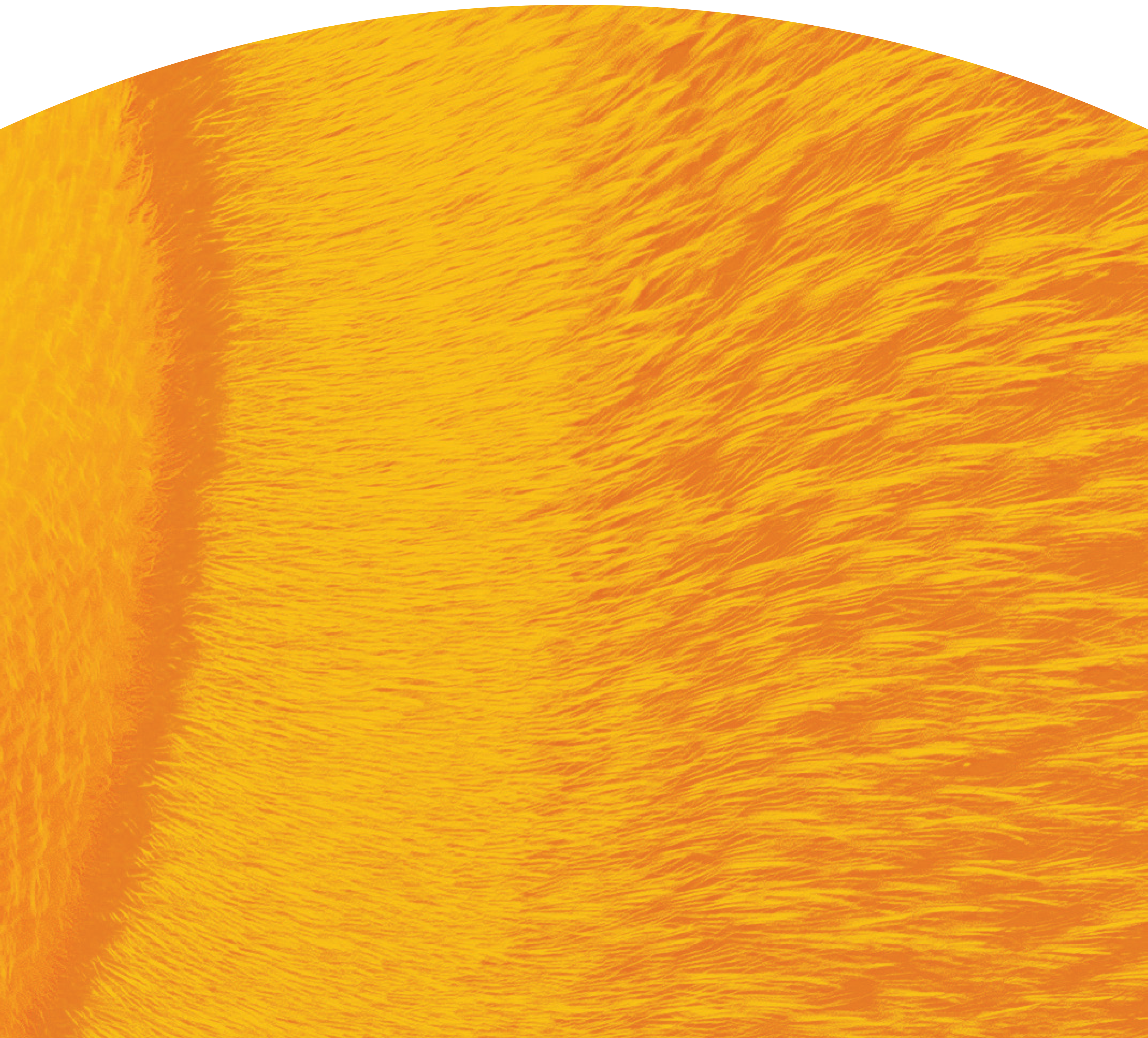
PIC

Filling the £35bn funding gap.

How insurance capital helps fund social housing in the UK.

January 2020



Contents.

Keep up to date at
www.pensioncorporation.com

About Pension Insurance Corporation
The purpose of Pension Insurance Corporation plc ("PIC") is to pay the pensions of its current and future policyholders. PIC provides secure and stable retirement incomes through leading customer service, comprehensive risk management and excellence in asset and liability management. At year-end 2018, PIC had insured 192,100 pension scheme members and had £31.4 billion in financial investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of U.K. defined benefit pension schemes. Clients include FTSE 100 companies, multinationals and the public sector. PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN 454345).

