

## Commissioning and Procurement Executive Committee – 12 March 2024

<b>Subject:</b>	Supply, delivery and installation of large kitchen appliances and furniture		
<b>Corporate Director:</b>	Sajeeda Rose - Growth and City Development		
<b>Portfolio Holder:</b>	Cllr Jay Hayes – Housing		
<b>Report author and contact details:</b>	Cath Stocks, Head of Housing Options, Housing Services <a href="mailto:catherine.stocks@nottinghamcity.gov.uk">catherine.stocks@nottinghamcity.gov.uk</a>		
<b>Other colleagues who have provided input:</b>	Geetha Blood - Strategic Finance Business Partner Charles Lee - Senior Solicitor Rosamund Smith – Procurement Officer		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<b>Subject to call-in</b>
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
<b>Reasons:</b>	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision		<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital		
<b>Total value of the decision:</b> £2.7 million			
<b>Section 151 Officer expenditure approval</b>			
Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a			
Spend Control Board approval reference number: 6881			
<b>Wards affected:</b> All			
<b>Date of consultation with Portfolio Holder:</b> TBC			
<b>Relevant Council Plan Key Outcome:</b>			
Green, Clean and Connected Communities	<input type="checkbox"/>		
Keeping Nottingham Working	<input type="checkbox"/>		
Carbon Neutral by 2028	<input type="checkbox"/>		
Safer Nottingham	<input type="checkbox"/>		
Child-Friendly Nottingham	<input type="checkbox"/>		
Living Well in our Communities	<input type="checkbox"/>		
Keeping Nottingham Moving	<input type="checkbox"/>		
Improve the City Centre	<input type="checkbox"/>		
Better Housing	<input checked="" type="checkbox"/>		
Serving People Well	<input checked="" type="checkbox"/>		
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>The report seeks approval to commence the procurement process for the supply, delivery and installation of residential equipment and furniture such as cookers, washing machines and beds to enable the council to provide furnished tenancies for council tenants.</p> <p>The provision of furnished tenancies supports tenancy sustainment for many vulnerable and disadvantaged citizens allocated Council housing. It provides an affordable option for tenants needing to furnish their new home, many of which have no furniture or appliances when they sign up for a tenancy, nor the savings to purchase them. This can either delay moving in - incurring rent arrears, or tenants resorting to credit - incurring high-cost borrowing and long-term debts.</p> <p>An inability to fund the essentials to make a home or being burdened with rent arrears or high debts to do so can reduce tenancy sustainment levels incurring additional cost for the Council's HRA in void turnaround costs, rent loss and potentially a subsequent homelessness duty.</p>			

The cost of renting basic furnishings in a furnished tenancy is eligible for Housing Benefit and Universal Credit housing costs, making it affordable for all tenants that need it. Tenants can choose a fully furnished home or just kitchen appliances depending on their requirements.

Furnished tenancies contribute to the Council's Housing Strategy and the Together for Nottingham plan through the provision of good quality, affordable housing for Nottingham families and citizens.

**Council Plan Outcome Nine: Better Housing:**

- We will tackle poor-quality housing in Nottingham, regardless of tenure, and continue to drive up housing standards in the city, ensuring sustainable communities and neighbourhoods for residents.

**Exempt information:** None

**Recommendations:**

- 1 To approve authority to undertake a procurement exercise to identify a supplier and issue an open tender, in accordance with the Council's Constitution, for a 5-year contract at a cost of £2.7m;
- 2 To delegate authority to the Corporate Director for Growth and City Development to enter into contracts with the successful supplier;
- 3 To approve authority to set up CPAs to cover the works to be delivered and to raise purchase orders under the signed contract, including CPAs for the duration of the contracts.

**1. Reasons for recommendations**

- 1.1 Nottingham City Council has provided new tenants with the option of a furnished tenancy since 2016. The provision of furnished tenancies supports tenancy sustainment for many vulnerable and disadvantaged citizens allocated to Council housing. It provides an affordable option for tenants needing to furnish their new home, many of which have no furniture or appliances when they sign up for a tenancy, nor the savings to purchase them. This can either delay moving in - incurring rent arrears, or tenants resorting to credit - incurring high-cost borrowing and long-term debts.
- 1.2 There is provision in the HRA budget for the continuation of the furnished tenancy programme and provision has been made for future expenditure. The 2023/24 budget is £529,400. The 2024/25 budget is £555,870.
- 1.3 The current contract to supply large kitchen appliances and furniture has come to an end and we need to tender and issue a new contract for the supply of household furnishings and large kitchen appliances in Council furnished tenancies.
- 1.4 The contract will cover the delivery and installation of residential furniture and large kitchen appliances, and the removal and correct disposal of old equipment and furnishings where required.
- 1.5 The internal business case to continue with furnished tenancies and the ongoing HRA budget was approved in September 2023 by the Corporate Director for Growth and City Development.

