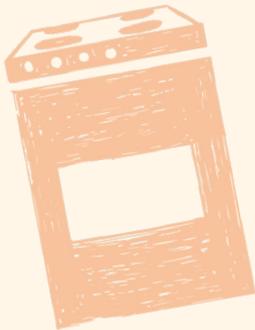
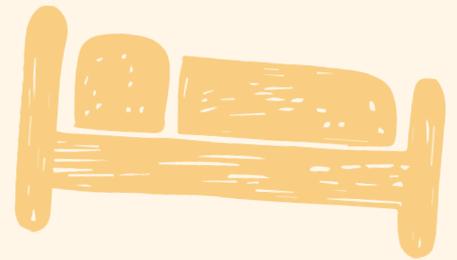
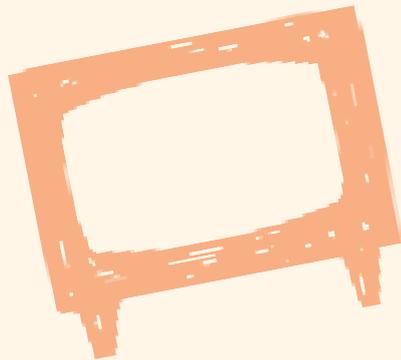


Furnished Tenancy Guide

How to set up a sustainable FT scheme



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Acknowledgements

We would like to thank the members of our Furnished Tenancies Working Group who shared their time and expertise to help us to create this guide.

INTRODUCTION

There have been many challenges in the past decade for people across the UK. Sustained cuts to local services with austerity measures, the introduction of Universal Credit coupled with further welfare reform, and the impact of Brexit uncertainty, have all created tremendous challenges for social landlords and their tenants.

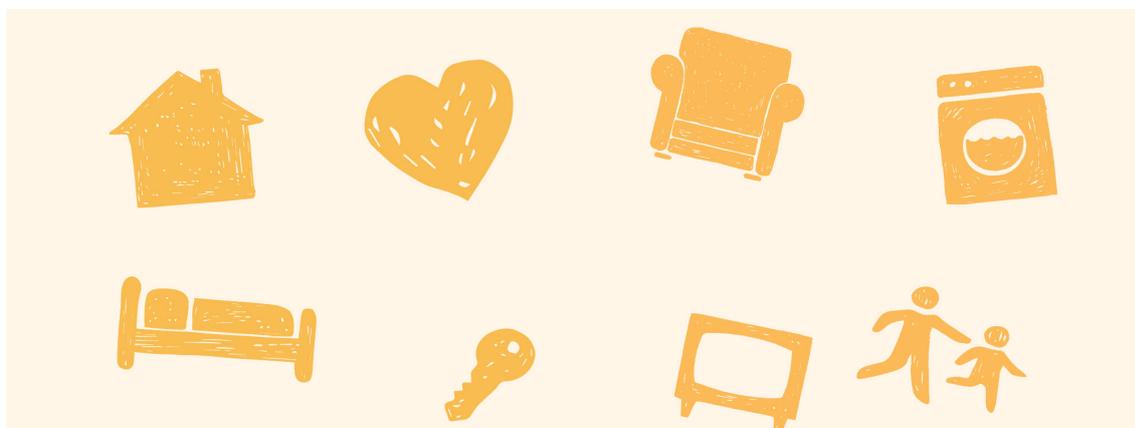
At End Furniture Poverty we share many values with the social housing sector, such as the belief that everyone has the right to a safe and secure home. It is not just about providing walls and a roof, it's about helping people to create a home, and furniture is a vital part of this.

A report in July 2019 from the Social Metrics Commission estimates that 14.3 million people in the UK are living in poverty, they simply do not have the means to access the goods and services they need to achieve a reasonable standard of living – items such as furniture.

We passionately believe that furnished tenancies are a proven solution to help tenants obtain the furniture items that they need to lift them out of Furniture Poverty, while also providing real benefits to the landlord too.

This guide is designed to explain the benefits of furnished tenancies and make it easy to develop or expand on a furnished tenancy scheme.

We will take you through the whole process, step-by-step, and explain the key decisions and considerations that you need to understand to create a sustainable furnished tenancy scheme, as well as the implications these may have on your organisation and your tenants.



WHO ARE END FURNITURE POVERTY?

End Furniture Poverty is the campaigning arm of FRC Group, a group of social businesses and registered charities based in Liverpool and with sites across the UK. We have over 30 years of experience in providing furniture, both new and preloved, to people living in Furniture Poverty.

Reducing and ultimately eradicating Furniture Poverty has always been at the heart of everything that we do which was why in 2015, we decided to launch End Furniture Poverty, our campaign to raise awareness of Furniture Poverty, research potential solutions to Furniture Poverty, and to work with partners to ensure that everyone has access to the essential furniture and goods that they need to lead a secure life.



WHY SET UP AN FT SCHEME?

Benefits to the Social Landlord

Providing furnished tenancies can create financial benefits for social landlords as well as making the landlord more attractive to potential tenants. They also help associations to provide services which enrich tenants' lives as well as being a supportive landlord.

