

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	1 st September 2014
3.	Title:	Rotherham Furniture Solutions – Sale and Disposal of Goods Policy
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

Following an internal Audit of the Rotherham Furniture Solutions (RFS) Service in February 2014 an Audit Report was presented to DLT in May 2014 highlighting the improvements necessary to enable the service to meet financial regulations, one of the proposals was to devise “a *Sale of Goods Policy*” and that this “*be submitted to DLT and Cabinet Member for approval.*” This report gives an overview of the policy describing what management systems will be implemented to minimise risk of fraud.

6. Recommendations

Cabinet Member is asked to:

- **Approve the sale and disposal of used furniture within the RFS scheme**
- **Approve the RFS Sale and Disposal of Goods Policy *Appendix 1***

7. Proposals and Details

7.1 Background

An audit of the RFS scheme took place in February 2014. The purpose of this audit was to check adequacy of controls for the administration of the RFS scheme. The scheme has been extremely successful since its inception in 2003-04 and has grown to have a turnover in excess of £60,000 per week.

One of the key findings of the internal audit was that RMBC Financial Regulations had not been followed; this was in relation to the sale of items that could not be recycled within the Furnished Home Scheme.

Section C5: Assets: Responsibilities of Chief Officers states:

- To ensure that any surplus plant, vehicles, furniture or equipment is sold by public tender or auction unless the financial interest of the Authority is better served by disposal in some other way.
- Not to sell assets to an officer of the Authority without the approval of the Director of Finance.

Items that could not be reused back within the scheme due to cosmetic damage but were operational have in the past been sold to avoid waste, these sales included sales to charitable agencies, Council Tenants and the general public. Sales of workable goods generate an income for the Council and also provide space for stock items that could be recycled back within the scheme. Although this process had been identified in a prior CSART report in 2011 no formal approval for the sale of items has been given.

Following the approval of the RFS Audit Action Plan by DLT in May 2014 a Sale of Goods Policy has been produced as per one of the recommendations within the report.

7.2 Proposals

The RFS Sale and Disposal of Goods policy (Appendix 1) meets the requirements set out in the Audit Action by:

- Ensuring that the scheme, when selling goods, is operating within the remit of corporate financial regulations set out above.
- Makes clear the rules of how items are sold and who they are sold to.
- Ensures that management systems are in place to prevent fraud.
- Sets out the processes by which items are assessed and the decision making hierarchy of who items can be sold to.

- Maximises the use of furniture assets to ensure Best Value and income generation for the Council.
- Highlights the process for disposal of items that cannot be either recycled within the furnished tenancy scheme or sold as second hand due to them being beyond economic repair.

7.3 Stock Determination

When items are either returned via a void clearance or returned as unwanted by a customer an assessment will take place by a Maintenance Officer. The officer will carry out a function/condition test which is recorded on a condition report; the condition report also records the journey of the item once the item has returned to the warehouse.

The condition inspection and test consists of:

- Function and Electrical test if appropriate
- Cleanliness report
- Age of Item

If the item is functional, has passed safety checks and is of a good cosmetic condition then the item is marked and recorded as stock for recycling back within the Furnished Home Scheme

If the item is functional, has passed safety checks but is of a poor standard cosmetically then the item is assessed as Second Hand - For Sale.

Items are then placed in the appropriate aisle within the warehouse and recorded on the asset management system accordingly. Sample checks on the appropriate determination of stock will be carried out by the Maintenance Supervisor Weekly.

7.4 Sale of Second Hand Items

When second hand goods are identified and all other internal furniture requirements have been met by ensuring that there are no outstanding internal orders waiting stock. A hierarchy of sales will be followed:

- A. Council Tenants within the scheme and residents entering private rented accommodation via homeless prevention or homelessness, and individuals who have obtained a LASER loan to purchase furniture.
- B. Charitable organisations/Not for profit organisations (Housing Associations, other local authorities)

At present there is no need to advertise goods as the service has a current list of organisations/charities that regularly contact the service to enquire about the availability of second hand items for sale.

We are proposing to put tighter regulations in place than the Council's financial regulations; it is therefore recommended that employees are *not* able to purchase items to ensure transparency.