The solution to the UK's housing crisis can, in part, be found in the mobilisation of long-term pension savings held by City institutions.

Here we present our blueprint: backing pensions with debt finance for social housing.

Solutions.

Executive summary:

Putting insurance capital to use in building the UK's housing stock.

Housing Associations built **41,556** new homes,[1] which were **26%** of all new homes in England in 2018

Further growth is expected given that **145,000** social homes need to be built each year to meet the need for social housing[2]

Housing Associations' total agreed borrowing facilities are **£95.4bn** of which **£59.8bn** (63%) are bank loans.[3] Insurers are helping to fill this £35bn gap

Expected investment by Housing Associations in new housing supply is **£15.0bn** for 2019 alone, of which **£10.2bn** is contractually committed[4]

In 2018, Housing Associations raised a combined **£4.9bn** in funding via 48 bond issues or private placements, almost double the **£2.6bn** raised via 26 capital markets transactions in 2017[5]

1 Source: National Housing Federation, "About housing associations".
2 Source: National Housing Federation, "Capital grant required to meet social housing need in England 2021-2031", 21 June 2019.
3 Source: Ibid.
4 Source: Regulator of Social Housing, "Quarterly survey for Q3, October to December 2018".
5 Source: The Regulator of Social Housing, "2018 global accounts of private registered providers".

Foreword.

Housing associations and institutional investors: a blueprint for working together.

The purpose of Pension Insurance Corporation plc ("PIC") is to pay the pensions of our current and future policyholders. With a pool of assets now over £40bn and growing quickly to back our long-term, unredeemable, pension obligations, PIC is able to offer very long-term debt finance to Housing Associations.

The repayments made by Housing Associations are matched by us to the pension payments we have to make up to 40 or 50 years into the future. Our primary market, The pension risk transfer market, is growing rapidly. This means an increasing pool of potential debt finance for Housing Associations. PIC has an in-house investment team with considerable experience in both sourcing assets and managing the risks associated with assets which we intend to buy and hold. We have an exceptional track record in sourcing and investing directly into social housing debt as demonstrated by the positive comments from our Housing Association partners in this document.

Allen Twyning
Head of Debt Origination
Pension Insurance Corporation

PIC's investments in social housing

£2bn

To date, PIC has invested more than £2bn directly into social housing, lending to more than 20 housing associations across the UK since its first investment in a social housing bond in 2013.

3,500

In H1 2019 alone, PIC provided funding for the development or acquisition of 3,500 social housing properties.

£50-£100m

Typically, PIC's individual debt investments range from £50m to £100m

For further details about PIC's investments in social housing or to request a copy of this report, please contact:

Allen Twyning
Head of Debt Origination
twyning@pensioncorporation.com
0207 015 2232

Marno Jooste
Debt Origination Manager
jooste@pensioncorporation.com
0207 105 2072

Jeremy Apfel
Head of Corporate Affairs
apfel@pensioncorporation.com
0207 105 2140

Introduction.

Housing Associations are playing an ever more important role in the provision of social housing in the UK.

As the prominence of the sector increases, Housing Associations have been developing their offering and business model, looking in detail at areas like governance and credit ratings, as well as how best to access the funding that they need to meet social needs.

As a consequence, increasing numbers of Housing Associations are actively seeking long-term relationships with supportive, long-term investors such as insurers and pension funds.

During 2019 PIC asked all the Housing Associations in which we have invested debt finance the things they have been prioritising as the sector addresses the opportunities and challenges posed by the UK's housing crisis.

The main areas they have been considering are:

- How to ensure high standards of governance
- The wider policy environment and how it affects their business plan
- The impact they have on the local economy and environment
- Planning ahead for changes in the UK property market

From a finance and funding perspective, Housing Associations are considering:

- Their future long-term funding needs and how best to secure the investment they need
- The pros and cons of having a credit rating
- What to do to insulate themselves from any potential sovereign downgrade

The responses to our survey showed that these Housing Associations are strengthening their corporate governance structures and streamlining their fundraising processes. They are seeking to build long-term relationships with lenders in order to shape deals that reduce their overall cost of borrowing. Their view is that without these relationships, development plans would need to be cancelled or scaled back. But equally important for the UK is the economic and political context within which Housing Associations operate (see page 16). The sheer scale of the funding gap that exists between the housing that needs to be built and what can actually be afforded represents a significant challenge that requires addressing urgently.

Relationships with institutional investors as lenders are of increasing importance to Housing Associations. It is here that the systems-wide policy environment can have a huge impact for the good: institutional investors, such as PIC, are able to lend consistently when there is a stable regulatory environment that allows us to align our investments with our primary purpose of paying the benefits of our pensioners.