According to their individual circumstances, different social landlords will experience these benefits to differing extents, but across the UK social landlords that are running furnished tenancy programmes have found:

- Social housing tenants say that having to buy furniture and appliances is their primary cause of debt. Social landlords can make a significant difference to the overall financial health of their tenants and communities by providing a furnished tenancy to those who need it. Financial inclusion and money management is an important issue for all social landlords. Providing furnished tenancies is a preventative measure which avoids the need for many tenants to go into debt to doorstep lenders or High Street 'rent-to-own' stores such as Bright House.
- The average turnaround time for void properties is reduced as furnished tenancies can be used to increase the attraction of some stock. A good example of this was a Birmingham based organisation that used the provision of furnished tenancies to address a cycle of short lets and empty flats in a number of high rise blocks. By providing quality furniture, the perception of tenants moving into the flats was changed which

resulted in more sustained tenancies.

- By using furnished tenancies to attract tenants to hard to let properties, overall rental revenues increased.
- Furnished tenancies can extend the overall length of tenancies by supporting the more vulnerable tenants to sustain their tenancy for longer. Evidence from existing furnished tenancy programmes suggests furnished tenancies are sustained for at least two years - a longer time than similar unfurnished tenancies.
- Furnished accommodation is commonplace in the private rented sector. For social landlords wishing to compete and attract tenants from the private rented sector, offering furnished accommodation is a way to distinguish an organisation as a landlord of choice.
- By offering furnished tenancies, a social landlord can differentiate its offer to tenants from that of other social landlords in the same area.

BENEFITS FOR THE TENANT

Some people are at a stage in life where they have amassed the furniture that they need, others have nothing.

For those with nothing, starting a tenancy in an empty property can be a daunting prospect and trying to obtain the items that they need can trap them into a cycle of debt which can make the tenancy insecure.

Behind too many front doors are families sleeping in makeshift beds of blankets on the floor and relying on a kettle to 'cook' noodles for a hot meal.

A recent survey of social housing tenants in the West Midlands found that buying furniture and home appliances was the main cause of debt for social housing tenants.

Food and utilities costs continue to increase and many families on benefits and low wages are struggling to manage.

Against this backdrop of poverty, social landlords have an opportunity to invest in their properties and in their tenants by creating furnished tenancies.

End Furniture Poverty research has also shown that Furnished Tenancies are top of social tenants' list of priorities when asked how they want landlords to help tackle their financial problems.

Furnishing tenancies is common in the private rented market and has been used in the social housing sector to reduce the burden of debt on tenants.

Without a furnished tenancy, tenants have three options:

- They can go without the basic items they need. But how long could you 'live' in a house without a bed, something to sit on, or being able to cook hot food?
- They can abandon the tenancy and hope to get a place in a hostel where beds and kitchen facilities are available.
- They can borrow money to buy the items they need. Most social housing tenants are only able to access high cost credit and credit unions only serve 1.5% of adults in the UK.

Low-income tenants borrow from door step lenders, buy from 'rent to own' stores like Bright House, or borrow from loan sharks. These debts might start at an APR of 50% and the cost of repayments and default charges soon escalates.

In the best case scenarios, tenants will pay over three times the price of the goods by the time they clear the debt. For many, the total repaid is significantly higher.

Furnished tenancies can help tenants be able to move into a home, save them money and keep them out of debt when they begin a tenancy, and make them more likely to engage with support services.

Furnishing a home is a crucial stepping stone to enable tenants to move on to more fruitful lives in their local communities.

Furniture is not an end in itself. What matters is what happens in the lives of tenants who have furnished homes:

- They have more pride in their home and are more likely to socialise with family, friends and neighbours because they don't need to hide the reality of their home life.
- These tenants are more likely to engage with services such as health visitors, social services, fire service etc. Having a furnished home gives these tenants more confidence by removing the fear that they will be negatively perceived.
- Having furniture creates a positive start in a new home. These tenants are more likely to settle and put down roots in the local community. If home is an unstable and difficult place, it is very hard to devote time and energy to other issues such as training and education or employment. Evidence from existing furnished tenancy programmes suggests furnished tenancies are sustained for at least two years - a longer time than similar unfurnished tenancies.



FUNDING AN FT SCHEME

Funding is a key concern and there are three main routes to funding a furnished tenancy scheme widely available.

Buying Furniture

If the capital is available, the most obvious route is to buy the furniture up front and then recoup these costs over a number of years. If the tenant is on housing benefit, the cost of the furniture is eligible to be paid by a service charge.

Depending on the funding model the cost of the furniture can be recouped in as little as three years, meaning subsequent years of a furnished tenancy is source of profit for the organisation.

Leasing Furniture

If you need new furniture for your properties but do not have the necessary capital to invest, it may be worth finding a finance partner who will provide a package that will allow you to lease furniture.

A lease is a financing arrangement that gives you access to credit for the purchase of goods. Normally, you can make monthly payments over an agreed term rather than pay the full cost of the goods when you first receive them. Paying this way will also spread the VAT payments over the term of the lease. Finance is normally available for a fixed period of two, three, four or five years.