- 1.6 The provision of furnished tenancies is a demand-led service. Take-up has increased dramatically in recent years as the hardship of Covid, lost jobs, homelessness and the cost-of-living crisis have contributed to a rising inability to fund essential items for the home. As of 1 April 2023, 885 current Council homes had furnished tenancies (3.5% of Council tenancies); 75 dating from prior to 2018 and 810 from that point on.
- 1.7 This service provides all new Council tenants with the option to have an un-furnished tenancy or a furnished tenancy prior to sign-up. The furnished tenancy can be either kitchen appliances (cooker, fridge-freezer, washing machine) only or a fully furnished home (kitchen appliances, settee, dining table/ chairs, beds, wardrobes and drawers).
- 1.8 Furniture cannot be added to an existing tenancy. It can only be added at the beginning of a new tenancy, but it can go with a tenant if they transfer to a new home and therefore a new tenancy.
- 1.9 With a furnished tenancy, tenants also rent the furniture and kitchen appliances, with service charges levied to recover the costs. Furniture and appliances remain the property of Nottingham City Council and cannot be gifted or sold to the tenant at any time under benefit regulations. Variable charges are levied in addition to the tenant's rent, dependent on the furniture package needed.
- 1.10 Tenants pay a weekly service charge to rent the furnishings and/ or kitchen appliances to repay the investment. Nottingham City Council levies the service charge through the tenant's rent account and the charges are fully eligible for Housing Benefit / Universal Credit housing costs for qualifying tenants. Weekly furnished tenancy service charges recoup the original investment, cover losses, wear and tear, early tenancy terminations, electrical testing and provide modest surpluses for future investment and to ensure furnished tenancies are not subsidised by all tenants.
- 1.11 Furnished tenancies are reviewed at the 5<sup>th</sup> anniversary of the commencement of the tenancy. At that point, the tenant has the option to continue with a furnished tenancy – and items subject to wear and tear can be replaced – or switch to an un-furnished tenancy. With the latter, the furniture and appliances and their associated charges are removed. Tenants cannot be gifted or sold the furniture and appliances.
- 1.12 The furnished tenancy programme is on-going and provision has been made for future expenditure in the Housing Revenue Account (HRA) budget. The 2023/24 budget is £529,400. The 2024/25 budget is £555,870.
- 1.13 The current contract to supply large kitchen appliances and furniture has come to an end and we need to tender and issue a new contract for the supply of household furnishings and large kitchen appliances in Council furnished tenancies.
- 1.14 The contract will cover the supply, delivery and installation of residential furniture and furnishings such as cookers, washing machines, fridge freezer, beds, dining tables and sofas. The intended supply contract is for a period of three years plus the option to extend the contract a further two years subject to satisfactory performance reviews. The estimated spend within the contract for the HRA is £2.7m over a maximum five-year period.

## **2. Background (including outcomes of consultation)**

- 2.1 A new contract is required due to current contract coming to an end.

## **3. Other options considered in making recommendations**

- 3.1 None, as we have to supply, deliver and install the items required in council-owned furnished residential properties.

## **4. Consideration of Risk**

### **4.1 Key Risks:**

**4.1.1 Change to benefit Regulations;** these prescribe that basic furnishings are eligible for mainstream benefits. This has been the case for many decades and is unlikely to change.

**4.1.2 Loss or damage;** Furniture and appliances are covered by a 2-year warranty handled by the contracted supplier. Damage considered beyond fair wear and tear will either be charged to the tenant or the item not replaced and the charges remain. Where a tenant sells or otherwise disposes of any item without permission, this will be referred to the police and a crime number obtained and the item will not be replaced. Loss and damage has historically been low.

**4.1.3 Failure to pay charges;** Furnished tenancy charges are a tenancy condition, so enforcement action can be taken to ensure payments are made. Most furnished tenants are in receipt of Housing Benefit or UC housing costs, so that can be received direct.