Backing the pensions of older generations with investments that benefit younger and future generations, and the less financially well off, is a strong example of intergenerational transfer. It is socially useful capitalism at its best and the Government should help facilitate it.

Housing Associations are seeking to build long-term relationships with lenders in order to shape deals that reduce their overall cost of borrowing.

Case study

Soha Housing.

In October 2019, PIC completed a second £40mn long-dated, senior secured private placement with Soha Housing, a regulated housing association based in South Oxfordshire.

The investment followed an initial £40mn private placement completed in November 2018.

Key points of the transaction:

- The funding will be used to develop around 250 new homes a year
- The first £40mn tranche matures in 2055 and the second in 2051, to match PIC's pension payments
- Drawdown on the loan facility was deferred until 2021 to match Soha's funding requirements

"We are delighted to have secured this funding, working with PIC's knowledgeable team, which is evidence of the strength of Soha, and our investors' confidence in our future performance. The funding will support Soha's development activity to deliver 250 new homes per year within our local communities".

Kate Wareing
Chief Executive of Soha Housing

Why Housing Associations are working more closely than ever with institutional investors.

Housing Associations are being squeezed at both ends. Over the past 10 years the average cost of building a home for affordable rent in London and the South East has increased by 43%, or £85,000, from £200,000 to £285,000 per home. Network Homes, a London-based Housing Association, is receiving on average only one-third of the grant per home today compared to 2008-2011 (£33,600 per home, against £102,641 per home 10 years ago).[6]

Similar percentage rises are reported across other parts of the country indicating that the gap in funding is increasing, which in turn provides opportunities for Housing Associations to work with other providers of capital such as life and pensions insurers.

Meanwhile, Government investment in affordable housing has fallen from 50% of the cost of building a home before the financial crisis, to just 12% today.[7]

If the Government is to meet its target of delivering 1m homes by the end of 2020,[8] then there is a clear need for private sector funds to supplement the current Affordable Homes Programme, which pledges total investment of more than £7bn to build 225,000 affordable homes. Private sector funds are already being used to fund this gap and, from the insurance side, there is a strong level of demand for more of these types of investment.

Yet, industry experts point out that 145,000 social homes need to be built each year to meet the demand for social housing. This would require an average of £14.6bn in capital grants in England over the next 10 years.[10]

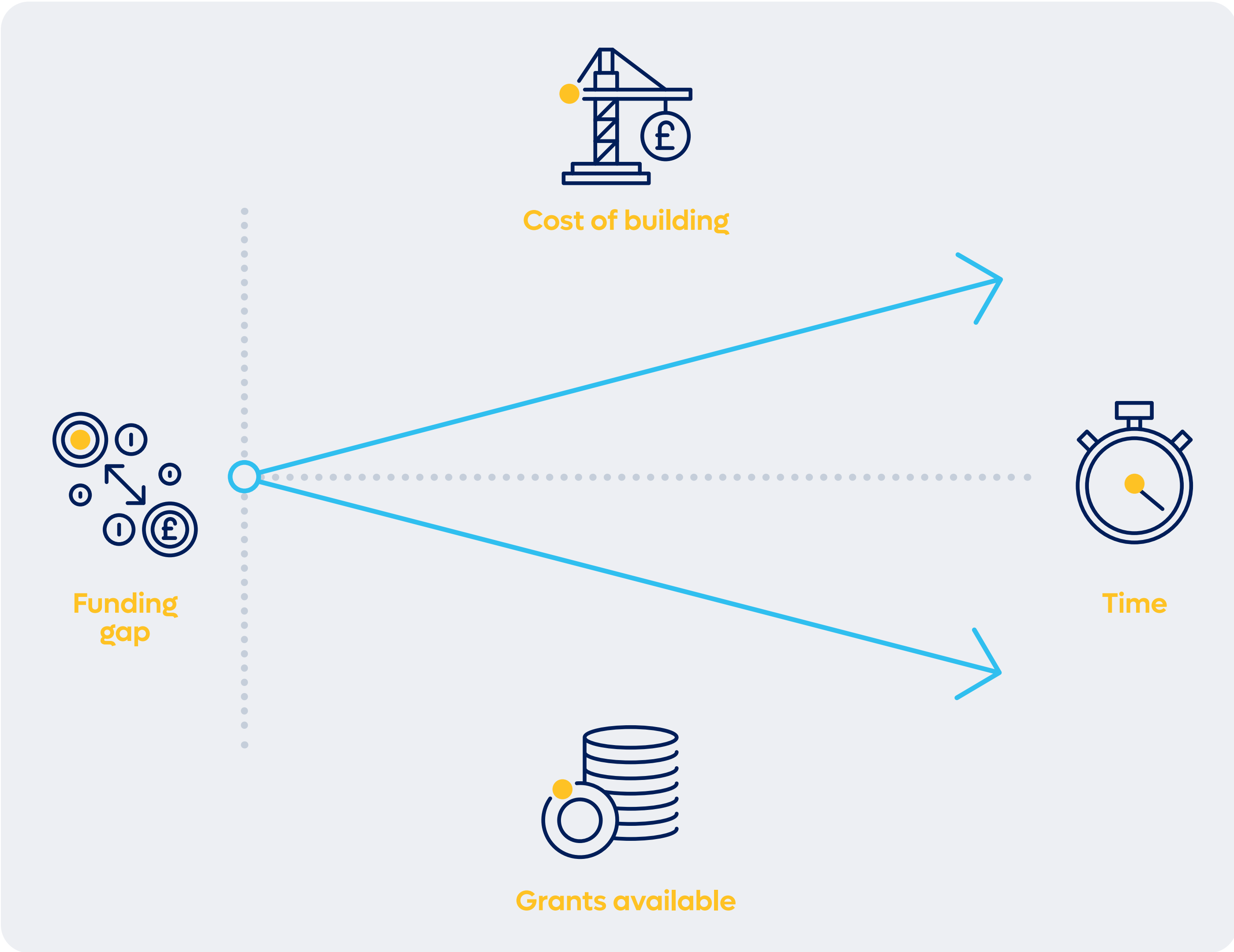
On this basis, it is not surprising that Housing Associations are not waiting for the Government to commit more money – they are seeking to bridge this gap proactively and privately.

