better understand and positively influence the key drivers of residents' satisfaction.
3: Provide good quality homes and open spaces that are environmentally sustainable, clean, safe and meet our residents' expectations	<ul style="list-style-type: none"> • Continue to deliver our 10-year Quality Homes programme, investing £36 million in our properties in 2015/16 and ensuring all qualifying homes continue to meet the Decent Homes Standard. By 2017/18, we will increase resident satisfaction with the improvements we make to their home through the programme to at least 88%. • Continue to deliver our IMPROVE programme to create and enhance open spaces, with at least 85% of residents satisfied with the improvements we make to their estate each year from 2015/16. • Implement a new Group Sustainability Strategy that supports us to protect the environment now and in the future.

2015-2016 KPIs and targets

Overall resident satisfaction	Rent collection (including arrears recovery)	Void loss:	Casual void re-let days (social housing):	Resident satisfaction with last completed repair
Target: 75% (group average)	Target: 100%	Targets: <1.6% / <£2.1m	Target: <26 days	Target: 85%

Achieve business excellence

We will achieve our vision by operating an excellent business that places a real emphasis on constantly looking for ways to improve value-for-money, service quality, performance and structures across the Group. We will be innovative thinkers and will continuously challenge ourselves to provide improving customer

service through first class processes, high-quality systems and engaged, skilled and motivated employees. Our financial strength is critical to the successful delivery of our growth ambitions, and we will maintain a resolute focus on value for money, risk management and prudent long-term investment.

Strategic goals	In 2015-18 we will...
4: Invest in our people to achieve our objectives	<ul style="list-style-type: none"> Secure Investors in People re-accreditation at the gold standard during 2016 and continue to strengthen our leadership capability through the Peabody Leadership and Management Programme (LAMP). Support and invest in the learning, development and progression of our employees and aim to fill at least 35% of vacancies with internal candidates each year from 2015/16. Provide modern, fit-for-purpose workplaces for employees and a high-quality environment in which to engage with customers by building a new headquarters at the Triangle site (Elephant and Castle) and a new office in Abbey Wood by April 2018.
5: Ensure our information systems and processes support continuous improvement in services and efficiency	<ul style="list-style-type: none"> Implement our new IT strategy to establish firm foundations for the achievement of our vision. This involves making a significant investment in IT architecture and systems, including a single CRM solution to support all interactions with customers and enhanced business intelligence capabilities to improve our services and manage our assets. Enhance and expand the channels through which our residents can interact and transact with us, including offering an improved online self-service option. We will also further embed the digital-by-default principle in our back-office, information management functions and service delivery. Continue to implement a robust approach to programme/project management that supports us to more effectively deliver, monitor, report and benchmark the savings and benefits achieved through investment in improvement initiatives.
6: Ensure we have the financial strength and optimal business structure to achieve our objectives	<ul style="list-style-type: none"> Simplify Group structures by merging landlord entities into a single organisation, strengthening our governance framework and pursuing opportunities to grow 'inorganically' through mergers and acquisitions in order to magnify our impact and maximise efficiency. Continue to protect income streams against the impact of welfare reform and the introduction of Universal Credit through the provision of information, advice and support to residents. Regularly scrutinise and report our performance against the HCA's Value for Money (VFM) Standard, and continuously improve our ability to monitor, evaluate, report and achieve value-for-money so we build capacity for the achievement of future growth and high performance.

2015-2016 KPIs and targets			
Total employee turnover	Central overheads as a % of turnover	Operating margin <small>(excluding property sales and community investment)</small>	Number of unique visitors to residents' portal per month
Target: <15%	Target: 12%	Target: 29%	Target: 3,500

Achieve influential growth

Being a Peabody resident is special and we want more people in London to benefit from our activities. We will achieve this by growing through carefully selected strategic partnerships and through an ambitious development programme of around 1,000 homes each

year, of which approximately 60% will be affordable tenures and 40% will be market tenures. We will extend our influence on areas of public policy relevant to our work by sharing our experience of delivery and becoming a stronger voice for London and Londoners.