At the end of the term, you can normally buy the leased goods for a small final fee (usually equivalent to a 1 month lease payment). However, this also gives you the flexibility to take out a new leasing package with new furniture.

Renting Furniture

Renting is also an option for furniture packages to create furnished tenancies. You select the range of products or packages that you want to offer to your tenants, and then they make their choices.

The weekly charge varies depending on the furniture option chosen (usually around £10-£40 per week) and most landlords add an administration charge to this. If the furniture is being paid by a service charge covered by housing benefit or universal credit, it is important to ensure the administration charge is fully justifiable.

If anything goes wrong with the items, the product will be replaced or repaired which is typically dealt with by the rental company and the cost is already factored into their charges.

As tenants settle into their home or their needs change, they can adapt their furniture package to suit them. For example, items can be added on or removed from the rental package.

If a tenant wants to end the rental agreement, they just have to let their Housing Officer know. The officer then arranges for the products to be collected and any weekly charges will stop.

WHAT FURNITURE TO INCLUDE?

In 2016, End Furniture Poverty launched a consultation to establish what the 'essential' items are that every household should have access.

By assembling a list – the items that a household needs in order to lead that basic acceptable quality of life, including the social aspects of life – we give ourselves a benchmark by which to judge whether a household is living in Furniture Poverty.

Respondents from a range of backgrounds, including housing, academia, support services and people with lived experience of Furniture Poverty were asked to rate a list of items from 'absolutely essential' to 'not at all essential'.

From this we were able to produce our list of Essential Items:

- Bed, bedding and mattress
- Table and chairs
- Sofa and/or easy chairs
- Wardrobe/drawers
- Carpets in living rooms and bedrooms
- Curtains or blinds
- Washing machine
- Refrigerator and freezer
- Cooker/oven
- TV

End Furniture Poverty would strongly recommend that any furniture package should include as many of these items as possible.

In an ideal world, they should include all ten. We recognise that this will not always be possible.

However, we would encourage your organisation to provide support to tenants to help signpost them towards alternative ways of accessing the items not provided – whether that is through grants, local partnerships or preloved furniture. EFP is able to provide your organisation with guidance and support to deliver this.



SETTING SERVICE CHARGES

Renting furniture and essential domestic appliances to a tenant as part of a furnished tenancy package is eligible to be paid by a service charge that is covered by a tenant's housing benefit (or the housing element of their Universal Credit entitlement for those who are on UC).

In short, as long as a tenant never owns the furniture, they are entitled to pay for it using their benefits.

Please see Appendix A for a full guide to **Universal Credit and Service Charges**.

The service charge set by the housing provider covers the cost of the furniture, void loss, cost of replacement furniture for theft or wear and tear, any miscellaneous work required to the property to accommodate the furniture such as the fitting of low level sockets, plumbing etc. and administration costs of the scheme.

The scheme works by adding a weekly service charge for the furniture to the tenant's rent account. The charge can be adjusted depending on the package being provided.

The standard method of calculation is as follows:

1. Total cost of furniture
2. Replacement / Repair/ Void Loss costs (40%)
3. Management and Administration cost (15%)

The total figure is then broken down to a weekly cost calculated over 3, 4 or 5 years depending on the business model and the length of time you wish to recoup the costs.

An example service charge calculation for a one bedroom flat calculated over five years (based on 52 weeks for rent collection) is below.

SERVICE CHARGE CALCULATION FIVE YEARS	
PACKAGE	COST
SINGLE PERSON LIVING / DINING PACK	£ 576.26
DOUBLE BEDROOM PACK	£ 471.95
SINGLE PERSON ELECTRIC WHITE GOOD PACK	£ 705.10
TOTAL	£ 1,753.31
VAT @ 20%	£ 350.66
TOTAL INC VAT	£ 2,103.97
COST OF PACKAGE OVER 5 YRS @ 52 WEEKS PER YEAR	£ 8.09
REPLACEMENT & VOID LOSS COST @ 40%	£ 3.24
ADMIN COSTS @ 15%	£ 1.21
SERVICE CHARGE PER WEEK OVER 5YEARS	£ 12.54

OBTAINING BOARD APPROVAL

Any plans to introduce a furnished tenancy scheme will of course require board approval and this can be a challenging, but not insurmountable hurdle.

It is important to emphasise the financial, social and business benefits that can be delivered through providing furnished tenancies – and it can be effective to contrast this with the alternatives that people face.

It may be worth using some examples of existing or previous tenants who you have seen struggle in this situation to help underline that this is a real problem your tenants face.

In the current climate, projects that require any degree of financial risk will come under intense scrutiny by responsible board members so ensure that the business case is carefully developed and robustly researched with the benefits clearly set out for both your organisation and your tenants.

Demonstrating the financial sustainability of the scheme is vital so consider which of the three different funding options will be the most attractive to your board.

If your board is very risk adverse, consider recommending a rental option as this minimises the risk.

If your board is keen to pursue commercial opportunities, buying the furniture offers the best return on investment.

Remember that if your FT scheme is aimed at vulnerable tenants, universal credit can be paid directly to the landlord which will help to allay concerns.



POLICIES & PROCEDURES

Introducing a furnished tenancy scheme will require updates to some policies and procedures and may require the introduction of some new policies and procedures.