In 2018, Housing Associations raised a combined £4.9bn through 48 public bond issues or private placements, almost double the £2.6bn raised via 26 bond issues in 2017, and almost three times as much as the total of £1.7bn raised via 23 transactions in 2016.[11] These funds have increasingly come from institutional investors.

One outcome of this rise in fundraising activity by Housing Associations has been to increase the levels of due diligence and risk oversight to which they are exposed by institutional investors, such as PIC. Insurers need to ensure their investment really will secure pension payments stretching out 30 or 40 years. This increased due diligence, whilst a burden for some, has proven beneficial for the sector as whole, as it gradually improves overall levels of corporate governance and operational excellence, making the sector better equipped to attract the funds it needs. An additional benefit is that it also provides a more stable environment for the tenants.

In addition to beneficial pricing, the key reason why most respondents to our survey have chosen to seek funding from institutional investors is the flexibility of finance on offer, which allows them to more precisely match their needs, unlike banks. In particular, this flexibility allows Housing Associations the ability to take the money as and when their building plan requires, rather than having to draw it all down on day one and pay interest when they could usefully use that money elsewhere. The certainty of funding cost provided by this arrangement allows Housing Associations to precisely map out their construction plan, rather than taking a risk on volatility in funding costs.

This ability to defer drawdown to match spending requirements is offered by a few specialist investors such as PIC, alongside a long-term approach to funding. This long-term approach leads to a lower cost of capital and therefore more funding available for housing units - a beneficial outcome for the many people waiting for social housing.



6 Source: Network Homes, "Why aren't housing associations building more social rented homes?", January 2019.
7 Source: National Housing Federation, "More funding for affordable homes needed to meet Government building targets", 16 April 2019.
8 Source: House of Commons Library, "Tackling the under-supply of housing in England", December 2018.
9 Source: House of Commons Library, "Stimulating housing supply – Government initiatives (England)", 15 May 2019.
10 Source: National Housing Federation, "Capital grant required to meet social housing need in England 2021-2031", 21 June 2019.
11 Source: The Regulator of Social Housing, "2018 global accounts of private registered providers".

Industry view

How we can work together to end the housing crisis.

By James Prestwich, Head of Policy, National Housing Federation

Almost every commentator now agrees that the UK is in the midst of a housing crisis. The average cost of a home has rocketed to more than £300,000. In London, the average buyer now needs a salary of more than £140,000 to afford a mortgage. Meanwhile, rough sleeping has increased by 169% since 2010, and the number of people stuck in temporary accommodation has reached a ten year high.

This is largely the result of the failure to build enough homes in the UK, which stretches back decades. Our research shows that England alone is short of about 4m homes – to address this, we need to be building 340,000 homes every year.

But it's essential that we look at more than just the overall number of homes being built. Around 145,000 of these homes need to be affordable homes, including 90,000 for social rent. However, sharp government cuts to funding for social housing mean that just 6,000 social rent homes were built last year.

