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Department for Communities &  
Local Government  
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London SW1E 5DU

Date: 25 June 2009  
Our Reference: JH/mhw  
Your Reference:  
Direct Line: (01273) 295035

Dear Mr Biddulph

Thank you for your letter dated 7th May sent in response to our application for consent (submitted 13 February 2009) to lease up to 499 empty HRA homes from Brighton and Hove City Council (BHCC) to Brighton and Hove Seaside Community Homes (BHSC) over a period of 5 years.

We were disappointed that you have not been able at this point to place our request in front of the Minister with a positive recommendation but welcome the opportunity to review the concerns that you have raised and to jointly work towards eliminating any fundamental difficulties with this project.

(1) Value for Money

You raise the issue of value for money and that of disposals at an under value. I note your concern, and for this reason would like to shortly provide you with a detailed response having first examined this issue more closely.

(2) Securing Private Funding

In your first point you state that the 'proposal does not appear deliverable from a fundamental perspective'. As you are aware seeking private funding has always been the preferred funding option for this proposal. I am pleased to inform you that we are currently in active talks with three financial institutions on funding for the project. While the availability of private funding may be seen as a market not a project issue, our financial advisors have confirmed that the level of interest currently being shown is consistent with interest shown by banks on other PFI/PPP type proposals and as you will appreciate negotiations with banks that involve lending to a third party (in this case the LDV) take time and require a considerable amount of information exchange. In the current financial climate the process is taking even longer. The council will continue this process of securing private sector funding on competitive terms.

Although private funding is not finalised we would hope that officers would consider giving consent prior to private sector funding being obtained. We would hope that

officers in the department can consider all the other issues which relate to the scheme and working in dialogue with the Council reach a point where the scheme has support in principle with formal consent awaiting finalisation both of private funding and the documentation.

( 3) A Prudent Approach

The second key issue raised in your letter is concerned with balance sheet treatment. The prudential capital system the issue of on/off balance sheet is no longer a factor. The prudential system is predicated on the council's view on affordability, sustainability and prudence of any capital investment decisions and these are the considerations the council will take into account throughout the project. The council has already opened discussions with the Audit Commission and their initial view is that the LDV will be "an Entity" (as defined by accounting principles) and will be accounted for as either an "Associate" or "Subsidiary" company in the council's Statement of Accounts. Discussions will continue with the Audit Commission and as the legal agreements between the council and LDV are finalised the accounting treatment will be reviewed. If you consider that whether it is on or off balance sheet has to be a key issue that enables or prevents consent from being given, ( and given the financial freedoms allowed Councils following 2003 Act we are not sure why this should be a defining issue) we might be willing to say that we will ensure that it is formally signed off as off balance sheet.

(4) Maximum Rent Use of Existing Homes

In your third point you raise the issue of loss of social housing stock and the protection afforded to tenants by registration with the TSA. Brighton & Hove can provide assurance of no net loss of affordable homes. The homes we propose to lease to the BHSCCH are currently uninhabitable and in need of refurbishment. The Council will retain 100%, nomination rights to these homes when they are brought back into use in order to meet housing need. In addition, the Council working with the HCA and our housing association partners have a very successful new build development programme that on average delivers 230 new affordable homes in the City each year. Our partnership out-turn figure 2008/09 is 232 new affordable homes and we are projecting a similar figure next year based on our existing development pipeline. 499 empty homes in need of refurbishment leased to BHSCCH over 5 years equates to 4% of the existing Council housing stock and should be seen in the context of annual turnover of approaching 800 re-lets per year. In light of this we can confirm no project net loss of social housing stock in Brighton & Hove as a result of our proposals. In addition BHSCCH are seeking to extend its activities by developing and regenerating areas to increase and contribute to the existing development pipeline of additional affordable homes in Brighton & Hove.

(5) Registering with the TSA

We are not seeking to 'deny tenants in Brighton the protection the TSA offers'. Our proposals have proceeded on the basis that BHSCCH win contract landlord services back to the Council, which will be registered with the TSA. Neither the Council nor BHSCCH have ruled out approaching the TSA for registration at some point in the future. The TSA has yet to settle its registration criteria, and the BHSCCH will be very happy to enter into dialogue with the TSA as appropriate. BHSCCH will offer tenants a high standard of service with supporting policies and performance standards that reflect their aspirations. Any help the TSA can give BHSCCH in achieving their aspirations will be very welcome.

(6) Ending Benefit Dependency

Your fourth point reflects concerns about perpetuating a benefit dependency culture. The Council's allocation policy allows for transfer from temporary accommodation to social housing dwellings where tenants in temporary accommodation obtain work. Such tenants obtain priority for allocation of a social housing dwelling at social housing rents to avoid concerns about benefit dependency. The local housing allowance or housing benefit to which tenants would be entitled would be related to the provision of adequate housing for the person entitled to the benefit.