Items that are for sale will not be sold via auction methods, any purchase requests from either organisations or individuals will be made via the official order form and to the set price via either the Councils "Web Pay" or corporate "Sundry Debtors Invoice" process, (*Sundry Accounts Debtors Policy 2007*) this will ensure that financial regulations are being adhered to.

When an item is sold and no longer a Council asset, this will be reflected within the Asset Management System "WASP" and recorded as "Asset Sold".

Purchasing trends, names of customers and types of items are to be monitored by the Furnishing Accommodation Coordinator. This will minimise the risk of items being purchased for resale for financial gain by customers. This will be monitored monthly and form part of the service quality assurance checks.

7.5 Disposal of Goods

Items that are beyond economic repair and/or suffer from major cosmetic damage and cannot be reused or sold will be disposed of. Items identified as requiring disposal will be checked by the Maintenance Supervisor or in their absence the Furnishing Coordinator. Disposal of items will be recorded within the Asset Management System "WASP" as asset disposed of "scrap" for income generated white goods or "waste" for brown goods. This will enable the service to identify and set targets for waste reduction.

To summarise the management controls will include:

- Returned items will be assessed, tested and cleaned to maximise furniture recycling this will be checked by the Maintenance Supervisor.
- Records will be created within the WASP and labelled appropriately.
- Spot checks to ensure items have been marked and labelled appropriately will be carried out by the Furnished Accommodation Co-ordinator monthly and will be part of the monthly QA checks.
- All items that fail functionality testing and being uneconomic to repair will be checked by the Maintenance Supervisor prior to disposal.
- Disposal of items will be recorded and input into the WASP system.
- Sale of goods will be processed by Property Management Officers with orders and invoices recorded within the Furnished Data base – records will be kept for 6 years.
- All payments will be processed through the Council's corporate payment channels (Sundry Debtors Invoice and Web Pay) or by cash by the customer at a payment office (Riverside House)
- Property Management Officers will ensure all payments are made promptly and will monitor payments weekly via the automated report generated, this will be QA checked by Furnished Coordinators monthly.
- The Property Services Manager will monitor to ensure QA checks are being carried out monthly and that roles and responsibilities are outlined in

employees PDR's, with any training requirements being met and the that this policy is reviewed annually.

- The asset management system "WASP" will be set up with a hierarchy to ensure roles and tasks match that of officer responsibility.

8. Finance

Detailed below are the sales to third parties since April 2012-13:

Year	No. of sales	Value of sales £	No. of sales to third party organisations	Values of sales £ to third party organisations	No. of sales to private customers	Values of sales £ to private customers
2012-13	104	28,398	60	21,757	44	6,641
2013-14	212	49,975	96	23,873	116	26,102
	316	78,373	156	45,630	160	32,743

The total number of sales to staff has been minimal, over a 2 year period this accounted for 3.71% of the total transactions and less than 1% of the value of sales. During 2012/13 of the 44 sales to private customers, 2 were sales to staff and during 2013/14 of the 116 private sales 10 were to staff. No member of staff has purchased more than one item. There have been no sales staff during 2014/15.

The total income of the RFS scheme in 2013-14 was £3,023,995. When operating costs are accounted for this generated a surplus of £1,345,603.

Since commencing sales to third parties an additional income of £78,373 has been received by the Furnished Homes scheme since 2012-13. Until formal approval has been received for the Sale of Goods Policy these sales have been suspended unless to a tenant exiting the scheme. Future year income levels are expected to be similar to last year and may increase depending on items being returned by customers.

A review of charges for Goods for Sale will be made annually.

9. Risks and Uncertainties

If the policy is not approved items that could be sold will have to be disposed of which could mean a loss of income to the Council to the approximate value of between £30,000 - £50,000 per year.

11. Policy and Performance Agenda Implications

Financial procedures play an important role in both informing and influencing all elements of Risk Management. Risk Management is one of the dimensions of good Corporate Governance. It is all encompassing and impacts on all areas of the Council's Policy and Performance Agenda.

12. Background Papers and Consultation

Audit report – Rotherham Furnished Homes Scheme 28 March 2014

DLT Report - Rotherham Furnished Homes Audit Action Plan Approval 13 May 2014

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