We have examples of a broad range of policies and procedures which can be supplied on request and there are a number of key areas to consider, including:

Tenancy Agreement – this will need to be modified to cover both the organisation and the tenant responsibilities and to set out the procedure for providing the furniture package.

Training allocations staff – procedures will need to be updated to ensure that staff are identifying tenants who would benefit from a furnished tenancy and helping to guide them through and explain the process – especially considering vulnerable nature of some prospective tenants.

Products and packages – these need to be confirmed with your chosen furniture supplier. You will have to decide how to structure your packages, what items you will be providing and any exceptions you might make. It is important to ensure that all staff with responsibility for signing tenants up to furnished tenancies are fully aware of the range of products and packages on offer.

Void turnaround – depending on the furniture offer you decide on, procedure will need to be updated to ensure that properties are quickly prepared to the expected standards for tenants to move in – i.e. ensuring that any retained floor are cleaned, for example.

Replacements – you will need to work out a policy and process for replacing broken or damaged items.

Damage and theft – it is important to set out your legal position to the tenant in the unlikely event that any furniture is stolen or damaged over the course of the tenancy – our experience tell us that this is a very rare occurrence, but it is obviously best to ensure that your organisation is covered in this eventuality.

Insurance – you will need to check whether your organisation will have to update its insurance coverage – though the existing insurance plan may cover the assets that come as part of a furniture package.

Home visits – how often will your frontline staff make visits to furnished properties? This may depend on the size of your furnished stock, among other things. Some organisations allow their Neighbourhood Teams to choose the frequency on a case by case basis.

Tenancy end procedures – how are your voids currently managed? What needs to be done to ensure that the property is ready for the furniture packages to be delivered?

Administration and management – where will the furnished tenancy scheme fit within your current setup? Would you set up a dedicated team to manage furnished tenancies? Or would the responsibilities be shared between teams? It is important to ensure that specific people are ordering furniture and maintaining an asset register, for example.

SOCIAL VALUE MEASUREMENT

One of the major benefits of offering a furnished tenancy scheme is the social value that it helps to create.

One study¹ found that for every £1 spent on a furnished tenancy scheme there was a social return on investment (SROI) of £2.11.

SROI is now widely used in social housing to measure the value of social benefits created in relation to the relative cost of achieving those benefits.

The social benefits uncovered in the above study included improved disposable income, the creation of a viable home, rent arrears and void costs avoided, improved confidence of tenants, increased time to do alternative activities (such as seek employment), guaranteed revenue through repayments, improved stakeholder relations and improvements to the sustainability of tenancies.

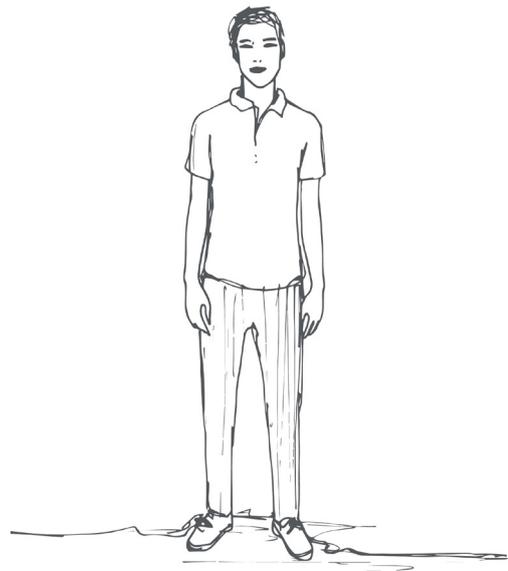
As part of introducing your own scheme, you should strongly consider attempting to monitor the social value you are creating in the process. Appendix B explains how to measure the social value created by your furnished tenancy scheme.

End Furniture Poverty's SROI Study

End Furniture Poverty is carrying out an exercise to measure the social value created for people through the provision of essential furniture items.

We are creating a social value model to give us a baseline for the value created when people are given each essential furniture item. This will make measuring the social impact of a furnished tenancy scheme much easier.

We expect the report to be published in the first half of 2020 and it will immediately be made available at www.EndFurniturePoverty.org



¹ Richards A (2007) Yorkshire Housing Group - Fresh Start Scheme: Social Return on Investment Analysis. Liverpool John Moore's University

NEXT STEPS

At End Furniture Poverty, we understand that creating a new furnished tenancy scheme is a challenging prospect so we are looking at how we can support social housing providers who are interested in setting up a scheme.

We have created a Furnished Tenancies Working Group to bring together the experience and expertise of 15 housing professionals to discuss the challenges and opportunities that come with the creation of a furnished tenancy scheme so that we can establish what form that support could take.

In addition to the publication of this guide, we are also carrying out a substantial piece of research examining the current provision of furnished tenancies around the country. Mapping out the existing provision will reveal the gaps, and we will be carrying out in-depth interviews to better understand the attitudes of social landlords and tenants towards the provision of furniture in social rented accommodation.

