



# Homes to build lives in

**SAGE HOUSING LIMITED**

ANNUAL REPORT AND  
FINANCIAL STATEMENTS 2022



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Find out more online

→ [www.sagehomes.co.uk](http://www.sagehomes.co.uk)

# We are proud to be helping to address the housing affordability crisis in the UK

## Financial highlights

### TURNOVER

**£227m**

+30%



Delivering high numbers of new affordable homes has resulted in growth in both rental revenue base and Shared Ownership sales.

### INVESTMENT IN AFFORDABLE HOMES

**£525m**

+6%



Continued growth in annual investment into new affordable homes.

## Operational highlights

### GROSS LETTINGS ACHIEVED

**2,254**

+24%



As our portfolio grew, our gross lettings increased across the Group.

### SHARED OWNERSHIP HOMES SOLD

**1,482**

+6%



Growth in new home deliveries enabled us to sell more shared ownership homes, enabling more people than ever to realise their dream of home ownership.

Sage Homes is a trading name of Sage Housing Limited and of other companies in the Group. In this report, "Sage Housing", "Sage" or the "Company" refers to Sage Housing Limited registered at Companies House Number 05489096, Regulator of Social Housing ("RSH") Number 4636. "Sage Homes", "Group" or "Sage Homes Group" refers to the companies shown in note 29 in the financial statements, acting together.

# 2022 successes

We are pleased to have maintained our status as England's largest provider of newly built affordable homes. We underlined our commitment to excellent customer service by creating both a specialised Customer Care Team and Financial Wellbeing Team who have supported customers through the cost of living rise. We also delivered more newly built homes than in 2021. Our homes continue to be high quality and energy efficient and we're proud to be creating safe and secure communities for our customers to live in.

## OUR GROUP NUMBERS

# 30,000

goal for new affordable homes delivered by 2030

# 1,482

Shared Ownership first tranche homes sold this year with 3,980 sold since inception

# 2,008

additional new home builds committed to in 2022 with 8,978 homes under development

# £525m

invested in building new affordable homes during the year

# 3,447

affordable homes delivered making a total of 10,741 delivered by Sage Homes since inception

# £369m

of additional external funding secured

# 2,541

gross lettings achieved across the year

# 233

Local Authorities working closely with Sage Homes

# 97%

of our homes are rated EPC A or B

## OUR MILESTONES

- ✓ We delivered more new newly built affordable homes in England than any other provider
- ✓ We began the process of taking over the management of all our homes ourselves
- ✓ We launched our new Heart of Sage fund and established a specialist Financial Wellbeing Team to provide even greater support to our customers
- ✓ We grew our Customer Scrutiny Panel, adding two additional customers to enhance its diversity and make sure we receive honest feedback from all areas of our customer base
- ✓ We welcomed our new Chief Operating Officer who will focus on operational issues and increase customer satisfaction
- ✓ Using findings from our customer satisfaction survey, we changed the way we communicate with customers. This included:
  - > Launching a new brand and tone of voice and rolling this out across our welcome booklets and quarterly newsletters
  - > Developing a new Customer Care Team to provide better and faster responses to our customers in a new specialist office in Northampton
  - > Improving our digital communications by launching a new website which included a customer hub, LiveChat and integrated accessibility through ReciteMe.

Meet the 10,000th

# Sage Homes customers

THE MCKENZIE FAMILY – RENTAL CUSTOMER, SUSSEX

Sage Homes' 10,000th completed home was one of 90 affordable homes at Madgwick Park, Chichester, West Sussex, delivered in partnership with Barratt Homes.

The McKenzie family moved into the home in November 2022, through a nomination from Chichester District Council.

Peter McKenzie had rented in the private sector for 16 years before moving into his new home with his wife Joanne and sons Riley, aged 14, and Swaylee, seven (seen in the photo to the right).

Peter said the family loves their new affordable rental home, which has given their sons their own bedrooms for the first time. The family have twice received no-fault eviction notices from private landlords, including one just before Christmas 2017. Moving into a brand-new home has given the family some much-desired stability and a place to make a home of their own. Joanne, who is a carer for son Swaylee, said she was delighted they no longer have the uncertainty of renting privately.

Peter, a self-employed landscape gardener who volunteers with a local food bank and church, said: "This means the absolute world to us, and it especially gives security for our youngest boy who has autism, because moving home is a big thing for him."

"A month ago, if you had given Joanne a blank piece of paper to explain her dream home, this is what she would have said."

Joanne said: "I couldn't be more grateful for what we have now. Living in other people's homes, you don't want that phone call to say 'we're selling' – we have had five different homes in the last 15 years. I feel like I'm floating and I keep pinching myself and I can't believe it; it's beautiful and we love it."



**“A month ago, if you had given Joanne a blank piece of paper to explain her dream home, this is what she would have said.”**

# Our purpose, mission and values

2022 saw us launch our new brand, renaming ourselves Sage Homes and implementing our newly agreed purpose, mission and values. Our new brand showcases the culture and energy of the business, positioning ourselves firmly as a customer-focused organisation.

Having made great strides as Sage Housing with solid foundations and a clear proposition, it was considered important for our brand and values to better reflect the company we have now become. We wanted to:

- highlight our focus on our customers and their housing needs, proving that we care about them through their buying or renting journey as they move into their new home
- position Sage Homes as a long-term, trusted provider, raising awareness amongst developers, local authorities and possible partners that will help us deliver even more homes
- deliver a more contemporary and professional look and feel, demonstrating our growth and maturity in the housing sector
- attract more customers and increase Shared Ownership sales through an increased perception of Sage Homes as a leading brand
- increase colleague engagement.

We started our new brand journey by conducting extensive workshops and surveys with our people. This feedback helped us understand who we are as a company, what our culture is and where we want to go in the future. We worked with our Board to translate these insights into a compelling and motivating structure that applied to everyone at Sage Homes. The result is a clear direction which has resonated strongly with our colleagues, as shown through our engagement survey.

## SAGE HOMES: OUR NEW NAME

By moving from Sage Housing to Sage Homes, we position ourselves as providing sustainable and affordable homes. Our customers are making homes for themselves and our new name reminds us to stay focused on our customers and on what their new home means to them.

We've also developed a new tone of voice which cuts through jargon, ensuring we are recognised as a friendly, accessible and knowledgeable presence in our customers' lives.

## OUR PURPOSE, MISSION AND VALUES

These underpin everything we do, bringing the customer into focus and establishing what we want to achieve, and how we're going to achieve it.

### Our purpose

#### PROVIDING HOMES, INSPIRING CHANGE, IMPROVING LIVES

We're proud to be working to help address the housing affordability crisis in the UK, bringing significant, stable capital to the sector and increasing access to high-quality affordable homes – for the people who need it the most. In just over five years, Sage Homes has become the largest provider of newly-built affordable homes in England.

### Our mission

#### WE MAKE GOOD HOMES AFFORDABLE FOR PEOPLE ALL OVER ENGLAND

Everyone needs a home. We want to make high-quality, modern and energy-efficient homes available to more people. This means making homes affordable to rent or buy, to maintain and to live in.

We help people achieve long-term housing stability, experience happiness in their homes and thrive in their communities. We're building a culture – for customers and colleagues – that cares about making a positive contribution to society. This is why our ambitious environmental, social and corporate governance (ESG) strategy is so important to us.

### Our values

#### HOME FOR EVERYONE

We're committed to creating loved homes and a welcoming workplace, giving people the confidence to be able to live their lives to the fullest.

#### POWERING POSITIVE IMPACT

We truly care about the outcomes we deliver; creating safe and environmentally friendly places where people can flourish.

#### ENTERPRISING TO GROW

Our entrepreneurial spirit combined with our technical expertise has allowed us to get to where we are and will enable future sustainable growth.

# Achieving our target

Sage Homes was created just over five years ago with the aim of helping to address the country's affordable housing crisis. In 2022 we were the largest provider of newly built affordable homes in England for the second year running. We're keeping our promise to be a leader in this sector – and we have high ambitions for the future.

## A leader in the sector: investing in Upper and Lower Fosters, Hendon

In addition to partnering with housebuilders and other Registered Providers, Sage Homes also looks to work with local councils to increase the number of new affordable homes being built in their respective boroughs. An example of this is the 100% affordable partnership between Sage Homes and the London Borough of Barnet where work is underway to deliver much needed new council housing. Before our involvement only 111 of the 217 homes (in total) that were being developed at the site had been designated as affordable. We invested over £46m in the scheme, making sure the whole development was designated as affordable.

Created with the local community through a co-design masterplanning process, all 142 of the homes that Sage Homes delivers at Upper and Lower Fosters will be affordable through both Sage Homes' investment and its work with the council to secure a £7m Greater London Authority grant.

60 of the homes will be at London Affordable Rent for locals on the council's waiting list, and the remaining 82 are Shared Ownership for people who cannot afford to buy on the open market.

### Our Group target

# 30,000

goal for new affordable homes delivered by 2030

# 10,741

homes delivered by the end of 2022

# 19,966

total home delivery commitment to date (including above 10,741 homes)

This is the result of our dedicated teams and partners working together across our organisation and the wider housing sector.



# Dare to dream

Our rented homes are all let at discounted market rates. They're let to those on local council housing waiting lists who've been identified as being in high levels of housing need. Our Shared Ownership homes give people a way onto the property ladder when they might have thought it impossible. In both cases, we're bringing the confidence, safety and empowerment of a new home to people who might never have dared to dream they could attain one.

## Customer approach

High-quality customer service is of the utmost importance. It defines what we do, from how we listen to our customers to our expectations of our partners.

That's why we introduced an enhanced Customer Care Team, consolidating the ways we work with customers into one focused team. They use the phone, LiveChat and email to communicate clearly with customers, manage service requests and check progress to ensure every customer is heard.

We introduced new technology to support this work, including a new website with a LiveChat function and improved accessibility support (including multiple languages). Our rental homes are largely managed by Places for People (PfP), a sector leader in providing housing and related services who hold the highest sector ratings for governance, with high levels of financial stability (G1 V2).

## Strong governance and funding

Sage Homes' Board has a two-thirds (66%) majority of independent members. They have strong experience of the sector and a robust risk management and control framework. By focusing on our customers first and foremost, we're already aiming for the highest levels of compliance with the Regulator of Social Housing's standards. We've voluntarily adopted the rigorous Financial Reporting Council's UK Corporate Governance Code and our commitment to the best environmental, social and governance ('ESG') practice is at the heart of how Sage Homes operates.

## Bringing new capital into the sector and taking a long-term approach

The Sage Group was established to create a long-term affordable housing provider. Since our inception, we have attracted significant new, high-quality and much-needed finance into the sector. Our success improves our customers' lives and provides sustained growth for our investors. It also encourages additional investment from private capital focused on a socially responsible area of the property sector.

The meaningful, stable financial commitment from our investors stands out. Our funding model and the way we do business helps homebuilders see the value of building quality homes for the affordable sector. This is complemented by committed credit facilities from banking partners.

We only acquire newly built homes. We have oversight of construction and before the homes are handed over to our customers, to make sure that they meet our high standards. We want to know these homes are somewhere we would be happy to live ourselves. All of our homes add vital affordable housing capacity to England, as the country struggles to keep pace with demand.

Value for money is a priority throughout our business, to make the most of our investors' capital and our income from customers. We partner with Homes England and the Greater London Authority to further increase the number of new affordable homes being built. In 2022 we recognised grants of £22.0m (2021: £7.7m).

We believe the sector needs a mix of business models, including our own, and partnership between affordable home providers to increase investment into new affordable homes. We care about making sure our homes are of excellent, long-lasting quality, benefitting customers and investors alike.

# Delivering value to our stakeholders

By paying close attention to the way we work with customers, colleagues, partners and suppliers, we have become a trusted presence in the housing sector which helps us attract future investment. Our mission is to make good homes affordable for people all over England, and one of the ways we'll achieve this is through developing transparent and effective relationships with our customers and partners.

## Our customers

Our customers are at the heart of our business. We're proud to offer them a home to be proud of, from one- to five-bedroom apartments and houses. We offer Affordable Rent, Social Rent rental homes and Shared Ownership purchase homes, and we value each of these pathways equally. We're committed to providing modern, high-quality and energy-efficient homes, reinforced with excellent customer service.

Operating across England as a Registered Provider of social housing, we're purposefully not active in the private open market rental or sales, remaining solely focused on affordable homes.

We strive to address any issues with our homes as soon as they arise, and our Customer Care Team works closely with the Aftercare Team at Sage Homes and our housebuilder partners. With newly built homes, defects are occasionally reported and we've pushed our processes to make sure we resolve them quickly and thoroughly, so our homes are safe, well-maintained and a place our customers are proud to call their home.

The current economic climate has proved challenging for many Sage Homes customers with significant increases in the cost of energy, food and daily living. We've established a Financial Wellbeing Team for customers in need, offering guidance and support on financial matters and helping them apply for extra welfare benefits and grants they may not realise they qualify for. During the year we achieved over £200k in extra income and hardship support for our customers, helping many of our most at-risk customers cope better with the current situation. In addition to our dedicated Financial Wellbeing Team, we continue to offer benefit calculators, online budgeting tools and further customer support on our new website. We've also partnered with Barclays Digital Wings to provide tailored training to our customers and colleagues on subjects including budgeting and online safety.

## Our housebuilders

As a trusted business partner, we believe housebuilders find us innovative and easy to work with on new developments. Our single-stage approval process provides speed and assurance while our Acquisitions and Development Committee (Acquisition Committee) meets weekly – so offers made are usually issued on a fully approved basis. We continue to work closely with housebuilders to make sure these homes are as sustainable as possible.

## Our people

Our colleagues are our strongest asset. Without their dedication, passion and knowledge, we simply could not function. We treat all of our colleagues with respect, rewarding and motivating those who embrace our culture and values. Our Sage Together employee advisory panel organises fun social events, key celebrations and fundraising for good causes. Our Sage Together Workforce Advisory Panel meets monthly, making sure colleagues feel heard. It regularly attends Sage Homes' Board and Senior Management meetings and is a conduit between colleagues and the organisation. Sage Together has two sub-committees focusing on Wellbeing and Diversity & Inclusion.

## Our local authorities

We're proud to work in a bespoke way with each council area. We partner with local authorities to honour planning requirements and targets alongside developing thoughtful, flexible and innovative solutions – based on strong, long-term relationships.

## Our partners

We're selective about who we work with, taking pride in collaborating with those who truly care about our customers. We work with partners to provide high-quality affordable homes, from trusted local sales agents to our national property management partner, Places for People.



## Our new affordable homes

We're working hard with our partners to ensure new affordable homes are offered wherever possible. We're passionate about making sure there are homes available to all those who need them. As an example, we recently signed a partnership deal with Taylor Wimpey, one of the UK's largest housebuilders. This will see 358 affordable homes being delivered at Coronation Square in Leyton, London, a location with long waiting lists for an affordable home (see the right-hand side of this page for more information).

This is our largest single affordable housing scheme to date and represents an important milestone in our ambitious journey to deliver 30,000 new affordable homes by the end of the decade. We plan to deliver more projects of this scale with partners that share our commitment to high-quality homes.

## Our regulator

Sage Homes wholeheartedly embraces and prioritises the requirements of the regulated housing sector. As a Registered Provider, we diligently adhere to the governance provisions overseen by the Regulator of Social Housing. We view it as both our duty and a privilege to strive to achieve the highest levels of regulatory adherence.

## Our community work

We believe in giving back to society, especially at a local level in the communities where our customers live and to causes that affect their lives. We have set up our new fund, Heart of Sage, supporting customers, colleagues and communities with opportunities to develop their skills and experience. From running art workshops in deprived areas to match-funding colleagues fundraising for charity, Heart of Sage has already started to make a real difference. As an organisation, we've supported diverse organisations including Children in Need, Shelter, Maggie's, Stonewall, Sands, Beatson, Magic Moments, Kids Out and LandAid through internal fundraising drives. We've also worked with our Financial Wellbeing Team to source white goods for customers and provide food and fuel vouchers where needed. By supporting customers access the right benefits and funding, we've helped them avoid homelessness. We've created a new sponsorship and grant scheme, allowing customers and charities to apply for funding to carry out community-enhancing projects they're passionate about.

## Our planet

Lowering the environmental impact of our work, customers and colleagues is a crucial part of our ESG strategy. We work closely with housebuilders to make sure our homes are as sustainable as possible. We have reached over 10,000 completed homes in our portfolio, 97% of which have Energy Performance Certificate (EPC) ratings A or B, as at 31 December 2022. This is saving our customers around £600 a year in energy bills (compared to the average UK home which is rated EPC D) and we're not stopping there. We're piloting solar panel installations and low-carbon technologies to make our homes as green as possible. We'll measure these carefully and, if successful, will look to roll out further across selected homes.

## Working at pace with developers: Coronation Square, Leyton

In 2022, Sage Homes and Taylor Wimpey agreed to deliver 358 affordable homes in Waltham Forest, in a deal finalised within two months.

The council-led Coronation Square regeneration will have almost 50% affordable housing through Sage Homes' 272 Shared Ownership and 86 affordable rent apartments.

The rapid agreement came through prioritising due diligence and construction of the affordable homes, the first of which will complete in early 2024.

Priority will go to borough residents, including all 86 affordable rent homes for people on Waltham Forest's waiting list.

Coronation Square will include a public square, shops, restaurants, a new sports centre, and an NHS hub.



# Our strategic pillars

1

## CUSTOMER FOCUS

Customers are at the heart of our business and why we do what we do. We want to build strong communities that celebrate diversity. We want our homes to be places people want to live and be good neighbours to one another.

2

## CULTURE AND PEOPLE

We are an inclusive employer and our colleagues embrace our values.

## Our Corporate Plan

**OUR TARGET IS TO DELIVER 30,000 NEW AFFORDABLE HOMES BY 2030.**

### WE PLAN TO...

- build deeper relationships with our customers
- invest in new technologies, such as new digital customer portals to help customers instantly access the information they need, the services they want and the team who can help them
- continue to use feedback from the Customer Scrutiny Panel to inform how we shape our communication and policies moving forwards.

### WE PLAN TO...

- use our Customer Care Team to help our colleagues get closer to our customers by ensuring they are put in touch with the right colleagues to resolve their concerns efficiently
- promote diversity and inclusion in the workplace through thoughtful, tailored activities led by the Diversity and Inclusion sub-committee as part of Sage Together
- take all opportunities to drive and maintain a strong Sage Homes culture through the organisation, including using our colleague conferences, frequent events and more, establishing Sage Homes as a caring, concerned employer
- review our benefits package, making sure that Sage Homes is a desirable place to work, offering benefits and opportunities to keep our teams engaged in what we do.

## Strategy in action

**DURING 2022 WE WORKED HARD UNDER EACH STRATEGIC PILLAR TO DELIVER OUR CORPORATE PLAN.**

### WE HAVE...

- ✓ refreshed our technology including the launch of a new accessible website with translation support built in, an app to report antisocial behaviour on and LiveChat customer support feature
- ✓ used our regular Customer Scrutiny Panel sessions to fine tune and re-shape communications, policies and practices
- ✓ launched a new brand with a clearer tone of voice, making sure everything we do is easy to understand and avoids corporate jargon.

### WE HAVE...

- ✓ continued our annual employee survey and held team feedback sessions to review the results and apply them in strengthening and improving how individual colleagues engage with Sage Homes
- ✓ promoted diversity and inclusion through a variety of events, including company-wide education and celebration events for religious occasions, Pride and Inclusion Week
- ✓ launched our new purpose, mission and values, underpinning everything we do and providing clarity about our driving force to colleagues, customers and partners.

3

**STRONG GOVERNANCE**

We're committed to the highest levels of corporate governance, which help to establish new ways of working.

**WE PLAN TO...**

- improve our reporting and analytics, making sure we're using accurate data and scrutinising findings for further detail
- prepare for our upcoming in-depth assessment (IDA), with a focus on achieving the highest levels of grading
- enhance our Board's impact on Sage Homes' overall functions, practices and policies. We want to use this source of expertise to inform our approach to setting new standards within the sector.

**WE HAVE...**

- ✓ begun to optimise our corporate structure, making changes and bringing in new teams of people to make sure our operations run smoothly and efficiently
- ✓ continued to monitor the levels of diversity, inclusion and equality within the management levels of Sage Homes, seeking opportunities to drive important changes forward as they arise
- ✓ maintained a strong Board with control of our activities, using the data and analytics, to drive strategic decision-making
- ✓ used our Customer Scrutiny Panel to regularly feedback on the work we're doing, using their responses and feedback to change and shift our approach as needed.

4

**FINANCE, RISK AND CONTROL**

We're committed to value for money and managing risk.

**WE PLAN TO...**

- continue prudently managing risk
- increase our self-financing as our funding base changes, reducing our need for investor support and making us more self-reliant
- use technological advances to minimise risk, continuing to explore new opportunities for financing that will reduce our overall costs.

**WE HAVE...**

- ✓ begun to explore options to diversify our funding base as an early step within our longer-reaching self-financing strategy
- ✓ embedded the culture of risk awareness, control and mitigation throughout our organisation, as evidenced by achieving 99.3% in our first ever Quality Safety Audit. We received the Level 5 Diamond Rating from RoSPA (Royal Society for the Prevention of Accidents)
- ✓ launched a recurring IT campaign, encouraging colleagues to recognise and report phishing emails and improving our online safety as a company
- ✓ attained ISO27001 accreditation for information security.

5

**OPERATE WELL**

Our relationships are built on transparency and trust, where we strive for the highest standards in the workplace, with customers and with partners.

**WE PLAN TO...**

- continue improving our communication with our customers, with insight from our evolving customer scrutiny panel and customer satisfaction surveys
- continue building stronger relationships with housebuilders
- improve how we use technology including the quality and capability of our data and analytics usage
- increase our focus on the quality of homes we buy, making sure they meet our customers' every need before they have moved in, and reducing the need for defects management
- focus on a culture of value for money, improving our services while reducing our overall costs.

**WE HAVE...**

- ✓ launched a new Financial Wellbeing Team, helping customers with over £200k of financial support within the year
- ✓ launched the Heart of Sage fund to support customers in financial hardship, match-funding colleagues with fundraising efforts and providing customers and charities with grant opportunities to drive their own improvements in their communities
- ✓ improved our technology use with a new website and Live Chat offering, along with continuing development of new customer portals
- ✓ built good relationships with new and familiar housebuilders to explore every opportunity
- ✓ started discussions with housebuilders and developers to make sure defects and snags are caught before customers move in, and resolved expeditiously and completely.

# Managing Sage Housing Ltd's performance

## NEW AFFORDABLE HOMES DELIVERED

# 3,447



1 4

### DESCRIPTION

Delivering new affordable homes for families and individuals is a key measure of our performance.

### PERFORMANCE

Sage Homes improved on 2021, delivering a further 3,447 newly-built, high quality and energy-efficient affordable homes in the year.

## NEW AFFORDABLE HOMES CONTRACTED

# 2,008



1 4

### DESCRIPTION

Building a pipeline of future new affordable homes is key to reaching 30,000 homes by 2030.

### PERFORMANCE

2022 was a challenging year for everyone with increases to the cost of living, rising inflation and war in Ukraine. We're proud that despite this however, we were still able to add 2,008 additional affordable homes to our construction pipeline, increasing the Sage Homes group's total commitment since inception to 19,966. Sage Homes was also disciplined in allocating additional capital towards additional new home build commitments, making sure that its homes are financially viable for the long term.

## INVESTMENT MADE IN NEW AFFORDABLE HOMES

# £525m



1 2 4

### DESCRIPTION

Building our portfolio of new homes requires significant investment of capital.

### PERFORMANCE

Despite the number of new affordable homes contracted being down in 2022 compared with the previous year, we continued to invest significantly in our committed portfolio enabling high levels of newly built home delivery in 2022 and beyond.

## INCREASING FINANCING EFFICIENCY

External debt financing

# £925m



1 3 4

### DESCRIPTION

Using appropriate debt financing allows us to increase the scale of our investors' commitment to providing new affordable homes. This number is for Sage Housing and Sage Homes RP Limited combined.

### PERFORMANCE

Increased our Revolving Credit Facility (RCF) capacity from £680m in 2021 to £1,049m in 2022, an increase of £369m which has increased our capacity to deliver much-needed affordable homes.

## BUILDING SAGE'S TEAM

Sage Group Employee headcount

# 304



1 2

### DESCRIPTION

To support our growth and enable us to achieve our strategy and goals, we continued expanding our people base significantly.

### PERFORMANCE

During 2022, we increased our headcount by 79 colleagues, adding high-calibre expertise from diverse backgrounds across our business, particularly in customer-centric roles.

## CORPORATE COMPLIANCE

Governance framework

Sage Homes has consistently applied the provisions of:

- FRC UK Corporate Governance Code (subject to explanations)
- RSH Governance and Viability Standard

Increased Board diversity

5

### Link to strategic pillars

- 1 Customer focus
- 2 Culture and people
- 3 Finance, risk and control
- 4 Operate well
- 5 Strong governance

# Establishing our value in the affordable housing sector



Sage Homes has had another strong year, despite challenging economic circumstances. We've continued to build an exceptional team, which has allowed us to set a target of 30,000 newly built affordable homes by 2030. In 2022, we reinforced our position as England's largest provider of new affordable homes, delivering 3,447 in total across 184 sites. We are now in a position to evolve our organisation to attract new investment and embed our new purpose, mission and values across everything we do.

We set out our new purpose and mission at our first all-colleague conference in May. These will be our guiding lights as we continue to grow and will shape the core of what we do: provide high-quality homes for all of our customers. The Board and I would like to thank everyone at Sage Homes for embracing the purpose and mission and using it as their focus for the future.

2022 was a challenging year for the housing sector. It saw Housing Associations come under scrutiny for issues including their approach to tackling damp and mould and support for customers in response to the rising cost of living, which hit some of the poorest in society the hardest. Along with everyone else, I was horrified and deeply upset by the national news of young Awaab Ishak, who died aged two from a respiratory condition caused by mould in his home. This followed soon after the tragic case of Sheila Seleokane who was found in her Peckham apartment in February, having passed away two and a half years earlier.

While these tragedies took place in other organisations, events like these are a call to arms for all organisations like ours, and we have taken up that call. We reviewed all our damp and mould policies to make sure they are clear and effective, alongside the overseeing of complex customer issues by senior management and the Board. We also made it easier for customers to report these issues to us, treating flagged cases as a priority for investigation and remediation. We're focused on making sure our culture and behaviours support us in behaving in the right way

to all of our customers. We take the Ombudsman's reports on these cases seriously, particularly the references to poor behaviours, and before we updated our policies we undertook a self-assessment against the Housing Ombudsman Spotlight on Damp and Mould. In response, we updated our policy and procedures in line with the report's recommendations, with our Aftercare and Asset Management Teams also incorporating these into their work.

