

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2	Date:	Monday 7 April 2014
3	Title:	Furnished Homes Scheme
4	Directorate:	Neighbourhoods and Adult Services

5 Summary

The Council's Furnished Homes Scheme has been successful in supporting and sustaining vulnerable tenancies since it was launched in 2004.

In order to maximise the Scheme's flexibility and capacity to respond to the changing circumstances brought about by welfare reform and the HRA self-financing rules, it is proposed that, with effect from 1 April 2014, the Scheme is reclassified as a General Fund Service.

6 Recommendations

Cabinet Member is asked to note that:

The Furnished Homes Scheme is operated as a General Fund Service with effect from 1 April 2014.

7. Proposals and Details

Background

7.1 The Council launched the Rotherham Furnished Homes Scheme (the Scheme) in 2004 with the specific welfare aim of:

- Assisting vulnerable tenants to set up and sustain their tenancies
- Preventing homelessness due to tenancy failure;
- Meeting the gap in the affordable furnished homes sector that existed in the local housing market at that time; and
- Providing a low cost alternative to high interest furniture stores, payday lending and other sources of high interest personal finance.

By April 2009, over 700 Council house tenants had joined the Scheme.

7.2. In 2009, the Scheme was remodelled to provide a more flexible personalised service, enabling tenants to choose from a wider range of furniture to meet their particular needs and circumstances. Financial safeguarding measures were also introduced to allow tenants the opportunity to amend their package or opt out of the Scheme altogether should it become unaffordable.

These changes have proved very popular and have led to a rapid expansion of the Scheme with the overall number of furnished tenancies now having increased to 2,750.

Proposals

At present, the Scheme has only been offered to Council house tenants and, as such, has, up to and including 2013/14, been accounted for as a HRA traded service but outside the scope of the annual and 30 year financial and business plan of the Housing Revenue statutory ring-fenced Account.

There has always been a business development and expansion opportunity to provide the service to other Registered Social Landlords, charities and social housing providers. A proposed business development plan is being developed in this regard in order to determine the extent to which the service could further realise business opportunities and future revenues. The Services ability to realise such potential commercial opportunities are somewhat dependent on its ability to access capital investment finance. Continuing to operate as a HRA Traded Service is restrictive given the HRA's current financial borrowing limit which is already fully committed on strategic schemes supporting the HRA Business Plan. Such a restrictive borrowing limit does not apply to the General Fund. It is only subject to the general condition under the Prudential Code that the financing charges associated with the capital investment are affordable.

Accordingly, it is therefore proposed that the service is reclassified as a General Fund Service with effect from 1 April 2014. For the tenants the reclassification of the service has no implications on the way the service is structured or delivered and furnished homes tenants will therefore be unaffected. Equally, there are no financial or other implications for the 30 year business plan of the Statutory Housing Revenue Ring-Fenced Account.

As such, the Scheme would charge the HRA for the cost of providing the service to Council house tenants, as it does now and the HRA would continue to receive the income from the weekly service charge made to furnished homes tenants. Officers in the Council's Revenues and Benefits Service have advised that the proposed change will not have any direct bearing on entitlement to housing benefit which will continue to be dependent on the eligibility criteria being satisfied. Equally, legal services have confirmed that given the specific welfare aims of the service there are no legislative barriers which would prevent the Scheme from being operated as a General Fund Service subject to:

- the level of charges to the HRA not being regarded as excessive – charges reasonably reflect the full cost of providing the service having regard to the need for the service to be self-financing. This includes generating a sufficient margin to give the scheme flexibility to fund replacement furniture and to support future business development;
- the service meeting the accounting code definition of a traded service - the service is being provided in a competitive environment in which tenants have the option to purchase or rent furniture from elsewhere should they wish. It, therefore, meets the definition.

8. Finance

The Service's future sustainable financial standing is currently dependent on it being able to meet replacement furniture for tenants as required. It is, therefore, important that sufficient working capital is available to the business to meet its financial obligations and it is able to preserve a stable financial position to meet future unforeseen events and risks. This will enable the service to continue to be self-financing with no revenue budget implications and to realise future potential business development opportunities that may become apparent. To this end, and in accordance with Professional Accounting Standards, we will review the Service's earmarked working balance as at 31st March 2014 in light of the revised Business and Financial Plan for the Service.

9 Risks and Uncertainties

No operational, legal, or financial risks or uncertainties have been identified which would prevent the proposed reclassification of the service.

The views of the Council's external auditors, KPMG, have been canvassed. They have indicated that they see no reason to challenge the proposal subject to the level of charges to the HRA for the service being reasonable.

Ultimately, the Scheme's continued medium term future is dependent on future Government welfare reform changes in particular the proposed future introduction of Universal Credit and whether the provision of furniture for social housing tenants will continue to attract benefit entitlement and at the same level. . These are at present unknown but it is hoped that by reclassifying the service it will be able to be more adept at responding to any changing legal or welfare regulations.

10. Policy and Performance Agenda Implications

The Furnished Homes Scheme supports the Council's Housing Strategy aims of preventing homelessness by sustaining tenancies, increasing the amount of affordable housing by keeping the level of empty social, affordable dwellings low, and, supporting the most vulnerable tenants.

It also has the potential, should the business be expanded, to improve the private rented sector by supporting landlords through housing related support services.

11. Background Papers and Consultation

The report takes account of consultation with legal and Revenues & Benefits

- Rotherham Housing Strategy 2013 - 2043

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