This is where private investment can step in. Even if the Government does start investing in social housing again – and, to be clear, it absolutely must if we are to end the housing crisis – institutional investors can also play a part. By investing in social housing, funds can contribute to tackling the country's greatest domestic challenge. Ultimately, it's in their interests as well: there is a desperate need for social housing, while Housing Associations are closely regulated, good at managing risks and boast a 'no default' record – so funds' investments are secure in the long run.

Housing Associations are a powerful vehicle for investment. Last year, they built almost a quarter of the 160,000 new homes in England, and have ambitions to do more. They also focus on the long-term, working with their residents to build communities.

The housing crisis is the country's most pressing domestic challenge – but together, we are well-placed to tackle it.

By investing in social housing, institutional funds can contribute to tackling the country's greatest domestic challenge

Case study

Red Kite Community Housing.

In July 2017, PIC invested £60mn with Red Kite Community Housing Limited, a regulated housing association based in High Wycombe. The funds are to be used to refinance existing debt and fund future housing development.

Main points of the transaction:

- £60mn size, split across three tranches maturing in 2030, 2033 and 2040, to match PIC's pension liabilities
- Partly deferred for 12 months, providing certainty of funding cost for Red Kite, but reducing the cost of carry
- The funding arrangement will allow Red Kite to build up to 375 new homes, as well as refinancing existing debt

"We are incredibly pleased to have secured this new funding arrangement which gives us everything we need, particularly with greater flexibility, to deliver on our ambitious plans. We have many exciting things to do now and the new financing makes those plans much more of a reality. For our customers, this will be invaluable in improving their homes and the lives of our communities."

Ray Prior
Group Director of Resources, at Red Kite

The need for a credit rating.

In general, Housing Associations seeking to borrow more than £150mn should get a credit rating, as they are more likely than not to be borrowing through the listed debt markets. Any debt issuance in excess of this size will likely be shared amongst a range of investors and therefore the capital markets are ideally suited to this because they offer the mechanism of splitting large loans.

A credit rating gives debt issuers access to a wider range of investors, including those that do not have a mandate to invest in non-rated securities. It could also lower their overall cost of borrowing because investors will have a market view about the risks associated with lending to that Housing Association. A credit rating can also be useful for Housing Associations with an unusual business model, as it may provide an additional layer of comfort to both investors and regulators, whether private or in the public markets.

On the other hand, smaller Housing Associations, or those seeking to borrow limited amounts through a private placement, are unlikely to need a credit rating. Their advisers can arrange access to established investors, who understand the Housing Association business model and can invest in unrated debt. PIC and other similar insurance companies have the capability of applying their own internal ratings and do not rely exclusively on rating agencies.

It should be noted, however, that having a credit rating could be disadvantageous. For example, business decisions not supported by the rating agency can lead to a (public) downgrade. Downgrades can also occur for reasons that are completely outside the Housing Association's control, such as a downgrade of the UK sovereign rating.

Maintaining a strong credit rating

For borrowers that secure a solid investment grade credit rating, maintaining it should be a strategic priority. A ratings downgrade will not only inflate funding costs, it will also discourage institutional investment, potentially for years to come.

It is important for Housing Associations with a credit rating to actively engage with investors, rating agencies and the regulator at a very early stage to manage the impact on its rating. In any merger or consolidation process, the Housing Association will need to thoroughly prepare a long-term business plan to explain the rationale and financial impact to stakeholders and manage the impact on its rating.

Some Housing Associations have seen downgrades in their credit ratings following the announcement of overly ambitious business plans. Others have learned to communicate more effectively with rating agencies and investors without fundamentally changing the risk profile of their organisation. One way to achieve this is to split the business plan, with one plan presenting a moderate base case to lenders and rating agencies, highlighting prudent contingency plans. A second, more aspirational plan, is only communicated as a best-case scenario to other stakeholders.

In any case, managing the credit profile should be a priority for any Housing Association with institutional investment. PIC welcomes discussions with any of its borrowers on how changes to their business plan might alter our view on their credit quality.

£150m

Housing Associations seeking to borrow more than £150m should get a credit rating

Sector risks: Lower credit ratings and slower sales

The main risk to Housing Associations is arguably a downgrade in the sovereign rating, because ultimately their ratings factor in intrinsic government support. A downturn in the housing market will adversely effect those Housing Associations that have sales exposure.

BBB-rated Housing Associations are the most exposed public sector entities if a slowdown in economic growth were to lead to a downgrade of the sovereign credit rating. If these securities drop out of the investment-grade category, i.e. below the BBB-rating, many institutional investors, whether they have invested privately or through the public markets, are obliged to sell under the terms of their investment mandates.

