

# Sage Housing 2018 Value for Money Report



sage  
housing



# Introduction

The Company understands the importance of achieving Value for Money and delivering our services in an efficient and effective way to make the most of the rent we collect.

As part of our compliance with the Value for Money standard, we strive to achieve economy, efficiency and effectiveness across all areas of activity. We are committed to increasing the number of quality homes in England and to providing the highest level of service to our residents and this is central to our application of Value for Money strategies.



The Company commenced activity in its current form in 2017 and had just 467 properties in management at our financial year-end on the 31st December 2018. The infancy of the organisation means that this year our performance in the value for money metrics will display significant variance from others in the sector. In future years, as the organisation grows, we expect our performance to become more directly comparable with our sector peers.

Our business model and ambition are to grow and become a major provider of affordable housing. We have therefore chosen to compare our performance to a peer group made up of all Registered Providers in England with more than 10,000 homes.



## Metric 1 – Reinvestment (%):

This metric looks at the fixed asset investment in properties (existing as well as new supply) as a percentage of the value of total properties held.

At the end of 2018 we had invested £138,502,831 compared to £8,954,113 at the start of the year. This represents re-investment of 93.54% (2017: 100%) compared with a peer group median of 6.13% and an upper quartile of 7.65%.



## Metric 2 – New supply delivered (%) :

This metric considers the number of new housing units developed in the year as a proportion of the total units owned at year-end.

**Social housing units:** At the end of 2018 we had delivered 467 new social homes compared to 4 at the start of the year. As a result, we have delivered new supply of 99.14% compared with the industry median of 1.38% and the upper quartile of 2.19%.

**Non-social housing units:** Our focus is on delivering social housing. We have not acquired or developed any non-social housing units in 2018.

Our exceptional performance on new supply and reinvestment metrics reflects our initial success on our key goal to deliver new capital to the UK affordable housing sector and have a meaningful and positive impact on the supply of new affordable housing in the UK.



## Metric 3 – Gearing (%):

As at the end of 2018, the Company's gearing was at 94.9% compared with a peer group median of 46.07% and upper quartile of 52.28%. All debt was provided by the Company's parent, Sage Investments Sàrl.

The Company will ensure its debt and gearing levels are appropriate to protect the long term financial viability of the Company and will ensure it balances the benefits of debt in reducing its overall cost of capital (allowing it to undertake more investment in UK affordable housing) and ensuring the levels, interest and covenant requirements of such debt do not put the business at excessive financial viability risk.







## Metric 4 – EBITDA MRI - Interest cover (%):

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

For the year ended 31 December 2018 the Company's EBITDA MRI - Interest cover was (729)%. Interest is being added to the loan until future free cash flow allows for principal and interest to be repaid.



## Metric 5 – Headline social housing cost per unit (£):

The Company is still at a very early stage in its development and as such has high overheads compared to delivered units. The focus has been on acquiring properties and hence this is to be expected.

For the year of 2018 Sage Housing Limited's cost per unit was £18,970 compared to an industry median of £3,377 and lower cost per unit quartile of £3,031.



## Metric 6A – Operating margin - social housing lettings (%):

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable. For the year ended 31 December 2018 the Company's EBITDA MRI - Interest cover was (729)%.

Interest is being added to the loan until future free cash flow allows for principal and interest to be repaid.



## Metric 6B – Operating margin - overall (%):

The Company had a negative overall operating margin of 196%.



## Metric 7 – Return on capital employed (%):

This metric compares the operating deficit to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE for the Company was a negative 4.7%.

Although the Company's current metrics for social housing cost/unit and operating margin are outside sector norms this is solely a result of its current focus on acquiring and developing new affordable housing units in the UK. The Company currently has acquisition and project delivery teams scaled for our 20,000-unit target delivery level, compared to 467 completed units at the year-end. This mismatch presents outlying VFM metrics however the Board believe this is the appropriate strategy to ensure the acquisition and delivery programme is managed and delivered successfully, and that all our residents and leaseholders receive consistently high standards of service during this high growth stage.

The Board believes it is on track to deliver sector-leading operating margins and cost per social unit when its development programme matures into completed and occupied units.



### Additional VfM Metrics

The following metrics are in addition to the core VfM metrics. These metrics are focused on providing the best experience for residents and build on the more financially focused VfM metrics.

## Metric 8 – Customer satisfaction with the services (%):

This metric considers the number of customers who have stated they are fairly or very satisfied with their interaction with the Company as a % of respondents. In 2018 the Company had 84% of respondents fairly or very satisfied compared with a sector median of 87% and upper quartile of 91%.

The sample size for this survey is relatively small and hence the results may be skewed. The Company's management regularly reviews the detail below the metric in order to identify how to improve service with the aim of attaining top quartile results.



## Metric 9 – Percentage of complaints responded to within target time:

The Company achieved 100% responses within target time in 2018 against a sector median of 92% and upper quartile of 98%.



## Contact us for any questions

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