Strategic goals	In 2015-18 we will...
7: Build and manage more homes	<ul style="list-style-type: none"> • Manage an ambitious long-term development pipeline, building approximately 1,240 new homes in 2015/16 and an average of 1,000 each year over the lifetime of our business plan. • Work in partnership with local authorities, the GLA and the local community to set out and begin to deliver our immediate and long-term plans to transform Thamesmead, including the launch of the comprehensive Thamesmead Futures Plan in autumn 2015. • Further enhance our sales and marketing capacity, generating £125 million in revenues by selling 180 homes on the open market and 440 for shared ownership by the end of March 2016, with profits reinvested to build more social and affordable homes.
8: Shape and influence the national and local agenda	<ul style="list-style-type: none"> • Inform and shape the public policy debate through the implementation our comprehensive influencing strategy that aims to safeguard and promote the interests of Peabody, our residents and the housing sector. • Establish and deliver a pipeline of research aligned to our business plan priorities, ensuring our strategy, plans and policies are evidenced-based and reflect the insight we gain through service delivery. This includes exploring ways of monitoring and evaluating the long-term social-economic impact of regeneration. • Improve our ability to measure and demonstrate the impact and added value of our services, and work with partners to identify and share best practice in this area.

2015/16 KPIs and targets			
New homes available for sale/rent (handed over)	Average number of defects per new home	Number of open market and shared ownership homes completed but not exchanged	Development Return on Investment
Target: 1,240	Target: 0.5 (average per home/per month)	Target: 0	Target: 10%

Build thriving communities

At the heart of our vision are thriving communities with high levels of employment and community involvement, positive educational outcomes and good health.

Working on and around estates in some of the most deprived areas of London, we are well placed to

reach the most excluded and break down the barriers preventing the fulfilment of individual and collective aspirations in our communities. Each year, we invest approximately £4 million in our community services through direct funding, grants and fundraising.

Strategic goals	In 2015-18 we will...
9: Provide opportunities for people in our communities to get the most out of their lives	<ul style="list-style-type: none"> • Help 1,000 people into employment each year through the provision of support, training and advice. • Support at least 600 young people to participate in education, training, apprenticeships, volunteering and social enterprise activities in 2015/16, and increase this to 750 each year from 2016/17. • Continue to deliver the innovative Children's Community project in Hackney, in partnership with the London Borough of Hackney and Save the Children, including the provision of childcare, play-and-stay sessions and parental support.
10: Create desirable neighbourhoods where people want to live	<ul style="list-style-type: none"> • Continue to deliver our Thamesmead neighbourhood improvements programme, investing around £3 million between 2015 and 2017 in initiatives that reflect the priorities of local people - including high-quality play areas, improvements to the public realm, and resident-led projects. • Ensure 95% of our estates are rated at Gold Standard for cleanliness, and that those rated Silver and Bronze attain Gold Standard by the next inspection. • Successfully resolve at least 80% of antisocial behaviour (ASB) cases each year, and demonstrate our commitment to providing an exemplary service in this area by securing HouseMark's ASB accreditation in 2015.

2015-16 KPIs and targets		
Number of people supported into employment	Number of volunteers	Fundraising income
<p>Target: 1,000</p> <p>Cost per job outcome</p> <p>Target: £1,000</p>	<p>Target: 1000</p> <p>Cost per volunteer</p> <p>Target: £212</p>	<p>Target: £800,000</p>

4. How we manage our business

4.1 Financial health and capacity

Fundamental to the delivery of our mission and goals is financial strength, capacity for future funding and the effective and efficient management of financial resources and assets. Peabody's financial strength and future capacity is built on its portfolio of housing properties with an estimated tenanted value (i.e. value for security purposes) exceeding £3 billion and an open market value conservatively estimated to exceed £6 billion.

