

Written evidence submitted by Sage Housing [RSH 095]

We believe Sage Housing is currently the UK’s largest provider of newly built, affordable homes. Sage was created in 2017 as one of the early “for profit” RPs regulated by the Regulator for Social Housing. Sage focusses solely on providing newly built, high quality, efficient affordable housing across England and all of Sage’s rental tenants come from local authority housing nominations. Sage is subject to exactly the same governance and viability regulations as Housing Associations.

Sage Housing was created in 2017 by Regis Group alongside funds managed by Blackstone. Since being established, Sage has delivered approximately 7,000 new homes with a target of 30,000 in the next few years. For more information, please see the end of this document.

Committee Question	Sage Housing’s Response
<p>How widespread and serious are the concerns about the quality of social housing?</p>	<p>The concerns about the quality of social housing in England, we believe, are justified.</p> <p>Social housing provides homes to those with the lowest means. Substandard social housing should never be acceptable, as it harms the most vulnerable in our society.</p> <p>Many social housing tenants, through no fault of their own, find themselves in properties that they struggle to keep warm, dry and safe.</p> <p>Traditional housing associations with legacy stock, which is in certain instances not fit for purpose, face the significant combined challenges of environmental retrofit and fire safety remediation. This presents significant financial challenges, however, it is important that legacy stock is brought up to date quickly.</p> <p>In contrast, Sage’s customers benefit from affordable homes which are newly built. From the very beginning we have worked to ensure all of our homes are high-quality and energy efficient (97% of Sage homes have EPC ratings of B or above).</p> <p>The new resources provided by “for profit” RPs have the ability to help balance the demands in the sector for high quality homes and large volumes of new affordable homes. As traditional Housing Associations grapple with the challenges of legacy, lower quality and poor EPC-performing homes, new capital provided by many of the new entrants can focus their efforts on delivering volume and additionality.</p> <p>Sage has delivered significant quantities of new homes and has also shown that we can support social housing providers by partnering with them to help them address the challenges they face. By way of example, in November 2021, Sage announced a partnership with Optivo, one of the UK’s largest housing associations. The partnership unlocks vital funds for new affordable homes, with Sage purchasing 420 new homes from Optivo’s development pipeline. Optivo will manage the homes and receive £106m to invest in building additional affordable homes. The partnership is the first of its kind to involve grant-funded new homes and was approved by Homes England and the GLA.</p>

<p>What is the impact on social housing providers' resources, and therefore their ability to maintain and improve their housing stock, of the need to remediate building safety risks and retrofit their homes to make them more energy efficient?</p>	<p>The impact on traditional social housing providers needing to bring their housing stock up to a modern standard is, as we understand it, potentially quite substantial.</p> <p>However, traditional social housing providers, especially larger housing associations, do have significant resources that they can invest into repairing their housing stock.</p> <p>It is our view that the only way to bring social housing in the UK up to a modern standard, is for the social housing sector to focus their sometimes substantial resources on the problem of remediation and retrofit to a greater degree than is currently the case.</p> <p>While the cost is high, the benefit to safety, society and the planet overrides ambitions to grow portfolios and provide homes for open-market sale and rent – which can be provided by alternative capital sources.</p>
<p>Is the current regime for regulating social housing fit for purpose?</p>	<p>The current regime, which has a defined social housing regulator and housing ombudsman is broadly fit for purpose. However, Sage supports continuous improvement in the regulation of social housing and some proposed Government reforms to the system, which we believe will support greater transparency and help strengthen consumer standards across the sector</p> <p>As a relatively new registered provider, Sage believes that there should be continual efforts made to create equality between how the current regime for regulating social housing treats traditional providers and new providers. This is going to be a constant challenge given the variety of business models deployed by the housing associations and “for profit” RP’s.</p> <p>The regulator’s gradings are extremely important to ensure that all providers in the sector are properly evaluated as this is directly related to availability of funding for the sector. Therefore Regulator must continue to be confident to criticise poorly performing social housing providers and praise providers who perform well. Given the need for the sector to continually attract new investment for the delivery of affordable housing, it is essential that the regulator and their findings are thorough, justifiable and equitable for all in the sector, yet that the Regulator retains the flexibility and discretion it needs to judge registered providers of different types.</p>
<p>How clearly defined are the roles of the Regulator of Social Housing and the Housing Ombudsman?</p>	<p>We believe that there is clear separation between the two and that their roles are clearly defined. There may be scope for greater publicity about their separate roles in order to ensure that residents understand their rights.</p>
<p>Does the current regime allow tenants to effectively resolve issues?</p>	<p>The regulator has been clear that RPs should not wait for new customer satisfaction measures to be implemented to deliver services which provide residents a clear voice.</p> <p>Sage is a customer centric business. As Sage has continued to grow, so has its customer base. To reflect this, Sage has reformed its customer-offer through the creation of a new Customer Experience Team, underpinned by a Resident Scrutiny Panel which is made up of shared ownership customers and residents who rent Sage’s affordable homes to work with the team to deliver services that meet the needs of all customers.</p>