End Furniture Poverty is here to help so if you would like to speak to us about the provision of furniture to your tenants, please call us on 0151 305 5212 or email info@endfurniturepoverty.org

And do sign up for our mailing list on the End Furniture Poverty website - www.EndFurniturePoverty.org

Project Contact

Claire Donovan
Campaigns Manager
End Furniture Poverty
FRC Group

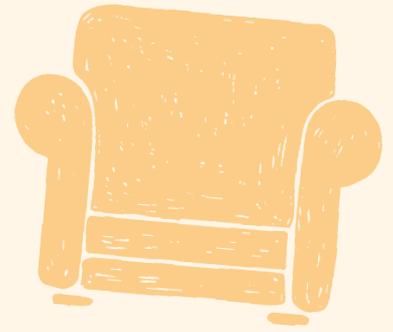
Claire.Donovan@frcgroup.co.uk
0151 305 5212 / 07714 521 062



FRC Group, Unit 12-14, Atlantic Way, Brunswick Dock, Liverpool, L3 4BE

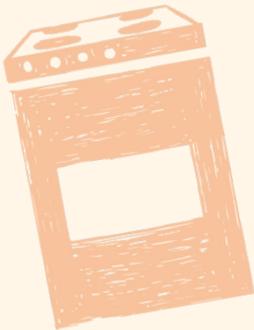
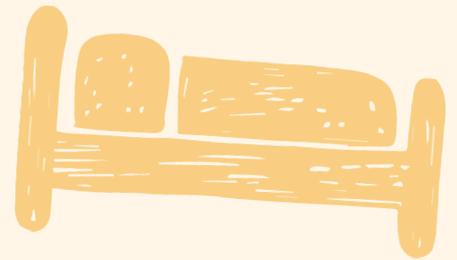
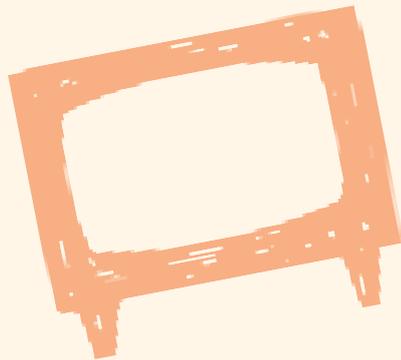
www.endfurniturepoverty.org | info@endfurniturepoverty.org | 0151 305 5212

Company Registration Number: 2296329 Registered Charity Number: 700731



Appendix A

DWP Guidance for Universal Credit Service Charges



Universal Credit service charges – guidance for landlords

Regulatory Approach

1. Universal Credit regulations relating to service charges fall into two distinct segments:
 - A legal definition of what is meant by a service charge for the purposes of Universal Credit; and,
 - Broad definitions of the four eligible service charge categories with some additional specific exclusion criteria.
2. The regulations take a light-touch approach and the detail covering the specifically eligible service charges is contained within this guidance for landlords. Guidance for DWP Universal Credit decision-makers will complement this guidance.

Process

3. The service charges decision-making process envisions three steps:
 1. The landlord determines which of their service charges are eligible, in accordance with the eligible service charges regulations and guidance, and notifies the tenant of the amount.
 2. The total eligible amount is input (by the tenant or DWP) as part of the Universal Credit claim.
 3. DWP pays the full eligible monthly amount as part of the Universal Credit payment.
4. Universal Credit regulations do not place any duty on landlords to determine or apportion eligible service charges or to notify their tenants of eligible amounts; however, it was acknowledged that landlords are already supplying details about service charge payments to their tenants.
5. The Universal Credit claim will only ask for the overall amount and frequency of payments, but there are situations where further detail may be required. It is also reasonable for tenants to understand the specific charges they are responsible for paying.
6. Landlords and their representative groups who helped to develop this guidance therefore suggested that it would be relatively straightforward for landlords to highlight the eligible service charges and their amounts on current tenant notifications. DWP does not intend to mandate this approach, as landlords should have the freedom to determine the best way to communicate with their tenants.
7. It is also recognised that landlords have an interest in providing this information, since their tenants are only able to claim for the eligible charges if they have this figure to supply.

8. It is recognised that the transition to Universal Credit will involve landlords having to consider tenants not immediately affected by this guidance (Housing Benefit recipients, pensioners etc).
9. To ensure that the process avoids unnecessary protracted discussions around the eligibility or reasonability of any supplied amounts, there is the ability for DWP to refer cases for an independent determination.

