

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

4149

Author:

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Department:

Development and Growth

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Subject:

Furnished tenancies provision for Nottingham City Council tenants

Total Value:

£629,000 (Type: Revenue)

Decision Being Taken:

- 1) To reimburse Nottingham City Homes based on actual expenditure claims submitted retrospectively of £315,000 for financial year 2019/20 for the provision of furnished tenancies for Nottingham City Council tenants managed by Nottingham City Homes, £116,000 of which has arisen due to underspend on the budget from DDM 2847

- 2) To reimburse Nottingham City Homes based on actual expenditure claims submitted of £430,000 for financial year 2020/21 for the same scheme

Reasons for the Decision(s)

For some tenants, the ability to furnish their new home adequately is beyond their financial means. Sometimes the only option is to resort to high cost or illegal lending to purchase poor quality goods with short lifecycles at great expense. The Council and Nottingham City Homes want to assist households on its housing register who are financially struggling to furnish a property. The provision of furniture can be eligible for Housing Benefit/ Universal Credit housing costs, so long as it remains the property of the landlord and is rented to the tenant.

Funding was secured for a pilot in 2015/16 (DDM 1757) and although take-up was gradual, the pilot showed that there was a clear need for a furnished provision. Tenants were able to move in sooner, fewer financial worries led to better quality of lives and more tenancies were sustained. From a business perspective some harder to let Independent Living homes have been allocated more quickly as furnished tenancies helped to reduce void rent loss and tenancy sustainment rates are higher with furnished tenancies. The age of tenants taking advantage of a furnished tenancy have ranged from 18 to 84.

Following the successful pilot, DDM 2847 sought permission to allocate £255k for the provision of furnished tenancies and to implement furnished tenancies as a mainstream offer to tenants. To date, £139k of the original £255k has been committed, £59k in 2017/18 & £80k in 2018/19, therefore £116k is still available. The provision of furnished tenancies continued in 2019/20, however demand had significantly increased above the remaining budgetary provision. The full year actual expenditure for 2019/20 is £315,000 and the projection for 2020/21 is £430,000. The additional costs incurred in 2019/20 have currently been borne by NCH.

Therefore the value of this decision is £629k, because a further £116k is available from previous underspend.

Housing Register applicants are given the option of a furnished or unfurnished tenancy when offered a new home. Referrals were also made from partner agencies supporting vulnerable applicants with no or few personal possessions. If a furnished tenancy is required, they will be able to choose a furniture package that meets their needs; from white goods only (washing machine, fridge-freezer and cooker) to a fully furnished home.

There are currently around 500 furnished tenancies in operation and new take up is averaging at 7 per week and increasing. Tenants will be expected to remain on a furnished tenancy for 5 years, at which point they will be able to retain a furnished agreement (with a refresh of some furniture) or transfer to a standard unfurnished tenancy agreement. If they move to an unfurnished agreement, the furniture and associated charges will be removed.

Approval for the continued budgetary provision for furnished tenancies will be made for financial year 2021/22.

Other Options Considered:

Do nothing - this option is not recommended. There is a clear demand for furnished tenancies. Tenants can and do resort to high-cost credit to furnish their homes and frequently the furniture or white goods will break or be worn out before the weekly installments have been paid.

Background Papers:

None

Published Works:	None
Affected Wards:	Citywide
Colleague / Councillor Interests:	None
Consultations:	<p>Date: 11/02/2021</p> <p>Other: Mark Lawson - Executive Assistant Nottingham City Homes</p> <p>Nottingham City Homes continues to support the provision of furnished tenancies. The initiative supports citizens sustain their tenancy and avoid the use of long term costly high street lending.</p> <p>Those not consulted are not directly affected by the decision.</p>
Crime and Disorder Implications:	No crime and disorder implications arising as a result of the decision.
Equality:	EIA not required. Reasons: No new or changing policies are being implemented.
Decision Type:	Portfolio Holder
Subject to Call In:	<p>No</p> <p>The call-in procedure does not apply to the proposed decision because the delay likely to be caused by the call in process would seriously prejudice the Council's or the public's interests. The Chair of the Overview and Scrutiny Committee (or Vice-Chair) in his/her absence has been consulted and agreed both that the decision proposed is reasonable in all circumstances and that it should be treated as a matter of urgency.</p> <p>Person Consulted: Not applicable</p> <p>Consultation Date: 11/02/2021</p> <p>This is a retrospective decision relating to 2019/20 and 2020/21 financial years.</p>
Advice Sought:	Legal, Finance

Legal Advice:

Consideration has been given to the legal implications, but the rationale for the proposal is based on financial forecasting. If scheme operates as intended and governance of the same is robust, it reasonable for the scheme to be approved. However, the scheme must be monitored by the Council and by NCH. Further, it is recommended that there be an annual review of service charges, so as to ensure that they are set at the appropriate level and being paid in accordance with obligations.

Advice provided by Majid Iqbal (Legal Team Leader) on 03/02/2021.

Finance Advice:

Approval is sought to reimburse NCH for the costs of operating the scheme totalling £0.745m over two years. This includes the cost of the furniture and a payment (15%) for the administration of the scheme to NCH. Of the budget approved in 2017/18 (DD2847) there remains a carry forward of £0.116m available, so the additional value of this decision is £0.629m.

In 2019/20 there was expenditure of £0.315m, and a provision for this expenditure was made in the accounts (a creditor accrual was used) and retrospective approval is now required in order to reimburse NCH for the costs incurred. This will use the underspend of £0.116m and require a further budget of £0.199m.

In 2020/21 £0.322m had been incurred until the end of December 2020 and the estimated cost for the year is £0.430m.

Costs will be recovered through service charges to tenants with furnished tenancies over a period of five years. Service charges will be set at a level that recovers initial costs, replacement of lost and damaged items and early terminations of tenancies.

The estimated payback for the scheme is between the third and fourth year of operation, beyond this it is expected that the scheme may deliver a small surplus to cover the cost of damages and early terminations, therefore the impact on the HRA will be cost neutral over 5 years. The deficit in the initial years of the scheme will be financed from the HRA's Working Balance up to a predicted maximum of £0.300m in any one year. The actual deficit will depend on a variety of factors including the number of new furnished tenancies each year, types of furniture packs that tenants opt for, early terminations, inflation etc. The underlying principle of the scheme which was demonstrated in the pilot is that the income generated through service charges will be sufficient to cover the costs of the purchase (and replacement) of furniture and the administration of the scheme.

The performance of the scheme must be monitored by the Council to ensure that it remains financially viable for the Council and represents value for money for tenants. NCH operate the scheme reporting annually to the Council on its performance. The approval to continue the operation of the scheme in future years will require the submission of an up to date business case and relevant Council approval.

Advice provided by Julie Dorrington (Senior Accountant (Housing Revenue Account)) on 22/01/2021.

Signatures

Linda Woodings as Portfolio Holder (PH Housing, Planning and Heritage)
SIGNED and Dated: 10/03/2021
Chris Henning (Corporate Director for Development and Growth)
SIGNED and Dated: 04/03/2021