This portfolio drives a Group turnover of around £280 million (including around £50 million from Gallions' properties) and an operating margin in 2015 of close to 30%. Around 75% of turnover is generated from general needs housing. This turnover is sufficient to meet the management, maintenance and long-term investment needs of existing properties and to cover the cost of financing Group borrowing each year.

Our property portfolio supports current Group funding of £1.2 billion, of which £1 billion is drawn. The remaining £200 million that is not drawn plus cash holdings of £99 million means that the Group currently has total available liquidity of just under £300 million. This is sufficient to meet all contractual commitments and the Group's net development funding requirement for 18 months. Some 40% of the property portfolio is not currently used to secure borrowing and thus is available to be used as security against future borrowing. This equates to significant future funding capacity to support the goal of delivering an average of 1,000 new homes each year over the next seven years.

In October 2014 Peabody issued the retained element (£100 million) of its £350 million 2053 Bond achieving an all-in cost of funding of 4.02%. This result demonstrates the on-going view of investors of the Group's excellent credit worthiness, low risk and financial strength. This view is in line with Peabody's credit rating of A2 stable.

The Group's 30-year Financial Plan is reviewed each year and provides the context for setting strategic goals and targets. It is tested against a range of sensitivity and scenario analyses to determine the impact of different economic and business assumptions, including forecast interest and inflation rates which are key drivers of the Group's future financial capacity. Financial planning and future funding arrangements take account of, and sensitivity analysis is performed to demonstrate, the

impact of changes to assumed rates and the resilience of the Group to movements that may increase future borrowing costs and / or reduce rental growth.

The key principles underpinning our financial plans are:

- Demonstrating and securing the Group's long term financial sustainability.
- Demonstrating the financial capacity to achieve Business Plan goals.
- Demonstrating capacity to achieve efficiency gains.
- Complying with lender financial covenants.

Our key financial forecasts are:

Financial measure - £m	2015-16	2016-17	2017-18
Turnover	323.5	332.5	678.6
Operating costs	214.5	224.3	444.9
Operating surplus	109.0	108.2	233.7
Net Finance cost	(35.2)	(52.2)	(52.3)
Net surplus on other property sales	(5.0)	0	3.0
Net surplus	78.8	55.9	184.5

Our forecasted balance sheet is:

£m	2015-16	2016-17	2017-18
Housing Assets at cost – net book value	1,719	1,888	1,980
Other Assets	417	447	232
Current liabilities	(30)	(30)	(30)
Net Assets less current Liabilities	2,106	2,305	2,144
Represented by:			
Total Borrowings	1,418	1,561	1,254
Reserves	688	744	928

4.2 What value for money (VFM) means at Peabody

Put simply, value for money is about getting the most out of the resources at our disposal, so we can continue to deliver great services, quality homes and thriving communities for the benefit of our residents and the people of London. This means much more than being more efficient. It means proactively seeking opportunities to create new value, and maintaining a consistent and forensic focus on how we use both our financial and non-financial assets.

Peabody publishes a Value for Money self-assessment each year as part of the Annual Report and Financial Statements. This sets out in full our approach to value for money, including how we deliver value to a range of stakeholders, and how we safeguard, improve and use our assets.

Value for money is embedded throughout our business planning – it is not a separate process but informs everything that we do. Our four main business plan goals are underpinned by a suite of high level KPIs, including at least one for each area that measures unit cost or financial performance.

Value for Money: key areas of focus for 2015/16

- Protect and optimise our income to secure our long-term financial health.
- Ensure our ambitious programme of development delivers maximum return on investment.
- Invest in service improvements where these will deliver cost reductions or other efficiencies over the three-year business plan period.
- Continue to improve our approach to project and programme management to ensure robust controls are in place and that planned benefits are delivered.

4.3 Governance and regulation

To support the delivery of its strategy and day-to-day business Peabody requires a robust and effective Group governance framework, which meets the requirements and expectations of its stakeholders. It is important that Peabody's governance arrangements are kept under regular review and updated, when necessary, to reflect changes in the Group structure, business and delivery models, operating environment, risk profile and regulatory framework.

