

ABERDEEN CITY COUNCIL

COMMITTEE: Housing and Environment
DATE: 25 May 2010
REPORT BY: Director and Head of Finance
TITLE OF REPORT: Introduction of Furnishings Service Charge
REPORT NUMBER: H&E/10/090

1. PURPOSE OF REPORT

- 1.1 This report provides information on possible options to provide furniture to new tenants.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) Agree on the type of scheme for the furnishing for new tenants listed in Appendix 1.

3. FINANCIAL IMPLICATIONS

- 3.1 Furnishings have been provided for new tenants through two different funding streams. The Homeless Strategy Budget provides funding for tenants who have been housed following a homeless presentation. The HRA provides funding for tenants who are identified as having a need for assistance by the Housing Assistant.
- 3.2 The introduction of a service charge would lead to significant additional work and costs being incurred in maintaining the furnishings and administering the furnishing service. However the introduction of a service charge would lead to a reduction in the overall spend for both General Services Housing and the HRA, with the aim of ultimately reducing the costs to zero. Initially furnishings will need to be purchased with the service charge income building up slowly as new tenants receive the service. The provision of furnishings will require a continuing budget commitment but one which will reduce over time.
- 3.3 The furnishing service will need to be designed in such a way to ensure that the service charge is eligible for Housing Benefit. For any tenant not in receipt of benefit

they will need to decide if paying a service charge is appropriate. It is therefore important that the service charges agreed delivers a cost effective solution for tenants.

- 3.4 The HRA expenditure on furnishings in 2008/9 was £120,000 and the Homeless Strategy expenditure was £328,000
- 3.5 Without the introduction of a service charge the continuing provision of furnishings is not sustainable.

4. SERVICE & COMMUNITY IMPACT

- 4.1 The delivery of the furnishing service aims to provide our citizens with an option on how they can ensure the basic furnishing requirements for their home are met. This would support the following challenge in the community plan:

Homes Challenge – improving the quality of housing and environment for individuals and the community and eradicating homelessness by 2011.

5. OTHER IMPLICATIONS

- 5.1 The continued provision of furnishings will make a significant contribution towards ensuring homeless households are able to move into permanent housing. This is not only important to ensure homeless households are able to maintain their tenancy but it will also have a positive impact in minimising the period during which properties are empty awaiting relet.

6. REPORT

- 6.1 Aberdeen City Council currently provides basic furnishings which may include beds, floor coverings, white goods etc for statutory homeless applicants who are entering into permanent Council accommodation.
- 6.2 Funding for this scheme is from General Services Housing budget for Homeless Strategy. Aberdeen City Council originally started providing the furnishings in November 2005. At this time it was funded by the Scottish Governments Furnished Tenancy Grant and their guidance suggested that service charges should be avoided. This grant now forms part of the overall Council's settlement.
- 6.3 The number of tenants assisted each year
 - 2006 = 395;
 - 2007 = 320;
 - 2008 = 484.

The recent rise in the number assisted reflects the policy changes which have been introduced to achieve the targets for the removal of priority need by 2012.

- 6.4 As the take up rate for the furnished tenancy grant has increased and with the budget constraints of the Council the value of the grant has decreased. Applicants now receive furnishings with a value of up to £300 for a single person and £700 for a family.
- 6.5 The provision of furniture helps sustain tenancies and the current figure for tenants still in their tenancy after 1 year is 92% where furnishings have been provided. This is seen as very positive success rate and it is believed that the furnishings have been a major contributory factor.
- 6.6 Discussions have been held with Housing Benefit Officers to ensure that any furnishing service charge can be eligible for Housing Benefit. The key issue is that the furnishings must always remain in the ownership of Aberdeen City Council. If a tenant ends their tenancy or decides that they no longer want to have the furnishings and pay the service charge the Council has to remove all the furnishings.
- 6.7 As the Council, owns the goods and is charging for them we must ensure that the goods are maintained and replaced when necessary. Any electrical goods supplied will be, subject to an annual portable appliance test.
- 6.8 The introduction of this service charge will provide an additional income to the Council this will allow the furnishing service to continue and will potentially result in an increased number of households assisted. It may also be possible to give households greater choice when selecting the goods that they need.
- 6.9 A number of Scottish Local Authorities already charge a service charge for furnished tenancies, these include Edinburgh City Council and North Ayrshire Council.
- 6.10 In investigating the introduction of a service charge officers have reviewed the various options which exist in delivering a furnishing service and these are set out in Appendix 1.
- 6.11 If the recommendation is agreed then a number of key tasks need to be actioned to prepare for the introduction of a service charge.
- 6.12 Administration – an additional staff member will be required to manage the ordering and payment for furnishings; organising replacement furnishings, the removal of furnishings at the end of the tenancy or when tenant ends the furnishing agreement, organising storage of goods suitable for re use, organising annual electrical checks, ensuring debt recovery where non payment of service charge, liaison with Housing Benefit (HB) to maximise HB eligibility, etc