The Council's out-perform our National Indicator Set (156) target for reducing numbers of households living in temporary accommodation with a reduction to 372 households against a target of 385 for 08/09, from a baseline of 498. We have a target to reduce the number of households in temporary accommodation to 333 by 2010 and have developed our approach to ensure that sufficient support is available for households to manage and sustain new tenancies and prevent the cycle of re-entry back into temporary accommodation.

(7) Tackling Worklessness

In addition to our success in reducing the number of households living in temporary accommodation, we operate a successful Integrated Support Pathway to give vulnerable people a comprehensive package of support to enable them to move through homelessness and temporary accommodation services into employment and independent living.

Essential to the success of the Pathway was the commissioning of a dedicated Work and Learning Service which working alongside 35 homeless projects covering 150 people to achieve the following results:

- a 85% progression rate into further work or learning activity/meaningful occupation
- a 55% progression rate into mainstream learning/training
- a 47% rate into employment for those people completing the work placement programme.

- an increase from 40% to 85% for completion of Accredited Life Skills Programmes.

For people in temporary accommodation we successfully operate an incentivised pathway into employment and the private rented sector – the Stepping In Project. We have also commissioned the Homeless Psychology Project and Behavioural Support Team to support clients with issues of motivation and to overcome the negative behaviours and attitudes that lead to repeat homelessness.

In addition, we operate additional support services to support the transition into employment, education & training and independent living, including:

- Job Coaching
- Job Network
- Career Counselling
- Working Support Service
- BAOH Tracking for 18 Months
- Peer to Peer Service
- Peer Learner Programme
- Support into College
- Links into external job support networks
- Business Link Services/Social Enterprise Network
- Strong links with Volunteering Agencies

#### (8) Taking account of benefit changes

We are pleased to have received notification of DWP changes to the homeless ‘cap and threshold’ system. We were aware of and had identified potential risk of these forthcoming changes and had factored the potential impact into our modelling. We now welcome the certainty of the final arrangements being announced and will be considering the impact upon our modelling. This removes a significant project risk. From our initial consideration we note that while there is a negative impact on one bed properties, there is a positive impact for us on all other property sizes. We also note that the management fee used for authorities outside London is £60 per week, higher than any management fee we have proposed in our initial modelling.

#### (9) Schemes which enable settled homes

We were not intending at any time to suggest that our scheme was the same to that of Newham's Local Space. We were simply using that as an example of one of a number of schemes which are intended to improve the quality of temporary housing and produce settled homes. We wanted to be clear that the properties that we wish to lease to BHSCH are currently nearly all in a unsatisfactory state, some are actually empty and uninhabitable and the project produces enough money for them to be brought up to a proper standard so that the vulnerable client groups which BHSCH would house can be adequately housed. BHSCH is not simply going to house those who are homeless but also people with physical and learning disabilities to whom the Council has long-term duties to secure proper homes

(10) Improving tenant's living standards

As previously stated I would like to continue to work with your department at removing the difficulties that have been outlined in your letter of the 7<sup>th</sup> May which I have been able to begin to address in this response. We are keen to improve the living standards of our tenants and have developed this project in light of the government green paper which gives a commitment to increase government support for schemes which use rental income to repay borrowing and in doing so can utilise the lease premiums in order to invest in our retained housing stock to meet the Decent Homes standard and our tenants aspirations

(11) Tenant Support for BHSC

Brighton & Hove rejected a housing stock transfer with a 77% no vote. However they have actively endorsed the LDV project as a sound way of bringing empty homes back into use and generating additional premiums that can be used to improve social housing stock. We wish to work with you to achieve this goal. The proposals have all party political support.

(11) Funding decent Homes Standards

Finally, we need to restate that the proposal is primarily to raise investment to enable the council to bridge some of our investment gap to meet Decent Homes. This is being done in conjunction with a major re-procurement exercise which is seeking very significant savings to the HRA Business Plan through entering into long term partnering arrangements with contractors. We would welcome a discussion with the HCA and your selves to establish how they can help us with our proposals. I am sure we all share the same goals of improving the lives of living conditions of the Brighton & Hove's tenants and future tenants.

Given the importance of this proposal to the council's decent homes programme and its tenants we would appreciate your urgent and considered attention to our proposals. We would like to invite you to Brighton to view some of the properties we have been discussing and to clarify further points of issue so positive progress can be made.

Yours sincerely

**Joy Hollister**  
**Director**  
**Adult Social Care & Housing**