The Peabody Group Board is responsible for strategic oversight of the Group, including subsidiary companies. It delegates day-to-day management to the Chief Executive supported by the Executive Team. There are currently two Group Board level committees: Audit and Risk and Nominations and Remuneration.

Peabody is regulated by the Homes and Communities Agency (HCA) and includes companies registered and regulated by the Financial Conduct Authority (FCA), Companies House and the Charity Commission. It includes not-for-profit and commercial subsidiaries that generate funds for Peabody's activities.

Our overarching aim is that Peabody's governance and financial viability ratings are retained at the highest G1 and V1 levels. Our priorities are to ensure a governance structure and culture that:

- Meets the requirements of an expanded Group and evolving business model – in particular an increase in development activity and our ambitious plans for the regeneration of Thamesmead.
- Meets changing stakeholder expectations and requirements, including those of residents, customers, investors, regulators and the tax payer.

The changing shape of Peabody

We are a growing organisation. Last year we welcomed Gallions Housing Association, Tilfen Land and Trust Thamesmead to the Group. This means that for the first time, the housing, land and community assets of Thamesmead have been brought together. This provides a firm foundation for the delivery of our ambitious plans to improve Thamesmead now and in the future.

We are growing for a purpose. A larger organisation enables us to realise efficiencies through economies of scale and sharing back-office functions, and strengthens our financial and delivery capacity so

that even more Londoners benefit from a quality home, thriving community and excellent services. We continually review our governance framework and organisational structures and make the changes necessary to ensure we remain an efficient organisation capable of delivering our ambitious vision. We will continue to pursue opportunities to grow inorganically through mergers and acquisitions so that our mission can be extended to even more Londoners.

The Group is committed to ensuring a fit-for-purpose organisational structure that supports the effective and efficient delivery of our future plans. This year we will streamline the Group's structure, including by amalgamating subsidiary Registered Providers into a single Peabody landlord. This will lead to enhanced risk management, as well as the realisation of additional efficiency savings. This will be subject to consultation with residents and regulators and – if approved – will be implemented by April 2016.

Our main subsidiaries

Gallions Housing Association

In the year ahead Gallions will focus on improving service delivery and efficiency. This includes prudent and sustainable investment in service delivery and continuing to harness the opportunities afforded by further integration and collaboration within the Peabody Group. Gallions will also play an instrumental role in the delivery of our ambitious plans for Thamesmead. £3 million will be invested in Neighbourhood Improvement initiatives, and the Thamesmead Futures Plan - to be published in autumn 2015 - will set out our long-term vision for the area. Gallions will engage with stakeholders on regeneration plans, ensuring residents and employers understand our plans and that residents impacted by regeneration are given a smooth transition to alternative accommodation.

Further details of Gallions' plans are available at www.gallionsha.org.uk.

Trust Thamesmead

Trust Thamesmead will continue to grow and improve its important community work in the Thamesmead area, and will play an important role in developing and delivering the social and economic dimensions of our regeneration plans. The Trust will look to maximise the use of community facilities such as Sporting Club Thamesmead and the Link with an enhanced offer to users. They will play an instrumental role in the achievement of the Group's ambitious target to support

more than 1,000 people into employment each year from 2015/16 by helping 330 people into work and 400 into training.

Community development will remain a key focus, and the Trust will continue to provide Early Years Foundation Stage education for children. There will also be strengthened partnership-working with schools, children's centres, healthcare providers and the voluntary sector in Bexley and Greenwich.

Further details of Trust Thamesmead's plans are available at www.trust-thamesmead.co.uk.

Tilfen Land

Tilfen Land will play an instrumental role in the long-term transformation of Thamesmead by becoming primarily an asset management company focused on the regeneration of the area. Asset management will continue on the existing portfolio with the aim of maximising income and adding value.