So, the effect of a downgrade could have negative implications for the sector.

The good news is that increasing numbers of Housing Associations are developing strategies to protect themselves in the event of a sovereign downgrade, including developing long-term funding plans that reduce their overall cost of funding.

The best course of action is for Housing Associations to talk to potential lenders early – ideally as part of a long-term relationship – to ensure they have good communications with investors in the event of a sovereign downgrade.

Some social housing providers have been active in development of properties for sale. The proportion of units developed for outright sale was still relatively low, at 9% in 2019, but is projected to increase to 15% by 2024.[13] As well as the sovereign downgrade risk, they are also exposed to the risk of a slump in the housing market impacting their credit rating, and therefore their ability to secure lower levels of funding.

For these providers, being able to demonstrate robust testing of the business plan in a downturn scenario, along with mitigating actions, is key to getting investors comfortable with the sales risk. For example, having the ability to scale back development or convert unsold units into affordable or market rent can help mitigate the risk.

Increasing numbers of Housing Associations are developing strategies to protect themselves in the event of a sovereign downgrade, including developing long-term funding plans that reduce their overall cost of funding

12 Source: S&P Global Ratings, February 2019, "Countdown To Brexit: Rating Implications Of A No-Deal Brexit".
13 Source: The Social Housing Regulator, Investor Presentation, November 2019

Preparing for a merger or negotiations with lenders.

A total of 42 Housing Associations merged in 2018, bringing the total number of consolidations in the last five years to 171.[14]

Consolidation amongst English Housing Associations is a response to market conditions and the need to operate more commercially in the face of severe cuts to public grants and rents for the social housing sector.

Typically, consolidation is driven by the need to grow scale and balance sheet capacity, or to save costs and redirect cash to improvements of the housing stock. But Housing Associations should also consider whether they are able to achieve these goals on their own, rather than jumping on the merger bandwagon.

With many Housing Associations keen to consolidate, they need to fulfil several criteria to ensure the continued support of investors, rating agencies and the Social Housing Regulator, including:

1. Demonstrating good governance
2. Having a clear strategic rationale
3. Demonstrating thorough preparation
4. Implementing suitable communication strategies for investors, rating agencies and other stakeholders and
5. Having a management team capable of successfully executing the post-merger integration

Strong governance

An effective Board is the first requirement to ensure that the Housing Association is able to successfully meet the goals of the merger. This means ensuring that the transformational changes take hold whilst not slipping up on the day-to-day operational challenges, and successfully navigate the capital markets, under the new entity.

Critically, the Board has to have the necessary balance of skills, experience and knowledge of the sector and of the merged Housing Association itself. In order to benchmark its abilities, the Board should undertake a formal, and rigorous, annual appraisal of its own performance, including its committees, individual directors and advisers.

PIC encourages borrowers to refer to the UK Governance Code and the National Audit Office in this regard. The National Housing Federation has also drawn up a list of key areas that can be considered.

Areas to consider when contemplating a merger

A rationale for merging or amalgamating Housing Associations is critical. Knowing why they are merging is important as it will inform the way the merger is carried out. However, it is no guarantee of a successful merger.

The first hurdle is to convince all stakeholders of the merits of the planned transaction.

This involves thoroughly working through cash-flow assumptions and details like how duplicated costs can be reduced. This might include removing some management overheads and administration costs or increasing pricing power in procurement, but retaining the ratio of housing officers, for example.

In operational terms, inadequate integration planning will lead to a flawed execution of the merger, even if in the short-term rating agencies and the Social Housing Regulator can be won over.

Investors may take a different view – with liabilities stretching out decades, they have to ensure the security of future pension payments, and may therefore be less enthusiastic for short-term wins if they come at the expense of long-term stability and financial strength.

Communication strategy

For Housing Associations which are planning a merger, or indeed want to build long-term relationships with institutional investors, an appropriate communication strategy could mean the difference between success and failure. This includes:

- Making sure that the decision makers and their advisers agree on what a successful outcome looks like
- Preparing a strong management presentation that includes clear financials, including the aspirational plan and a more realistic base case
- Make sure the capital structure and any derivatives are clearly understood
- Being transparent in all aspects of the business, for example offer details on risk management, approach to development, governance structure and on stress testing the balance sheet.
- Discuss your relationship with the regulator including any regulatory judgements
- Having clear but flexible timescales
- Showing willingness to build a long-term relationship based on trust and goodwill by proactively engaging with investors on a regular basis and communicating information which is likely to be considered relevant to investors in a timely manner
- When negotiating borrowing terms, be prepared to discuss additional levels of security which may be required by institutional investors

The most attractive private placements share characteristics, including the ability to:

- Secure the debt on social housing assets
- Maintain a strong investment grade equivalent rating
- Offer flexibility on maturity of debt to allow lenders to better match their liability profiles

42

A total of 42 Housing Associations merged in 2018, bringing the total number of consolidations in the last five years to 171

14 Source: EMW Law llp, "42 Housing Association Mergers in 2018".

The important socio-economic role of Housing Associations.