This year we began the key work of significantly enhancing our customer support. We founded our new Financial Wellbeing Team which has already achieved amazing results by helping customers stay in their homes, avoid insolvency and access benefits that are due to them. We improved and expanded our Customer Care Team, basing them in Northampton, and we began creating a new digital customer portal that will launch in 2023, supporting customers in a range of different ways, including helping them find their key documents or make payments at a time and place that suits them. We're also making sure we include accessibility requirements at every stage of our evolution. This year we introduced translation capabilities on our website and began work with a translation partner agency. This work will continue into 2023 as we find ways to help customers access the information they need in the way they need it.

I was delighted to welcome two new members to our Customer Scrutiny Panel and would like to thank them for their continued dedication as they co-created our communications channels and content with us. Their input remains invaluable for ensuring we continue to keep our customers at the heart of everything we do.

Lastly, I'd like to take a moment to look inward to our colleagues. This year we grew to 304 colleagues and carried out an externally-led fair pay assessment which found there was no evidence of specific patterns suggesting systematic or structural concerns. I'm confident that we're creating an environment where colleagues feel welcomed, appreciated and heard. This is a continuing effort. Next year we want to address the benefits we offer colleagues and the ways in which we attract talent so that we can continue pushing Sage Homes to the forefront of the affordable housing sector.

For now, let me thank my Board colleagues for their time and the committees they run. Thank you to all of our colleagues, investors and partners – whose enthusiasm and dedication continue to fuel our essential work in the affordable housing sector.

**Alison Thain OBE**  
Chair

25 May 2023

# Good homes for those who need them



2022 has been a year of significant transition and achievement for Sage Homes. Five years since our inception, Sage Homes is a maturing organisation and for the first time in our short history, we now have more occupied homes under management than in our construction pipeline. This marks a crucial turning point for us, showing that whilst we are fully committed to meeting our target of delivering 30,000 homes by 2030, we are also prioritising the quality of services we provide to our customers by increasingly taking direct responsibility to manage our customers and their homes.

We revisited our purpose, mission and values, refreshing them to better reflect the company we are today and drive the customer-centric culture across Sage Homes. We launched not only these new guiding points but also our new name: Sage Homes, our new colourful brand and our accessible, customer-focused website.

## SUPPORTING OUR CUSTOMERS

As our customer base has grown, we've worked hard to support customers by investing in a new website with LiveChat functionality. We've launched tools such as ReciteMe to make sure that everyone, irrespective of language, can access our innovative new aids and services which now include budgeting and benefits calculators. We know that debt and cost of living issues continue to cause enormous stress and we will continue to find ways to help. In 2022, extensive customer research gave us new insights into how you, our customers, want to interact with us, and this resulted in the development of digital customer portals which will launch in 2023.

This year, we have built new teams focused on supporting our customers' worries, needs and concerns. Our Financial Wellbeing Team has, in a little over six months, helped customers access over £200k of financial support, either by finding the benefits to which customers are entitled or by negotiating for additional help either in cash, energy vouchers or in white goods such as fridges or washing machines.

Our Customer Care Team, an enhanced and upskilled version of our previous customer support function, has been established in our new Northampton office and is specially trained to triage issues quickly and effectively to deliver resolutions for our customers' needs, through phone, email or LiveChat. We aim to be available to all customers whenever they need us and through their preferred contact method.

We have expanded our Antisocial Behaviour Team to support community safety. Antisocial behaviour undermines the right to quiet, calm and peaceful enjoyment of homes and the fabric of communities. Our highly skilled team works with customers to identify the causes and solutions to this challenging problem. To put more control into the hands of our customers, we are piloting a new technology solution – an app which allows customers to record and report antisocial behaviour in real time.

Our customer-focused activities continue to be analysed and examined by the Customer Scrutiny Panel which has grown in strength with the addition of two new members in 2022. Comprised of existing customers, this group of volunteers provides us with essential feedback, as seen from a customer viewpoint, challenging and helping us to develop and evolve into the supportive top tier organisation we want to be.

2022 has not been without considerable difficulty for many, with inflation and the resulting cost of living and interest rate increases forcing most people to make very hard choices. Sage Homes has worked continuously to offer help and resources to our customers in these situations. We have worked extremely closely with others in the affordable housing sector and with local authorities and Government to ensure customers receive the support needed. Collaboration across the sector resulted in a widespread capping of the 2023/24 rent increase to 7% and we were proud to be amongst those providers of affordable homes able to restrict rent increases to this level across both our tenures.

Managing costs for all businesses remains a key challenge. To ensure we continue to drive efficiencies, in 2022 we invested significantly in our IT infrastructure. A key focus has been improving our CRM (customer relationship management) system which allows customer cases to be tracked across the business by monitoring, measuring and reporting them. During any period of continued growth, these improvements are crucial to ensure we provide a first-rate functional customer journey process across each aspect of the events in our customers' lives.

## “Our team and our partners prioritised the needs of our customers to ensure service quality remained high.”

In 2022, Sage Homes achieved the rare Diamond Award rating in our first Quality Safety Audit. According to the RoSPA report, we have developed a robust management system that represents a “major step change with regard to the health and safety culture” that runs throughout Sage Homes. I’m delighted by this assurance that colleagues at Sage Homes will be safe in performing all our operations. Through the year, considerable effort was also devoted to becoming ISO27001 accredited, something we achieved in December 2022. ISO27001 is the world’s leading standard for information security management systems and their requirements, which enables organisations of all sectors and sizes to manage the security of financial information, intellectual property, employee data and information entrusted to us by customers and other third parties.

The very close relationship with our partners, Places for People and Southern Housing (formerly Optivo), has successfully supported customers throughout 2022. I’d like to thank these organisations and each of their staff members for all their hard work in 2022; we owe them a great deal. You have laid strong foundations on which Sage Homes can build on in 2023 and beyond as we set out to manage our customers in their homes ourselves.

### CREATING COMMUNITIES

Our main purpose is to provide affordable high-quality homes. However, as proud as we are that we provide customers with homes to call their own, we take as much pride in building communities. 2022 saw the appointment of a Community Creator at Sage Homes, a new role to help support the work done by our charitable giving foundation, Heart of Sage. Heart of Sage allows us to support causes, encourages our colleagues to volunteer or to raise funds for causes close to their hearts whilst working with our customers to bolster their own communities. Our sponsored volunteering programme gives each Sage Homes colleague two days’ paid volunteering each year. This year, our ongoing partnership with Matipo Arts provided creative workshops for families in Essex. For the third year, we also supported a local Doncaster boxing club. Through Heart of Sage, we distributed nearly £40,000 in food, energy vouchers and white goods directly to our customers and donated funds to charities and community groups. Sage Homes continues to support LandAid and we were nominated for Fundraiser of the Year 2022 for our efforts in raising £21,912 – 24 colleagues participated in the SleepOut event in early March 2022, spending a cold night sleeping outside to raise funds for those sleeping rough.

We also launched our partnership with Barclays Digital Wings, which allows us to offer tailored training courses on digital and financial subjects to customers. These free courses help customers develop digital awareness, to avoid fraud and learn to budget.

### GOOD HOMES FOR THOSE WHO NEED THEM

Providing high-quality new-build homes in good locations and building strong communities drives each of us at Sage Homes. Beyond this, we strive to provide homes that are energy efficient and safe. Our homes are all Decent Homes standard and compliant with environmental, social and governance standards – 97% have an Energy Performance Certificate (EPC) rating of A or B.

Despite our homes all being newly built, Sage Homes is not immune from problems with mould and damp. In addition to responsively tackling all reports of water leaks or other causes of damp and mould, we are training our colleagues on recognising both the causes and the effects so that when on other inspection activities they can proactively identify mould and damp. Our asset management strategy sets out the frequency and scale of our annual stock condition surveys, and in late 2022, we conducted surveys of 5% of all stock over two years old. We have now conducted three rounds of surveys since the asset management strategy was published in 2021.

## GOOD HOMES FOR THOSE WHO NEED THEM

continued

Sage Homes' mission is "bringing good homes to those who need them". In 2022 we delivered our 10,000th home (to the McKenzie family). For the second year running, we were the largest provider of new-build affordable homes in England. In the year, we were able to deliver 3,447 homes, an increase of 5% over 2021. At the end of 2022, we have more homes under management than we have in our construction pipeline. More than anything, this demonstrates why we are so focused on our customers – we are learning the new skills needed to be a top tier customer service company.

As in all previous years, we only rent our affordable and social rental homes to those on local authority waiting lists, who are nominated to us by these councils. This ensures that our homes go to those in the greatest housing need. In 2022 we rented 2,254 homes (including re-lets), 24% more than were rented in 2021.

In addition, we sold 1 in 12 of all Shared Ownership homes sold in England, a total of 1,482 and an increase of 6% over 2021, helping families, couples and individuals take their first steps onto the homeownership ladder.

## Striking a landmark partnership: Southern Housing – south-east England

The first affordable homes jointly delivered with Southern Housing across the South East under a landmark £106.5m deal, are due to be completed in spring 2023.

Customers will move into their new houses at Ransley Field near Ashford in Kent and at Uplands Park in Hailsham, East Sussex.

The partnership – for 420 affordable rent and Shared Ownership homes across London, Kent and Sussex – is the first of its kind to involve grant-funded new homes and it allows housing association Southern Housing (formerly Optivo) to invest in its own portfolio.



## A TRULY DIVERSE ORGANISATION

One of our core values is "Home for Everyone". At Sage Homes, a clear indicator of us living by this value is that our colleagues feel they belong, feel included and are safe and welcome. By the end of 2022, our Sage Homes team was 53% female and 47% male and we have worked hard to reflect a more balanced ratio across all levels of management. For all new senior roles, we also ensure that our candidate lists are gender-balanced, and that diversity of skills and backgrounds is valued and reflected in our recruitment processes. In 2022, we joined the Inclusive Employers network, which helped us to invigorate our recruitment processes and to include new diversity and inclusion (D&I) learning materials across Sage Homes.

We strongly believe in providing opportunities for all and we continue to hire a wide range of skills, backgrounds and experiences from an equally wide range of sectors. We ended the year with 304 colleagues, all dedicated to doing the very best they can for our customers in their homes. Towards the end of the year, we welcomed our new Chief Operating Officer, Iain McPherson, who brings extensive knowledge of the public sector, Housing Associations and private sector housebuilders to Sage Homes. Iain's impact on our business has been immediate and significant and adds to the strength of an already strong and talented Leadership Team.

As we look ahead to 2023, we will continue to place our customers at the centre of all we do, and make sure we strive for new and higher levels of service as we increasingly take direct management of our homes. We expect to deliver high numbers of new affordable homes for a fourth year, and we will be working closely with our housebuilder partners to ensure we achieve the highest levels of safety and quality. We will continue to innovate and to bring new capital to the affordable housing sector, as we drive forward our goal of delivering 30,000 new homes by 2030.

I want to say a huge thank you to all those working at Sage Homes. The people are what makes Sage Homes so special. Thank you, too, to all of our partners and those who have worked with us in 2022, collaborating with us to provide good quality homes to those who need them. Our Board, our Customer Scrutiny Panel, our Investors, those who fund or advise and assist Sage Homes have all been enormously supportive and to them I give heartfelt thanks.

**Mark Sater**  
Chief Executive Officer  
25 May 2023



Homes to build lives in

# Meet Abena

Abena, an accountant in her 20s, grew up in East London with her mother and three siblings, and says she has always considered herself to be a Londoner.

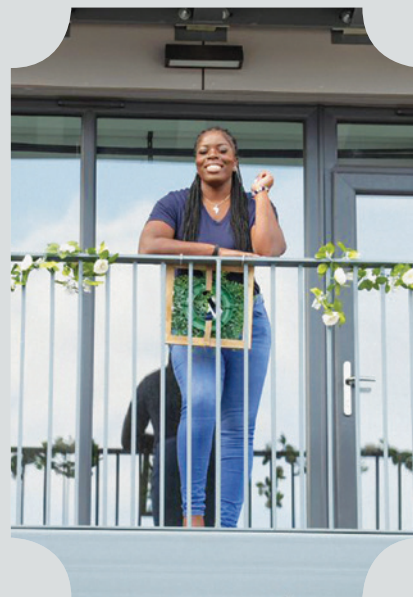
However, after studying financial mathematics at the University of Kent in Canterbury, she found herself drawn back to Kent – first when she got a job in the construction industry in Tonbridge and then when it came to ultimately finding her first home through Sage Homes in Dartford.

She said she had always wanted a property and had been saving money since graduating, but began to look seriously in 2020 when she had enough for a deposit. She found her new two-bed Shared Ownership apartment through Sage Homes' website and likes the fact it is a new-build.

She moved in just before Christmas 2021 and says she is now settled in, enjoying good access to local shops, supermarkets, a park, Dartford town centre and Bluewater shopping mall, and is just a 10-minute walk from the station. She is currently training to be a Chartered Accountant, and enjoys spending her spare time in her kitchen making cakes for family and friends, from small commissions to a seven-tiered wedding cake which took 36 hours to create!

She said: "Having my own space means I can take control of what goes on in my kitchen. As a foodie, my kitchen is my favourite place in my home."

Abena added: "I went from living in my family home of five to owning my own two-bed flat. It's a great property with great space and in a great location, and the value for money was great for my situation. This is probably the best thing I have bought in my life."



**“Having my own space means I can take control of what goes on in my kitchen. As a foodie, my kitchen is my favourite place in my home.”**



# Environmental, Social and Governance

Environmental, Social and Governance (ESG) is a core focus for Sage Homes, helping us create sustainable homes and maintain a sustainable business.

We want to positively impact the environment, create communities and ensure good governance across the business.

## 2022 achievements

- ✓ Initiated working with partners to trial low-carbon technologies including solar panels, air source heat pumps and smart hot water tanks
- ✓ 97% of all our homes rated EPC A or B
- ✓ Launched Heart of Sage, our new community fund and ran several community events
- ✓ Engaged colleagues in Diversity & Inclusion and Wellbeing initiatives through our two Sage Together sub-committees
- ✓ Developed an employee experience strategy for our approach to diversity, equality and inclusion
- ✓ Established an ESG steering group with input throughout the business, reporting to the Board
- ✓ Continued our Sage Homes Customer Scrutiny Panel, making sure customer priorities are focused on
- ✓ Developed a social impact methodology through a State of Life scoping report
- ✓ Donated almost £40,000 through Heart of Sage to help support charities, community groups and those customers most in need
- ✓ Started working with our partners to develop minimum supplier standards.

## 2023 ambitions

- Review and scale pilot projects to deliver lower carbon technology in homes as well as solar panel roll out
- Focus on increasing proportion of EPC A rated homes, upgrading C rated homes, developing "zero carbon ready" specification
- Commit to a long-term approach to net zero/zero carbon targets based on verified data while focusing on reducing current carbon emission (aiming for 15% reduction by 2024)
- Implement social impact methodology and begin setting targets
- Continue providing grants and funding through Heart of Sage, developing this into a formal charitable community benefits foundation
- Implement strategy to embed Diversity & Inclusion and Wellbeing activities
- Evaluate relevant supplier information to develop Responsible Sourcing Policy and commitments
- Use ESG steering group to embed ESG targets into our corporate plan and continue integration with customers and Sage Together.

# Homes to build lives in



## Carbon reporting

We began to quantify our environmental impact and define our medium and long-term carbon emissions targets. This is all part of our journey to reach a zero-carbon future. We've reported on activities over which we have financial and operational control.

We work with partners to manage our delivered affordable homes, continuing to significantly invest and deliver a high number of new affordable homes. We've now begun to engage with our supply chain, encouraging them to report on their key environmental impacts. This information will help us make better informed procurement decisions moving forward.

A full breakdown of our energy use and carbon emissions in 2022 is available within the Streamlined Energy and Carbon Reporting (SECR) 2022 as detailed in the Directors' report on page 66.

## Going low carbon at Clay Cross

We teamed up with housebuilder partner St Modwen Homes to launch a trial of low-carbon technology in three homes in Clay Cross, Derbyshire. These brand-new homes, built by St Modwen Homes for Sage Homes, have been installed with a combination of low-carbon technologies designed to achieve an EPC A rating and a negative CO<sub>2</sub> emission rating for the energy needed to heat and light each home.

We'll be trialling this technology over the next two years, including solar panels with battery storage, wastewater heat recovery, air source heat pumps, smart hot water tanks and electric vehicle charging. By combining these technologies in different ways, we'll learn the best way to reduce carbon and support real customers to save money.

Each home has been fitted out with performance-monitoring technology so we can understand what works best for our customers and how to roll out the most successful low-carbon technology more widely.



## Heart of Sage

Our new community fund for projects, organisations and individuals, Heart of Sage helps customers and colleagues thrive and support their own communities. Launched in 2022, the fund is distributed by an independent committee in four ways: hardship support, charity match-funding, sponsored volunteering and community grant-giving. Sage Together partnered with Matipo Arts to provide creative workshops for families in Essex. We also donated £7,500 to a local boxing club in Doncaster and now offer two days' paid volunteering to all our colleagues so they can support causes close to their own hearts.

We also started a partnership with Barclays Digital Wings, providing free online courses for our customers and colleagues. These courses help customers to develop skills to build excellent CVs, learn interview techniques, develop digital skills, understand how to budget and protect loved ones from fraud. We've also continued offering online financial tools including a benefits calculator and budgeting tool to help customers find out what they're entitled to.



**“Heart of Sage has a mission to create opportunities for Sage Homes’ customers and communities. It’s been a delight to see this initiative come to life through the ESG strategy and make a difference to our customers. Heart of Sage is about us living our values. I look forward to seeing Heart of Sage mature next year, working with new charitable partners to reach more of our communities”.**

**Cindy Rampersaud, Chair of Heart of Sage**

## Financial Wellbeing Team

We introduced a new dedicated team to help customers find new sources of financial support. By the end of 2022, the Financial Wellbeing Team has already helped 267 customers with food and energy bills, the provision of white goods and finding over £200k in financial support for those often in the highest levels of need.



# Sage Together



In 2021, we introduced our Workforce Advisory Panel, called Sage Together which I chair. This year we've continued our important work, meeting monthly to discuss Sage Homes' colleagues and their needs.

We make sure our people's views and opinions are captured across the whole business as well as raising any matters of concern. Our findings are passed on to the Customer and People Committee and then to the Board, who take them into account when making decisions. I regularly attend Board meetings to brief them on our activities, progress and direction. I also have regular meetings outside of these with our Chair Alison Thain and CEO Mark Sater, keeping Sage Together at the heart of our employee-focused activity.

This year, the Sage Together panel was integral in organising Sage Homes' first ever all-colleague conference, bringing together over 200 people for a day of understanding our new brand, re-aligning our Group priorities and getting the chance to socialise and network with people from all over the business. We also organised two seasonal events to allow colleagues to continue building their network and meet colleagues outside of the working day. We organised for a team to join Land Aid's SleepOut 2022, to raise money for young people experiencing homelessness. 23 Sage Homes colleagues slept out under the stars raising just over £23,000 (including matched giving). Beyond our own remit, the panel supported the Diversity and Inclusion (D&I) sub-committee to mark key days in the D&I calendar.

We also reviewed the results of our employee survey, which showed our female colleagues were below Sage Together's benchmark for engagement. With an external consultant, we held engagement workshops with both male and female colleagues to find out what the issue was and how to address it. As a result of this study, we discovered female colleagues felt less sure of how to progress in their careers with Sage Homes.

In response, we developed educational content in partnership with our senior female colleagues at Sage Homes and started work on a targeted female engagement programme, working with female colleagues to enhance their understanding of how they can progress their careers at Sage Homes. Our findings from this study have also influenced our gender pay gap tracker, tailoring it more specifically to Sage Homes and making sure future data is even more useful for us.

Our two sub-panels focus respectively on Wellbeing and Diversity & Inclusion. We've worked to improve our intranet areas for these panels to communicate activities and initiatives to the wider organisation.

This year, our wellbeing sub-panel has developed a new Wellbeing Strategy. This focuses on five key pillars (emotional, physical, financial, social and workplace), and lays out how we will continue to support colleagues' wellbeing. They've also championed our new Cycle to Work scheme, making it easier for colleagues to improve their health and environmental footprint by purchasing a bike. They've continued promoting our MyndUp mental health platform and our Perkbox benefits alongside running our fruit/vegetable box scheme once a quarter. Over key days, they've run desk drops to drive awareness about key issues, including menopause.

Our Diversity and Inclusion sub-panel has celebrated cultural events such as Pride and Black History Month with educational articles on the intranet, fundraising cake sales and more. We've worked together to produce a Diversity and Inclusion statement, setting out our focuses for the year ahead. We've also noted special days including International Women's Day and arranged for cultural food to be on offer to colleagues for days such as Diwali when we offered Indian sweets, and Black History Month where we provided a spread of Jamaican delicacies.

As we continue into 2023, both sub-panels have appointed three new visionary Chairs who will, I'm sure, continue the great work of celebrating and educating our colleagues about important issues and cultural events. The Board has made it clear to me how important the insights from Sage Together are and we see from our activities how much colleagues value the direct engagement we provide. This work will only grow as Sage Homes does.

**Trudy Quinn**  
Chair

Sage Together  
25 May 2023

## 304

(2021: 225)

Colleagues working at Sage Homes by end of 2022 (excluding temporary colleagues)

## 283

(2021: 203)

Permanent colleagues

## 21

(2021: 22)

Fixed term contract colleagues

## 16

(2021: 8)

Temporary colleagues

## 53% female

(2021: 48% female)

Gender diversity:

53% female and 47% male colleagues

## 50%

(2021: 50%)

Candidates offered roles: 50% split between white people and all other ethnic groups

## Colleague engagement

We have seen an uplift in understanding of our strategy, values and behaviours since our rebrand

## RoSPA diamond award

We scored an outstanding 99.3% in our first Quality Safety Audit. This means we achieved RoSPA's highest Level 5 Diamond Award rating for health and safety. We received a perfect score in eight of the 10 criteria and according to RoSPA's report, we've developed a robust management system that represents "a major step change with regard to the health and safety culture and ownership of health and safety throughout the organisation at all levels."

## Awards

In 2022, we won our first award at the Yorkshire Residential Awards (YRA). We were also finalists in the ESG Excellence category too. Our Pullman Green scheme in Doncaster will provide 619 new homes, each built with a prefabricated panellised system, making them 25% more efficient than the national average and emitting over 14,000kg less CO<sub>2</sub> than a traditional home. It won Best Large Development of the Year at the YRA partly because of its positive impact on the area and we are delighted that the hard work from everyone involved was recognised.

While we aren't doing our work to win awards, it's reassuring to be recognised within the sector for the work we do. We were also finalists for a national Estates Gazette award for social impact in November 2022 and our SleepOut fundraiser (which raised £21,912, over double our original target) was nominated for the LandAid Awards' Fundraiser of the Year.

# Customer Scrutiny Panel



“One of the most effective ways of helping us achieve our goals is to hear directly from customers about their lived experience, what has gone well for them, and we can build on, and what we need to do better.”

Our Customer Scrutiny Panel was expanded this year, with two additional members joining. The panel comprises both rental and Shared Ownership customers who are empowered to voice their opinions clearly and honestly. Acting as a “critical friend”, they help us to hear direct customers’ experience of our services, what works well and where we need to do better.

This year the Customer Scrutiny Panel (CSP) has continued its key work looking over our planned communications, feeding back on language, clarity and accessibility. We’ve also run Powering Positive Change webinars, keeping customers informed of our work.

In October, we held a “boot camp” for our CSP, bringing them together to take an in-depth look at our complaints process. The panel found key areas for improvement and clarification, including the need for extra resource for the complaints team and building more awareness of the importance of complaints internally across the organisation. This allowed clear actions to be made for this year.

We’ve started to make each of our six CSP members a champion for a specific area of our business, so that we can use their skills and feedback on a wider range of issues. We will now finalise these areas and support members to lead focus groups that involve more customers and therefore allow us to explore even more important topics.

My work involves making sure that the feedback from the panel is transparently reported to the Customer and People Committee. Together with feedback from transactional and perception surveys, this is reported to the Board, forming an important part of decision making and strategy-developing.

I continue to be proud of my role as the first Chair of the panel. We are truly beginning to see the influence it has on Sage Homes, helping us to collaboratively achieve our mission of making good homes affordable across England.

**Cedi Frederick**  
**Chair**  
Customer Scrutiny Panel  
25 May 2023





# Risk management

Effectively managing and mitigating risk is fundamental to the achievement of our strategic objectives.

Responsibility for risk rests with the Sage Homes Board. Oversight of the risk management processes is provided by the Audit and Risk Committee and the Risk Management Group.

Risks to the achievement of Sage Homes’ strategic objectives are recorded in the strategic risk register which is maintained by the Head of Internal Audit and Risk. The register is reviewed and updated by the Sage Homes Risk Management Group before the key risks are reported to, and reviewed by, the Audit and Risk Committee and Board.

This year, the external economic environment became significantly more challenging for both Sage Homes and its customers. The war in Ukraine resulted in a significant increase in energy costs, contributing to a level of inflation that has not been experienced for nearly 40 years. Whilst inflation has increased prices for Sage Homes’ customers, particularly for food and energy, salary rises in the public and private sector have not kept pace. Personal tax allowances have remained frozen at their 2021/22 levels and this, combined with the other factors, has squeezed household budgets further.

The economic environment has remained challenging for Sage Homes due to many of the same reasons that impact our customers. High inflation has resulted in large increases in the cost of managing our existing homes and the cost of homes we may wish to commit to build in the future. To reduce the impact of rent increases on our customers, the Government restricted rent increases to 7% for 2023/24, rather than the 11% that would have been payable. In addition, the rise in interest rates has seen a higher cost of debt for Sage Homes, further increasing the financing risk. Although inflation is predicted to reduce during 2023, it remained high in 2022 through to the first quarter of 2023.

Sage Homes’ risk management system continued to evolve and mature throughout the year. Actions undertaken to further develop the framework for managing risk included the following:

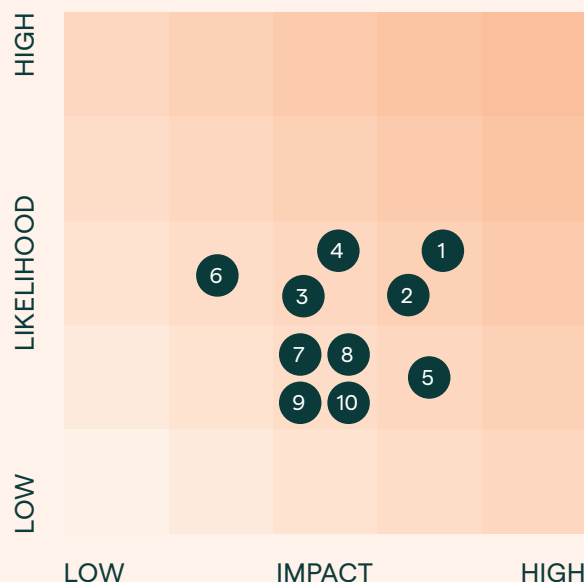
- Sage Homes’ strategic risk register was substantially updated following a Board strategy day
- the Board reviewed and approved an updated set of risk appetite statements
- the use of the risk management system substantially increased with departmental risk registers completed for all areas of the business.