- 6.13 Tenancy Agreement/contract – ensure tenancy agreement and furnishings contract is developed to ensure responsibilities of Council and the tenant are clear for the use, maintenance and replacement of furnishings.
- 6.14 Agreement on packages – a range of furnishing packages should be considered, if this is agreed then different service charges will be required depending on the package and size of property. If the recommendation to introduce a service charge is agreed detailed costing will be prepared for the Finance and Resources Committee on 17 June 2010 where approval will be sought for the introduction of a charge. Agreement will be required with Housing Benefit officers to ensure that any proposed service charge is fully eligible for Housing Benefit. In addition the member of staff would be the subject of a business case.
- 6.15 Electrical goods are required to be checked on an annual basis. This means that an electrician will need to visit every property with electrical goods on an annual basis. This will incur additional costs and potential access issue will need multiple visits. The need to provide the option for basic cooking provision is seen as an important contribution that the furnishing service can provide for.
- 6.16 Listed in Appendix 1 are the options available to Aberdeen City Council for the provision of furnishings including costs and a decision will need to be made on the type of scheme to be taken forward.

7. AUTHORISED SIGNATURE

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9. BACKGROUND PAPERS

Appendix 1

Option 1 – To continue with the Status Quo this is to provide furnishings to tenants at no charge and the Council will continue to fund the full cost of supplying and administering the service. This allows the tenants to move into the property at the start of the tenancy.

Option 2 – To discontinue the Furnishing Service. This will provide a saving to the Council in both monetary and staff time. This would be a significant reduction in the service to tenants, which could mean that a number are unable or to delay a move into permanent accommodation which could lead to further pressure on temporary accommodation and increase void rent.

Option 3 – Introduce a service charge to the scheme. The scheme would eventually become self financing but an additional member of staff will be required to administer the scheme, the additional staff costs would be covered by the scheme. Housing Benefit would cover the service charge for those eligible for Housing Benefit and would allow the tenant to move into the property at the start of the tenancy.

Based on the following package – carpets for three rooms, curtains, blinds, a double bed., Cooker, Fridge Freezer and Washing Machine

	£
Administration/staffing	25,000
Removal costs	10,140
Cleaning costs	6,760
Storage costs	23,000
Maintenance Costs – PAT testing	19,225
Recovery of initial purchase of goods	162,510
Replacement of Goods	270,851
Disposal of Goods	5,070
Disconnection of white goods	1,923
Debt recovery	52,728
Total	577,207
Weekly charge (52 weeks)	16.42

Total tenants assumed 676 yearly

Option 4 – Introduce a service charge, but the Council will not provide electrical goods. Such a scheme will have a reduced cost and administration. Housing Benefit will cover the service and it would allow the tenant to move into property at the start of the tenancy.

Based on the following package – carpets for three rooms, curtains, blinds, and a double bed.

	£
Administration/staffing	25,000
Removal costs	10,140
Cleaning costs	6,760
Storage costs	23,000
Recovery of initial purchase of goods	132,271
Replacement of Goods	79,362
Disposal of Goods	5,070
Debt recovery	28,122
Total	309,725
Weekly charge (52 weeks)	8.81

Total tenants assumed 676 yearly