The results of PIC's 2019 survey stressed the importance of the role Housing Associations play in the local community. The responses highlighted the breadth of economic and social benefit that is delivered to residents, beyond providing subsidised places of residence.

However, the starting point is providing housing. In that regard, the response by MHS Homes, a housing provider based in Kent, could almost be a statement for the sector:

Housing Associations also reported encouraging successes in collaborating with local businesses to create local jobs and apprenticeships.

For example, Phoenix Community Housing (see case study, opposite) was able to actively help 31 people into work, employed 11 apprentices, and provided or supported training places for 138 people in 2018/19. In addition, they support a training academy operated by Barking & Dagenham College in partnership with Saint-Gobain and Barnardo's, which operates from one of their community centres.

Yarlington Housing Group, which owns 10,000 properties across Somerset, Devon and Dorset, has a subsidiary called "Inspired to Achieve", which aim to support 200 residents into a job or better employment every year.

For some Housing Associations, an integral part of the planning process is to offer community buildings for training, skills development or counselling, as well as facilities for childcare.

Others provided leisure facilities such as allotments, urban farms and art centres. Phoenix Community Housing has secured a grant from the Heritage Lottery Fund to refurbish a pub that will serve as a live performance venue and cinema.

MHS Homes also provides a number of community buildings to charities and community groups that are either free or heavily subsidised and are used for bereavement services, counselling, childcare and other services.

"When we consider our developments, we assess inclusive growth. This seeks to ensure that the homes that we build are near centres of employment and that those who least can afford it do not spend a large percentage of their income on travel to work.

We seek to use small and medium contractors for a large number of our contracts, and when we award contracts from property to audit we look at their impact to their local communities. A number of contracts have historically included requirements for apprentices."

Colin Gummow
Assistant Director – Finance, Red Kite Community Housing

"We currently have a project called Launchpad which is designed to assist our tenants into work by building confidence, helping with CVs, job interview techniques, support with training and digital inclusion.

We also support job fairs where we get prospective employers to talk face to face with our residents around available opportunities.

From 2017/18 we have worked with 173 residents."

Nasreen Hussain
Director of Finance and Resources,Soha Housing

Our primary purpose is to alleviate the levels of homelessness and to provide a safe, affordable home to those most in need.

MHS Homes

Case study

Phoenix Community Housing.

In April 2018, PIC completed a £60mn debt investment with Phoenix Community Housing.

Phoenix Community Housing is a not-for-profit, resident-led housing association based in South London, which owns and manages more than 6,000 homes in the Lewisham wards of Bellingham, Whitefoot and Downham, and are now starting to build their first new homes.

The debt investment will fund the development of 200 new homes, as well as allow the refinancing of existing debt and the removal of restrictive covenants.

Main points of the transaction:

- Use of existing homes as security over the investment to allow construction of new homes and meet housing need
- Long term funding of the financial plan at historically low interest rates
- Deferred drawdown reducing overall levels of interest
- Release of restrictive covenants on existing legacy debt

"We are genuinely delighted to have been able to complete this transaction with PIC, an organisation that has a growing reputation within the social housing space for innovation and flexibility in arranging funding. We are committed to delivering much needed new homes and working with our residents to enhance our local community area. The PIC team were proactive in helping us achieve our aims, and flexible in discussions on deferred drawdown. We look forward to working with them as an investment partner."

Chris Starke
Finance Director, Phoenix Community Housing

A radical rethink on housing support is urgently needed.

By Joe Shalam, Head of the Centre for Social Justice's Housing Commission

These were the words of Bill, who recently met with the Centre for Social Justice to share his story with our Housing Commission, a year-long policy series chaired by Lord Best.

Following the death of his parents at a young age, and then divorce from his partner, Bill's mental health suffered and his reliance on alcohol increased. Quite soon after, he lost his home, and spent over a year in different types of temporary accommodation. Moving into a permanent social housing place in Hammersmith, was the decisive change that enabled him to get his life back on track.

