

ABERDEEN CITY COUNCIL

COMMITTEE: Housing and Environment
DATE: 24 August 2010
DIRECTOR: Pete Leonard
TITLE OF REPORT: Introduction of Furnishings Service Charge
REPORT NUMBER: H&E/10/133

1. PURPOSE OF REPORT

1.1 This report provides information on possible options to introduce a service charge for the provision of furniture to new tenants following the Committee decision on 25th May 2010 to agree in principle to the introduction of such a service charge.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

1. Agree to the introduction of a service charge for the provision of furnishings to new tenants.
2. Agree that the service charge be set on a 48 week per annum basis at

Single person / couple	= £6 – per week
Family	= £10 – per week
3. Agree that recommendation (2) be referred to the next meeting of the Finance & Resources Committee for ratification.
4. Instruct the Director of Housing & Environment to report back to Committee after the service charge has been in operation for 6 months with a review of its implementation.

3. FINANCIAL IMPLICATIONS

- 3.1 Furnishings have previously been provided for new tenants through two different funding streams. The Homeless Strategy Budget provided funding for new tenants who were housed following a homeless presentation. The HRA provided funding for new tenants who were identified as having a need for assistance by their Housing Assistant.
- 3.2 The assistance with furnishing for new tenants has been very successful in assisting tenants move into and sustain a tenancy. To date this has seen furnishings provided with no financial return to the Council to offset the costs of furnishing provision. The annual expenditure of circa £450,000 is seen as unsustainable in the future.
- 3.3 The sustainability of furnishing provision could be addressed by the introduction of a service charge. Previously furnishings were provided but not maintained or serviced. In introducing a service charge furnishings will need to be maintained. This will lead to significant costs being incurred in maintaining the furnishings and administering the furnishing service, however these costs would be fully recovered through the service charge.
- 3.4 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 of the furnishing service 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.
- 3.5 The furnishing service charge will normally be eligible for Housing Benefit. Discussions have taken place with Housing Benefit Officers to ensure that any charge agreed fits with Housing Benefit Regulations. Any tenant not in receipt of benefit will need to pay the full service charge if they decide to receive furnishings. It is therefore important that the service charges agreed deliver a cost effective solution for all tenants.
- 3.6 The HRA expenditure on furnishings in 2008/9 was £120,000 and the Homeless Strategy expenditure was £328,000.
- 3.7 Without the introduction of a service charge the continued future provision of furnishing for tenants is not financially sustainable.
- 3.8 As the service charge option is new, best estimates have been used. It will therefore be essential to closely monitor income and expenditure and review the levels of charge to ensure they cover costs and offer good value to tenants.

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.
- 5.2 ‘Achieving our Potential: Tackling Poverty and Income Inequality in Aberdeen City’ is the Council’s anti-poverty strategy. The strategy currently has reference to the Council’s previous Furnished Tenancy Grant Scheme. The continuation of a furnishings scheme and its development into a long term service will be an important contribution to the anti-poverty strategy.

6. REPORT

- 6.1 Aberdeen City Council previously provided basic furnishings which included beds, floor coverings, white goods etc for statutory homeless applicants who were entering into permanent Council accommodation.
- 6.2 Funding for this scheme was 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 have received furnishings with a value of up to £300 for a single person and £700 for a family.
- 6.6 Furnishings at £300 for a single person normally provided a bed, bedding, cooker and 2 pairs of curtains / blinds. The £700 for a family normally provided for a cooker, fridge, washing machine, beds and bedding.
- 6.7 The provision of furniture helps sustain tenancies. Previous assessment showed 92% of tenants still in their tenancy after 1 year 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.
- 6.8 Discussions have been held with Housing Benefit Officers to ensure that any furnishing service charge can be fully eligible for Housing Benefit. The key issue is that the furnishings must always remain in the ownership of Aberdeen City Council, and there should be no intention to pass ownership of the furnishings to the tenant. 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.
- 6.9 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. It is appropriate to provide the goods for a period of 5 years, at the end of which the future use of the goods would be reviewed with the tenant.
- 6.10 The introduction of this service charge will provide an income to the Council to offset the cost of the provision of furnishings. This will allow the furnishing service to continue and will potentially result in an increased number of households being assisted. In the future it may also be possible to give households greater choice when selecting the goods that they need.
- 6.11 A number of Scottish local authorities already charge a service charge for furnishings, these include Edinburgh City Council and North Ayrshire Council. The RSLs operating in Aberdeen have a similar scheme which they are hoping to relaunch to new tenants in the near future.
- 6.12 In investigating the introduction of a service charge officers have reviewed the various options which exist in delivering a furnishing service. Assumptions have been required to be made as we do not have information on a number of issues e.g. likely levels of bad debt. The development of the service charge has included costs for storage of furnishings. Where a tenant requires furnishings to be removed we will organise this and where the goods can be reused they will be. Short term storage may be required

until an alternative use can be found for the goods, the intention would be to recycle to Council projects or work with appropriate charities to ensure goods are quickly reused wherever possible

- 6.13 If the recommendation is agreed then a number of key tasks need to be actioned to prepare for the introduction of a service charge.
- 6.14 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 etc.
- 6.15 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.
- 6.16 Two different packages are proposed at this stage. Furnishings at £300 for a single person / couple providing a bed, bedding and a cooker. For a family £700 would provide for a cooker, fridge, beds and bedding.
- 6.17 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 costs and potential access issues may require multiple visits. Basic cooking provision is seen as an important contribution that the furnishing service can provide.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

None

Furnishings Service Charge

Single person / couple package

Cooker, double bed, bedding and curtains.

Family package

Cooker, fridge, washing machine double bed, single bed, bedding, living room carpet.

Costs of delivering the service will include a member of staff to administer the service, removal of furnishings no longer required, minimal storage costs until goods can be recycled, annual electrical testing, disposal of goods which can not be reused and an allowance for bad debt.

As these costs are new, best estimates have been used. It will therefore be essential to closely monitor income and expenditure and review the levels of charge to ensure they cover costs and offer good value to tenants.

All the of costs incurred will be covered by the scheme. Housing Benefit should be available to cover the costs of the service charge for those eligible for Housing Benefit.

The costs of purchasing goods are spread over a 5 year period.

	5 year
Single person / couple	£6.00
Family	£10.00