There are plans to develop the risk management framework further in 2023 with the linking of performance indicators to the relevant strategic risks.

## KEY RISKS “HEAT MAP”

Sage Homes utilises a programmatic scoring of risks to map its mitigated risks. A “heat map” showing some of Sage Homes’ key risks is shown below. This is reported to the Risk Management Group and Audit and Risk Committee on a quarterly basis.

## RESIDUAL RISK



## LIKELIHOOD

Measured on a scale of low, which is unlikely to happen or recur within a five year period, to high, which is almost certain to happen or recur on a weekly basis.

## IMPACT

Ranges from low, which would result in a financial impact of less than half a million pounds, to high, which includes a financial impact of more than £20m or an event that results in the need for regulatory intervention.

## Schedule of the key risks and mitigations

Sage Homes' Directors can confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity. The principal risks facing the Company have been identified as follows:

RISK	MITIGATING ACTIONS
<p><b>1 Market:</b> Structural slowdown in the housing market, potentially combined with legislative changes linked to a change in government, impacts Sage Homes' ability to realise acceptable profit and sell Shared Ownership properties in a down market.</p>	<p>Utilisation of leading sales techniques and partners to sell Shared Ownership properties off-plan and after completion.</p> <p>Leveraging of strong third-party agent relationships and networks to closely monitor activity indicators in the housing market, such as enquiry levels, sales rates, house pricing and affordability dynamics.</p> <p>Maintaining a rigorous approach to acquisitions with robust in-depth market research to test sales market confidence.</p> <p>Enhanced reporting system to closely measure and report on a variety of metrics to give early warning of changes in market confidence or sales volumes.</p> <p>Identify early warnings of underperforming sites and selected use of sales incentives to facilitate the selling process.</p> <p>Mitigation of sales risk by selectively switching tenure to rented.</p>
<p><b>2 Management:</b> Outsourced provider fails to deliver on contractual obligations resulting in a poor service to Sage Homes and its customers, negatively impacting on Sage Homes' reputation in the market.</p>	<p>Ongoing monitoring of provider's management of Sage Homes' residents. Regular communication with the provider team is maintained to identify and track issues.</p> <p>Sage Homes can change to an alternative provider, if required.</p> <p>Advance notice will be provided by PfP if it will not take on a new site, allowing Sage Homes sufficient time to make alternative arrangements.</p> <p>Regular audit assurance on PfP systems and interfaces with Sage Homes.</p>
<p><b>3 Cost of funding:</b> Cost of debt increases to a level where Sage Homes is unable to fund its operations and planned acquisition programme on a profitable basis.</p>	<p>Up-to-date funding guarantee letters are received at regular intervals by the Sage Homes Group from its investors, underpinning 18 month funding needs against a backdrop of worsening dynamics even after mitigating actions.</p> <p>There is a strong relationship with investors that is maintained through regular meetings and information flows.</p> <p>Strong treasury management function and hedging of variable portion of interest rates on the RCF and bonds.</p>
<p><b>4 Reduction in income:</b> Cost of living crisis caused by higher inflation results in lower income for Sage Homes as a result of rent caps imposed by government and increased bad debts/arrears or repossessions.</p>	<p>Monitoring of rent arrears levels and early intervention. Payment plans agreed for customers with rent, or rent and service charge arrears.</p> <p>Customers are assessed for affordability before renting or purchasing a Shared Ownership property.</p> <p>Rent cap in place for 2023 to limit the impact of the rent increases and reduce the potential for repossessions.</p> <p>Phased implementation of the service charge sinking funds to reduce its impact.</p> <p>Financial support and signposting for customers by Sage Homes' Financial Wellbeing Team.</p> <p>Business plan is stress tested for the impact of increased levels of arrears.</p>
<p><b>5 People:</b> Inadequately resourced team structures with insufficient skills, values and/or experience levels. Failure to keep ahead of the resourcing requirements as Sage Homes matures and becomes an established business, leading to an inability to maintain operations and deliver growth, whilst meeting regulatory expectations and customer demands.</p>	<p>Leadership Team ensures team structures are fit for purpose and amends as demands change, following employee consultation processes.</p> <p>HR Team in place with established hiring practices, including an applicant tracking system and employee value proposition, which supports the business recruit in the right skills, experience and calibre.</p> <p>HR policies and practices in place, supporting Sage Homes' values, employee wellbeing, high performance, development and retention.</p> <p>Pay and benefits structures/strategies in place to reflect the external labour market, attract high-calibre candidates, reward performance and aide retention.</p> <p>Bi-annual engagement survey and regular employee listening approach in place to monitor and respond to employee levels of engagement including the intention to leave the business within twelve months.</p>

## Schedule of the key risks and mitigations continued

RISK	MITIGATING ACTIONS
<p><b>6 Insourcing all home management:</b> Project does not deliver within the expected timeframe, costs or quality of service.</p>	<p>Steering Committee, project Board and project teams with oversight of the project.</p> <p>Project Board review project progress, make decisions and resolve roadblocks, escalating to Steering Committee, where required.</p> <p>Project plan in place and progress measured against milestones.</p> <p>Phased handover of services by region with lessons learnt from pilot.</p> <p>Project risk register in place and monitored.</p>
<p><b>7 Regulation:</b> Non-compliance results in measures of intervention, loss of status and ultimately prohibits Sage Homes from bidding and acquiring S106 sites.</p>	<p>Effective Board and governance structure in place and reviewed.</p> <p>Ongoing compliance monitoring and self-assessment.</p> <p>Independent advice and assurance provided by external consultants in areas such as risk management, cyber security and governance.</p>
<p><b>8 Health and safety:</b> Failure to meet statutory requirements, including fire, water, fuel, electrical and lift safety resulting in a risk of harm to customers and potential regulatory action.</p>	<p>Oversight through reporting of property compliance metrics to each Board. Annual review of property compliance by internal audit to provide assurance.</p> <p>External consultants advise on best practice. Rigorous property compliance policies and procedures in place. Compliance with legislative and regulatory requirements monitored through a dedicated compliance system.</p> <p>Regular reports received from PfP, the service provider, on compliance with property compliance requirements. External independent physical audits of some compliance events such as electric, gas and fire to provide further assurances to Leadership and Board.</p>
<p><b>9 Customer service:</b> Negative customer feedback/reviews on social media. Negative reporting of Sage Homes and its activities in the press sector-resulting in regulatory scrutiny and potential regrading.</p>	<p>High standard of customer care, quick response to complaints.</p> <p>Customer surveys and mystery shopping with robust action to address issues identified.</p> <p>Customer service training developed and delivered to staff.</p> <p>Customer journey mapping exercise undertaken and results used to support improvements to the customer experience.</p> <p>Highly developed press monitoring and response capability.</p>
<p><b>10 Data quality, integrity and security:</b> A cyber-attack results in Sage Homes being unable to use its IT systems, or access its data, or customer data is changed or released without authorisation. The data used for key management decisions is incorrect, inconsistent or out of date.</p>	<p>Controls are benchmarked against the ISO27001 (2013: Information Security) standard. Sage Homes was audited and accredited against the standard in December 2022.</p> <p>The Information Security Forum manages the controls over information security on behalf of the Board. The forum meets on a quarterly basis and is made up of representatives from across the business.</p> <p>A third-party cyber security company audits Sage Homes on a quarterly basis to ensure compliance with the controls included in the ISO standard.</p> <p>Sage Homes has a disaster recovery plan in place to mitigate the impact of a major incident.</p> <p>Departments across the business have responsibility for data quality. A Data Quality Forum has been tasked with improving the quality of data within the business. It handles the challenges the business has on data quality on a day-to-day basis.</p> <p>Introduction of a new customer relationship management system, resulting in a centralised system that draws on one source of data, dramatically improving data quality.</p>

# Sage Homes continued to deliver sector-leading numbers of new affordable homes whilst also investing in the scaling of operational capabilities.



**“Continued delivery of our strategy and targets, against a backdrop of challenging conditions.”**

## REVIEW AND HIGHLIGHTS OF 2022

2022 saw events unfold in a way that was not foreseen when Sage Homes set its financial and operational targets in the latter half of 2021. Already elevated inflation was added to by the energy cost spike primarily driven by the invasion of Ukraine, with this feeding through into many areas of daily living. The resulting 40-year high inflation elicited UK government action to assist with the cost of living, and central banks around the world to significantly increase base rates, resulting in an increase in the cost of borrowing for both Sage Homes and its customers.

Despite this, Sage Homes continued to deliver new affordable homes at the fastest rate in the sector, with 3,447 (2021: 3,287) new homes delivered in 2022. This was below our ambitious target of 4,071, as our housebuilder partners took longer to deliver new homes than planned, and we sought to ensure the quality of our new homes upon customers moving in was of the highest order. During the year we committed to build a further 2,008 (2021: 5,295) new homes in addition to our existing pipeline, which in total numbered 8,978 (2021: 10,664) homes at year end. The adverse economic backdrop and slowing of overall housebuilding meant it was not possible for Sage Homes to reach its goal of 5,000 commitments in the year. In response to these dynamics, we spent the year innovating our acquisition model and formulating new partnerships plans with the UK's largest housebuilders and with existing housing associations and local councils.

Sage Housing is operationally profitable and continues to build on the platform built in previous years. Operating profits grew by £26m from £9m in 2021 to £35m in 2022. This large growth can be attributed to increases in first tranche sales of Shared Ownership homes (£16m), subsequent staircasings (£2m) and the increased numbers of lettings to affordable and Shared Ownership customers (£13m), offset by increases in charges for support services (£5m). Increases in both debt facility sizes and interest rates have resulted in interest and similar charges increasing by £21m from 2021, although this cost is offset by a £9m fair value revaluation of our interest rate caps. Overall, the loss for the year improved from £17m in 2021 to £3m.

## REVIEW AND HIGHLIGHTS OF 2022 continued

Unlike previous years, Sage Homes did not transfer homes to any of its sister Registered Providers, retaining all new homes delivered within its portfolio. With a larger portfolio than previous years, Sage Homes has produced an operating profit from social housing lettings of £5m for the first time this year (2021: loss of £8m). As Sage Homes reaches scale, with increased portfolio size, process improvements and internal efficiencies, the cost per unit has reduced from £5,430 in 2021 to £2,894 this year (more detail on this can be found in the VFM statement), this saving is a result of the portfolio expanding by 46%. The increase in homes in the year has also resulted in an increase of rental income of £13m.

## FUNDING SAGE AND CAPITAL MARKETS

Sage Homes, along with most capital markets issuers, faced marked differences in capital market conditions when compared to previous years. With significantly increased inflation, the Bank of England increased its borrowing base rate throughout the year, by 3.25% in total. Sage Homes seeks to reduce its exposure to such increases through the purchase of interest rate caps, and in 2022 these instruments saved Sage Homes £4m (2021: £nil) before the cost of the interest rate caps.

However, the difficult conditions mentioned above did not stop our ability to finance our growth. In February 2022 we amended, restated and upsized our Revolving Credit Facility (RCF), increasing the commitment size from £680m to £1,049m, an increase of £369m. This increase was due to the inclusion of a new lender and upsizing from certain current lenders. Post-year end, in January 2023, Sage Homes once again upsized the RCF facility, by £250m, bringing the total available commitment to £1,299m, via the inclusion of another new lender. We continue to manage interest rate risk by ensuring this facility has appropriate levels of interest rate caps in place.

As a strategic partner of Homes England and investment partner of the GLA, Sage Homes is committed to delivering additional affordable homes in England. During the year, we received £22m (2021: £8m) of grants, which are being used to support the building of additional new homes.

## CONCLUSION

In conclusion, despite a challenging backdrop in 2022, Sage Homes delivered on its strategy to focus on its customers, deliver high numbers of new high-quality and efficient affordable homes, and ensure it has a solid financial foundation.

**John Goodey**  
**Chief Financial Officer**  
25 May 2023

# Value for Money

## INTRODUCTION

Sage Homes understands the importance of striving for value for money and delivering its services in an efficient and effective way to make the most of the income it receives. As part of our compliance with the Value for Money Standard, we focus on achieving economy, efficiency and effectiveness across all areas of activity. We are committed to increasing the number of newly built, high-quality and energy-efficient affordable homes in England and to providing the highest level of service to our customers, and this is central to our application of value for money strategies.

Sage Housing commenced activity in its current form in 2017 and has delivered 10,737 properties since inception. Following sales of 3,332 homes to other Registered Providers in the Sage Group in previous years, there were 7,405 properties in management at the financial year end on 31 December 2022, with 3,443 completed in the year.

Sage Homes plans to continue to deliver new affordable homes and to periodically sell portfolios of these completed and occupied homes to other Registered Providers in the Sage Group of companies. Sage Homes is no longer acquiring new sites as this is being done by a different entity within the Sage Group, Sage Homes RP Limited. This will enable the Sage Group overall to broaden its sources of debt financing, reduce its cost of capital and continue to provide sizeable additional investment capability for new affordable homes into the future. Given the long-term plan for Sage Homes, the Board have chosen to compare our performance to a peer group consisting of all Registered Providers in England with between 5,000 and 10,000 homes.

Sage Homes' Board has set targets for 2023 covering both the RSH Value for Money (VFM) metrics and its own VFM metrics (Key Performance Indicators). Given Sage Housing's anticipated growth profile, its performance against the RSH's

VFM metrics may display significant variance from more mature providers in the sector. Most of the metrics, especially related to operations, show significant expected improvements as Sage Homes' completed home portfolio grows and operational efficiency increases. In addition, where Sage Housing may transfer completed property portfolios to other Registered Providers within the Sage Group, the 2023 targets may need to be revised accordingly.

## OVERVIEW

The Regulator of Social Housing defines VFM metrics for Registered Providers to disclose.

Metrics 1 to 3 focus on investment and show our investment in new and improving existing affordable homes, whilst ensuring our borrowing is kept at prudent levels. These help to show our levels of efficiency and effectiveness.

Metrics 4 to 7 focus on our operational efficiency in managing our portfolio, as expressed through our financial performance, the return on the capital we utilise and our liquidity and investment capacity.

### METRIC 1 – REINVESTMENT (%)

This metric measures 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 2022 we had invested £1.3bn compared to £0.8bn at the start of the year; no transfers to sister Registered Providers within the Sage Group occurred, unlike previous years. A slowdown in expected deliveries due to the adverse economic backdrop experienced in the year, has resulted in us being short of our target even though we had invested £525m in new housing this year compared to £496m in 2021.

Core value for money metrics	2023 Target	2022 Actual	2022 Target	2022 Peers	2021 Actual
1 Reinvestment %	Nil	40%	69%	7.2%	62%
2A New supply delivered % (social housing)	Nil	46%	5%	1.7%	40%
2B New supply delivered % (non-social housing)	n/a	n/a	n/a	n/a	n/a
3 Gearing %	98%	106%	117%	47%	107%
4 EBITDA MRI – interest cover %	20%	77%	93%	153%	38%
5 Headline social housing cost per unit	£1,350	£2,894	£3,290	£4,018	£5,430
6A Operating margin (social housing lettings only)	72%	17%	4%	23%	(5)%
6B Operating margin (overall)	57%	15%	17%	22%	5%
7 Return on capital employed (ROCE)	4.1%	2.4%	3.5%	3.3%	1.0%

**OVERVIEW** continued

**METRIC 1 – REINVESTMENT (%)** continued

Sage Homes plans to move all its construction in progress to sister registered provider Sage Homes RP Limited and retain only completed Shared Ownership homes, thus it does not expect to undertake reinvestment in 2023 and beyond.

**METRIC 2 – NEW SUPPLY DELIVERED (%)**

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

**Social housing units:** At the end of 2022 we owned 7,405 affordable homes compared to 3,962 at the start of the year which represents a net increase of 3,443 homes. The 2022 result is above target even though a slowdown in deliveries was experienced. The anticipated transfer of completed properties to sister Registered Providers within the Sage Group did not occur in the year which resulted in higher than expected performance. Sage Group has a goal to have delivered 30,000 newly built, high-quality affordable homes by the end of 2030. We believe that in 2021 and 2022, Sage Group has been and will continue to be one of the largest contributors of new affordable homes in England. Our target for 2023 is nil due to Sage Homes planning to move all its construction in progress to sister registered provider Sage Homes RP Limited and retain only completed Shared Ownership homes.

**Non-social housing units:** Our sole focus is on delivering affordable homes. We have not acquired or developed any non-social housing units in 2022 and do not hold any non-social housing units at year end.

Our performance on reinvestment and new supply metrics reflects the struggles in the market currently. These metrics remain a key focus for us. We want to have a meaningful and positive impact on the affordable housing sector in England and intend to do so by continuing to deliver a significant number of new homes to our customers.

**METRIC 3 – GEARING (%)**

Sage Homes' gearing in 2022 was higher than the peer group as a result of the continued high level of investment required to scale Sage Homes' rapidly and deliver sector-leading numbers of new affordable homes. We were slightly less than our target which was due to the deceleration of deliveries and subsequently less debt being drawn. Debt was provided by Sage Homes' parent, Sage Investments Sàrl, Sage Housing Ltd's sister company, Sage Rental Limited, and a group of lenders as part of our revolving credit facility. Our target gearing for 2023 remains high in relation to the sector at 98%.

Sage Homes ensures its debt and gearing levels are appropriate to protect our financial viability and that we balance the benefits of debt in reducing our overall cost of capital (allowing us to undertake more investment in affordable housing). We also ensure the levels, interest costs 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. Sage Housing has remained EBITDA positive in 2022, with revenues continuing to grow through the year as Sage Housing begins to have more homes in operation than in development. Our target for 2023 of 20% represents a large decrease driven by higher interest rates when compared to our EBITDA of a smaller portfolio after transfers to sister Registered Providers.

**METRIC 5 – HEADLINE SOCIAL HOUSING COST PER UNIT (£)**

Sage Housing continues to deliver sector-leading numbers of newly-built, high-quality, energy-efficient homes and has seen significant success against this target as initial investments in improving the customer experience are shared within a larger portfolio across the Sage Group due to the increased size and the scale of the Group. In 2022, Sage Housing Ltd's yearly cost per unit was £2,894 (2021: £5,430) compared to a target of £3,290 and peer average of £4,018. Our target for 2023 is to reduce this further to £1,350 where the balance in the portfolio is weighted towards Shared Ownership properties by the end of the year, with reduced cost of management and maintenance being incurred as a result.

**METRIC 6A – OPERATING MARGIN – SOCIAL HOUSING LETTINGS (%)**

Sage Housing well outperformed versus target for 2022 (4%) and achieved a margin of 17%, where a larger portfolio produced additional net operating income for the year. Sage Housing was able to benefit from the additional net operating income from these properties in the year. Our target for 2023 is a positive margin of 72% and reflects a marked improvement on 2022 as the cost funding acquisitions and development will be incurred by other sister Registered Providers within the Group.

**METRIC 6B – OPERATING MARGIN – OVERALL (%)**

Our operating margin in 2022 is below our target although the improvement from the prior year reflects the investment we have made in our operational capabilities. We missed out on achieving our target due to a slow down in deliveries and sales across the year. Our target for operating margin overall in 2023 is a positive margin of 57%, where a stabilised portfolio and no acquisitions activity is expected to improve operating margins.



**METRIC 7 – RETURN ON CAPITAL EMPLOYED (%)**

This metric compares the operating deficit to total assets less current liabilities and is a common measure used in the commercial sector to assess the efficient investment of capital resources. The 2022 result was 1.1% below target due to a slowdown in Shared Ownership sales performance across the year and the consequential profit impact. Our target for 2023 reflects the higher margins expected from the portfolio.

Although our current core metrics for social housing cost/unit, operating margin are outside peer group, this is solely a result of our completed portfolio's level of maturity and size and its current focus on acquiring and developing high numbers of new affordable homes. Sage Homes currently has acquisition and project delivery teams scaled for its target of 30,000 new affordable homes deliveries by the end of 2030. As outlined above, across the Sage Group 10,741 new affordable homes have been delivered at the year end, of which 7,405 were owned by Sage Housing at the end of 2022 (2021: 3,962).

This commitment, and our investment in operational capabilities in advance of new home deliveries, affects many of our VFM metrics. The Board believes this is the appropriate strategy to ensure the acquisition and delivery programme is managed and delivered successfully, and that all our customers receive consistently high standards of service from Sage Homes.

**ADDITIONAL KEY PERFORMANCE INDICATORS**

In addition to the core Value for Money metrics, the Sage Homes Board has set key performance indicators to measure specific areas of strategic and operational performance to give a more rounded view of Sage Housing's performance. They are especially related to how well we serve our customers, how we are progressing against our goal of committing to and delivering sector-leading numbers of high-quality, newly-built affordable homes, and our efficiency in bringing these homes into occupancy and managing them.

**CUSTOMER EXPERIENCE**

Customer satisfaction with our service measures the percentage of customers who have stated they are fairly or very satisfied with their interaction with Sage Housing Ltd. In 2021 we hired a Chief Customer Officer and continued to develop our customer experience team through 2022 to help us achieve our aims of putting customers at the heart of everything we do. This has resulted in an increase from 72% to 77%, beating our target of 73%. During 2022 a new customer care team was established in a dedicated customer service centre in Northampton. This team will continue to ensure we drive our customer satisfaction levels throughout 2023 to meet or exceed our target of 80%.

Key performance indicator	2023 Target	2022 Actual	2022 Target	2022 Peers	2021 Actual
<b>Customer experience</b>					
Customer satisfaction with the service	80%	77%	73%	78%	72%
Complaints responded to within target time	90%	69%	95%	78%	67%
<b>Delivering new affordable homes</b>					
New affordable homes committed to (no. of homes)	Nil	1,757	5,000	n/a	5,295
New affordable homes delivered (no. of homes)	Nil	3,443	4,071	116	3,287
Rental homes let within 60 days of practical completion	99%	100%	98%	n/a	93%
Shared ownership homes 1st tranche reserved or sold within eight weeks of practical completion	95%	97%	98%	n/a	98%
Shared ownership 1st tranche sale gross profit margin	26%	25%	24%	n/a	21%
<b>Operational efficiency</b>					
Headline cost per unit – adjusted (per annum)	£760	£2,030	£2,081	£4,018	£4,270
Rent collected as % of rent due	99%	94%	93%	100%	84%
Current tenant arrears as % of annual rent due	1.7%	4.5%	7.0%	2.4%	4.3%
<b>Our people</b>					
Employee satisfaction	80%	79%	80%	82%	75%

## CUSTOMER EXPERIENCE continued

Across our organisation we are focused on delivering excellent service to our customers and ensuring that this extends to the work of our partners as well. When things do not go well, Sage Housing is committed to putting it right promptly, first time. If our customers do need to raise a complaint, we are committed to responding within target times. Whilst short of our stretch target, the (2%) improvement on 2021 demonstrates that the measures we have put in place are starting to take effect. Our targets for 2023 reflect the significant improvement we expect over the next year.

## DELIVERING NEW AFFORDABLE HOMES

Sage Housing delivered 3,443 affordable homes in 2022, 5% more than in 2021, although missing our challenging 2022 target. This was in part due to our housebuilder partners contending with material and labour constraints as the effects of increased costs and interest rates created acute challenges in the industry. Our target for 2022 is nil, with acquisitions and delivery of new units anticipated in a sister Registered Provider within the Sage Group a sister Registered Provider within the Sage Group.

Sage Housing let 100% of all new rental properties within 60 days of hand-over in 2022. This is an improvement on the previous year and we will continue to target these levels as our lettings teams and new technology systems are established and operating effectively. A total of 1,482 Shared Ownership properties were first tranche sold within 2022, an increase of 78 on 2021. We almost achieved our target, however unfavourable market conditions impacted our ability to do so.

Sage Housing has an established and experienced team focused on Shared Ownership sales and their effectiveness was demonstrated by 97% of homes being first tranche reserved or sold within eight weeks of hand-over from the housebuilders, just below our target. Our target for 2023 is to maintain a similar record, however this will be challenging owing to having a higher proportion of flats within the delivery profile, which generally have a longer sales cycle.

The Shared Ownership first tranche sale gross margin is a factor of the cost to build the home, and the selling price. Our margin may vary over time based on the format of homes we sell, in which locations and when the building contracts were signed, and naturally the backdrop of the housing market at the time of sale. In 2022 we beat our 24% target due to a mixture of these factors, and further expect the margin to increase from the 25% achieved to 26% in 2023.

## OPERATIONAL EFFICIENCY

Sage Homes continues to build its infrastructure to enable us to acquire and build sector-leading numbers of new affordable homes, as well as rent and sell them at the required increased levels. In addition, we are investing in customer experience capabilities in advance of the further growth of our portfolio. Sage Homes' Board and management team therefore monitor an adjusted headline social housing cost per unit which removes all non-recurring expenditure unrelated to its normalised lettings operations to understand our efficiency excluding these costs. As can be seen, this measure decreased in 2022, demonstrating the underlying benefit from operational efficiencies as Sage Housing's portfolio grows.

2022 showed a significant improvement in collection of rent and arrears versus 2021. Both measures were better than our target for the year but remain outside of the Peer group benchmarks. Sage remains high focused on ensuring collection is optimised and we actively engage with our tenants to facilitate payment of rent and providing and signposting support where required.

The 2023 targets are more aligned to the peer group but the expected Sage Housing portfolio being predominantly Shared Ownership, the effectiveness of the comparison is reduced. The targets however reflect the risks posed on rent recovery as our rental customers absorb both increased rent driven by inflation and the significant rise in the cost of living expected through the year. Sage Housing will continue to support customers where it can and will work closely with our external partners to ensure a strong focus remains throughout the coming year.

## SAGE'S PEOPLE

Sage Homes has a people-focused inclusive culture where our teams are valued. In 2022 Sage Homes gathered valuable feedback through its employee engagement surveys which have informed decisions to deliver enhancements to our culture. Sage Homes uses pulse surveys to assess progress against employee engagement across the year. We refined our new company values and shared this with the business in 2022. Sage Homes will continue to focus on its people as value permeates throughout Sage Homes. Our target is to achieve an increase satisfaction/engagement score of 80% in 2023.

## CONCLUSION

The Board is satisfied that, having considered all the requirements, Sage Homes is compliant with the VfM Standard.



# Our engagement with our stakeholders

This section explains how Sage Homes' Directors have considered the interests of key stakeholders and broader matters set out in Section 172(1) (A) to (F) of the Companies Act 2006 when performing their duty to promote the success of the Company under that section of the Act.

## (A) THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

In addition to preparing a five-year corporate plan and related budget, we also prepare a 30-year long-term strategy which is stress-tested against severe-but-plausible scenarios to ensure that it is robust. Underlying that is the work of the Board in ensuring strong, long-term personal relationships with our customers and other stakeholders, based on the quality of our properties and to ensure they are highly satisfied with the service we provide.