	<p>The challenge in truly delivering for customers for long standing housing associations is two-fold, the first is that they are large (often divisionalised due to historical mergers) organisations and staff/customers struggle to find the right person to solve an issue and second, that many of their issues involve much older buildings and legacy housing stock. This is both a customer service challenge and a value for money one. Organisational efficiency is going to be key to deliver a customer centric sector and some traditional housing associations are very large entities with many merged elements within them.</p>
<p>Do the regulator and ombudsman have sufficient powers to take action against providers?</p>	
<p>Will the reforms proposed in the social housing White Paper improve the regime and what progress has been made on implementing those reforms?</p>	<p>We welcome the increased focus on the customer, the strengthened Housing Ombudsman and the transparency afforded by regular reporting of complaint handling failures.</p> <p>Sage's stock profile and our ongoing commitment to quality and customer service</p> <p>e, mitigates the immediate impact of changes around building safety but we welcome strengthened reporting standards across all the areas outlined in the White paper.</p>
<p>What changes, if any, should the Government make to the Decent Homes Standard?</p>	<p>See below.</p>
<p>Should the Decent Homes Standard be amended to include energy efficiency and other means of mitigating climate change, and if so how?</p>	<p>Sage Housing believe energy efficiency should become an integral part of the Decent Homes Standard. The goal to bring legacy social housing stock up to a modern standard is supported by Sage as this will be vital to our efforts to tackle the climate change impact from housing. The current focus of so many housing associations is to bring legacy homes up to EPC-C which if an Air Source Heat Pump is added, will drop the EPC to a D due to the increased energy requirement/cost. So the Decent Homes Standard should be ensuring that we creating homes that will deliver for customers (in terms of cost) and the planet (in terms of sustainability).</p>
<p>Should all providers of social housing, not just councils, be required to register with the regulator?</p>	<p>Yes. This enables common standards and oversight across the sector.</p>

<p>What challenges does the diversification of social housing providers pose for the regulatory system?</p>	<p>New entrants into social housing present considerably more benefits that challenges.</p> <p>“For-profit” registered providers bring new long-term institutional capital to the sector which has brought additional funding availability, stability and certainty, increasing developers’ ability to accelerate the provision of housing in general, and social housing in particular.</p> <p>There are different business models being followed by the new entrants into the affordable sector. Some are buying up existing stock from Housing Associations who may use the receipts to drive new development or remediate existing stock. Companies like Sage Housing and L&G Affordable Homes are focused only in the delivery new stock and additionality. Research by Savills in 2021 shows that “for profit” registered providers could deliver 130,000 new homes in the next five years. Sage believes that with the right investment conditions, the new entrants could exceed this.</p> <p>Also new entrants building newly built homes, do not necessarily face the challenges presented by upgrading legacy housing stock and can instead focus on delivering high-quality new homes that deliver for customers for the long term. There are a range of ways in which these homes are being delivered from S106 acquisition, to additionality created through deals with the housebuilders, funding the development pipeline of housing associations such as the Optivo partnership mentioned above but also, working with local authorities to bring forwards stalled developments such as Sage’s work with Barnet Homes at the Upper and Lower Fosters.</p> <p>“For-profit” registered providers are uniquely positioned to deliver the new homes the country needs. By doing this we believe that we can deliver for the UK’s housing needs crisis, while allowing traditional social housing providers to focus on fire safety, quality and sustainability.</p> <p>We believe that the addition of new entrants offers an exciting future for social housing in the UK and we have already seen significant steps towards this.</p> <p>In September, Sage was one of the very first “For-Profit” Registered Providers to be granted strategic partner status by Homes England, after the invitation to bid was extended beyond the traditional not for profit sector in 2019. Sage was allocated £73.5m to build 1,750 new affordable homes by Homes England. Sage also secured Investment Partnership Status from the Greater London Authority (GLA) earlier this year.</p> <p>In 2021, it is expected that Sage will be the largest provider of newly built affordable housing in England and we have ambition to deliver even more homes in the coming years.</p> <p>Sage Housing should not be considered as a challenge to social housing, we believe will play a key part in the future of social housing.</p>
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Background on Sage

Sage is backed by large-scale, responsible, long-term institutional capital managed by Blackstone (such as pension funds, insurance companies, university endowments, etc.) and is proud to help address the country’s growing need for affordable housing.

Sage's portfolio is 100% focused on affordable and social rental and shared ownership properties. Approximately 60% of Sage's portfolio is either affordable rent or social rent – with the balance being Shared Ownership. Sage has no open-market exposure and all our rented homes are let to people on local authority housing registers who have been identified as having a housing need.

Since 2017, Sage has been focused on the acquisition of affordable homes via Section 106 agreements. More recently, Sage has also begun working with other Registered Providers and local authorities to support the delivery of their development plans for new affordable homes. Sage is uniquely positioned, with the finance and expertise to develop partnerships in the housing sector to deliver more homes given these pressures.

Sage is fully regulated by the Regulator for Social Housing and adheres to the highest levels of compliance with its regulatory standards.

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