Universal Credit Service Charges Regulations

Service Charge Payments (whether eligible or ineligible) Definition

10. Service charge payments are (*UC Regulations 2013, Schedule 1, Paragraph 7(2)*):
 - Payments of, or towards, the costs of or charges for providing services or facilities for use or benefit of persons occupying the accommodation; or,
 - Fairly attributable to the costs of or charges for providing such services or facilities connected with accommodation as are available for the use or benefit of persons occupying accommodation.
11. A service charge payment is still classed as a service charge payment whether or not they are separately identified as meeting the conditions in paragraph 9 above, whether or not they are made as part of or in addition to any other payment (such as rent) and whether or not they are made under the same agreement as that under which the accommodation is occupied. (*UC Regulations 2013, Schedule 1, Paragraph 7(4)(a), 7(4)(b), 7(4)(c)*)
12. Payments are excluded where the services or facilities to which the payments relate are provided for any person occupying (*UC Regulations 2013, Schedule 1, Paragraph 7(3)(b)*):
 - A tent;
 - Approved premises;
 - A care home; or,
 - Exempt accommodation.
13. Payments are also excluded where a loan, secured on the property that the service charges refer to, was taken out for the purposes of making the service charge payments. (*UC Regulations 2013, Schedule 1, Paragraph 7(3)(a)*):
14. There are **four conditions** for eligible service charges payments.
15. **The first condition** is that the right to occupy the accommodation is dependant upon the tenant paying service charges, for example where it forms part of the tenancy agreement. (*UC Regulations 2013, Schedule 1, Paragraph 8(3)*)

Eligible Service Charge Categories

16. **The second condition** is that the service charge wholly falls into one or more of the following categories (*UC Regulations 2013, Schedule 1, Paragraph 8(4)*):
 - Category A: Maintaining the general standard of the accommodation

- Category B: Areas of communal use
- Category C: Basic communal services
- Category D: Tenant accommodation-specific charges

17. Comprehensive detail about the specific eligible service charges that come under these categories can be found below.

18. **The third condition** is that the costs or charges are reasonable and that they relate to such services as it is reasonable to provide. (*UC Regulations 2013, Schedule 1, Paragraph 8(5)*)

Exclusions

19. **The fourth condition** is that none of the following applies to the service charge (*UC Regulations 2013, Schedule 1, Paragraph 8(6)*):

- Public funding (in the form of benefits, grants or other sources) is designed to contribute towards the cost of the service or facility, irrespective of whether the tenant has claimed for the funding;
- Where the tenant would acquire an asset, or interest in an asset;
- Any charges for meals, medical services, personal services of any description; and,
- Charges deemed as ineligible service charges by virtue of not meeting the requirements of an eligible service charge.

Exhaustive List of Eligible Service Charges

Category A

- Charges for the external cleaning of the tenant's windows, **only** where the tenant does not live on the ground floor; and,

In the case of shared ownership tenancies **only**:

- Internal or external maintenance or repair of the property, but only where those payments are separately identifiable as being for that purpose.

Category B

The ongoing maintenance (including repair), cleaning and utility (provision of heating, water, electricity etc.) costs of:

- Communal grounds maintenance (general basic gardening for communal gardens such as lawn mowing, tree management, hedge maintenance, litter removal etc., lighting and maintenance costs for areas of external access (where the tenant is liable to pay for these);
- Tenant car or bike parking (this does not extend to the manning of car parks for security purposes). Such charges **must** relate to maintaining a parking service for tenants, and **must not** relate to the provision of security for the tenant's vehicle;
- Communal laundry facilities;
- Children's play areas (equipment maintenance, surface maintenance etc); and,

- Internal areas of common use outside of the home (hallways, corridors and rooms), including provision of lighting and emergency lighting..
- The external and internal cleaning of windows of communal areas.
- Health and safety charges for eligible communal areas or eligible communal service (such as legionnaires assessment, chlorination of water tanks, de-chlorination of water tanks, water softness, electrical equipment checks, pest control, fire prevention and detection etc.)

Category C

Charges relating to the provision, maintenance, cleaning or repair of:

- Communal lifts (including stair lifts in communal areas);
- A communal telephone (but excluding the costs of telephone calls);
- Adaptations in communal areas (where other public funding is not available to provide for this, such as the ongoing maintenance costs);
- Secure building access (key-cards, keypad door locking mechanism etc.); and,
- Provision of equipment (such as aerials) to access free-to-air television and radio. Where this equipment includes the ability to extend services to include satellite/cable television or internet connection, any extensions to the service will not be eligible for benefit payment.

Charges for the provision, maintenance and repair of:

- Refuse collection (e.g. refuse chutes, communal refuse collection and disposal etc.); and,
- Closed Circuit Television, where this is provided for the purpose of maintenance of areas of internal or external communal use (to help maintain the availability of an eligible communal service or facility).

Charges for the provision of services, **but only the proportion that directly relates to time spent on providing that eligible service:**

- If a person, such as a concierge, groundskeeper or caretaker, is employed to provide any eligible service charge, then the relevant proportion of staffing costs for this person will be eligible; and,
- The costs for management and administration of eligible services, whether incurred by the landlord or by third parties, that the tenant is liable as calculated and charged for in accordance with the terms of their tenancy agreement or other related agreement.

Category D

- Charges relating to the rental of basic furniture or essential domestic appliances to tenants in the accommodation they occupy, **only** where the items being rented remain the property of the original owner and do not form part of a purchase or part-ownership agreement.