## (B) THE INTERESTS OF EMPLOYEES

We value the contribution of our people and have a fundamental belief in them and their desire and capacity to do a good job. We know their individual actions and behaviours help build a successful business to provide customer satisfaction, which is crucial to the success of Sage Homes. Colleagues are encouraged and supported to develop their careers, which further strengthens Sage Homes' culture and effectiveness. The Customer and People Committee helps to make sure Sage Homes provides a fulfilling workplace. The Workforce Advisory Panel "Sage Together", discusses the way Sage Homes colleagues interact with the business and ensures staff feel heard. "Sage Together" also helps make sure the workforce's viewpoint is understood and considered by the Board in its decision-making process and the Chair of the panel regularly attends Board meetings. Further details of the work of the "Sage Together" advisory panel can be found on page 20.

Sage Homes conducts an annual employee engagement survey and in addition, a pulse survey was carried out in 2022 to assist with the tracking and monitoring of specific employee experience actions. The surveys help gather evidence on the employee experience against a number of categories, providing themes and areas of focus for the business. The Customer and People Committee and the Board are briefed on the results of the surveys and an action plan is agreed to address the key findings. The results provide an opportunity to consider the overall employee experience and culture at Sage Homes.

There is a system through which whistleblowing concerns can be anonymously reported which supports colleagues by making sure they can raise concerns in a confidential and safe way.

## (C) THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

Sage Homes puts its customers at the heart of its business and the customer experience is central to Sage Homes' values. Long-term success is only possible with a customer-centric business model and therefore the customer outcome forms a core part of Board deliberations. The customer transactional surveys and perception survey results, which includes the questions for the Tenant Satisfaction Measures and gathers feedback about the customer's overall experience with Sage Homes, are reviewed annually. Findings across the two types of surveys are analysed and used to form Sage Homes' customer service strategy which is designed to improve the customer experience. This includes reviewing complaints statistics and customer satisfaction trends which help develop and improve the customer experience and meet their evolving expectations.

The Customer Scrutiny Panel comprises of Sage Homes customers and gathers the lived experiences of Sage Homes' customers and is designed to provide Sage Homes details on successes and areas requiring improvement. Further information about the work of the panel may be found on page 22.

**(C) THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS** continued

Sage Homes liaises on a range of issues with our suppliers to minimise any risks to Sage Homes and also to embed best practice in a number of areas throughout our supply chain. Supporting and engaging with our suppliers makes sure Sage Homes is in a position to receive the best possible outcomes for customers. It also gives our suppliers an opportunity to demonstrate that, in addition to providing the service, they also meet our expectations in terms of corporate, social and environmental areas.

Our relationship with Places for People (PfP) and other service providers is a key component of Board discussions, and we maintain a strong partnership with them. Sage Homes maintains a strong business relationship with housebuilders, local authorities and other key stakeholders such as Homes England. We are open and honest in our dealings, giving our commitment and adhering to it. We work to be a trusted partner of choice for all our stakeholders.

With a dedicated procurement team, Sage Homes engages with suppliers as part of the onboarding process. As part of the ongoing monitoring of key suppliers, this department undertakes general due diligence regarding the financial soundness and credibility of suppliers. Our suppliers have been able to continue to provide us and our customers with the contracted services throughout the year, and we continue our regular discussions with them.

As stated in Sage Homes' Modern Slavery Act statement we have processes in place to make sure that modern slavery or human trafficking do not occur in our supply chain or operations. This is supported by our supplier code of conduct, our code of ethics, which sets out our commitment to conducting itself fairly, honestly and lawfully, procurement policy and mandatory annual training completed by all employees. The Board has a zero tolerance attitude towards modern slavery in our supply chain and reviews and approves the Modern Slavery Statement which is published on the Sage Homes' website.

**(D) THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT**

Our Environmental, Social and Governance commitment was a key focus in 2021 and continues to develop. A new ESG strategy was approved by the Board during 2021 and will put Sage at the forefront of the sector. Sage Homes' credentials mean that the Group has been able to raise funds through Europe's first ever social bond. The Board considers ESG matters in all its decision making and further details of our ESG activities and initiatives may be found on pages 17 to 22.

**(E) THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT**

The Board periodically reviews and approves policies, such as the Sage Homes Code of Conduct, anti-fraud and anti-money laundering policies, and Sage Homes' Modern Slavery Statement, to make sure that its high standards are maintained both within the organisation and in our business relationships. We make sure workforce training on these matters is kept up to date. The Board monitors Sage Homes' culture to make sure our values are fully embedded into organisational behaviours.

**(F) THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY**

Sage Homes is a single-member company and our investors have appointed Directors who participate in Board meetings. Each Sage Homes Registered Provider has a separate Board with common Directors.

## THE STRATEGIC REPORT

This Strategic report was approved by the Board of Directors on 25 May 2023 and signed on its behalf by:

**Bridget Frisby**  
Company Secretary

# Governance



A sound corporate governance framework provides the structure to enable the Board and the Company to operate in an effective and entrepreneurial way for the benefit of its customers, workforce, investors and other stakeholders.

# Committed to the highest standards of corporate governance



On behalf of the Board, I am pleased to present the Governance report, which describes the key areas considered by the Board and its Committees this year and how those responsibilities were discharged. Throughout the last 12 months the Board has continued to support the Executive Management Team whilst enhancing the high standards of corporate governance essential to effective Board oversight and vital to a successful organisation.

Sage Homes was established to create a long-term affordable homes platform which would deliver a meaningful quantity of high-quality, newly built, efficient affordable housing and provide excellent service to its customers, who make these properties their homes.

We believe Sage Homes acts as a force for good; our purpose is to provide homes, inspire change and improve lives. By bringing new high-quality investment funds into the sector, we are making a significant contribution to the mitigation of the housing affordability crisis and, by doing so, helping to improve our customers' lives.

We have brought a fresh, entrepreneurial spirit to the affordable homes sector and, consistent with Sage Homes' purpose and its values, we are committed to operating to the highest standards of corporate governance. Our investors, customers and all of our stakeholders can be sure that Sage Homes is building its growth, activities and future plans on firm foundations of good governance.

As Sage Homes is a for-profit organisation, we have decided to adopt, wherever practical for a private company, the UK Corporate Governance Code 2018 ("the Code"), exempt for those provisions noted on page 45, which is the highest standard of corporate governance in the UK, as it is intended primarily for premium London Stock Exchange listed companies. In adopting the Code, we have established internal governance processes which reflect best practice in business today.

In addition, Sage Homes is a Registered Provider and must comply with the stringent governance provisions overseen by the Regulator of Social Housing (the RSH). We aim for the highest level of compliance with the Regulator's Standards.

Ultimate accountability for the governance of our organisation lies with our Board of Directors which liaises closely with Sage Homes' parent and investors. The Board consists of individuals of recognised stature with abundant business skills, experience and knowledge of the housing sector.

The Board is supported by the Audit and Risk Committee and the Remuneration and Nomination Committee, as set out in the Code. In addition, it has a Customer and People Committee and an Acquisitions Committee. Underpinning the governance framework are our robust internal controls and risk management processes.

In 2022, Sage Homes continued to strengthen our corporate governance framework in accordance with the Code. The Senior Independent Director and Independent Non-Executive Directors will continue to focus on building superior customer service and a culture that inspires our workforce.

The Board remains mindful of the need to ensure our governance keeps pace with the growth and increasing complexity of the organisation and its operations. We will continue to develop governance structures and processes and to embed a focus on good governance into our culture as a reflection of our values.

**Alison Thain OBE**  
Chair  
25 May 2023

## Directors

# An experienced team



**Alison Thain OBE**  
Chair



Alison Thain OBE joined the Board in 2018. Alison was CEO of the largest Housing Association in North East England until her retirement in 2016. An experienced Non-Executive Director, she is currently Senior Independent Governor at The University of Sunderland and a Trustee of the Bowes Museum. Her previous positions have included Directorships of a Trust Port and of a Regional Building Society, Local Enterprise Partnership and Regional Development Agency. She was awarded the OBE for services to housing. She is committed to the highest standards of ethical and corporate governance.



**John Brace**  
Independent Non-Executive Director (Senior Independent Director)



John Brace is an experienced Non-Executive Director with over 25 years' experience in the social housing sector. John joined the Board in 2018. He is a Chartered Accountant and former Finance Director with a wide-ranging commercial background in both executive and non-executive roles and with extensive social housing sector experience. He is currently a Non-Executive Director of Silbury Housing Limited and Silbury Housing Holdings Limited. His former roles include Chair of Cottsway Housing and Group Resources Director of Aster Group. John was appointed Senior Independent Director in February 2021.



**Cedi Frederick**  
Independent Non-Executive Director



Cedi Frederick has a varied background in housing, social care and health and joined Sage Homes in June 2021. He brings a broad range of experience to the Sage Board with over 30 years of experience as a Non-Executive Director across many sectors including housing, higher education, charities and the NHS. He is currently Chair of the Boards of NHS Kent and Medway, NHS London's Vaccine Legacy and The Health and Europe Centre. Cedi chairs Sage Homes' Customer Scrutiny Panel (CSP).



## COMMITTEE KEY

- (AR) Audit and Risk
- (AD) Acquisition
- (RN) Remuneration and Nomination
- (CS) Customer Scrutiny Panel
- (CP) Customer and People
- Committee Chair



**David Godden**  
Independent Non-Executive Director



David Godden joined the Board in 2019, offering over 35 years of operational and Board level experience. He is also a Non-Executive Director of NHS Property Services Limited, where he chairs the facilities management committee. David sits on the Estates Advisory Committee of the Imperial War Museum. He previously held senior executive roles in property management and customer services with Telereal Trillium, Land Securities and BAE Systems in the UK and overseas.



**Gemma Katakya**  
Non-Executive Director



Gemma Katakya was involved in the inception of Sage Housing and joined the Sage Board as a Non-Executive Director in 2018. Gemma has over 16 years' experience in private equity and is currently the Chief Operating Officer within the European Real Estate Group at Blackstone. Gemma has expertise in finance, asset management and real estate and also sits on the board of over 70 companies.



**Gareth Llewellyn**  
Independent Non-Executive Director



Gareth Llewellyn joined the Board in June 2021. Gareth has previously held global executive roles including with National Grid plc and Anglo American plc and was Executive Director at Network Rail. He was also Chief Executive of a government trading fund. As a Non-Executive Director, Gareth floated Biffa plc and subsequently sold the company to private equity. He was a Non-Executive Director and Chair of the Remuneration and Nominations Committee at Harwich Haven Authority. Currently Gareth is the Chair of Transport Infrastructure Ireland and Chair at Scottish Rail Holdings Limited. He is a Fellow at the Prince of Wales Cambridge Institute for Sustainability Leadership, and in 2005 addressed the UN General Assembly on human rights and business.

## Directors continued



**Cindy Rampersaud**  
Independent Non-Executive Director



Cindy Rampersaud joined the board in June 2021. A qualified Chartered Accountant, she has over 25 years executive and over 15 years of Board experience across a range of sectors including education, entertainment media and charitable institutions. Former employers at a senior level include Virgin, EMI, Warner Brothers and most recently Pearson Plc, where she headed up the global BTEC and Apprenticeships business. Cindy is currently a board member at Which? and The London Film School where she Chairs the Audit & Risk Committee. She is also an Advisory Board Member and Chair of Audit & Risk at the UK Health Security Agency.



**Sydney Taylor**  
Non-Executive Director



Sydney Taylor has over 30 years' experience in real estate, private equity, banking and fund management. He joined the Board in 2017. He has worked within a variety of blue chip listed, private and start-up organisations both in the UK and globally. Former employers at senior level include ING Real Estate, Land Securities Trillium, Goldman Sachs, Alpha Real Capital and Great Portland Estates. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and until recently served as a Non-Executive Director on the boards of the three Brockton Capital Real Estate Funds.



**Mark Sater**  
Chief Executive Officer,  
Executive Director

Mark Sater joined Sage Homes in 2020, having previously been an adviser to Regis Group, and was appointed as an Executive Director in July 2021. Mark has led organisational transformation and growth across a range of sectors and geographies. His career includes two decades in consumer goods and retail, and a decade in regulated medical devices. His significant management and board level experience has included roles as Chief Executive Officer, AccuMED Corp LLC, Chairman of Amoena Medizin-Orthopadie-Technik GmbH and Managing Director of Overland Group Ltd. He is a Chartered Accountant by training.

## Leadership Team

### John Goodey

#### Chief Financial Officer

John joined Sage Homes as Chief Financial Officer in September 2019. Prior to joining Sage Homes, John was CFO of Welltower Inc (NYSE:WELL), the world's largest healthcare REIT. Before this, John led Welltower's international operations. He previously spent 18 years as an investment banker at Deutsche Bank and Barclays Capital, holding senior level roles in healthcare investment banking and M&A advisory.

### Iain McPherson

#### Chief Operating Officer

Iain has broad experience across the housing sector, covering affordable housing and large-scale residential development. He is currently a Non-Executive Director of Town & Country Housing and Monson Homes Ltd, part of the Peabody Group, and was previously Chief Executive of Countryside Partnerships plc. During his time at Countryside, Iain implemented a programme of restructuring to enable the Group to double in size and home completions over four years. His other former roles include senior positions at housing association Hyde Group and Crest Nicholson.

### Keith Shields

#### Managing Director, Property & Services

Keith joined Sage Homes in July 2020 as Property & Services Director. Keith has responsibility for the operational aspects of Sage Homes including the delivery, housing, lettings, asset management, safety and currently the human resources teams. Keith has worked in senior operational roles across several property organisations including Land Sec, Lendlease and more recently FirstPort, covering property services to residential, office and retail environments.

### Lucian Smithers

#### Chief Customer Officer

Lucian joined Sage Homes in April 2021 as Chief Customer Officer. Lucian is responsible for the delivery of the customer experience, marketing, communications and ESG. Prior to joining Sage Homes, Lucian helped to build the innovative affordable housing company Pocket Living from start-up to its sale to Related Companies. Previously Lucian held a range of roles at Sky TV across brand and corporate culture, marketing and latterly as Sales and Marketing Director for all Sky and partner content.

### Bridget Frisby

#### Chief Legal Officer

Before joining Sage Homes, Bridget worked as a corporate and governance lawyer for 10 years in large city practices. She advised real estate companies, including Registered Providers, on a diverse range of governance and corporate issues, including mergers and acquisitions. Bridget acted for Sage Homes whilst she was in private practice since 2016 and joined Sage Homes permanently as Head of Legal and Company Secretary in January 2018.

### Ben Aspinall

#### Managing Director, National Acquisitions

Ben joined Sage Homes in January 2018, having previously worked at the Regis Group in acquisitions. Ben leads the Acquisitions Team at Sage Homes and during his time has been involved in acquiring over 15,000 units. Ben drives the overall acquisition strategy at Sage Homes and is the key contact with all housebuilders.

# Governance structure summary

## THE BOARD

### ROLE AND RESPONSIBILITIES

The governing body of Sage Homes, which leads the organisation through a framework of prudent and effective controls. It sets Sage Homes' strategy and is collectively responsible for the long-term success of Sage Homes in line with its purpose and constitutional documents. The Board holds the executive management to account for the delivery of the Corporate Plan. The Board keeps in mind the requirements of all its stakeholders, in particular its customers, workforce and investors.

## CHAIR

### ROLE AND RESPONSIBILITIES

Leads and manages the Board and is responsible for its overall effectiveness. Sets the agenda, style and tone of discussions and promotes open debate and effective decision-making. Ensures that the Board delegates sufficient authority to its Committees as well as to the Chief Executive Officer and their Leadership Team to manage the day-to-day effectiveness of the organisation.

## BOARD COMMITTEES

### ROLE AND RESPONSIBILITIES

The Board delegates certain responsibilities to these Committees. The Committees help ensure Sage Homes meets best practice by providing increased capacity to focus on key areas of governance. The members are Non-Executive Directors.

## AUDIT AND RISK COMMITTEE

### ROLE AND RESPONSIBILITIES

Monitors the integrity of the Group's financial statements and reviews significant accounting and reporting judgements. Monitors the effectiveness of the organisation's internal control framework and Internal Audit department. Oversees the relationship with, and work of, the external auditor. Advises the Board on risk appetite, tolerance and strategy. Oversees the organisation's identification and management of risk.

➤ See pages 51 to 54.

## REMUNERATION AND NOMINATION COMMITTEE

### ROLE AND RESPONSIBILITIES

Determines the remuneration of the Chair, the Chief Executive, the Executive Directors, and the Leadership Team. Determines the structure, size and composition of the Board. When required, oversees Board recruitment, taking into account the challenges and opportunities facing the organisation, and the skills, knowledge, experience and diversity needed on the Board in the future.

➤ See pages 55 to 58.

## PANELS

### ROLE AND RESPONSIBILITIES

Allow direct engagement with Sage Homes' customers and workforce so that the Customer and People Committee can obtain feedback and communicate directly with these two key stakeholder groups.

## SAGE TOGETHER

### ROLE AND RESPONSIBILITIES

A Workforce Advisory Panel under the Code. Established as part of Sage Homes' commitment to hearing the voice of the workforce to create a collaborative and inclusive culture. Has sub-panels focused on Wellbeing and on Diversity and Inclusivity. Reports to the Customer and People Committee and its Chair regularly attends Board meetings.

➤ See page 20.

### SENIOR INDEPENDENT DIRECTOR

#### ROLE AND RESPONSIBILITIES

One of the Independent Non-Executive Directors. Provides a sounding board for the Chair and appraises the performance of the Chair in the Board evaluation process. Holds meetings with the other independent Non-Executive Directors. Acts as the intermediary for other Directors if needed. Deputises for the Chair if necessary.

### NON-EXECUTIVE DIRECTORS

#### ROLE AND RESPONSIBILITIES

Contributes to the development of the organisation's strategy. Scrutinises and constructively challenges the performance of management in the execution of strategy. Advise and contribute to Board debate based on their broad business experience, professional skills and knowledge of the housing sector. The majority of Non-Executives are independent as defined by the Code and two are appointed by the parent company.

### LEADERSHIP TEAM

#### ROLE AND RESPONSIBILITIES

The executive management of the organisation responsible for the implementation of the strategic Corporate Plan. In charge of the effective day-to-day management of the business and leadership of the workforce.

### CHIEF EXECUTIVE OFFICER

#### ROLE AND RESPONSIBILITIES

An Executive Board Director. Leads the Executive Team and is accountable for the Group's performance, consistent with the purpose, strategic plan and risk appetite agreed by the Board. Works to ensure Sage Homes' corporate culture and values are embedded in the organisation. Ensures that the flow of information to the Board is accurate, timely and clear. Develops and maintains effective management systems and internal controls.

### CUSTOMER AND PEOPLE COMMITTEE

#### ROLE AND RESPONSIBILITIES

Provides assurance, recommendations and advice to the Board on Customer and People issues. Ensures the "voice" of Sage Homes' customers and the views of the Sage Homes' workforce are clearly captured and fully considered by the Board. Makes sure customer and workforce priorities are recognised and understood by the Board and considered in its strategic decision-making.

➤ See pages 60 and 61.

### ACQUISITION COMMITTEE

#### ROLE AND RESPONSIBILITIES

Has powers delegated to it by the Board to review, assess and approve acquisitions subject to an investment framework agreed by the Board from time to time, taking into account changes in the sector and in the wider economy. In order to respond rapidly to acquisition opportunities, the Committee generally meets each week.

➤ See pages 62 and 63.

### CHIEF FINANCIAL OFFICER

### CHIEF CUSTOMER OFFICER

### CHIEF OPERATING OFFICER

### COMPANY SECRETARY & CHIEF LEGAL OFFICER

### MANAGING DIRECTOR, PROPERTY & SERVICES

### MANAGING DIRECTOR, NATIONAL ACQUISITIONS

### CUSTOMER SCRUTINY PANEL

#### ROLE AND RESPONSIBILITIES

A customer panel made up of both rented and Shared Ownership customers. Chaired by a Director who is a member of the Customer and People Committee. Aims to help Sage Homes listen to and understand what customers have liked or disliked about obtaining and living in a Sage Homes property.

➤ See page 22.

# Good governance is of fundamental importance in achieving the Company’s corporate purpose

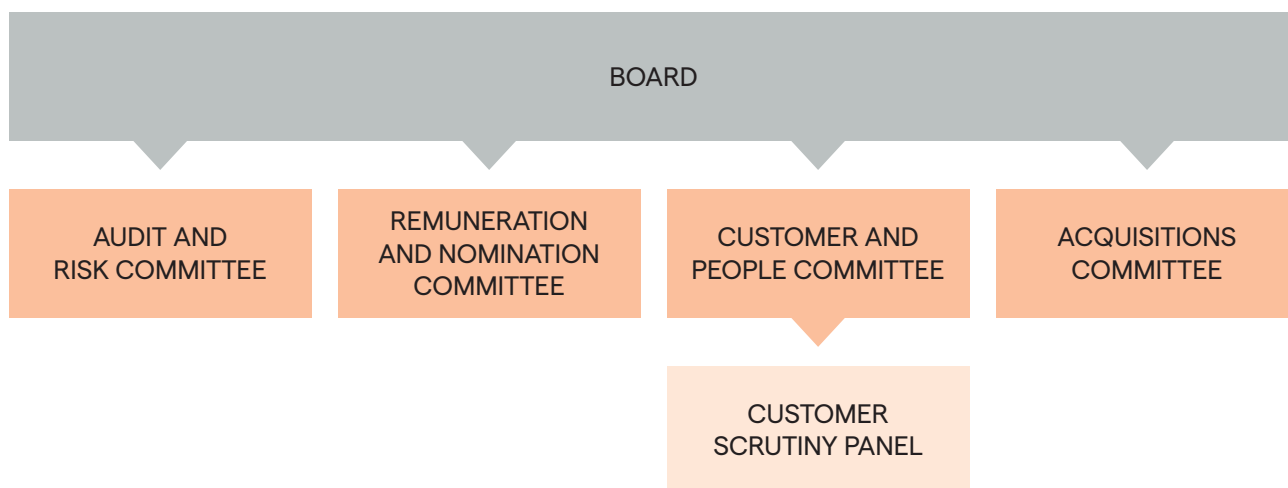
## GOVERNANCE FRAMEWORK

The Board of Sage Homes understands that good governance is of fundamental importance in achieving Sage Homes’ corporate purpose. A sound corporate governance framework provides the structure to enable the Board and Sage Homes to operate in an effective and entrepreneurial way for the benefit of its investors, customers and other stakeholders.

Sage Homes operates through the main Board and a number of Committees. The Board has established the Audit and Risk, Remuneration and Nominations, Customer and People, and Acquisitions Committees and details of their main responsibilities and activities in 2022 are set out on pages 51 to 63. The below illustrates the Board and Committee structure as of 31 December 2022:

Sage Homes is led by an effective and entrepreneurial Board with significant experience of the sector and who understands how value is created over time. The Board provides leadership to Sage Homes within a framework of prudent and effective controls that enable risk to be assessed and managed. Based upon the business model, a strategic five-year plan was created in 2021, in conjunction with the Executive Management Team, and forms part of the 30-year long-term strategy.

The Chair and the Chief Executive Officer maintain a close working relationship to ensure the integrity of the Board’s decision-making process and the successful delivery of Sage Homes’ strategy. The Board evaluates the membership of its individual Board Committees on an annual basis and the Board Committees are governed by terms of reference which detail the matters delegated to each Committee and for which they have authority to make decisions. The terms of reference for the Board and the Committees can be found on Sage Homes’ website.



## “Sage understands the essential link between the organisation’s culture and its impact on customers and that link was recognised by the formation of the Customer and People Committee.”

### THE CODE

Sage Homes has adopted the Code which operates on a “comply or explain” basis. Certain provisions of the Code are designed to apply to companies with a listed shareholder base and during 2022 Sage Homes did not comply with those provisions:

- **Provision 4:** Actions to be taken regarding votes cast against AGM resolutions

This provision is not applicable as Sage Homes is a private company with one shareholder and has decided not to hold an AGM

- **Provision 15:** Additional external appointments should not be undertaken without the prior knowledge of the Board

As appropriate for the Directors of a private company, new external appointments are undertaken with the approval of the Chair and ratified at the next meeting of the Board

- **Provision 18:** All Directors should be subject to annual re-election

This is not appropriate for a single-member private company. Sage Homes’ parent retains the ability to appoint or remove any Director

- **Provision 36:** Director share schemes

This is not applicable to Sage Homes as a single-member private company.

Subject to those explanations, Sage Homes was compliant with the Code during 2022.

### RSH STANDARDS

Sage Homes conducted a detailed self-assessment of its compliance with the RSH standards. After reviewing this assessment, the Board can confirm that Sage Homes has complied with the Governance and Viability Standard.

The Board has also concluded that Sage Homes has complied with all other relevant standards as set out by the RSH during the 2022 financial year.

### AN EFFECTIVE BOARD

Sage Homes’ Board consists of Executive and Non-Executive Directors with responsibility for overseeing Sage Homes’ activities. The Board is responsible for establishing Sage Homes’ purpose, values and strategy, and satisfying itself that these and its culture are aligned. The Board is required to ensure that the necessary resources are in place for Sage Homes to meet its objectives and measure performance against them. All Directors must act with integrity, led by example and promote Sage Homes’ culture. Non-Executive Directors are required to allow sufficient time to meet their

Board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The Board is the governing body of the organisation and is collectively responsible for the success of the business. It provides leadership to the organisation within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board operates within a schedule of matters reserved for its decision and delegates certain matters to its committees.

In 2022, the Board comprised Alison Thain OBE, Chair; John Brace, Independent Non-Executive Director; Cedi Frederick, Independent Non-Executive Director; David Godden, Independent Non-Executive Director; Gemma Katakya, Non-Executive Director; Gareth Llewellyn, Independent Non-Executive Director; Cindy Rampersaud, Independent Non-Executive Director; Sydney Taylor, Non-Executive Director and Mark Sater, Chief Executive Officer. At least half the Board is Non-Executive Directors whom the Board considers independent.

Alison Thain OBE is Chair of the Board and was independent upon appointment. She has demonstrated responsibility for leadership of the Board and in ensuring its effectiveness in a culture of openness and accountability. Her role has included setting relevant agendas and making sure timely, accurate, high-quality and clear information has been provided to the Board. She has also ensured that there has been rigorous debate at meetings, with contributions from all Directors, followed by effective decision-making.

### DECISION-MAKING

A clear division of responsibilities is in place at the head of the organisation with balanced controls. The Chair is responsible for the smooth running of the Board and the Chief Executive Officer is responsible for the day-to-day management of the business and the building of an effective Executive Management Team to deliver the objectives of the organisation. The specifications of the roles and responsibilities of the Chair, Chief Executive Officer and Senior Independent Director are available on Sage Homes’ website.

The Board operates within a schedule of matters reserved for its decision. The Board has delegated certain activities to formal Committees which operate within defined terms of reference. The Board and its Committees have a timetable of work to ensure all these matters are considered as well as additional issues that arise during the year. The Board is provided with good quality papers as a base for sound decision-making and undertakes a robust discussion and challenge of matters brought to it for decision. Detailed minutes record the debate and the decisions made at each meeting.