**4.1.4 Tenancy ends before furniture cost is recovered;** Sustainment of furnished tenancies is better than that of unfurnished tenancies, although not as conclusively so as in the early years. The cost model provides for the actual cost of furniture and appliances to be recovered in 2 to 3 years, with the loss/ damage provision, admin and electrical testing in year 3 and 4. Relatively few furnished tenancies end in the first 2 years, so expended costs are generally recovered at least.

- 4.2 Risks have been addressed within the Business Case approved September 2023 – all rated green.
- 4.3 There is the risk that the contractor procured is unable to meet the Council's requirements. This risk is mitigated by working with procurement colleagues to ensure that the tender specification and assessment criteria secure a contractor of the highest quality.

## **5. Best Value Considerations**

- 5.1 This is achieved through the authority undertaking an open market tender.

## **6. Finance colleague comments (including implications and value for money/VAT)**

- 6.1 The report seeks approval to commence the procurement process for the supply, delivery and installation of residential equipment and furniture such as cookers, washing machines and beds. The supply of these goods enable vulnerable tenants to move into their new homes without having to incur any up-front cost. The costs of the furniture and equipment are recovered through a weekly charge to the tenant. In 2023/24 there is a £529,400 provision in the HRA to meet this expenditure. This provision has been increased to £553,870 in 2024/25. There are similar budgets for income to ensure that all costs are full recovered and there is no cost to the HRA.

Geetha Blood, Strategic Finance Business Partner – 23/02/24

## 7. **Legal colleague comments**

- 7.1 The report seeks approval for the continuation of a furniture rental scheme, enabling tenants to move into their new home without the burden of significant front-loaded cost for furniture and/or appliances, which the tenant would otherwise have to fund themselves or using private sector credit at much greater cost. The costs of the furniture and appliances are paid for by the tenant by way of an additional amount added to rent. The cost of renting basic furnishings in a furnished tenancy is eligible for Housing Benefit and Universal Credit housing costs, making it affordable for all tenants who require it.

The provision of a furniture rental scheme is allowable under s.10(1) of the Housing Act 1985, which provides:

‘(1) A local housing authority may fit out, furnish and supply a house provided by them under this Part with all requisite furniture, fittings and conveniences.’

The furniture rental scheme is operated under a model which pays back the investment, covers losses and replacement and provides that any surplus is re-invested in respect of any other costs associated with its provision, thereby constituting an arrangement which is non-profit and does not require payment of any costs from any other budget.

Charles Lee, Senior Solicitor – 27/02/24

## 8. **Other relevant comments**

### 8.1 **Procurement Comments**

For the proposed schemes, the procurement requirements would be a Competitive Tendered process for the project and would be managed through the Councils recognised procurement Portal (Due - North)

**Procurement of a Supplier:** Supplier to provide the Supply, Delivery & installation of White Goods and Furniture. This would be identified by a competitive procurement process. Terms and conditions for Products procured will be NEC4 Supply Chain Short Form agreement. Lot 2 will be for installation of equipment as necessary, and the terms will be Joint Contracts Tribunal (JCT) Measured Term Contract.

Housing Services typically use the standard form of (Version 2016) from the suite of Joint Contract Tribunal (JCT) contracts are usually made between an 'employer' and a 'contractor' to facilitate the process of supply, delivering and

installation of White Goods and Furniture. They set out all of the relevant terms and conditions, including the obligations of the parties, the costs involved and specification of the project.

Rosamund Smith, Procurement Officer – 20/02/24

**9. Crime and Disorder Implications (If Applicable)**

9.1 N/A

**10. Social value considerations (If Applicable)**

10.1 We will be using the Nottingham Business Charter as a method to promote and support sustainable growth, social and environmental wellbeing.

**11. Regard to the NHS Constitution (If Applicable)**

11.1 N/A

**12. Equality Impact Assessment (EIA)**

12.1 An EIA is not required at this stage because this decision does not represent proposals for a new or changing policy, service or function.

**13. Data Protection Impact Assessment (DPIA)**

13.1 A DPIA is not required as the data is not high risk. Information Compliance have confirmed that data processing terms will be in the new contract.

**14. Carbon Impact Assessment (CIA)**

14.1 A CIA is not required at this stage because this decision does not represent proposals for a new or changing policy, service or function.

**15. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

15.1 Business Case, HRA Furnished Tenancies - 5 July 2023

**16. Published documents referred to in this report**

16.1 None.