Examples of Ineligible Service Charges

20. The following list is for illustrative purposes and is **not** exhaustive:

- Individual living expenses, such as heating, lighting and hot water for the tenant's accommodation;
- Meals;
- Personal services, such as a laundry or cleaning service;
- Nursing or personal care services (help with personal hygiene, eating, dressing etc.);
- Counselling, medical or support services;
- Any medical expenses (including those relating to the provision of counselling);
- Transport;
- Installation, maintenance or repair of any special equipment or adaptations to the tenant's accommodation in respect of disability or infirmity of tenants;
- Individual emergency alarm systems;
- Subscription or fee-based television (e.g. satellite television subscription);
- Such communal social recreational areas that would be considered unreasonable, or excessive, to provide such as gyms, bars, shops, hairdressers, restaurants, cafés or swimming pools;
- Gardening for an individual's gardens;
- Provision of furniture and recreational facilities in communal rooms (such TVs, computers, internet connection, TV licences etc.);
- Depreciation of assets providing an eligible or ineligible service;
- Water, sewerage and utility charges relating to anything other than communal areas; and,
- Arrears of service charges owed by the tenant due to non-payment – these to be recovered through separate arrears repayment agreement with the landlord, or via 3rd party deductions from benefit.

Apportioning Service Charges

21. Where a specific service charge levied against a tenant includes eligible and ineligible aspects (for example, part of charge includes an amount for meals), **only** the eligible aspect will be payable for Universal Credit purposes. The charge will therefore need to be apportioned and the appropriate amount highlighted as eligible to the tenant.
22. When apportioning amounts, ineligible aspects can be ignored and there are no provisions to deduct notional amounts. This is because Universal Credit regulations provide only for the payment of charges relating to eligible service charges.
23. Where a particular charge covers both eligible and ineligible services, it should be apportioned in a reasonable and transparent way. General terms, such as 'intensive housing management', should therefore be avoided.

Example 1

- A janitor is employed to carry out a range of maintenance services and the cost of this is £300 per week (wages plus employer pension contributions etc.).
- The landlord, using the eligible service charges list and the janitor's job description, determines that the janitor will normally spend 20% of his time carrying out work directly related to eligible service charges each week.
- 20% of the cost is £60 p/week.

- There are 50 tenants. £60 divided by 50 tenants = £1.20.
- The eligible weekly amount, per tenant, is therefore £1.20p.

Example 2

The landlord is allowed to charge the tenant administration fees. For Universal Credit purposes, only the element of the administration fees relating to eligible service charges can be considered as eligible.

To apportion these correctly the landlord should:

- Determine the percentage of their service charges that are eligible service charges, using the eligible service charge categories.
- Apply this percentage to the overall administration fee to produce a total eligible amount.
- Divide by 52 to arrive at a weekly amount and then divide the weekly total (without rounding) by the number of tenants.
- This figure, rounded up to the nearest penny will be the eligible amount of management charges for Universal Credit purposes.

Worked Example

- Administrative charges are £25,000 per year.
- Eligible service charges equate to 50% of the charged services.
- 50% of £20,000 is £10,000.
- £10000 divided by 52 is £192.307692.
- There are 200 tenants. £192.307692 divided by 200 is £0.961538.
- The eligible weekly amount is therefore £0.97p per tenant.

Notifying the Tenant

24. The key information that will need to be highlighted on notifications to tenants will be:

- What the tenant's eligible service charges are;
- What those eligible service charge amounts are and the frequency of payment this relates to; and preferably,
- The overall total of eligible service charge amounts.

25. This information is required by the tenant because they will be asked to provide the overall amount of eligible service charges and the frequency that they are due to pay this. Providing the tenant with the overall eligible amount, rather than just the individual elements, helps to mitigate against the risk of error.

Disputed Service Charges

26. If an amount of eligible service charges has been supplied by the claimant and appears to be in excess of the level that would be expected, the case will be flagged for intervention. DWP will then try to establish the reason for this, which may be due to one of the following scenarios:

- Customer error (for example a keying error or misunderstanding of what information they needed to supply);

- The service charges have not been correctly apportioned; or
- The service charges have been apportioned correctly but elements **appear to be excessive**.

Customer Error

27. If the case has been flagged as a result of an error on the part of the customer, DWP will work with them to identify this and correct the error.

Incorrectly Apportioned Service Charges

28. Only eligible service charges can be included as part of the Universal Credit housing costs. If a charge has not been correctly apportioned into eligible and ineligible elements, the service charge cannot be included as an eligible service charge.

29. Where it is determined that the service charges have not been correctly apportioned, DWP will attempt to resolve this issue. Where it is resolved successfully, the amount originally supplied may need to be adjusted on the Universal Credit system by a Universal Credit decision-maker.

30. Providing that the charge has been apportioned in a reasonable and transparent way and in accordance with this guidance, cases where service charges are excluded on the basis will be rare.

31. If a service charge has been excluded, this does not affect the tenant's right to request a reconsideration of a DWP decision, or the process of legal recourse through appeal.

Elements of Correctly Apportioned Service Charges Appear Excessive

32. Where the service charges have been correctly apportioned, but the charged amounts appear to be excessive, DWP can refer the case for independent determination.

33. Before any referral is made, a Universal Credit decision-maker will conduct further enquiries with the tenant and, or, landlord to gain further data. If these enquiries resolve the issue, the Universal Credit decision-maker will take appropriate action rather than referring the case.

34. Where a referral is made, the process of independent consideration allows landlords to supply any relevant information that they wish to be considered.