**DECISION-MAKING** continued

The Board has established procedures to ensure that the disclosure and management of any actual or potential conflicts of interest are carried out correctly.

The biographical details of the Directors of Sage Homes are shown on pages 38 to 40.

**DIVERSITY AND INCLUSION**

At Sage Homes, we firmly believe that having an inclusive and diverse workplace will support us in our ambitions to outperform the markets in our chosen areas of business. The Remuneration and Nominations Committee continually reviews our approach to diversity and our aim is to promote diversity in the hiring of new employees and in creating opportunities for individuals to progress their career within Sage Homes. Further details are included in the report from the Remuneration and Nomination Committee on page 56.

The gender diversity of the Board reflects Sage Homes’ continuous focus on and commitment to gender equality. The Board members bring a broad base of professional experience. The Remuneration and Nominations Committee is responsible for reviewing the composition and balance of skills of the Board, to ensure they remain appropriate and diverse. The Remuneration and Nominations Committee will also oversee the comprehensive and tailored induction programme offered in the event of a new Director joining the Board.

**DIVISION OF RESPONSIBILITIES**

The Board’s primary role is to provide leadership and to ensure that Sage Homes is appropriately managed within a framework of prudent and effective controls and core values, while delivering long-term shareholder value. The Board is responsible for Sage Homes’ strategy, corporate culture, governance framework, risk management and internal controls, risk tolerances and its compliance obligations under the regulatory system.

The Board is committed to ensuring good governance throughout Sage Homes and for instilling its culture, customer focus, sustainable decision-making and social responsibility. These values are reflected in the policies and directions from the Board, as well as in its support, review and challenge of Sage Homes’ affairs when engaging with executive management and other stakeholders.

**EXECUTIVE MANAGEMENT TEAM**

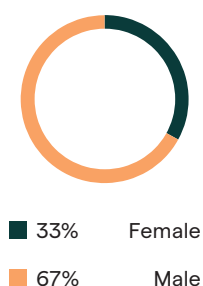
Day-to-day execution of the strategic plan through their operation of Sage Homes’ business is the responsibility of the executive management team whose authorities are delegated from the Board and set out in the Standing Orders and Financial Regulations.

**BOARD AND COMMITTEE ATTENDANCE AT SCHEDULED MEETINGS IN 2022**

In 2022, the Board and Committees held a number of scheduled meetings at which senior executives, external advisers and independent advisers were invited, as required, to attend and present on business developments and governance matters. The meetings either took place by Zoom or in person. There is a comprehensive Board pack and agenda which is circulated beforehand so that Directors have the opportunity to consider the issues to be discussed. The Company Secretary or her delegate attended all Board meetings and is responsible for documenting discussions and actions arising at meetings.

At its meetings, the Board scrutinises the performance of Sage Homes and its management. The Board has set clear agreed goals and objectives, and through strategic and operational reporting effectively monitors the performance and the delivery of these goals as well as risks, uncertainties and future prospects.

**BOARD GENDER DIVERSITY**





The Board has delegated certain parts of its activities to standing Committees. These Committees operate within defined terms of reference which are reviewed annually. During 2022, the Committees were:

- Audit and Risk Committee (pages 51 to 54)
- Remuneration and Nominations Committee (pages 55 to 58)
- Customer and People Committee (pages 60 and 61)
- Acquisitions Committee (pages 62 and 63)

The table below sets out the attendance at formally scheduled meetings in 2022. In addition to the four quarterly Board meetings held, there were also five ad hoc Board meetings. The Board also held a strategy day and two focus days, which are not included in the table below.

## BOARD MEETING ATTENDANCE

	Board Meeting	Remuneration & Nomination Committee	Audit and Risk Committee	Customer and People Committee
John Brace	8/9		5/5	
Cedi Frederick	6/9			6/6
David Godden	9/9	7/7		6/6
Gemma Katakay	8/9			5/6
Gareth Llewellyn	9/9	7/7	3/3	
Cindy Rampersaud	9/9		5/5	5/6
Sydney Taylor	9/9		5/5	
Alison Thain	9/9	7/7		
Mark Sater	9/9			

There is an Acquisitions Committee, which was established under the Standing Orders and Financial Regulations to review and approve property acquisitions within its authority. Its members are Gemma Katakay and Sydney Taylor, as well as a representative from the investors, and it generally meets each week.

## ACTIVITIES AND CONSIDERATIONS DURING 2022 INCLUDED:

The Board receives regular reports from the Chief Executive's Strategic report and overview reports from the Chief Financial Officer, Chief Customer Officer and Property and Services Director. In addition, it has oversight and receives regulator updates from the Remuneration and Nominations Committee, Audit and Risk Committee, Customer and People Committee and Acquisitions Committee.

- **Composition:** The Board, through the Remuneration and Nominations Committee, has remained aware that as a number of Non-Executive Directors were appointed in the same year their terms would end at around the same time. Conscious of this, the Remuneration and Nominations Committee reviews succession plans for both Executive and Non-Executive Directors.
- **Strategy:** The Board also considered Sage Homes' business plan and oversaw updates to its strategy, ensuring alignment of strategic objectives with those of the shareholder as appropriate. The Board held a separate Strategy Day in 2022 to discuss the investors' perspective including market conditions and the residential landscape, the operational landscape in the current environment and the capital markets environment; the macroeconomic and political situation; short and medium-term national trends; investor community appetite for affordable housing; and the sector risk profile. The Board discussed progress against its corporate strategic five- and 30-year plans.
- **Financial performance:** The Board received regular updates from the Chief Executive Officer and Chief Financial Officer on Sage Homes' performance, including the Value for Money review, the 18-month funding and liquidity report and budget review. The Board approved the annual treasury report and strategy and discussed the ISO27001 project and policies. The bonus awards for 2022 were approved by the Board.
- **Governance and risk management:** During the year, the Board reviewed and approved updates to policies and the Standing Order of Sage Homes. In addition, the Board reviewed and challenged the strategic risk register, Sage Homes' risk appetite and asset liabilities register. The Board also discussed the fraud and anti-bribery process and whistleblowing process. A cyber security review was also conducted.
- **Culture:** Sage Homes' culture is integral to the way Sage Homes is run and helps ensure customers get the best possible service and outcomes and that it supports staff. The Board receives regular updates from "Sage Together". In addition, there was a regular ESG project update, a review of Sage Homes' corporate values and culture and the Board monitored Places for People's performance over the year.

## Board evaluation, training and support:

### REGULATORY SELF-ASSESSMENT

An assessment process is carried out annually to support continuing improvement in Board, Committee and individual Director effectiveness. During 2022, a regulatory self-assessment was conducted in line with the Social Housing Regulator's requirements. An internal evaluation was conducted by the Head of Regulation and Compliance and the yearly compliance exercise forms part of its Annual Pattern of Work review. The results were as follows:

- Over the course of the year 2022, Sage Homes has worked to strengthen its compliance with the Regulatory Standards. In particular:
  - > it has instituted new IT systems, to reduce the use of spreadsheets and the risk of human error in rent setting. We have also put in place processes that ensure that new rents are double checked before being finalised and applied
  - > given the Regulator's changing view of shareholder support letters which express the intention of a parent/investor to support its for-profit RPs, and challenging economic circumstances, it has obtained guarantees of support from its shareholders, Blackstone and Regis, thereby strengthening its viability and the security of its social housing assets and therefore its compliance with the GFVS
  - > it has overhauled its customer services, brought customer communications in house, and updated its customer policies and processes (including complaints and anti-social behaviour) thereby working to improve its compliance with the Consumer Standards, particularly the Tenant Involvement and Engagement Standard and the Neighbourhood and Community Standard.

Sage Homes discovered three historic cases of rent overcharges during 2022, which were promptly corrected, and the customers affected compensated. They did not arise from failures in current systems, human errors in calculation or spreadsheet use, but because calculations were made against faulty data fed into the system in the past. Our new systems and checks implemented in 2021 and 2022 reduced the risk of errors in rent setting and charging over the year, but there is room for further improvement in data quality across Sage Homes. A Data Quality Forum has been set up to enable this.

In 2023, a Board evaluation process will be led by an external facilitator, Independent Audit Limited, and the results will be included in the 2023 annual report for Sage Homes.

## TRAINING

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction to introduce them to the business and management of Sage Homes. The Chair and Company Secretary agree what Board-wide training or development may be appropriate. Board meetings are generally preceded by a training session.

An external review will be commissioned in 2023 of the Board Skills Matrix with training and development as the focus of the review.

## SUPPORT

The Board is supported by the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance. Directors are also entitled to seek independent advice in relation to the performance of their duties at Sage Homes' expense, subject to having first notified the Chair and Company Secretary.

## RELATIONS WITH STAKEHOLDERS

It is important that the engagement mechanisms with Sage Homes' stakeholders remain sufficient. The Directors have a duty under s172 of the Companies Act to have regard to the interests of key stakeholders and the stakeholder engagement statement is on pages 34 and 35. A focus on ESG matters commenced in 2022 with a comprehensive action plan drawn with new initiatives commencing, details can be found at page 17.

## SHAREHOLDER AND INVESTORS

Sage Homes is committed to engaging and communicating with its parent shareholder and investors in respect of strategy, key decisions and business and operational performance. To this end, the investors have nominated Directors appointed to the Board. There is a regular dialogue with the parent and the investors which enables the Board to have a clear understanding of their views. Representatives of the investors participated in the Board Strategy Day and Focus Days. By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting.

## CUSTOMERS

Sage Homes aims to put customers at the heart of its business and Lucian Smithers, Chief Customer Officer, continues in his role of enhancing the customer experience. As an attendee of the Customer and People Committee his role is to participate in increasing its capacity to oversee and address the strategic and operational customer-facing elements of the business.

As a Registered Provider, Sage Homes has a duty to engage with its customers and is satisfied that engagement processes are in place so that the views and concerns of customers receive sufficient attention and action from the Board and the Executive Management Team.

## WORKFORCE

The Board is responsible for ensuring that workforce policies and practices are in line with the Sage Homes' purpose and values. The Customer and People Committee supports the Board in that, with workforce remuneration matters overseen by the Remuneration and Nomination Committee, which seeks the advice of remuneration consultants when appropriate. A whistleblowing policy is in place setting out how members of the workforce may raise concerns, anonymously if they wish.

## GATHERING THE VIEWS OF THE WORKFORCE

The "Sage Together" workforce engagement panel is formed of 17 members of staff from across the business with a wide scope of representation including department, ethnicity and gender. "Sage Together" has two sub-panels which focus on topics important to Sage Homes: Wellbeing and Diversity & Inclusion. "Sage Together" is helping to provide a platform for ongoing Board and workforce engagement and plays a key role in helping the Board understand and shape Sage Homes' culture. The views of the workforce are also being gathered through workforce engagement surveys.

## MONITORING CULTURE

Sage Homes' values are intended to guide and motivate attitudes and behaviours across the organisation. It is essential that those values are embedded into the organisation's culture to drive Sage Homes towards its purpose. Sage Homes understands the essential link between the organisation's culture and its impact on its customers and that link was recognised by the formation of the Customer and People Committee.

Culture is measured and monitored through a structured approach based on surveys, and by monitoring the culture of Sage Homes directly with the workforce. In 2022, the workforce was regularly surveyed to obtain both quantitative and qualitative data on the organisation's culture and the engagement of its employees. This has helped the Customer and People Committee identify areas that require focus and to development.

Sage Homes' Workforce Advisory Panel, "Sage Together", is an essential element of Sage Homes' commitment to creating a collaborative and inclusive culture and was established with Sage Homes' culture a primary focus. The areas of focus for "Sage Together" are wellbeing and diversity and inclusion, and initiatives were being considered. The "Sage Together" panel reports to the Customer and People Committee and its Chair regularly presents directly to the Board.

## Internal control

The Board has overall responsibility for establishing and maintaining the entire system of internal control for Sage Homes and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Sage Homes' assets and interests.

In meeting its responsibilities, the Board has utilised a risk-based approach to internal controls that is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Sage Homes is exposed and is consistent with principles set out in the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014. The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes the items listed below.

### IDENTIFICATION AND EVALUATION OF KEY RISKS

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Sage Homes' activities. The Executive Management Team regularly considers and receives reports on significant risks facing Sage Homes and is responsible for reporting to the Board any significant changes affecting key risks.

### MONITORING AND CORRECTIVE ACTION

A process of control, self-assessment and regular management reporting on control issues provides assurance to management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of Sage Homes' services. Sage Homes has its own internal auditor who is supported by PricewaterhouseCoopers, which carries out additional internal audit reviews on Sage Homes' behalf.

## CONTROL ENVIRONMENT AND CONTROL PROCEDURES

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and large new investment projects. This is supported by a framework of policies and procedures with which employees must comply.

Sage Homes has clear administrative, management and supervisory systems of control, agreed and set out by the Board, in its Standing Orders and Financial Regulations. These Standing Orders set out the governance structure of Sage Homes and the delegated authorities given by the Board to allow for the operation of Sage Homes and are adhered to strictly. From time to time, as operational requirements have required, these Standing Orders have been updated after careful review by the Board.

## INFORMATION AND FINANCIAL REPORTING SYSTEMS

Financial reporting procedures include detailed budgets for the year and management accounts produced monthly. These are reviewed in various levels of detail by the Executive Management Team and are reported to each Board meeting. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

## FRAUD

The Board has a policy on fraud that covers prevention, detection and reporting of fraud. A register is maintained of any fraud or potential fraud. The Audit and Risk Committee regularly reviews the fraud register.

## ANTI-BRIBERY POLICY STATEMENT

Sage Homes seeks to maintain the highest standards of ethics and integrity in the way it conducts its business with relevant policies adopted by the Board and implemented in Sage Homes.

**John Brace**  
**Chair of the Audit and Risk Committee**  
 25 May 2023

# Maintaining effective internal controls and risk management



**“During the year, the Committee maintained its focus on the integrity of the Company’s reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.”**

During the year the Committee comprises:

- John Brace (Chair)
- Cindy Rampersaud
- Gareth Llewellyn (appointed on 03/03/2022)
- Sydney Taylor (resigned on 23/11/2022)

The Committee comprises of members being independent Non-Executive Directors. Appointment of the Committee Chair, as well as the members of the Committee, is made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee. There were two changes to the Committee composition in 2022, with the appointment of Gareth Llewellyn on 3 March 2022, which strengthened the experience of the Committee.

Under the Code, an Audit Committee should consist of independent Non-Executive Directors, however, as Sydney Taylor is a representative of the investors, he is not considered an Independent Director under the Code. Nevertheless, he was a member of the Audit and Risk Committee so that it may benefit from his financial skills and business knowledge. Sydney Taylor stepped down as a member on 23 November 2022.

John Brace is a Chartered Accountant and has recent and relevant financial experience; and has extensive experience in the housing sector. Cindy Rampersaud is a Chartered Accountant with significant business experience. Gareth Llewellyn is a highly commercial Executive and Non-Executive Director and has experience spanning a variety of sectors. The Committee as a whole has competence relevant to the sector in which Sage Homes operates.

When appropriate, the Chief Executive Officer, Chief Financial Officer and Chief Customer Officer along with the internal auditor and external auditor are invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

During the year, the Committee maintained its focus on the integrity of Sage Homes’ reporting by maintaining its strong oversight over the adequacy and effectiveness of its internal control and risk management mechanisms.

The Head of Internal Audit and Risk reports on internal audit matters at each meeting of the Committee. During 2022, the Committee approved the internal audit annual work plan and long-term strategy. The Committee monitors the work of the internal audit function to ensure that issues are detected by applying necessary investigatory rigour and then are properly addressed with lessons learned for the future. The internal audit function does essential work in making sure that, as the organisation grows, our internal controls keep pace.

The Committee spearheads our focus on risk and during 2022 it updated Sage Homes’ risk policy and strategy and reviewed the organisation’s risk management processes to ensure they remained fit for purpose. The Head of Internal Audit also heads the Group risk function. The Committee works to ensure that effective procedures exist to identify emerging risks and include them in the risk management process, and that all risks are appropriately mitigated in accordance with Sage Homes’ risk appetite as determined by the Board.

## “During the year, the Committee maintained sound risk management and internal control systems in line with the risk appetite set by the Board.”

In 2022, an in-depth review, led by the Committee, was carried out to ensure Sage Homes’ risk appetite was up to date.

The Committee oversees the work of the external auditor, Deloitte LLP, and is responsible for assessing the effectiveness of the external audit process. Prior to the 2022 audit, the Committee discussed its nature and scope with the external auditor. The Committee is responsible for the quality, expertise, judgement and independence of the external auditor.

While the Committee operates to a pattern of work around Sage Homes’ annual reporting cycle, it also regularly considers matters in areas that could create risk, such as reviewing the whistleblowing process, anti-bribery measures and anti-fraud protection activity, as well as other areas of financial compliance. The Committee has recently conducted a programme of business area risk reviews whereby, at each of its meetings, it met the manager of a selected business area to review it in-depth to enable the Committee to understand better the risks and potential risks in that area.

For the forthcoming year, the Committee will ensure its internal control mechanism keeps pace with our growth and will further strengthen its focus on risk in the organisation. As the Group matures, and processes become embedded, the Committee will seek to progress internal audits with a greater proportion of controls-based rather than substantive testing. Focus will be given to the Group’s financing arrangements.

Full details of the Committee’s Terms of Reference can be found on the Sage Homes website.

Details of meeting attendance can be found in the Corporate governance report on page 47.

### KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

- monitoring the integrity of the financial statements of Sage Homes and reviewing significant financial reporting judgements contained in them
- providing advice to the Board on whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess Sage Homes’ position and performance, business model and strategy
- Approving Sage Homes’ Value for Money, Going concern and Viability statements, to be included in Sage Homes’ annual report and financial statements
- reviewing Sage Homes’ internal financial controls and internal control and risk management systems
- making recommendations to the Board about the appointment of the external auditor

- determining the fee payable to the external auditor so that an effective, high-quality audit can be conducted for it
- reviewing and monitoring the external auditor’s independence and objectivity
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- advising the Board on Sage Homes’ overall risk appetite, tolerance and strategy
- keeping under review Sage Homes’ risk assessment processes that inform the Board’s decision-making
- reviewing Sage Homes’ capability to identify and manage risks
- reporting to the Board on how it has discharged its responsibilities.

### ACTIVITIES AND CONSIDERATIONS DURING 2022 INCLUDED:

During the year, in addition to fulfilling the responsibilities set out above, the Committee, among other matters:

- was updated by the CFO on Sage Homes’ actual and expected financial performance
- considered a number of matters relating to Sage Homes’ financial reporting, including the macroeconomic environment. The Committee reviewed the Directors’ going concern assessment in relation to the preparation of the financial statements on a going concern basis
- reviewed and agreed the Committee report to feature in Sage Homes’ 2021 annual report
- received updates from the external auditor on changes and expected changes to Sage Homes’ legal and regulatory financial environment
- agreed the 2022 audit plan with the external auditor and agreed areas of focus
- approved Sage Homes’ Risk Policy and risk management strategy
- in light of the Board’s Risk workshop, recommended the risk appetite the Board should adopt
- reviewed the department risk registers
- agreed the internal audit charter, 2022 plan and long-term strategy
- considered and confirmed the effectiveness of the internal audit function

- considered the internal audit reports, looked at the findings from each and reviewed and discussed with the Head of Internal Audit and Risk how and when issues were addressed and closed
- undertook business area risks reviews on the following areas:
  - > rent setting and increases
  - > contract management
  - > delivery
  - > health and safety
- received and considered risk management reports and reviewed the strategic risk register
- reviewed formal reports from the Compliance Officer regarding Sage Homes' compliance with data protection and anti-money laundering legislation, and with any instances of whistleblowing and fraud
- oversaw the project to achieve compliance with ISO27001, information security.

## Significant areas of risk

Areas of risk considered by the external auditor in relation to the financial statements for the year ended 31 December 2022 were:

- management override of controls
- valuation of housing assets (completed stock units).

The auditors addressed these areas by applying a rigorous review of each and confirming that there were no matters of concern.

On behalf of the Board, the Committee maintained oversight over critical accounting judgements and estimates and discussed, where appropriate, the proper application of accounting rules and compliance with disclosure requirements.

## Internal audit

The Committee is responsible for the internal audit function and for monitoring the effectiveness of its work. The Head of Internal Audit and Risk has a dual reporting line to the Chief Executive Officer and to the Audit and Risk Committee. The importance of the internal audit function in maintaining an effective control environment, particularly in light of the increasing size and complexity of the organisation, is well understood by Sage Homes. The work of internal audit is focused on Sage Homes' most material risks as determined by a risk assessment process. The outcome of the risk assessment is summarised in an internal audit plan that is approved by the Committee annually. The Committee monitors progress against the audit plan during the year and approves any updates or changes.

The importance of the internal audit function in maintaining an effective control environment, particularly in light of the increasing size and complexity of the organisation, is well understood by Sage Homes. In support of Sage Homes' in-house internal audit function, PricewaterhouseCoopers (PwC) were appointed in 2022 to support Sage Homes' in-house internal audit function and undertook, during the year ended 31 December 2022, a number of independent audit reviews on

specified areas of Sage Homes' business. The results of internal audit reviews, including the independent reviews by PwC, were presented to the Committee with the actions recommended followed up and closed.

## Risk

Sage Homes has in place a risk management and internal control system. At each meeting the Committee reviews the strategic risk register. The Board has determined the extent of its appetite for risks it is willing to take in achieving its strategic objectives.

A review meeting, led by the Committee and external advisers, undertook a comprehensive evaluation of the organisation's risk appetite. Based on that, the Committee made recommendations to the Board regarding Sage Homes' risk appetite which it adopted.

During the year, the Committee monitored existing and potential risks faced by Sage Homes and maintained sound risk management and internal control systems in line with the risk appetite set by the Board.

The Committee oversaw the formation of the Risk Management Group, which is a management risk forum, meeting regularly to consider existing and potential risks to the organisation. The Committee also instigated the establishment of departmental risk registers which were first introduced in 2021 and which further embed a risk focus through the business.

The principal risks and uncertainties facing the business are detailed on pages 24 to 26.

## External audit

### EFFECTIVENESS

The Committee addressed the effectiveness of the external audit process by measures including:

- assessing the external auditor to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audit effectively
- discussing with the external auditor the key controls it relies on to address identified risks to audit quality
- regularly reviewing, and feeding back to the external auditor, an assessment of its performance.

### EXTERNAL AUDIT INDEPENDENCE AND OBJECTIVITY

The effectiveness of the external audit process is contingent on maintaining an independent and objective relationship with the external auditor. The Committee is responsible for monitoring and annually assessing these aspects of the external auditor relationship, taking into account relevant UK law, regulation, other professional requirements, ethical standards and the guidance on rotation of audit partner and staff.

No non-audit work was undertaken by the auditor.

## External audit continued

### APPOINTMENT

Deloitte LLP has been Sage Homes' external auditor since 2018 when Sage Homes first reached sufficient size to be audited. There are no contractual obligations restricting Sage Homes' choice of auditor. The Committee considers that the relationship with the external auditor continues to work well, remains satisfied with its effectiveness and has no current intention of re-tendering the external audit services contract. The Committee has recommended to the Board that Deloitte LLP be appointed as Sage Homes' auditor.

### WHISTLEBLOWING

The Committee reviews the adequacy and security of Sage Homes' arrangements for anyone with a serious concern, including its customers, employees and contractors to raise concerns, in confidence, about possible wrongdoing, ensuring the arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. A representative from the Compliance function attends all Committee meetings and presents the status of outstanding whistleblowing reports for the period to the Committee. In respect of the financial year ending 31 December 2022, the Committee has deemed the arrangements in relation to whistleblowing working satisfactorily.

### GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness. The Committee will be conducting an external evaluation of its performance during 2023 and the results will be included in the 2023 annual report and accounts.

The Chair informs on matters dealt with at each Committee meeting at the subsequent Board meeting. The Committee during the year had unrestricted access to management, external advisers and training. The Committee is satisfied it had received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

**John Brace**  
**Chair of the Audit and Risk Committee**  
25 May 2023



# Remuneration to attract, retain and motivate



“Our remuneration policy is a key element in the achievement of Sage’s strategy.”

## MEMBERSHIP OF THE COMMITTEE

During the year the Committee comprised:

- Gareth Llewellyn (Chair)
- David Godden
- Alison Thain

The Committee comprises of all members being independent Non-Executive Directors. Appointment of the Committee Chair, as well as the members of the Committee, is made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee. There were no changes to the Committee composition in 2022.

In addition to the members, the Human Resources Director and Sage Homes’ remuneration consultant, FIT Remuneration Consultants, may be invited to attend meetings of the Committee on a regular basis. By invitation of the Committee, meetings are attended, when appropriate, by the Chief Executive Officer, Chief Operating Officer, Finance Director and HR Director, who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information may also be sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

## PURPOSE OF THE COMMITTEE

The Committee’s purpose is to periodically review the composition and effectiveness of the Board, approve capabilities and time commitments required for Board appointments and make recommendations to the Board and to the Shareholder for the appointment of new Board members, and members of Board Committees. The Committee takes into account the need to recruit and retain executives while paying no more than is necessary. It is responsible for Board and senior management recruitment and conducts a continued and proactive process, bearing in mind Sage Homes’ strategic priorities. The Committee is also responsible for reviewing the current succession plan for both Executive and Non-Executive Directors.

Recognising the importance of maintaining a balanced Board, the skills and experience of individual Board members are reviewed on an annual basis, which includes use of a Board Skills Matrix against which Directors assess their competency against a broad set of criteria. This is then overlaid with observations and feedback from Board and key management stakeholders to determine areas of strength and weakness and whether any changes or training is required. The right mix of skills, experience and competencies is vital for constructive discussion and, ultimately, effective Board decisions. Sage Homes will be commissioning an external review of its skills matrix in 2023. Details of meeting attendance can be found in the Corporate Governance Report on page 47.

While the workforce is employed elsewhere in the Group, the Directors, senior executives and other employees provide services to Sage Homes, and as required by the Code, the Committee has delegated responsibility from the Board for setting and reviewing the employee remuneration principles, updated in 2022, for the Chair of the Board, the Chief Executive Officer and other designated senior executives as well as recommending the overall level of the pay award to employees.

The Committee recognises that the quality of Sage Homes’ leadership and workforce is a key element in the achievement of Sage Homes’ strategy and understands the need to attract, retain and motivate individuals who will drive growth, financial performance and customer focus in line with Sage Homes’ purpose and its values. Value for money is at the heart of our decision-making and that means investing in the right pay and benefits, for the right people, doing the right skills.

Full details of the Committee’s Terms of Reference can be found on Sage Homes’ website.