Further details of Tilfen Land's strategy are available at www.tilfenland.co.uk.

CBHA

CBHA will continue to focus on the provision of excellent customer service through a first-class repairs service; proactive support to assist residents affected by welfare reform; the delivery of a major capital works programme, and implementation of a new asset management strategy. CBHA's community investment work will continue with the introduction of five new apprenticeships a year and the development of young people's programmes in neighbourhoods. The employment, training and volunteering programme will also be further developed with specific focus on projects such as volunteer home help and the MOTHER family support programme.

Further details of CBHA's plans are available at www.cbha.org.uk.

Peabody Group Maintenance (PGM)

2015-18 will see Peabody Group Maintenance (PGM) explore opportunities to further expand its services through the gradual and sustainable transfer of management of Peabody Group properties to the company. PGM will further improve customer satisfaction with repairs, maintenance and management and – for CBHA properties - cleaning services and improved environmental standards. PGM will also bring in-house services that are currently sub-

contracted such as electrical and finishing/decoration, leading to financial savings and improved quality.

Our main risks and how we are managing them

This year we have adopted a new approach that sees the Executive Team leading a top-down approach to strategic risks – with the full engagement of the Board – at the same time that the business considers service-level risks. This ensures we are proactive and long-term in our approach and that the risk context informs major business decisions. Our current top five strategic-level risks are:

Thamesmead regeneration and major change projects

Peabody's vision for the regeneration of Thamesmead involves significant investment and ambitious delivery targets, and requires collective action across and beyond the organisation. Failing to meet expectations poses a risk to our financial health and reputation, as well as to the area and its residents.

Our long-term plan for Thamesmead will set ambitious delivery milestones, starting with a comprehensive vision developed in partnership with stakeholders. Other major change projects / programmes have been identified through the business planning process. Risk assessments, robust governance, business cases and plans are in place, along with scrutiny of the overall change portfolio. Attracting and building capacity and skills to support delivery of all major change is also a priority.

Development and sales

Our development pipeline of 8,000 homes, and target to deliver 1,000 homes each year, represents an unprecedented demand on Peabody's skills, capacity and resources. Success requires careful planning and concerted collaboration across and beyond the organisation to meet financial and funding targets and performance standards. Our financial and development plans are founded on assumptions relating to future sales volumes and associated revenues.

Delivery of the pipeline will be closely monitored against a new development strategy, and we base our financial plans on cautious assumptions and forecasts that are stress-tested against various scenarios.

IT

Peabody's ambitious programme of growth and improvement means the Group's IT service, performance, infrastructure and system support must be first-rate. Achieving our enhanced digital offer to residents means having the right strategy, funding, know-how and capacity in place.

We are implementing a comprehensive new IT Strategy that will deliver enhanced capacity and capability.

Health and safety

Failure to maintain an effective Health and Safety Management system would put the business at risk as well as the wellbeing of residents and employees.

Through regular audit and review of our Health and Safety Management system, in line with national standards, we ensure the Group continues to provide a healthy and safe environment for residents, employees, contractors and visitors.

Regulatory environment and governance

As the regulatory environment in which we operate has the potential to change, and as the Group itself changes, it is vital our corporate governance framework and culture keeps pace in order to avoid reputational and regulatory problems.

We will continue to make sure that the Group has effective monitoring mechanisms and a governance structure and culture that ensures we meet our regulatory obligations. We will review our organisational structures to make sure they are fit-for-purpose, efficient and effective.

Continuous improvement in service delivery

We strive to be great at the basics by providing excellent, customer-focused services and endeavour to continually improve those that our customers value most, in particular our repairs service. Falling short of the high standards that are rightly expected of us not only has a negative impact on the experience and quality-of-life of our residents, but also on the efficiency of our services, our standing with regulators and other stakeholders and on our reputation.