Bill's experience, like countless others we've heard from our alliance of 400 poverty fighting charities, reminds us that in order to truly tackle poverty, we must address its root causes: addiction, serious personal debt, unemployment, educational failure, and the breakdown of families. With the right support, a secure and affordable home is the foundation that makes this possible.

Yet when it comes to the supply of new social housing, we are falling short. Last year, for example, we built just under 6,500 homes compared to 40,000 in 2010. Meanwhile, some 82,000 families (and 124,000 children) currently face the chaos and disruption of living in temporary accommodation. Today, the leading trigger of statutory homelessness is the termination of a tenancy in the private rented sector, where affordability issues are rife – particularly in London and the South East.

The Government has responded with welcome and significant action to bump up the numbers, most notably including the abolition of councils' housebuilding borrowing cap. But without further increases to supply, too few social homes will be built for those who need it now and will do so in the years ahead.

This arrangement is not only damaging to those who lose their private rented homes and go on to face the strains on unemployment, education and health so often associated with temporary accommodation, but it is extremely costly for the taxpayer. Housing benefit is 25 per cent more expensive in the private rented sector, and local authorities have spent an eye-watering £940mn on temporary accommodation in the last five years alone.

The CSJ Housing Commission has called for a radical rethink of how we fund housing support in England, with the hope of the Government adopting a longer-term view. It should shift our reliance on demand-side top ups in the private rented sector towards much greater investment in new social homes on the supply side. It should renew social housing's dynamic and positive role, unleashing employment, skills and wider support (which the best social landlords already provide to their residents) more extensively.

This would, our research finds, end the 'temporary accommodation trap', produce structural benefits to the public finances and represent a profound advancement in the cause of social justice.

Walking through that door was phenomenal. I've never ever felt the sense of home in my life like that. I can't find words that are even consummate to the level of emotional experience I felt in that moment...

It's not life-long stability of course. Nothing is, but it's enough. It's long enough to get myself back on my feet. I could start to think about tomorrow, and the next day, rather than just the next five minutes.

When it comes to the supply of new social housing, we are falling short.

New social homes

2010	2018
40,000	6,500

Key reasons why our partners chose to work with PIC.

Deferred drawdown option

Pricing / Certainty of cost

Transparency

Track record

Flexibility

Short timescales

Strong understanding of housing association's needs

Long-term approach

"We are developing new homes in the Phoenix area and actively consult with existing residents as part of our 'Building Together' strategy so that they are involved in the creation of the new homes and can benefit, for example, through chain lettings and related environmental improvements, as well as employment and training opportunities and other social value gains."

Chris Starke
Director of Finance, Phoenix Community Housing

"In addition to pricing, key reasons why Accord Housing Association chose to work with PIC include: Flexibility, ability to defer drawdowns to match spending plans, transparency, company approach, track record and PIC's long-term approach. PIC made an all-round compelling offer."

Stuart Fisher
Executive Director of Resources, Accord Housing Association

"We launched on 3 Feb 2017 and completed on 10 April 2017: excellent work!

We are very pleased to work with PIC, who have a strong understanding of the needs of social housing providers and a demonstrable commitment to the sector."

Steve Sharples
Head of Corporate Finance, Aldwyck Housing Group

"We are very pleased to have completed on this transaction and because of the deferred structure, we have certainty that future funding will be delivered to us at a known cost. We can now confidently embark on delivering our new Corporate Plan development aspirations for 2019 - 2022 to build much needed new homes in and around Northamptonshire. PIC's team were flexible in developing a funding structure that meets our needs and proactive in helping us complete the transaction in a short timescale."

Julie Robinson
Director of Resources, Greatwell Homes

"My experience of working with PIC is that they have a dedicated, efficient and friendly tea."

Bruce Shelmerdine
Finance Director, MHS Homes group

"PIC was able to meet the relatively short deadlines which we had imposed on the refinancing project.

The long-dated investment matches the long-term nature of the housing assets in which Livin invests."

Sean Brodie
Executive Director of Finance And Development, Livin Housing Ltd

"Flexibility, ability to defer drawdowns and long-term approach were key.

The deferred characteristic allows us to lock in certainty of funds at attractive interest rates well ahead of when the funds need to be utilised, resulting in cost of carry savings. As a result, Halton can continue to support the local population of Runcorn and Widnes with our high-quality, affordable housing"

Neil McGrath
Deputy Group Chief Executive & Chief Financial Officer, Halton Housing

"Yarlington chose to work with PIC because of PIC's proven track record and reputation in conjunction with its long-term approach and especially the ability to defer drawdowns to match spending plans."

Mark Gordon
Head of Business Planning & Treasury, Yarlington Housing Group