## ACTIVITIES AND CONSIDERATIONS DURING 2022 INCLUDED:

- During the year, the Committee built on the remuneration frameworks established during the previous year, making sure that performance-related pay drove success in specific areas of focus in the business. The Committee has overseen updates to the remuneration policy and principles as required through its terms of reference. In addition, the Committee considered matters such as Board and executive succession planning, and matters affecting the whole workforce, such as diversity and inclusion.
- Sage Homes continued with its project to review the remuneration of the whole workforce, benchmarking remuneration in Sage Homes with the sector and the wider employment market and trends, and considered aspects such as inflation and the cost of living to ensure pay is fair and competitive. The Committee also reviewed the executive and workforce remuneration frameworks to ensure they were fit for purpose as Sage Homes grows and matures.
- The Committee approved the 2022 bonus award. In 2022, the strong performance by Sage Homes meant that the corporate element of the bonus plan would be awarded at the target level. The pay-outs for departmental and personal elements of the bonus plan reflected the achievement of many separate challenging objectives which together contributed to the achievements reported on pages 55 and 56. The proposed design and corporate targets for 2023 were also considered and the Committee approved the annual pay review for 2022, the Non-Executive Directors' fees and a pay and grading analysis, including a Fair Pay exercise, was also conducted to align pay across Sage Homes at all levels.
- The Committee has also reviewed and provided input into the annual goals and objectives for senior management. Measurement of progress against these goals, in the form of Group, corporate and executive KPIs, will enable the Committee to correlate business performance and reward over the year. Learning and development for the Board and senior management was also considered.
- The annual Gender Pay Gap analysis and statement were also considered, although publication was not required as the workforce was under 250 employees in 2022. The Committee reviewed and found the current remuneration system to be fair and gender neutral, however, acknowledges that there is still progress to be made. The main driver for improvement continues to be the imbalance of males and females at senior level of the organisation, which is expected to be supported and addressed through our recruitment, development and succession management.
- Following a review conducted of Sage Homes' benefits, the Committee made the decisions to introduce the following new benefits: pension salary sacrifice; health cash plan; electric car scheme; holiday buy back (up to five days). It will retain the Life Assurance and maternity and paternity benefits and a decision was made to cancel its income protection scheme and to increase Sage Homes' sickness pay to three months' full pay, which makes a saving to Sage Homes' benefit package.

## RECRUITMENT ACTIVITIES

During the year, the Committee, among other things, oversaw the recruitment of a new Chief Operating Officer and recommended to the Board the appointment of Iain McPherson to the role; appointed Gareth Llewellyn as a member of the Audit and Risk Committee; and re-elected David Godden as a Director. Sydney Taylor stepped down as a member of the Audit and Risk Committee.

## RECRUITMENT PROCESS

The recruitment process, for Board and Committee appointments, requires the Committee to agree on the description of roles, capabilities and time commitments. A recruitment consultant is engaged to seek appropriate candidates based on merit against the objective criteria set out in the role description. A shortlist is drawn up by the recruitment consultants for each role and suitable candidates are considered in detail and interviewed by members of the Committee and a final selection is recommended by the Committee for approval by the Board, parent and investors. The Chief Operations Officer was recruited in accordance with this process.

## DIVERSITY AND INCLUSION

Based on the objective criteria set out in a role description and, in accordance with Sage Homes' Diversity and Inclusion Policy, all Board appointments pay particular attention to the merits of diversity on the Board. The Board takes the issues of diversity and inclusion seriously and follows the Policy to build the strong team it requires to deliver the strategy for the business.

During the year, the Committee agreed that at least 50% of senior appointment recruitment long-lists, for all recruitments to the business, would be from a diverse background.

The gender balance at year-end split between senior management and employees is detailed below. The gender balance of the Board is set out on page 59.

% Female	2022	2021
Leadership Team	15%	17%
Senior Management	30%	38%
Employees	53%	48%

## SUCCESSION PLANNING

The Committee monitors and evaluates the balance of skills, experience, independence and knowledge required on the Board and oversees recruitment for Board and senior executive appointments on a proactive basis as well as in response to vacancies.

## ALL-EMPLOYEE REMUNERATION

As for senior executives, general practice across Sage Homes is to recruit employees at competitive market levels of remuneration, to attract, motivate and retain employees. When considering salary increases for senior executives, the Committee will consider salary increases and pay and employment conditions across the wider workforce. Details of the key management personnel's remuneration can be found in note 5 to the financial statements. All employees (including the Executive Director and Leadership Team) receive the same benefits comprising statutory minimum employer pension contributions of 5%, life insurance, and to support the organisation's strategy, a discretionary, annual bonus is provided for all employees which is awarded for the achievement of performance targets. All bonuses are capped at a level depending on the role of the individual.

## REMUNERATION POLICY

The Remuneration Committee is responsible for determining remuneration policies and practices which support the strategy and promote the long-term sustainable success of Sage Homes. When developing the remuneration policy, the Committee was mindful of the provisions of the UK Corporate Governance Code and the Regulator of Social Housing. The main aim of Sage Homes' remuneration policy is to ensure that management and staff are remunerated fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The Committee considers that the policy supports our strategy and promotes the long-term success of Sage Homes.

## REMUNERATION CONSULTANT

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP ("FIT"). FIT provided independent advice on remuneration matters to the Committee and has no other connection with Sage Homes.

The parent and investors are kept updated with the deliberations of the Committee, and their views are taken into account on proposals put to the Board. The Investor Directors are usually invited to attend Remuneration Committee meetings.

## SENIOR EXECUTIVE REMUNERATION FRAMEWORK – KEY PRINCIPLES

- Sage Homes' pay arrangements are designed to take account of its commercial and customer-focused culture and to attract and retain executives with the right sense of purpose and the skills needed to deliver against stretching targets that contribute to Sage Homes as a force for good.
- Sage Homes seeks to pay cost effectively and fairly. We recognise the unique position of Sage Homes as a high-growth, entrepreneurial, commercial provider of social housing and we see value in the consideration of a range of external benchmarks. However, none of those benchmarks fully reflects Sage Homes and benchmarking should be used

primarily as a means of informing debate by the Committee rather than used to provide an "answer".

- As a starting point, the Committee will consider market data for the most appropriate benchmarks where available.
- Other considerations and factors will include internal relativities; differentials (such as the relationship between the Chief Executive Officer's pay and the average or lowest pay in Sage Homes); the complexity and impact of roles; the skills, experience, performance and franchise value of incumbents; and equal opportunities and diversity and inclusion.
- Internal comparability and external competitiveness are both equally important and each need to be considered as inputs for a rounded decision applying judgement. In applying such judgement, we strive for the support of all our stakeholders for the approach to pay that we take.
- Sustainability and affordability are key to both Sage Homes' business model and its approach to pay.
- Sage Homes' approach to pay is aligned with its values.
- Sage Homes takes account of the views of its investors and other major stakeholders.
- Sage Homes takes account of the guidance of the UK Corporate Governance Code on a "comply or explain" basis and considers the alignment of executive pay and all-employee pay.

## PAY ELEMENTS

- Base salary assumes an acceptable level of performance and is set at a level which rewards fairly the individual's responsibility and performance. It is reviewed annually, and consideration is given to remuneration in comparable organisations.
- Annual bonus is determined by a defined bonus framework. Bonuses are payable on individual performance measured against pre-determined personal KPIs and the achievement of relevant business goals. The purpose of bonuses is to reward achievement against stretching target levels and they require over-achievement for the delivery of maximum amounts. All bonuses are capped at a level depending on the role of the individual and no individual is able to receive more than 100% of their basic salary as a bonus.
- Modest benefits are provided, i.e. employer pension contributions at the minimum statutory level for all employees, health cash plan, electric car scheme, holiday buy (up to five days), holiday sale (up to five days) and Benefex discount provider (switched from Perkbox).
- Terms and conditions are determined by reference to comparable companies and entitle staff to fixed pay only on severance for the balance of any notice period (plus redundancy if relevant).

## KEY FACTORS

In developing the senior executive remuneration framework during the course of 2022, and in planning for its implementation, the Code has been an important touchstone and the Committee has been careful to take full account of the remuneration-related provisions in its considerations. Sage Homes has considered the six factors outlined in Provision 40 of the Code as follows:

- **Clarity:** the remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of senior executives with those of the parent and other key stakeholders. Sage Homes ensures that the remuneration framework is clear, and that it is well-communicated to senior executives and all members of the workforce.
- **Simplicity:** the remuneration framework is straightforward to communicate and operate. It avoids complexity and focuses on specific pay elements, with any performance measures and targets clearly defined.
- **Risk:** when setting executive pay, the Committee seeks to balance a range of risks: reputational, behavioural, operational, talent, strategic and governance. The remuneration framework has been structured to ensure that it is aligned with the Board's system of risk management and risk appetite. Inappropriate risk taking is mitigated through, for example, the operation of arrangements that provide an appropriate balance of fixed pay to variable pay and through the use of multiple annual bonus performance measures based on a blend of financial, non-financial and strategic targets.
- **Predictability:** the annual bonus is subject to individual caps and the Committee has full discretion to alter the pay-out level to ensure payments are appropriately aligned with the underlying performance of Sage Homes. Personal KPIs and business goals for bonus awards are clearly set out and agreed with each individual.
- **Proportionality:** executives are able to see how their performance in growing the supply of affordable housing and improving Sage Homes' financial position will lead to performance-related pay awards. Executives are aware that rewards are based on achievement rather than effort. Formulaic bonus outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance.
- **Alignment with culture:** Sage Homes is a rapidly growing, entrepreneurial company with significant ambitions which operates in a socially responsible, regulated sector of the economy. Sage Homes' culture reflects all those elements. The personal KPIs and business goals that underline Sage Homes' remuneration strategy works to maintain that culture as the organisation matures while ensuring that the behaviour of individuals supports Sage Homes' purpose, values and strategy.

## NOTICE PERIODS

No independent Non-Executive Director (iNED), Non-Executive Director (NED) or Executive Director has contractual rights for compensation beyond payment of the contractual notice period, which for the executives is no more than six months' salary. The Chief Executive Officer's contract provides for notice of three months by either party. The iNEDs and NED, including the Chair, have letters of engagement and are appointed for a period of three years.

**Gareth Llewellyn**  
**Chair of the Remuneration and Nomination Committee**  
 25 May 2023

## DIRECTORS' APPOINTMENTS

	Role	Date of appointment	Date of reappointment
Alison Thain OBE	iNED/Chair	6 March 2018	6 March 2021
John Brace	iNED	20 April 2018	20 April 2021
Cedi Frederick	iNED	21 June 2021	
David Godden	iNED	9 July 2019	8 July 2022
Gemma Katakay	NED	20 April 2018	20 April 2021
Gareth Llewellyn	iNED	21 June 2021	
Cindy Rampersaud	iNED	21 June 2021	
Sydney Taylor	NED	4 May 2017	4 May 2020
Mark Sater	CEO, Executive Director	21 July 2021	

In addition, as agreed with its parent, an Annual General Meeting was not held. Directors are not subject to annual re-election; however, Sage Homes' parent retains the ability to appoint or remove any Non-Executive Director from time to time.

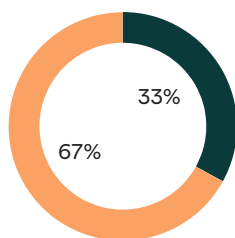
The Chair will not serve more than nine years in post as set out in the Chair's letter of engagement.

## GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness. The Committee will be conducting an external evaluation of its performance and the results will be included in the 2023 annual report and accounts.

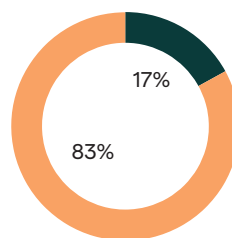
The Chair informs on matters dealt with at each Committee meeting at the subsequent Board meeting. The Committee during the year had unrestricted access to management, external advisers and training. The Committee is satisfied it had received appropriate, timely and reliable information in order to discharge its responsibilities effectively.

## GENDER BALANCE



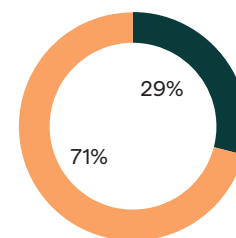
### Board

- Female: 33%
- Male: 67%



### Leadership Team

- Female: 17%
- Male: 83%



### Senior management

- Female: 29%
- Male: 71%

At the end of 2022, there were 140 male employees (47%) and 158 female employees (53%) in the Group (excluding Non-Executive Directors).

# Driving ever-improving outcomes for our customers and workforce



“The Committee was established to provide greater Board capacity to allow focus on the detail underlying customer and people issues.”

## MEMBERSHIP OF THE COMMITTEE

During the year, the Committee comprised:

- David Godden (Chair)
- Cedi Frederick
- Gemma Katakay
- Cindy Rampersaud

The majority of the Committee comprises of members being Independent Non-Executive Directors. Appointment of the Committee Chair, as well as the members of the Committee, are made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee. There were no changes to the Committee composition in 2022.

In addition to the members, the Chief Executive Officer, the Chief Customer Officer, the Chief Operating Officer, the Property and Services Director and the Head of Human Resources attended meetings.

## PURPOSE AND COMMITMENT

The Committee supports Sage Homes’ purpose and strategic direction by embedding a culture which helps drive ever-improving outcomes for our customers and workforce. The Committee provides greater Board capacity to allow focus on the detail underlying customer and people issues. The Committee acts to provide assurance, recommendations and advice for the Board on these areas, which are key pillars of Sage Homes’ strategy.

Sage Homes’ purpose and values describe how customers are at the heart of what Sage Homes does. The Committee represents a clear demonstration of the Board’s commitment to establish a business focused on our customers, making sure

that they have safe, high-quality and comfortable homes. Sage Homes’ people are passionate about achieving that ambition and the Committee is also a demonstration of the Board’s commitment to its workforce, working to help make sure they are provided with the best possible working environment and the key elements of a satisfying career.

Every decision made is undertaken with the best interests of our customers and workforce in mind. We ensure our customers, and our people are involved in the decision-making process through a variety of activities, including customer surveys, workforce engagement surveys and formal customer and people representation through the Customer Scrutiny Panel and “Sage Together” panel, respectively. This enables the Committee to listen directly to the “voice” of our customers and of our people and ensure those voices are fully considered by the Board in its strategic decision making. Sage Homes is supportive of the Tenant Satisfaction Measures (TSMs) coming into force in April 2024, which will drive better outcomes for its customers, and has already introduced questions relating to TSMs into its perception survey conducted in Q4 2022.

Sage Homes’ customer-centric aims, as set out in its purpose and values, can only be achieved through the commitment and hard work of its workforce. Accordingly, the Board wants to provide the best employment experience for Sage Homes’ people and the Committee works on its behalf to help make Sage Homes a great place to work. The Committee oversees the communication and application of the Sage Homes’ values throughout the business and ensures that the “voice” and views of Sage Homes’ people are clearly captured and fully considered by the Board in its strategic decision making.

Details of the meeting attendance can be found in the Corporate governance report on page 47.

Full details of the Committee’s Terms of Reference can be found on the Sage Homes website.

## ACTIVITIES AND CONSIDERATIONS DURING 2022 INCLUDED:

- The Committee works to ensure that the “voice” of Sage Homes’ customers is heard by the Board, and that customer priorities are recognised and understood by the Board and considered. The Board knows that most areas of the organisation impact the customer experience, and, for that reason, the Committee has a wide remit and examines issues arising at every step of the customer journey including property quality, hand-over processes and service management provision.
- The Committee oversees the approach and application of customer engagement and people engagement. There are two panels that support the work of the Committee in each regard:
  - > The Workforce Advisory Panel, “Sage Together”, set up in accordance with the Code, brings the views of the workforce to each meeting of the Committee. The Chair of this panel also regularly presents its work and the views of the workforce directly to meetings of the Board. The Panel has two sub-panels focusing on Wellbeing, and on Diversity & Inclusion, which are areas of focus for the Committee. Further information about the work of the panel may be found on page 20.
  - > The Customer Scrutiny Panel comprises Sage Homes customers and is chaired by Cedi Frederick who passes the views of the panel back to the Committee. The aim of the panel is to gather the lived experiences of Sage Homes customers in their Sage Homes and hear candidly about successes and areas requiring improvement. Further information about the work of the panel may be found on page 22. A quarterly update is discussed at the Committee, including the Customer Scrutiny panel bootcamp day, which was a great success, and future bootcamps will be planned.
- Results of the customer transaction surveys (customer feedback about a recent interaction with Sage Homes) are reviewed on a quarterly basis whilst the perception survey results (which includes questions for the Tenant Satisfaction Measures and gathers feedback about the customer’s overall experience with Sage Homes) are reviewed annually. Findings across the two types of surveys are analysed and used to form the Customer Service Strategy and identify actions that Sage Homes needs to take to improve the customer experience. A key objective for the Committee in 2022 was shaping the Customer Service Strategy and KPIs which set the three-year target for Sage Homes to be in the top quartile for customer satisfaction by 2024.
- The Committee approved the 2022 customer satisfaction survey metrics and discussed the leadership accountability and operational metrics. The Committee oversees the Customer improvement plan and property handover, and deep dives were carried out in areas such as the Viewber property induction trial; sales process challenges and improvements; the customer charter; customer improvement learnings and scalability; and project test learnings.
- The Committee reviews the Places for People (PfP) delivery and performance on a quarterly basis and oversees Sage Homes’ service with regard to repairs, arrears and complaints and progress against the service improvement plan. The Committee undertook deep dives into areas such as customer behaviours and values.
- Staff engagement surveys and ad hoc pulse surveys were conducted throughout 2022 and the action plans to address feedback are discussed quarterly, in addition to action plans to enhance Diversity & Inclusion (D&I) and the Gender Pay Gap. The results of the November 2022 staff engagement survey showed that since the mid-year survey in May 2022, Sage Homes’ engagement scores had increased to 79%, which was 4% up on the equivalent 2021 survey, 3% above the external benchmark of 76%, and 1% below the challenging 80% target which Sage Homes had set itself for 2022.
- As part of the Committee’s strategy and innovation, the Committee discussed the brand relaunch programme, the new Company logo and the brand roll out and key milestones.

## GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness. The Committee will be conducting an external evaluation of its performance and the results will be included in the 2023 annual report and accounts.

The Chair informs on matters dealt with at each Committee meeting at the subsequent Board meeting. The Committee during the year had unrestricted access to management, external advisers and training. The Committee is satisfied it had received appropriate, timely and reliable information to discharge its responsibilities effectively.

**David Godden**  
**Chair of Customer and People Committee**  
 25 May 2023

## We offer speed and certainty to housebuilders



“Working to make sure the organisation has homes that are appealing to our customers and make good business sense for Sage and its investors.”

### MEMBERSHIP OF THE COMMITTEE

During the year the Committee comprised:

- Sydney Taylor (Chair)
- Gemma Katakay
- Cindy Rampersaud (appointed 08/03/2023)

The Committee consists of three members. Given the scale of the acquisitions, Sage Homes’ investors are closely involved in its work. At least two members of the Committee must be Directors of Sage Homes and one must be an appointee of Sage Homes’ parent. Appointment of the Committee Chair, as well as the members of Sage Homes, are made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three years, which can be extended provided the Director still meets the criteria for membership of the Committee. There were no changes to the Committee composition in 2022. Cindy Rampersaud was appointed as a member of the Committee on 8 March 2023.

In addition to the members, representatives from Blackstone and Regis, the National Acquisitions Director, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, a representative from the legal team and other members of Sage Homes’ Acquisition Team attend meetings.

### PURPOSE AND COMMITMENT

We offer speed and certainty to housebuilders. The Committee spearheads the achievement of Sage Homes’ strategic Corporate Plan, working to make sure the organisation has homes that are appealing to our customers and make good business sense for Sage Homes and its investors.

We offer speed and certainty to housebuilders by generally meeting each week. We enable Sage Homes’ offers to be fully approved on behalf of the Board with no further approvals required unless there is a change to the agreement.

We use a Board-defined set of underwriting criteria to decide upon an acquisition. Those criteria comprise all factors that might influence whether a proposed acquisition represents a worthwhile investment for Sage Homes including, for affordable rented homes, whether the home could be economically let given its size and location and time to let and, for Shared Ownership homes, their marketability and selling costs.



## “In order to respond rapidly to acquisition opportunities, the Committee generally meets each week.”

Underlying those factors is the economic and housing market environment and its effect on our investment returns, as well as the quality and suitability of the homes for Sage Homes’ customers.

The metrics underlying the underwriting criteria are kept up to date and actualised based on transactions that have occurred and economic data so that we have the most up to date information available upon which to base our decisions.

To date, the bulk of Sage Homes’ acquisitions have been derived through the s106 model. In 2022 and beyond, we have seen the opportunity for new models and structures. These new strategies will help Sage Homes meet its target of 30,000 homes by 2030.

The Acquisition Committee (the “Committee”) has powers delegated to it by the Board to oversee and approve larger acquisitions. The Committee operates under Terms of Reference agreed by the Board, a copy is available on Sage Homes’ website. The Committee’s authorities are set out in Sage Homes’ Financial Regulations and Standing Orders and are kept under review by the Board and updated from time to time.

In order to respond rapidly to acquisition opportunities, the Committee generally meets each week. There were 42 meetings of the Committee in 2022.

At Committee meetings, the Sage Homes Acquisitions Team provides a schedule of proposed acquisitions, and supporting information, so that the Committee might consider and, if appropriate approve on behalf of the Board, Sage Homes’ commitment to proceed with agreements with housebuilders to purchase homes from them.

When deciding upon an acquisition, the Committee uses a defined set of underwriting criteria to ensure that a proposed acquisition represents a worthwhile investment for Sage Homes.

### KEY RESPONSIBILITIES OF THE COMMITTEE

These include:

- reviewing, considering and, if suitable, approving any acquisition recommendations made by Sage Homes’ executive management and Sage Homes’ entry into contracts for the purchase of new-build housing development schemes which:
  - > fall above the acquisition criteria plan level approved by the Board
  - > are below the level which need to be directly approved by the Board
  - > are within Board approved programmes and budgets
  - > where sufficient funds are available for this purpose.
- monitoring the progress of the acquisitions and developments it and/or the Board has approved.

### GOVERNANCE

The Committee reviews its Terms of Reference annually to ensure it is operating at maximum effectiveness.

The Chair and National Acquisitions Director report on matters dealt with at Committee meetings at the subsequent Board meeting. The Committee during the year had unrestricted access to management, external advisers and training. The Committee is satisfied it received appropriate, timely and reliable information to discharge its responsibilities effectively.

**Sydney Taylor**  
**Chair of the Acquisition Committee**  
 25 May 2023

## DIRECTORS' REPORT

The Directors present their report and audited financial statements for Sage Housing Limited for the year ended 31 December 2022.

It is the Directors' responsibility to prepare the annual report and financial statements and they consider that the Sage Housing Limited Annual report and financial statements 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Sage Homes' position, performance, business model and strategy during 2022.

The Chair's statement and the Strategic report, including the Chief Executive Officer's review, financial review, disclosures of the key performance indicators used to manage the business, and likely future development, together with this section fulfils Section 414C of the Companies Act 2006.

### PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend for the period.

### CORPORATE GOVERNANCE

The Corporate governance report is set out on pages 44 to 50.

### THE DIRECTORS OF THE BOARD

The Directors of Sage Homes who held office during the period, and up to the date of signing the financial statements were:

John Brace

Cedric Frederick

David Godden

Gemma Katakya

Gareth Llewellyn

Cindy Rampersaud

Mark Sater

Sydney Taylor

Alison Thain

The Company Secretary is Bridget Frisby.

The Articles give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all of their powers of Sage Homes subject to statute, relevant regulation, the Articles and Sage Homes' Standing Orders and Financial Regulations. Directors are not subject to annual re-election. However, Sage Homes' parent retains the ability to appoint or remove any Director from time to time.

### DIRECTORS' INTERESTS

Apart from service contracts or Non-Executive Directors' letters of engagement, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to Sage Homes' business during the period under review. No Director has any beneficial interest in Sage Homes.

### DIRECTORS' AND OFFICERS' LIABILITY

Sage Homes has maintained, throughout the year and to the date of this report, Directors' and officers' liability insurance cover in respect of the acts or omissions of its Directors and executives and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, Sage Homes has made qualifying third-party indemnity provisions for the benefit of its Directors against liabilities incurred in the execution of their duties.

### ANNUAL GENERAL MEETING

By mutual consent, the Board and parent have decided to waive the need to hold an Annual General Meeting and to approve the annual report, financial statements and the appointment of the auditor by written resolution.

### INDEPENDENT AUDITOR

Sage Homes' auditor for the year ended 31 December 2022 was Deloitte LLP. Sage Homes has not yet reappointed an auditor for 2023 although it is expected that Deloitte will continue in this role.

### POLITICAL AND CHARITABLE DONATIONS

There were no political donations made or political expenditure incurred in the financial year.

During the year, Sage Homes made charitable donations of almost £40,000 through Heart of Sage to help support charities, community groups and those customers most in need. Similar donations were made in 2021 for £13,000.

### OFFICES

Sage Homes operates from two locations within the UK, there are no offices outside of the UK.

### EMPLOYEES

Sage Homes communicates and consults with its workforce on a wide range of subjects, including those that directly affect them, using email, websites, intranet and meetings. The employees of Sage Homes are instrumental in its success and the organisation works hard to maintain good relationships with its employees through continual communications. Sage Homes sees each recruitment as a significant and long-term investment in the success of the business. Employees with broad knowledge, diverse backgrounds and experience make a vital contribution of Sage Homes, supporting the attainment of the corporate goals and fulfilling its strategy. To retain employees, personal and career development must exist and development and learning resources are available to all employees through Sage Homes' learning and development portal.

Every year Sage Homes conducts an annual employee engagement survey. In addition, a pulse survey was carried out in 2022 to assist with the tracking and monitoring of specific employee experience actions. The Customer and People Committee and the Board are briefed on the results of the survey and the action plan to address any findings.

## EQUALITY AND DIVERSITY

Sage Homes is committed to providing equal opportunities in employment for all employees and does not discriminate against job applicants or employees of Sage Homes against any protected characteristic. It does not discriminate against job applicants or employees of Sage Homes on the grounds of their sex, gender reassignment, marital or civil partner status, pregnancy or maternity, sexual orientation, disability, age, race, religion or belief (protected characteristics).

Sage Homes takes the issues of equality and diversity seriously. By using the talent and skills available, it is able to build the strong team it requires to deliver the strategy for its business. Sage Homes uses job-related objective criteria in the selection of candidates and when considering development opportunities. Sage Homes aims to:

- create an inclusive environment in which individual differences and the contribution of everyone is recognised and valued
- provide a working environment that promotes safety, dignity and respect for all
- not tolerate any form of intimidation, bullying or harassment
- ensure that all training and development is inclusive and accessible to enable the same progression opportunities to all
- promote equality in the workplace as good management practice that makes sound business sense
- not discriminate unlawfully against customers, suppliers or others using or seeking to use Sage Homes' services.

"Sage Together" the Workforce Advisory Panel discusses the way Sage Homes colleagues interact with the business and ensures they feel heard; wellbeing and diversity and inclusion are a key focus. Further details of the work of the "Sage Together" advisory panel can be found on page 20.