Through our dedicated Business Excellence function we ensure a resolute focus on and commitment to continuous improvement in housing services. This helps us to understand and respond to our customers' needs

and expectations, and to quickly tackle – and learn from – problems as they arise. We believe that effective resident scrutiny and insight, benchmarking, regular satisfaction surveys and service design, along with effective procurement and contract management are key to driving forward high-quality service delivery. We also recognise the importance of effective IT systems and a motivated, skilled and knowledgeable workforce to service quality, and will continue to invest in these areas to drive continuous improvement.

4.4 Our employees

As Peabody grows in size and complexity, it is crucial that we have the right skills and capability to realise our ambitions. By engaging, motivating and involving our people, we will maximise performance and deliver the highest standards of customer service. We use a variety of methods to inform, consult and involve our employees, including a Group conference, an Employee Council and a regular employee survey.

In the recruitment and development of employees and Board members, Peabody ensures the right skills are in place to deliver the wider range of activities in the Group structure. We have a comprehensive learning and development plan and programme and Investors in People silver accreditation.

All employees are trained in the bespoke Peabody Customer First programme. This year we are continuing to re-energise the programme across the Group and to support employees to go the extra mile in meeting residents' expectations. All leaders and employees have attended workshops in the new Leadership and Management Programme (LaMP) to evolve the leadership culture for the future, building on our current practice, by bringing the four management themes of One Peabody, Learning, Empowerment and New Ways to life. The programme explores what managers and leaders can expect from each other, and highlights to employees what they can expect from their managers. This year we will be promoting and embedding the use of Personal Development Plans and will be launching 'realising your potential' to support succession planning and talent management.

The Peabody Behaviours

Customer focused – we deliver excellent service

Results focussed – we get things done

Collaborative – we work effectively with others

Can do – we are positive and helpful

Principled – we are trustworthy and fair

Continuously improving – we are always looking to get better

4.5 Involving our residents

Peabody engages residents in shaping and evaluating our services. We have a menu of involvement activities, including regional forums, resident scrutiny, local residents groups, mystery shopping and feedback through regular satisfaction surveys. From 2015 we will implement a revised resident involvement strategy that will be Group-wide to reflect the growing organisation. It will strengthen our approach to co-regulation with clear links between strategic resident involvement and the Board and will enhance the menu of involvement through greater use of digital options for resident feedback.

4.6 Equality and diversity

Peabody values diversity and is committed to achieving equality of opportunity for all. Our Equality and Diversity policy and action plan set out how we will meet statutory and regulatory obligations, as well as raising awareness of diversity issues for employees and customers.

4.7 Health and safety

Peabody continues to improve its Health and Safety Management System to reflect guidance from the HSE and organisational learning. Our commitment is to provide a healthy and safe environment for residents, employees, contractors and visitors. Internal and external monitoring through audits and reviews take place to measure our performance and to assess compliance with legal and regulatory obligations. The Group Health and Safety Policy Statement sets out our approach. The Group Health and Safety Committee meets quarterly and is the organisation-wide forum for communication and consultation.

Safeguarding

Peabody is committed to safeguarding all children and vulnerable adults who are resident in our properties or otherwise use our services. The term safeguarding covers everything that assists a child, young person or vulnerable adult at risk to live a life that is free from abuse and neglect and which enables them to retain independence, well-being, dignity and choice.

4.8 Environmental sustainability

Peabody understands the impact we have on the environment. As a social organisation, we recognise our responsibility to protect the environment for our generation and future generations. The Group's Environmental Sustainability Strategy identifies key themes where we can make the biggest difference:

- Sustainability reporting.
- Climate change mitigation and adaptation.
- Affordable and efficient energy use, including advising residents on how to manage their energy bills.
- Increasing water efficiency.
- Minimising the environmental impact within our supply chain.
- Ensuring our new homes development programme meets high environmental standards.
- Open spaces management and biodiversity.
- Increasing understanding and awareness of sustainability with our employees, contractors and residents.
- Reducing and recycling waste.