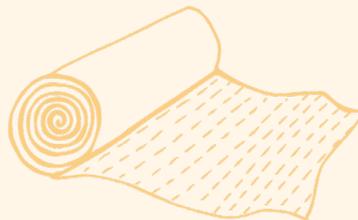
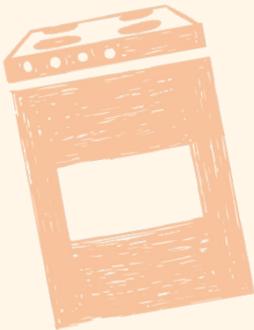
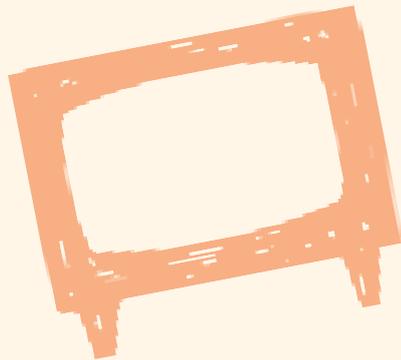
35. Independent consideration of charges that appear to be excessive will, so far as is possible, compare actual costs within tenancies on a 'like with like' basis. For example, lift maintenance charges for a 10 storey building will be compared with those for another similar building and tenancy within the same local authority area (or adjoining local authority if that is not possible).

36. DWP expects the numbers of cases that are referred for independent consideration to be low. The process, which acts as a safeguard for landlords as well as DWP, is in place to ensure that the relevant information is considered should any service charge initially appear excessive. A referral will be an exception rather than routine.



Appendix B

Introduction to Measuring the Social Impact of an FT Scheme



SOCIAL IMPACT

Introducing SROI

Measuring the Social Return on Investment of any activity is based on some well established principles.

You need to begin by considering five main questions:

Who changes? Taking account of all the people, organisations and environments affected significantly.

How do they change? Focusing on all the important positive and negative changes that take place, not just what was intended.

How do you know? Gathering evidence to go beyond individual opinion.

How much is down to you? Taking account of all the other influences that might have changed things for the better (or worse).

How important are the changes? Understanding the relative value of the outcomes to all of the people, organisations and environments affected.

The Seven Principles of SROI

Once you have asked those five questions, you should then apply the seven principles of SROI, as described by Social Value UK.

Involve stakeholders - involve beneficiaries and other stakeholders when planning what gets measured and how.

Understand what changes - develop a story of change and gather evidence of both positive and negative change.

Value the things that matter - rate the importance of different outcomes by valuing economic, social and environmental benefits and costs (not captured in existing financial accounting value).

Only include what is material - report on everything that is relevant and significant, but no more.

Do not over-claim - compare your results with what would have happened anyway.

Be transparent - explain all of your evidence and assumptions clearly.

Verify the result - use others to check your results.

If your organisation is completely new to social impact measurement, it is worth considering speaking to Social Value UK about their training courses. Their website is also a valuable source of information and help.

To find out more, visit **www. <http://www.socialvalueuk.org/>**

USEFUL INFORMATION TO CAPTURE

Here are some suggestions on useful information to capture to measure the social value of a furnished tenancy scheme.

There are four types of data that are worth gathering at different stages of the process.

1. Prior to signing up for a furnished tenancy:

Is a lack of furniture delaying tenancy sign up and resulting in rent arrears being accrued?

Where would they get furniture from if the furnished tenancy was not available?

How long would it take them to either save up for the things they would buy elsewhere or to pay off any items they would get on credit?

What types of credit they have used in the past?

What difference would it make to their lives to either buy things one by one as they could afford them or to have taken out credit that needed to be repaid. This could include specific questions about:

- how they will use the house;
- things they would not be able to do and the steps they would take to remedy this e.g. not having a washing machine and going to a launderette;
- stress related to debt;

- likelihood of socialising in the home;
- relationships with family, friends and home visiting services e.g. community nurses etc.

What difference would it make to their weekly / monthly household budget to have furniture provided through a furnished tenancy?

Does being offered a furnished tenancy change how the tenant feels about the social landlord?

2. During the period of the furnished tenancy

Repeat questions above that were asked at the initiation of the furnished tenancy PLUS:

What do the tenant's think of the furniture – how do they value it?

Has the reality of living in a furnished tenancy matched their expectations, or has it under /over performed?

Keep a record of the on going length of tenancy sustainment

Monitor the level of arrears in the furnished tenancy group

USEFUL INFORMATION TO CAPTURE CONT.

3. Information from comparator groups of general tenant population

Using existing organisational data it may be possible for you to measure average tenancy sustainment levels.

Depending on the amount of tenancy data you hold, this could even be broken down by tenancy location and/or tenant type.

If it is accessible, data on your tenants average weekly budgets and the type of credit they use will help to highlight the savings and benefits which come from a furnished tenancy.

Typical rental costs of comparative furnished accommodation in the local private rented sector.

The level of satisfaction that the general tenant group has with the social landlord.

The level of rent arrears in the general tenant group.

4. Organisational data

Understanding the costs of void turnaround process – clean up, reletting process including choice based letting advertisements, sign up procedure etc.