## PEOPLE WITH DISABILITY

Sage Homes accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications and promotion. If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

Opportunities are provided to all employees for career development and succession, regardless of mental or physical health or disability, with adjustments being accommodated as appropriate. Where a provision, criterion or practice places a disabled person at a substantial disadvantage in comparison with someone who is not disabled, Sage Homes embraces the opportunity to make reasonable adjustments to avoid the disadvantage.

Some examples of reasonable adjustments include:

- adaptation of the working environment, for example seating, desk height, ramps and lifts
- altering the lighting for someone with restricted vision
- allowing a person with a disability to work flexible hours to accommodate their needs
- providing extra support for someone whose disability leads to uncertain or a lack of confidence
- allowing a person with a disability to take time off for medical check-ups and treatment related to their condition.

## STAKEHOLDER RELATIONSHIPS

To see how Sage Homes engages with its stakeholders, refer to the Section 172 statement on pages 34 and 35.

## RESEARCH AND DEVELOPMENT

Sage Homes undertakes research and development on projects that will improve its technological and operational infrastructure and create efficiencies. The aim is to improve the service provided to its customers, to increase operational efficiency and to improve compliance with regulatory and economic requirements. Examples of these investments include areas that drive efficiencies and automate manual processes.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the business are detailed on pages 24 to 26.

## FINANCIAL INSTRUMENTS

Details of the use and materiality of financial instruments are provided in note 1 to the financial statements.

## SECURITIES AND SHARES

Sage Homes has no listed securities and there were no shares purchased or acquired under Section 659 of the Companies Act 2006.

## REGULATION

Sage Housing is regulated under the Registered Social Housing Legislation and its Registration Number is 4636. It is incorporated in England and Wales with Company Number 5489096.

## STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group is required to report under the SECR framework, under the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon report) Regulations 2018.

Sage Homes has begun to quantify its environmental impact and define medium and long-term carbon emissions targets, to place us on a course for reaching a zero-carbon future. All emissions reported are from activities over which Sage has financial and operational control and are classified as follows:

- Scope 1: Direct emissions: Emissions from combustion in owned or controlled boilers or vehicles
- Scope 2: Energy indirect: Emissions that are a consequence of our activities which occur at sources we do not own
- Scope 3: Other indirect: Emissions from business travel by means not owned by the Company

In addition to Sage Homes' own corporate activities which are generally administrative in nature, Sage Homes utilises partners to manage its delivered affordable homes and continues to significantly invest in and deliver a high number of new affordable homes through our construction partnerships. We have begun to engage with our supply chain to encourage them to report on their key environmental impacts so that Sage Homes can make informed procurement decisions.

Through the year, we have improved how we measure and report our carbon emissions. Any estimates or averages used have been identified and key actions have been assigned internally to ensure data becomes more robust.

In line with SECR requirements, the quantity of emissions in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) resulting from UK energy use relating to gas, electricity and transport fuel within Sage Homes has been calculated for the year ended as follows:

- electricity and gas used in our offices as utilities
- temporary gas and electricity supplies to void homes in our affordable housing portfolio
- electricity and gas supplies to common building areas where Sage is the owner
- fuel used for business purposes by all employees.

Energy use and carbon emissions for 2022:

Total energy consumption	2022 kWh	2021 kWh
Mains gas	<b>4,142,740</b>	4,629,305
Mains electricity <sup>1</sup>	<b>614,826</b>	607,598
Transport fuel – business travel in employee-owned vehicles	<b>152,958</b>	104,864
	<b>4,910,524</b>	5,341,767

Total gross emissions	2022 tCO <sub>2</sub> e	2021 tCO <sub>2</sub> e
Combustion of gas (scope 1)	<b>744</b>	834
Purchased electricity (scope 2)	<b>119</b>	129
Combustion of fuel for transport (scope 3)	<b>38</b>	26
	<b>901</b>	989

1. The electricity supplied in our head office is on a renewable energy tariff, this results in 97,903kWh (2021: 36,945 kWh) of our mains electricity being from a renewable green energy source.

## INTENSITY RATIOS:

Our intensity ratios are based on three different drivers, average number of employees across the year, completed homes at year end and homes in development at year end.

	2022	2021
Carbon emissions intensity (tCO <sub>2</sub> e per employee)	<b>2.96</b>	4.02
Carbon emissions intensity (tCO <sub>2</sub> e per completed homes)	<b>0.08</b>	0.14
Carbon emissions intensity (tCO <sub>2</sub> e per home in development)	<b>0.10</b>	0.09

## EXCLUSIONS:

All mandatory fuels have been included with no exclusions. The consumption used by our partnerships, which include most of our supply chain, our housebuilders, residents and property management services, fall out of the scope of our financial and operational control boundaries and for this reason have been excluded from the above calculations.

## METHODOLOGY:

As Sage Homes occupies space within an office building without separate metering, all electricity and gas consumption figures used in our offices have been estimated based on average office costs per square foot. For temporary gas and electricity supplies to our void homes in our affordable housing portfolio, we have calculated this based on the number of weeks the home is void and the Typical Domestic Consumption Values. The same calculation for communal areas is used where it is estimated this use is around 1% of a single home. The amount of transport fuel used by employees for business purposes, i.e. grey fleet, has been estimated using consolidated mileage claims data and the GHG Conversion Factors for average passenger vehicles have been applied.

## DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made enquiries of fellow Directors and of the auditor, each of these Directors confirm that:

- so far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

## POST-BALANCE SHEET EVENTS

The Sage Group completed an upsizing of its RCF in January 2023. The facility was increased by £250m to £1,298.5m of total commitments. The expansion will assist the joint obligors, Sage Housing Limited and Sage Homes RP Limited, with their target to deliver 30,000 affordable homes by 2030.

Sage as a Group is investigating the possibility of utilising English Limited Partnerships within its structure, though the final decision is subject to Board review and final approval. Were the restructure to proceed, Sage Homes would transfer the majority of its work in progress homes to one of the partnerships being determined by their affordable rental or shared ownership tenure. Sage Homes RP Limited would be the general partner of both partnerships, with Sage Rented Limited being the limited partner of the affordable rent partnership, and Sage Housing Limited being the limited partner of the shared ownership partnership. As such, the delivery activity level within Sage Housing Limited would reduce post the transfer as detailed above.

No other significant events occurred after the reporting period, but before the financial statements were authorised for issue.

### GOING CONCERN

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sage Homes' ability to continue over a period of at least 12 months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sage Homes, review and assessment of the risks facing Sage Homes and potential mitigants, and discussions with Sage Homes' shareholders and investors who have confirmed their intentions to continue to support Sage Homes in line with the current business plan and have provided funding guarantee letters the Directors believe appropriate for Sage Homes' requirements.

To support this process, the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sage Homes have maintained sound risk management and internal control systems.

The Directors can report that Sage Homes has a considered and well-developed business model to preserve and increase the value of Sage Homes' assets and to deliver the objectives of Sage Homes in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as a review of Sage Homes' business plan. In doing so the Board can identify possible funding requirements and plan for these with Sage Homes' management, its shareholders and investors. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis including a review of the impact of reductions in income from Shared Ownership sales, future letting occupancy and constraints to future increases in debt funding availability.

As referenced in the Viability statement and their assessment of the impact of the current uncertainty caused by the economic downturn and funding requirements, the Directors have assessed Sage Homes' access to additional shareholder funding as well as debt financing and have a reasonable expectation that Sage Homes has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

### VIABILITY STATEMENT

The Directors have assessed the ongoing viability of Sage Homes. Each year, on a rolling basis, the Directors draw up a detailed budget and strategic plan for the business covering the next five years. The Directors have determined five years to be appropriate as this aligns with the growth cycle of Sage and forms the lead in to the 30-year Long term Financial Plan, also produced annually, and which is a requirement for Registered Providers to produce.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, the assumptions have been tested and sensitivities to these identified to enable comprehensive stress-testing of the financial forecasts to be undertaken. The stress testing focuses on the solvency or liquidity of the company and considers severe but plausible downsides, both singular and compounding, to the plan's assumptions.

Areas considered have included, but were not limited to, how Sage Homes works with its partners to ensure tenants receive appropriate services, how Sage can continue to sell and let affordable homes, how to work with developers to continue to deliver completed affordable homes of the requisite quality, and how to continue to acquire new affordable homes in alignment with Sage Homes' growth strategy.

Directors have also assessed Sage Homes' ability to modify its plans and capital needs in response to an economic downturn, including assessing existing debt facilities and the level of headroom to these. Sage Homes' current facility has covenants relating to future drawdowns only, with no maintenance covenants, and has a reasonable level of headroom in place. Finally, the Directors have discussed with Sage Homes' shareholders and investors their capital availability to fund the Sage Homes' business plan, including assessing the downsides, with realistic and achievable mitigations that can be considered to these. The Directors have affirmed the shareholders intentions in this regard and have the benefit of letters of guarantee on the mitigated downside scenarios to support this position.

Following their assessment of the above, the Directors have a reasonable expectation that Sage Homes has access to adequate liquidity to continue in operational existence for the foreseeable future.

The Directors' report was approved by the Board on 25 May 2023.

By order of the Board.

**Bridget Frisby**  
**Company Secretary**  
 Sage Housing Limited  
 25 May 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. The Companies Act 2006 and Registered Social Housing Legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the private Registered Provider and of the profit or loss for that period. The Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Registered Provider will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the Registered Provider and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from January 2019.

The Board has general responsibility for taking reasonable steps to safeguard the assets of the Registered Provider and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic report includes a fair review of the development and performance of the business and the position of Sage Homes, together with the disclosure of the principal risks and uncertainties it faces.

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

### DIRECTORS' CONFIRMATIONS

The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess Sage Homes' position, performance, business model and strategy. Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that Sage Homes' auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Statement of Directors' responsibilities was approved by the Board on 25 May 2023.

By order of the Board.

**Bridget Frisby**  
**Company Secretary**  
Sage Housing Limited  
25 May 2023

# Financial statements



Delivering sector-leading numbers of high-quality, energy-efficient affordable homes.

## Report on the audit of the financial statements

### OPINION

In our opinion the financial statements of Sage Housing Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Cash Flow Statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Housing SORP 2018, Housing and Regeneration Act 2008, Accounting Direction for Social Housing, UK Finance Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

## VALUATION OF HOUSING PROPERTIES

- Tested the design and implementation of the controls over the preparation and review of managements impairment model as well as any additional controls that mitigate against the risk of impairment.
- Assessed and challenged management's impairment indicator review in accordance with SORP 2018 and FRS 102.
- Evaluated the determination of CGU's.
- Challenged management's recoverable amount calculations against expert valuations.
- Engaged with Deloitte valuation specialist to review judgemental inputs to calculations, such as discount rate.
- Completed a substantive review of slow-moving stock.
- Performed 'IPE' testing over the data utilised within management's impairment assessment.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

## Report on other legal and regulatory requirements

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or Directors' Report.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in respect of these matters.

### USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**James Wright FCA (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**London**  
**United Kingdom**  
25 May 2023

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Turnover</b>	3	<b>227,191</b>	174,349
Cost of sales	3	<b>(148,383)</b>	(125,876)
		<b>78,808</b>	48,473
Operating costs	3	<b>(46,413)</b>	(40,013)
Surplus on disposal of properties	3	<b>2,804</b>	515
<b>Operating profit</b>	7	<b>35,199</b>	8,975
Interest receivable and similar income	8	<b>9,139</b>	—
Interest payable and similar charges	8	<b>(50,313)</b>	(29,046)
Exceptional (expense)/income	9	<b>(250)</b>	2,884
<b>Loss before tax</b>		<b>(6,225)</b>	(17,187)
Tax on loss	10	<b>3,112</b>	53
<b>Loss for the year</b>		<b>(3,113)</b>	(17,134)

The results for the current year and prior year derive from continuing operations.

The notes on pages 77 to 92 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION  
at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Tangible fixed assets</b>			
Housing properties	11	1,313,730	792,200
Other fixed assets	12	27	145
<b>Total fixed assets</b>		<b>1,313,757</b>	792,345
<b>Non-current assets</b>			
Financial instruments	13	10,768	—
<b>Total non-current assets</b>		<b>10,768</b>	—
<b>Current assets</b>			
Financial instruments	13	3,999	—
Stock	14	132,465	119,085
Debtors	15	57,793	37,137
Cash at bank and in hand	16	69,647	62,750
<b>Total current assets</b>		<b>263,904</b>	218,972
<b>Creditors: amounts falling due within one year</b>	17	<b>(98,800)</b>	(86,082)
<b>Net current assets</b>		<b>165,104</b>	132,890
<b>Total assets less current liabilities</b>		<b>1,489,629</b>	925,235
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(1,449,782)</b>	(905,675)
<b>Net assets</b>		<b>39,847</b>	19,560
<b>Capital and reserves</b>			
Called-up share capital	19	125,447	102,047
Profit and loss account		(85,600)	(82,487)
<b>Total shareholders' funds</b>		<b>39,847</b>	19,560

The financial statements of the Company (registered number: 05489096) were approved by the Board of Directors and authorised for issue on 25 May 2023.

They were signed on its behalf by:



**Alison Thain OBE**  
Director

The notes on pages 77 to 92 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2021	69,219	(65,353)	3,866
Issue of ordinary share capital	32,828	—	32,828
Total comprehensive loss for the financial year	—	(17,134)	(17,134)
At 31 December 2021	102,047	(82,487)	19,560
Issue of ordinary share capital	23,400	—	23,400
Total comprehensive loss for the financial year	—	(3,113)	(3,113)
<b>At 31 December 2022</b>	<b>125,447</b>	<b>(85,600)</b>	<b>39,847</b>

The notes on pages 77 to 92 form part of these financial statements.

## CASH FLOW STATEMENT

for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Cash flow from operating activities</b>	20	<b>21,186</b>	28,332
<b>Cash flow from investing activities</b>			
Purchase of properties		(534,127)	(495,789)
Disposal of properties		8,773	224,954
Purchase of other fixed assets		—	(78)
Disposal of other fixed assets		—	—
Grants received		19,525	7,829
<b>Net cash used in investing activities</b>		<b>(505,829)</b>	(263,084)
<b>Cash flow from financing activities</b>			
New share issues		23,400	32,828
Loans received		522,444	228,491
Loans repaid		(8,700)	—
Purchase of financial instruments		(5,632)	—
Interest paid		(39,972)	(16,494)
<b>Net cash received from financing activities</b>		<b>491,540</b>	244,825
<b>Net increase in cash and cash equivalents</b>		<b>6,897</b>	10,073
Cash and cash equivalents at the beginning of the year		62,750	52,677
<b>Cash and cash equivalents at the end of the year</b>		<b>69,647</b>	62,750
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		69,647	62,750
<b>Total cash at bank and in hand</b>		<b>69,647</b>	62,750

The notes on pages 77 to 92 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

### 1. ACCOUNTING POLICIES

Sage Housing Limited (the “Company”) is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The Company is a Registered Housing Provider. The address of the Company is provided on the “Professional Advisers” section, on the IBC.

#### BASIS OF ACCOUNTING

The financial statements are prepared in accordance with FRS 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (“FRS 102”), and the Housing Statement of Recommended Practice 2018 for registered social housing providers (“Housing SORP 2018”) and comply with the Accounting Direction for Private Registered Providers of social housing from January 2022 (the “Accounting Direction 2022”).

The Company does not meet the definition of a qualifying entity set out in FRS 102 and has not taken advantage of the disclosure exemptions available to such entities.

The functional currency of the Company is Pounds Sterling (£) because that is the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand pounds (£'000).

The financial statements have been prepared under the historical cost convention.

#### GOING CONCERN

The Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors can report that there are no material uncertainties to Sage Homes’ ability to continue over a period of at least 12 months from the date of approval of the financial statements. This conclusion has been reached following a full review and scrutiny of the financial position of Sage Homes, review and assessment of the risks facing Sage Homes and potential mitigants, and discussions with Sage Homes’ shareholders and investors who have confirmed their intentions to continue to support Sage Homes in line with the current business plan and have provided funding guarantee letters the Directors believe appropriate for Sage Homes’ requirements.

To support this process, the Board has put in place a risk management and internal control system. The Board has determined the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board and the management of Sage Homes have maintained sound risk management and internal control systems.

The Directors can report that Sage Homes has a considered and well-developed business model to preserve and increase the value of Sage Homes’ assets and to deliver the objectives of Sage Homes in the short and long term.

The Board keeps liquidity under constant review, a process that involves assessing short and long-term cash flow projections, as well as a review of Sage Homes’ business plan. In doing so the Board can identify possible funding requirements and plan for these with Sage Homes’ management, its shareholders and investors. Key assumptions underpinning the projections are regularly reviewed and updated and are subject to stress testing and sensitivity analysis including a review of the impact of reductions in income from Shared Ownership sales, future letting occupancy and constraints to future increases in debt funding availability.

As referenced in the Viability statement and their assessment of the impact of the current uncertainty caused by the economic downturn and funding requirements, the Directors have assessed Sage Homes’ access to additional shareholder funding as well as debt financing and have a reasonable expectation that Sage Homes has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

#### TURNOVER

Turnover represents rental and service charge income receivable (net of void losses), proceeds from first tranche sales of Shared Ownership properties and amortisation of social housings grants in accordance with Housing SORP 2018.

Rent and service charge income is recognised on an “accruals” basis from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales is recognised at the point of legal completion of the sale. The first tranche sales value is recognised as the proportion of the property sold, multiplied by the market value determined at the time.

Social housing property grant income is recognised under the accrual model and is amortised over 100 years, starting from when the property is completed, in line with the Company’s depreciation policy for the structure of rental-only social housing properties, and as required by Housing SORP 2018. This 100-year period also applies to grants relating to Shared Ownership properties, even though these properties are not depreciated.

#### VALUE ADDED TAX

Value added tax (“VAT”) is charged on income, which forms a taxable supply for VAT purposes and therefore the VAT incurred on related expenditure is recoverable. VAT is not recoverable on exempt supplies. Turnover is shown net of any VAT charged. The financial statements include VAT on expenditure, alongside the cost to which the VAT relates, to the extent that it is not recoverable from HMRC.

## 1. ACCOUNTING POLICIES continued

### COST OF SALES

Cost of sales represents those costs incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties. At the date a sale is recognised all costs are taken to cost of sales.

### EXCEPTIONAL INCOME AND EXPENSE

Exceptional income and expense represents significant or non-recurring gains or losses arising from transactions or events that are outside the ordinary activities of the company. This income or expense is recognised when it is probable that the settlement of which is expected to result in an inflow or outflow of economic benefits and can be reliably measured.

### LEASED ASSETS

The total rental payable under operating leases is recognised on a straight-line basis over the lease term. The Company has not entered into any finance leases.

### HOUSING PROPERTIES AND DEPRECIATION

Housing Properties are classified as either "in the course of construction", "rented" or "Shared Ownership".

Housing Properties in the course of construction are stated at cost. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period. Where a development consists of both "rented" and "Shared Ownership" properties the development costs are split in accordance with the developer's cost allocation. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties classified as rented are disaggregated into land, structure and a specific set of major components that require periodic replacement. Each component is recognised on the basis of materiality and if the useful economic life is substantially different from the rest of the structure. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value (the assumption is they are of no residual value), on a straight-line basis, over their estimated useful economic lives. Freehold land is not depreciated.

Component	Years
Housing structure	100
Roof	50
Windows and doors	25
Electrical and heating	25
Bathrooms	25
Kitchens	20
Boilers	10

Under Shared Ownership arrangements, the Company disposes of a long lease equal to between 25% and 75% of the value of Shared Ownership housing units to the occupying leaseholders. The leaseholder has the right to purchase further proportions up to 100% at the then-current valuation. Shared Ownership properties are split between current and fixed assets on initial recognition.

Shared Ownership properties for sale, held as stock in current assets, are stated at the lower of cost or estimated sale proceeds less selling costs and remaining construction costs. The proceeds from the sale of the current asset element ("first tranche") are included in turnover and the proportionate cost of the related asset expensed through the profit and loss statement as a cost of sale. The unsold portion of the property ("staircasing element") is accounted for as a fixed asset and any subsequent tranche sale is treated as a part disposal of a fixed asset.

Shared Ownership social housing properties are not broken down into components as their tenants are liable for any repairs, and they are not depreciated due to their high residual value.

### OTHER FIXED ASSETS AND DEPRECIATION

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following asset categories on a straight-line basis, to write down the cost less estimated residual values over the expected useful economic lives of the assets:

Asset category	Years
Computer Equipment and Software	3
Furniture, Fixtures and Fittings	4
Leasehold Office Properties and Improvements	Over the period of the lease



## 1. ACCOUNTING POLICIES continued

### IMPAIRMENT OF TANGIBLE FIXED ASSETS

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date.

Where indicators are identified, a detailed assessment is then undertaken to determine the asset's or cash-generating unit's (CGU's) recoverable amount. The recoverable amount will be the higher of fair value less costs to sell, existing use valuation for Social Housing ("EUV-SH"), or value in use (in respect of assets held for their service potential) ("VIU-SP"). As allowed by Housing SORP 2018, the Company uses depreciated replacement cost ("DRC") as a reasonable estimate of VIU-SP.

Where the carrying amount of an asset or CGU is deemed to exceed its recoverable amount, the resulting impairment loss is recognised in other comprehensive income.

The Company defines CGU's as schemes, except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger CGUs.

### STOCK

Stock represents Shared Ownership work in progress and completed properties. Stock is stated at the lower of cost and net realisable value. Cost includes the cost of acquiring land and buildings and development costs incurred during the development period. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs. The value of Shared Ownership work in progress and Shared Ownership unsold completed properties is split between fixed assets and stock in the ratio 60:40.

This stock is available for sale to the occupier of the completed Shared Ownership property after the first tranche sale has occurred. The occupier has the option, but not the requirement, to acquire additional shares ("staircase") until they possess the entire property. The revenue and cost of the staircasing is included in disposals.

### FINANCIAL ASSETS

Basic financial assets, including tenant debtors, other receivables, cash and bank balances are initially recognised at the transaction price unless the arrangement constitutes a financing transaction, in which case then the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year, basic financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

### SOCIAL HOUSING PROPERTY GRANT

The grants which have been provided by central and local government to part-fund the construction of the Company's social housing properties are recognised using the accrual model as required by Housing SORP 2018. These are treated as deferred income and amortised as detailed in the turnover policy. The amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant are not complied with. Social housing property grants, which the Company is entitled to and is reasonably certain of receiving, are included in debtors.

### RECYCLED CAPITAL GRANT FUND ("RCGF")

The Company has the option to recycle social housing property grants which would otherwise be repayable to Homes England or the GLA to the RCGF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or waiver is received.

The amounts held within the RCGF which are not anticipated to be recycled or become repayable within one year are included under "creditors due after more than one year". The remainder is included under "creditors due within one year".

### FINANCIAL LIABILITIES

Financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, in which case the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 1. ACCOUNTING POLICIES continued

### DERIVATIVE FINANCIAL INSTRUMENTS

The company enters into derivative financial instruments to manage its exposure to interest rate risk, principally interest rate caps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately irrelevant of whether the derivative is designated as effective hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### PROVISIONS

Provisions are recognised for liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle a legal or constructive obligation at the year end reporting date. Management has made provisions for developer defects based on their best estimate of recoverability, providing for 60% of the recoverable amount.

### INTEREST PAYABLE AND FINANCING COSTS

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Interest payable on loans is recognised in the statement of comprehensive income and not capitalised to housing properties. Finance costs are amortised across the length of the loan.

### TAXATION

The tax charge represents the sum of current tax and deferred tax.

The current tax is based on taxable result for the year. Taxable result differs from net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

### CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The preparation of financial statements in conformity with FRS 102 requires management to exercise its judgement in the process of applying the Company's accounting policies. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant management judgements made in applying the accounting policies of the Company that have the most significant effect on the financial statements.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

### DETERMINING WHETHER AN IMPAIRMENT REVIEW IS REQUIRED

Determining whether there are indicators of impairment of the Company's housing properties, including those held as tangible fixed assets and current assets, requires judgement. The following are considered to be indicators of impairment, but other events may indicate that an impairment review is required:

- any issue that was not identified as part of a development's appraisal which results in a material increase in the cost of the development
- a change in government policy, regulation or legislation
- a reduction in demand for a property (either by type or location, possibly evidenced by increased voids)
- a reduction in the market value of Shared Ownership properties
- obsolescence of a property (ie it is planned to regenerate the property by demolishing it).

As a result of the impairment consideration conducted at the year end, no indicators of impairment have been identified and no provisions have been required. Refer to note 11 for details of the housing properties balance subject to impairment review.

### ESTIMATION UNCERTAINTY

There are no key estimates.

## 3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING LOSS

	2022					2021				
	Turnover £'000	Costs of sales £'000	Operating costs £'000	Surplus on disposal £'000	Operating (loss)/profit £'000	Turnover £'000	Costs of sales £'000	Operating costs £'000	Surplus on disposal £'000	Operating (loss)/profit £'000
<b>Social housing activities</b>										
Social housing lettings	30,024	—	(24,927)	—	5,097	15,587	—	(23,440)	—	(7,853)
<b>Other social housing activities</b>										
Shared Ownership first tranche sales	197,167	(148,383)	—	—	48,784	158,762	(125,876)	—	—	32,886
Charges for support services	—	—	(21,486)	—	(21,486)	—	—	(16,573)	—	(16,573)
Surplus on disposal of housing properties	—	—	—	2,804	2,804	—	—	—	515	515
	<b>197,167</b>	<b>(148,383)</b>	<b>(21,486)</b>	<b>2,804</b>	<b>30,102</b>					
	<b>227,191</b>	<b>(148,383)</b>	<b>(46,413)</b>	<b>2,804</b>	<b>35,199</b>	174,349	(125,876)	(40,013)	515	8,975

Of the total revenue above, £nil (2021: £nil) was derived from outside the UK.

#### 4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2022			2021		
	General needs £'000	Shared Ownership £'000	£'000	General needs £'000	Shared Ownership £'000	£'000
<b>Revenue from social housing lettings</b>						
Rents receivable net of identifiable service charges	14,314	13,280	27,594	7,084	7,599	14,683
Service charge income	65	2,189	2,254	36	760	796
Amortised government grants	55	121	176	30	78	108
	<b>14,434</b>	<b>15,590</b>	<b>30,024</b>	7,150	8,437	15,587
<b>Expenditure on social housing lettings</b>						
Management costs	(9,405)	(7,580)	(16,985)	(9,980)	(9,103)	(19,083)
Service charge costs	(369)	(1,764)	(2,133)	(176)	(966)	(1,142)
Maintenance and repairs	(1,080)	(997)	(2,077)	(583)	(579)	(1,162)
Bad debts	(120)	(22)	(142)	(45)	(8)	(53)
Depreciation on housing properties	(3,497)	—	(3,497)	(1,926)	—	(1,926)
Other costs	(35)	(58)	(93)	(52)	(22)	(74)
<b>Operating expenditure on social housing lettings</b>	<b>(14,506)</b>	<b>(10,421)</b>	<b>(24,927)</b>	(12,762)	(10,678)	(23,440)
<b>Operating (loss)/profit on social housing letting activities</b>	<b>(72)</b>	<b>5,169</b>	<b>5,097</b>	(5,612)	(2,241)	(7,853)
<b>Void losses</b>	<b>923</b>	<b>2,081</b>	<b>3,004</b>	2,317	1,715	4,032

#### 5. SAGE GROUP – KEY MANAGEMENT PERSONNEL

The Company does not employ any staff and all personnel services in relation to the operations of the Company are performed by Sage Housing Group Limited ('SHGL'), a related party within the Group; these services are recharged under its services agreement with Sage Housing Limited and the other Registered Providers within the Group.

The costs disclosed below are to give a true reflection of the personnel costs of the Group and represent the key management personnel costs for the entire Group, a proportion of which are recharged to the various entities within the Group based upon their utilisation of the resources of SHGL and the costs incurred. The proportion of costs recharged is disclosed in note 4 and in note 27. The key management personnel are defined as members of the Board, and any other person who is a member of the Executive Team. Their remuneration for the Group are summarised below.

	2022 £'000	2021 £'000
<b>Non-Executive Directors' remuneration for the Group</b>		
Remuneration	205	153
Social security costs	21	15
<b>Total Non-Executive Directors' remuneration for the Group</b>	<b>226</b>	<b>168</b>
Average number of Non-Executive Directors for the Group in the year	8	7
<b>Executive Team remuneration for the Group</b>		
Remuneration	2,721	2,327
Social security cost	378	305
Defined contribution pension contributions	52	23
<b>Total Executive Team remuneration for the Group</b>	<b>3,151</b>	<b>2,655</b>
Average number of Executive Team members for the Group in the year	6.3	5.6

## 5. SAGE GROUP – KEY MANAGEMENT PERSONNEL continued

During the year, defined contribution pension contributions were made for four (2021: four) key management personnel of the Group, totalling £52,000 (2021: £23,000). The Chief Executive is a member of the Company defined pension scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement.

The average number of full-time equivalent Directors during the year ended 31 December 2022 was nine (2021: seven).

	2022 £'000	2021 £'000
<b>Remuneration of the highest-paid Director for the Group</b>		
Remuneration (excluding pension contributions)	658	606
Pension contributions	17	6
	<b>675</b>	<b>612</b>

The table below shows the remuneration including pension contributions paid to each director of Sage Housing Limited. Shareholder representative directors Gemma Katakay and Sydney Taylor are not paid for their services. Executive Director, Mark Sater, also receives no separate compensation for his director role, and his remuneration relates to his role as Chief Executive Officer.

		2022 £'000	2021 £'000
<b>Director remuneration (including pension)</b>			
<b>Director</b>	<b>Role</b>		
Alison Thain OBE	Independent Non-Executive Director / Chair	51	50
Cedic Frederick	Independent Non-Executive Director	31	15
Cindy Rampersaud	Independent Non-Executive Director	29	13
David Godden	Independent Non-Executive Director	31	30
Gareth Llewellyn	Independent Non-Executive Director	31	15
Gemma Katakay	Non-Executive Director	—	—
John Brace	Independent Non-Executive Director	32	30
Mark Sater	CEO, Executive Director	675	612
Sydney Taylor	Independent Non-Executive Director	—	—
		<b>880</b>	<b>765</b>

## 6. EMPLOYEES' INFORMATION

All remaining full time employees were transferred to Sage Housing Group Limited, the management company of the Sage Group, as disclosed in note 5. As such, the figures presented pertaining to employees represent this change.

The average monthly number of employees (incl. Directors) expressed as headcount and not full-time equivalents during the year was:

	2022 Number	2021 Number
Non-Executive Directors	8	7
Senior managers and executives	2	1
Office staff	—	—
	<b>10</b>	<b>8</b>
	£'000	£'000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	657	744
Social security costs	56	57
Defined contribution pension	11	9
	<b>724</b>	<b>810</b>

NOTES TO THE FINANCIAL STATEMENTS continued  
for the year ended 31 December 2022

**5. EMPLOYEES' INFORMATION** continued

The number of employees, including Executive Directors, whose total remuneration exceeds £60,000 in the year (including salaries, performance-related pay, compensation for loss of office and pension contributions paid by the employer) is set out hereunder. In 2022 the employment contract for the remaining full time employee was transferred to Sage Housing Group Limited, the below amount reflects their salary for nine months of the year.

	2022 Number	2021 Number
£460,001 – £470,000	1	—
£600,001 – £610,000	—	1
	<b>1</b>	<b>1</b>

**7. OPERATING PROFIT/LOSS**

	2022 £'000	2021 £'000
Operating loss is stated after charging the following:		
Depreciation of housing properties	<b>3,497</b>	1,926
Depreciation of other tangible fixed assets	<b>119</b>	111
	<b>3,616</b>	2,037
Operating lease rentals	—	1,546
Auditor remuneration (exclusive of VAT) in its capacity as auditor of the Company <sup>1</sup>	<b>119</b>	100

<sup>1</sup> No other services were provided by the auditor.

**8. NET INTEREST EXPENSE AND SIMILAR CHARGES**

	2022 £'000	2021 £'000
<b>Interest receivable and similar income</b>		
Revaluation of interest rate cap derivative	<b>9,136</b>	—
Interest received on deposits	<b>3</b>	—
	<b>9,139</b>	—
<b>Interest payable and similar charges</b>		
Interest expense on loans repayable	<b>(37,814)</b>	(19,636)
Interest expense on amounts owed to Group undertakings	<b>(12,499)</b>	(9,410)
	<b>(50,313)</b>	(29,046)
<b>Net finance expense and similar charges</b>	<b>(41,174)</b>	(29,046)

Sage Housing Limited utilises SONIA derivatives to cap its SONIA rate exposure related to the RCF. These caps limit SONIA exposure to an effective rate of no more than 2.5% on £900m of floating rate exposure. Further detail on the interest rate cap derivative is provided in note 13.

**9. EXCEPTIONAL (EXPENSE)/INCOME**

	2022 £'000	2021 £'000
VAT (expense)/reclaim	<b>(250)</b>	2,884

As a result of the Company having a mix of taxable and exempt supplies it has agreed a partial exemption methodology with HMRC and VAT incurred on costs will be recoverable where it relates to taxable supplies and irrecoverable where it relates to exempt supplies. The expense in the current year relates to the PESM adjustment, while reclaim in the prior year relates to amounts received due to this exemption for prior periods.

## 10. TAX ON LOSS

	2022 £'000	2021 £'000
<b>Current tax</b>		
UK corporation tax at 19%	(271)	773
Adjustments in respect of prior periods	(773)	—
<b>Tax on loss on ordinary activities</b>	<b>(1,044)</b>	773
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,548	(826)
Adjustments in respect of prior periods	(2,882)	—
Effect of changes in tax rates	(734)	—
	<b>(2,068)</b>	(826)
<b>Total tax credit for the year</b>	<b>(3,112)</b>	(53)

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2022 £'000	2021 £'000
Loss before tax	(6,225)	(17,187)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%)	(1,183)	(3,266)
Effects of:		
– fixed asset differences	617	390
– expenses not deductible for tax purposes	134	13
– corporate interest restriction	1,772	4,753
– anti-hybrid adjustment	—	1,306
– adjustments to tax charge in respect of previous periods	(773)	—
– deferred tax not recognised	—	(3,249)
– movement in deferred tax in respect of previous periods	(2,882)	—
– remeasurement of deferred tax for effect of rate changes	(797)	—
– Group relief surrender	271	295
– Group relief payment receivable	(271)	(295)
<b>Total tax credit for the year</b>	<b>(3,112)</b>	(53)

The above taxation credit is calculated on the basis that the Company will pay for or receive in full, any losses in respect of Group relief claimed or surrendered from Group undertakings. The UK corporation tax rate for the year was 19% (2021: 19%). An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rate in the year in which the temporary differences are expected to reverse. Where the reversal is expected during 2023, straddled rates have been applied to calculate the deferred tax. The impact of the rate change is included above.

NOTES TO THE FINANCIAL STATEMENTS continued  
for the year ended 31 December 2022

10. TAX ON LOSS continued

	At 1 January 2022 £'000	Movement in the year £'000	At 31 December 2022 £'000
Gross timing differences:			
Tangible fixed assets	235	(196)	39
Short term timing differences – financial Instrument	—	(9,136)	(9,136)
Provisions and accruals	53	(44)	9
Losses carried forward	4,059	16,066	20,125
	4,347	6,690	11,037

	At 1 January 2022 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 December 2022 £'000
Movement in deferred tax during the year:				
Tangible fixed assets	45	(35)	—	10
Short term timing differences – financial Instrument	—	(2,149)	—	(2,149)
Provisions and accruals	10	(8)	—	2
Losses carried forward	771	4,260	—	5,031
Deferred tax asset/(liability)	826	2,068	—	2,894

	At 1 January 2021 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 December 2021 £'000
Movement in deferred tax during the prior year:				
Tangible fixed assets	—	45	—	45
Provisions and accruals	—	10	—	10
Losses carried forward	—	771	—	771
Deferred tax asset/(liability)	—	826	—	826

Deferred tax is calculated using the tax rate for the year in which the temporary differences are expected to reverse. An increase in the corporation tax rate to 25% effective 1st April 2023, was substantively enacted on 24 May 2021. Where the reversal is expected during 2023, straddled rates have been applied to calculate the deferred tax. The impact of the rate change is included above.

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Completed housing properties for letting			Housing properties under construction £'000	Total £'000
	Affordable rent £'000	Shared Ownership £'000	Total £'000		
<b>Cost</b>					
At 1 January 2022	143,015	329,167	472,182	320,247	792,429
Under construction	—	—	—	530,988	530,988
Completed	310,635	159,428	470,063	(470,063)	—
Disposals	—	(5,961)	(5,961)	—	(5,961)
<b>At 31 December 2022</b>	<b>453,650</b>	<b>482,634</b>	<b>936,284</b>	<b>381,172</b>	<b>1,317,456</b>
<b>Depreciation</b>					
At 1 January 2022	(229)	—	(229)	—	(229)
Charge for the year	(3,497)	—	(3,497)	—	(3,497)
<b>At 31 December 2022</b>	<b>(3,726)</b>	<b>—</b>	<b>(3,726)</b>	<b>—</b>	<b>(3,726)</b>
<b>Net book value</b>					
<b>At 31 December 2022</b>	<b>449,924</b>	<b>482,634</b>	<b>932,558</b>	<b>381,172</b>	<b>1,313,730</b>
At 31 December 2021	142,786	329,167	471,953	320,247	792,200

The net book value of completed housing properties which excludes work in progress and land banked comprises:

	2022 £'000	2021 £'000
Freeholds	735,300	407,236



## 12. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Leasehold property improvements £'000	Furniture, fixtures & fittings £'000	Computer equipment £'000	Software £'000	Total £'000
<b>Cost</b>					
<b>At 1 January 2022 and 31 December 2022</b>	<b>182</b>	<b>218</b>	<b>338</b>	<b>50</b>	<b>788</b>
<b>Depreciation</b>					
At 1 January 2022	(165)	(118)	(310)	(50)	(643)
Charge for the year	(17)	(76)	(25)	—	(118)
<b>At 31 December 2022</b>	<b>(182)</b>	<b>(194)</b>	<b>(335)</b>	<b>(50)</b>	<b>(761)</b>
<b>Net book value</b>					
<b>At 31 December 2022</b>	<b>—</b>	<b>24</b>	<b>3</b>	<b>—</b>	<b>27</b>
At 31 December 2021	17	100	28	—	145

## 13. FINANCIAL INSTRUMENTS

	2022 £'000	2021 £'000
Non-current interest rate cap derivative	10,768	—
Current interest rate cap derivatives	3,999	—
	<b>14,767</b>	<b>—</b>

Financial instruments consist of interest rate cap derivatives and are recognised at initial cost and fair value adjustments. These interest rate cap derivatives are acquired by the Company to manage its exposure to SONIA based interest rate risk on the RCF (note 18). In accordance with its policy to ensure at least 80% of the RCF loan balance is hedged using these derivatives, the Company acquired three caps in the current year, two of which replaced derivatives which expired in the year and an additional cap to ensure adequate coverage given expansion of the RCF loan balance during the year. These financial instruments are revalued and adjusted to their fair value through profit and loss during each reporting period. Upon maturity, the cost and any subsequent fair value adjustments of each derivative will be recorded in full in the profit and loss statement. The valuations are performed by an external industry expert, credit risk is not taken into consideration as the valuation adjustment for credit risk is immaterial. Besides the initial cost of the derivative, no additional collateral is necessary, thereby eliminating any further risk for the Company. The specific details and fair values of these derivatives are provided in the table below:

	Maturity date	Rate capped	Fair value 2022 £'000	Fair value 2021 £'000
<b>Interest rate cap derivatives</b>				
£500m interest rate cap	15/02/2024	2.50%	10,768	n/a
£200m interest rate cap	15/02/2023	1.75%	760	n/a
£200m interest rate cap	15/02/2023	2.50%	3,239	n/a
£237.5m interest rate cap (expired)	15/02/2022	2.50%	n/a	—
£242.5m interest rate cap (expired)	15/02/2022	2.50%	n/a	—
			<b>14,767</b>	<b>—</b>

NOTES TO THE FINANCIAL STATEMENTS continued  
for the year ended 31 December 2022

#### 14. STOCK

	Under construction £'000	Completed properties £'000	Total 2022 £'000	Total 2021 £'000
<b>Shared Ownership</b>				
At 1 January 2022	82,197	36,888	<b>119,085</b>	103,689
Additions	156,587	—	<b>156,587</b>	136,838
Properties completed	(143,569)	143,569	<b>—</b>	—
Cost of first tranche Shared Ownership properties sold	—	(143,207)	<b>(143,207)</b>	(121,442)
<b>At 31 December 2022</b>	95,215	37,250	<b>132,465</b>	119,085

#### 15. DEBTORS

	2022 £'000	2021 £'000
Current tenant arrears	<b>826</b>	117
Amount owed from Group undertakings (note 27)	<b>7,233</b>	2,151
Prepayments	<b>9,634</b>	6,503
Group relief due from Group undertakings	<b>271</b>	—
Other taxes and social security costs	<b>861</b>	—
Deferred tax asset (note 10)	<b>5,043</b>	826
Deposits	<b>5,065</b>	11,348
Cash held by solicitors	<b>28,087</b>	14,633
Other debtors	<b>773</b>	1,559
	<b>57,793</b>	37,137

Amounts owed from Group undertakings are unsecured, interest free and repayable on demand.

#### 16. CASH AT BANK AND IN HAND

	2022 £'000	2021 £'000
Cash at bank and in hand	<b>69,647</b>	62,750

#### 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade creditors	<b>74,432</b>	66,180
Amount due to Group undertakings (note 27)	<b>12,718</b>	3,234
Deferred government grant (note 22)	<b>178</b>	141
Corporation tax payable	<b>—</b>	1,068
Other taxes and social security costs	<b>959</b>	705
Deferred tax liability (note 10)	<b>2,149</b>	—
Accruals	<b>7,958</b>	14,529
Provisions	<b>322</b>	62
Other creditors	<b>84</b>	163
	<b>98,800</b>	86,082

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. In the year provisions are provided on developer defects of £322,000 (2021 £nil) and rent free lease periods of £nil (2021: £62k). Developer defects are expected to be recovered within the next 12 months.

**18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022 £'000	2021 £'000
Bank loans	938,625	470,229
Amounts due to Group undertakings (note 27)	472,465	418,536
Deferred government grant (note 22 and 23)	38,692	16,910
	<b>1,449,782</b>	905,675
	2022 £'000	2021 £'000
– between one and five years	1,554	686
– after five years	1,448,228	904,989
	<b>1,449,782</b>	905,675

The Company's Bank loans are supplied on the basis of a five-year revolving credit facility entered into in 2019, which Sage Housing Limited is a joint obligor with sister Registered Provider, Sage Homes RP Ltd. During the year this facility has been increased by £368.5m. As at the year end, the facility had a maximum facility size of £1,048.5m (2021: £680m). The bank loans are secured by way of first fixed charge over the housing properties. The facility does not have maintenance covenants, only for additional incurrence. These covenants are asset cover tests based on the ratio of the value of the properties secured to the outstanding balance of the loan and are tested at each new draw upon the facility. The facility's interest rate is SONIA plus 3.0%. Unamortised loan transaction costs of £9,865,000 have been netted off against the bank loan (2021: £4,007,000).

The Company's weighted average interest rate for amounts owed to Group undertakings is 3.0% (2021: 3.0%). These intercompany loans are for a ten-year term. These loans are not secured on the assets of the Company.

**19. SHARE CAPITAL**

	2022 £'000	2021 £'000
<b>Shares of £1.00 each issued and fully paid</b>		
At the beginning of the year	102,047	69,219
Issued during the year	23,400	32,828
At the end of the year	<b>125,447</b>	102,047

The Company has one class of ordinary shares which carry no right to fixed income. On 7 June 2022 and 8 December 2022, the Company issued 12,000,000 and 11,400,000 ordinary shares respectively at £1.00 each.

**20. NOTES TO THE CASH FLOW STATEMENT**

	2022 £'000	2021 £'000
<b>Total comprehensive expense for the year</b>	<b>(3,113)</b>	(17,134)
Depreciation	3,616	2,037
Amortised grant	(173)	—
Surplus on sale of housing properties	(2,805)	—
Interest payable and similar charges	50,313	29,046
Fair value gains on financial instruments	(9,136)	—
Tax	(3,112)	—
(Increase) in debtors	(6,492)	(17,232)
(Increase) in stocks	(13,380)	(15,396)
Increase in creditors	5,468	47,011
<b>Net cash outflow from operating activities</b>	<b>21,186</b>	28,332

## 21. HOUSING UNITS

	2022 Number	2021 Number
<b>Units owned and managed</b>		
General needs rented housing – affordable	2,745	959
General needs rented housing – social	334	92
Shared Ownership	4,326	2,911
<b>Total units owned and managed by the Company</b>	<b>7,405</b>	<b>3,962</b>

## 22. CAPITAL GRANTS

	2022 £'000	2021 £'000
At 1 January	17,051	14,725
New grant recognised	21,985	7,728
Amortisation	(173)	(101)
Transfer to recycled capital grants fund	(100)	—
Transfers to other Registered Providers	—	(5,301)
<b>At 31 December</b>	<b>38,763</b>	<b>17,051</b>
Amounts falling due within one year (note 17)	178	141
Amounts falling due after more than one year (note 18)	38,585	16,910

## 23. RECYCLED CAPITAL GRANTS

	2022 £'000	2021 £'000
At 1 January	—	—
Grant recycled	100	—
Uplift on grants recycled	7	—
<b>At 31 December</b>	<b>107</b>	<b>—</b>
Amounts falling due after more than one year (note 18)	107	—

## 24. CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Expenditure contracted for but not provided for in the financial statements	1,193,692	1,018,384
Expenditure authorised by the Board but not contracted for	72,505	783,386

Capital commitments will be financed from rental income, the proceeds of property sales, equity and debt facilities and grants received.

## 25. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2022 £'000	2021 £'000
Within one year	—	676

## 26. CONTINGENT LIABILITIES

The original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors in note 17 and 18, £274,000 of grant has been credited to statement of comprehensive income to date through amortisation. The timing of any future repayment is uncertain.

## 27. RELATED PARTY TRANSACTIONS AND BALANCES

Sage Investments Sàrl is the Company's immediate parent undertaking. Sage Investments Sàrl provided the Company with an unsecured loan, the maximum value of which at any time was £368,211,000 (2021: £331,686,000). The outstanding balance at the year end was £368,211,000 (2021: £331,686,000). Interest is charged on an arm's length basis at 3% and is capitalised on the loan. This balance is classified as amounts due to Group undertakings in note 18.

Sage Rented Limited is a subsidiary undertakings of the Company's immediate parent undertaking, Sage Investments Sàrl.

During 2022, Sage Rented Limited provided the Company with an interest-bearing facility. As at the year-end the facility had a maximum facility size of £100,000,000. The facility is unsecured and bears interest at 3.0%. The maximum value of the facility at any time was £84,900,000 (2021: 84,900,000) The outstanding balance at the year-end was £76,200,000 (2021: £84,900,000). The Company has accrued interest of £Nil (2021: £1,950,000) in relation to this debt on the balance sheet. This balance is classified as amounts due to Group undertakings in note 18.

Sage Rented Limited provided the Company with an additional interest-free loan which is redeemable on demand, the maximum value of which at any time was £15,604,000 (2021: £7,829,000). The outstanding balance at the year-end was £1,738,000 (2021: £nil). This balance is classified as amounts due to Group undertakings in note 17.

The Company also provided Sage Rented Limited with an interest-free unsecured loan, the maximum value of which at any time was £393,000 (2021: £393,000). The outstanding balance at the year end was £nil (2021: £393,000). This balance is classified as amounts owed from Group undertakings in note 15.

Sage Housing Group Limited is a 100% owned subsidiary of the Company's immediate parent undertaking, Sage Investments Sàrl, and performs the function of the management company for the Group. The Company owes Sage Housing Group Limited £5,248,000 (2021: £3,234,000) in relation to these services rendered across the year. This balance is classified as amounts due to Group undertakings in note 17.

The Company provided Sage Homes RP Limited with an interest-free loan, which is repayable on demand, the maximum value of which at any time was £5,412,000 (2021: £1,758,000). The outstanding balance at the year end was £1,500,000 (2021: £1,758,000). This balance is classified as amounts owed from Group undertakings in note 15.

In 2021, The Blackstone Group International Inc gained control of St. Modwen Properties PLC ("St. Modwen") through a share acquisition. Sage has entered into contracts for St. Modwen to deliver affordable homes, for which Sage does not receive any preferential pricing. At 31 December 2022 Sage had contracted to spend £32,980,000 (2021: £32,980,000) with St. Modwen, of which £27,625,000 (2021: £22,728,000) has already been spent. The remaining balance is not provided for in the financial statement and is included in the amounts disclosed in note 24.

The Regis Group is a related party due to its minority shareholding in the Company's parent, Sage Investments Sàrl.

## 28. ULTIMATE PARENT COMPANY AND CONTROL

The Company's parent undertaking is Sage Investments Sàrl, a company registered in Luxembourg. This forms the smallest group and takes advantage of the small group exemption to not prepare Group accounts. At 31 December 2022, the Company's ultimate parent undertaking and controlling party was The Blackstone Group International Inc, which is the largest group for which Group accounts are drawn up.

As at 31 December 2022, Regis Group Holdings Limited had a 10% shareholding in Sage Investments Sàrl, with the remainder being owned by Rosemary Holdco Sàrl, a subsidiary of The Blackstone Group International Inc.

## 29. GROUP ENTITIES

The following undertakings are subsidiaries of Sage Investments Sàrl by virtue of the ownership of their share capital and are related parties of the Company.

Name of undertaking	Regulator of Social Housing number	Shares held	Registered in	Principal activity
Hedwig ASR Holdco Limited (previously Sage Investments 1 Limited)	—	100%	England	Intermediate holding company
Sage AR Limited Partnership	—	100%	England	Development of housing for affordable lettings
Sage Borrower AR1 Limited	—	100%	England	Financing company
Sage Borrower AR2 Limited	—	100%	England	Financing company
Sage Homes RP Limited (previously Sage Shared Ownership Limited <sup>1</sup> )	5082	100%	England	Ownership and management of housing for social lettings and housing development for Shared Ownership sales
Sage Housing Group Limited	—	100%	England	Management company
Sage Housing Partnerships Limited	—	100%	England	Dormant
Sage Investments 2 Limited	—	100%	England	Intermediate holding company
Sage Investments 3 Limited	—	100%	England	Dormant
Sage Rented Limited	5083	100%	England	Ownership and management of housing for affordable lettings
Sage Shared Ownership Limited <sup>1</sup>	—	100%	England	Dormant
Sage SO Limited Partnership	—	100%	England	Development of housing for shared ownership

<sup>1</sup> Sage Shared Ownership Limited (Company No. 14400040) was newly incorporated on 5 October 2022, Sage Homes RP Limited changed its name from Sage Shared Ownership Limited to Sage Homes RP Limited on 4 October 2022 (Company No. 11217910).

## 30. POST YEAR-END EVENTS

The Sage Group completed an upsizing of its RCF in January 2023. The facility was increased by £250m to £1,298.5m of total commitments. The expansion will assist the joint obligors, Sage Housing Limited and Sage Homes RP Limited, with their target to deliver 30,000 affordable homes by 2030.

Sage as a Group is investigating the possibility of utilising English Limited Partnerships within its structure, though the final decision is subject to Board review and final approval. Were the restructure to proceed, Sage Homes would transfer the majority of its work in progress homes to one of the partnerships being determined by their affordable rental or shared ownership tenure. Sage Homes RP Limited would be the general partner of both partnerships, with Sage Rented Limited being the limited partner of the affordable rent partnership, and Sage Housing Limited being the limited partner of the shared ownership partnership. As such, the delivery activity level within Sage Housing Limited would reduce post the transfer as detailed above.

No other significant events occurred after the reporting period, but before the financial statements were authorised for issue.

## PROFESSIONAL ADVISERS AND REGISTRATIONS

### AUDITOR

#### DELOITTE LLP

1 New Street Square  
London  
EC4A 3HQ

### BANKERS

#### BARCLAYS BANK PLC

Piccadilly  
Leicester  
Leicestershire  
LE87 2BB  
United Kingdom

#### DEUTSCHE BANK AG

Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB  
United Kingdom

#### HAREL INSURANCE COMPANY LIMITED

3 Abba Hillel Street  
Ramat Gan  
5252202  
Israel

#### MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

25 Cabot Square  
Canary Wharf  
London  
E14 4QA  
United Kingdom

#### WELLS FARGO N.A.

33 King William Street  
Candlewick  
London  
EC4R 9AT  
United Kingdom

#### RBC EUROPE LIMITED

100 Bishopsgate  
London  
EC2N 4AA  
United Kingdom

### PRINCIPAL SOLICITORS

#### DEVONSHIRES SOLICITORS LLP

30 Finsbury Circus  
London  
EC2M 7DT

#### WINCKWORTH SHERWOOD LLP

Minerva House  
5 Montague House  
London  
SE1 9BB

### REGISTRATIONS

Regulator of Social Housing number: 4636

Registered at Companies House  
Company number: 05489096

### REGISTERED OFFICE

5th Floor, Orion House  
5 Upper St Martin's Lane  
London  
WC2H 9EA



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**SAGE HOUSING LIMITED**

5th Floor, Orion House  
5 Upper St Martin's Lane  
London  
WC2H 9EA

[sagehomes.co.uk](http://sagehomes.co.uk)