**OCHL**

Oxford City Housing Limited

**Oxford City Housing Limited Board Meeting**

**VBD – 12 September 2019**

**Furnished Tenancy Scheme**

**Bill Graves, Landlord Services Manager**

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| **Summary and recommendations**  The Board note the contents of this report and agree the recommendations. |
| **Recommendation: That the Oxford City Housing Limited Board:**   1. **Resolves to support the introduction of a Furnished Tenancy Scheme for its tenants.** 2. **Resolves to recommend to the Shareholder that the OCHL Rent and Lettings Policy be amended to include a Furnished Tenancy element.** 3. **Resolves to propose future iterations of the OCHL Business Plan to accommodate outlay on furniture and carpet purchases offset by additional rental income.** 4. **Resolves to operate the scheme, if approved by the Shareholder, initially on the remaining properties that become available on Phase 1 at Barton Park (approx. 30 properties).** |

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| **Appendices**  **Appendix A – OCHL Rent and Lettings Policy** |

**Introduction and Background**

1. Oxford City Council operates a furnished tenancy scheme whereby new tenants who have not previously held a social housing tenancy in Oxford are offered the opportunity to hold a furnished tenancy.
2. The purpose of the Oxford City Council scheme is to provide new tenants with the best possible opportunity to succeed in their tenancy by removing much of immediate financial demands that providing furniture for a first home can bring, thus reducing the risk of high levels of indebtedness.
3. The scheme operates by the Council providing certain furnishings and fittings which remain in the ownership of the Council. An additional service charge is levied depending on the furniture provided.
4. OCHL does not currently operate a Furnished Tenancy Scheme and this places a financial burden on some new tenants on Barton Park, reducing the likelihood of a tenancy being sustainable.
5. This report sets out a proposal for an OCHL Furnished Tenancy Scheme.

**Summary of the proposed OCHL Furnished Tenancy Scheme**

1. The scheme is intended for tenants who have not previously held a social housing tenancy with the Council or an RP immediately before moving in to an OCHL home.
2. The furniture will be a landlord’s fixture and fitting and will remain in the ownership of OCHL for the duration of the tenancy. OCHL will repair, maintain (including gas servicing) or replace the furniture as required where it is necessary through fair wear and tear.
3. In the event of damage, destruction or disposal of the furniture by the tenant, OCHL will charge the tenant the full cost of replacement. A charge will be made for the furniture through the rent (rent and service charge) and these issues are covered in the tenancy agreement.
4. The existing contract that the Council has for the furniture from the supplier includes provision that this includes the supply to any subsidiary companies such as OCHL.
5. The funding for the purchase of the furniture is not in the current OCHL Business Plan which will need amending so that the purchases can be made. The rental charges will be set to ensure that the cost of the furniture and all servicing and maintenance are covered within a maximum five year period.
6. The majority of new tenants are likely to take up the offer relating to carpets only however the furniture items available are:

* Cooker
* Fridge
* Table & chairs
* Beds
* Bedding
* Wardrobe
* Sofa

**Housing Benefit and Universal Credit**

1. As OCHL is a private landlord, providing that the total rent charged to its tenants remains below the LHA rate, Housing Benefit or the Housing element of Universal Credit will generally cover the total rent due for the property.
2. There is however a degree of scrutiny in both the Universal Credit and Housing Benefit regulation in relation to eligible payments for goods and services covered under the rental agreement.
3. The “2012 Universal Credit Service Charges – guidance for landlords version 1.0” lists eligible service charge categories and includes at 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”*.

Similar provisions apply within the Housing Benefit regulations.

The proposals for the OCHL scheme are therefore in accordance with this guidance and regulations

1. Existing total rent levels have a significant headroom against the LHA rates with the closest being £150 pcm below the LHA rate although affordability will be reviewed when considering applicants.

**Amendment to OCHL Rent and Lettings Policy**

1. The OCHL Rent and Lettings Policy will require amendment. The proposal is that reference is inserted after the exiting paragraph three of the Policy Statement to read, “*OCHL will offer prospective Starter tenants the opportunity to participate in OCHL’s Furnished Tenancy Scheme. OCHL will provide furniture to the tenant at the start of the tenancy and the furniture will remain in the ownership of OCHL at all times. A charge will be made for the furnishings within the total rental charge for the property.”*

**Amendment to the Assured Shorthold Tenancy**

1. The AST Agreements for Starter Tenants are amended to reflect the scheme and the obligations on both OCHL and tenants where a furnished tenancy is to be created.

**Scheme Operation**

1. OCHL will undertake to operate the scheme on initially to establish the financial risk of tenants damaging/selling furniture or otherwise not paying the rent charges. The scheme will operate initially on the remainder of the properties available for rent in Phase 1 at Barton Park.

**Legal Implications**

1. Oxford City Council’s Legal Service have provided advice regarding the operation of the scheme, the eligibility of the charges to qualify under Universal Credit and Housing Benefit regulations and the revisions to the existing AST Tenancy Agreement for Starter Tenants.

**Financial Implications**

1. It is important to note that the *exempt* VAT status arising from the principal activities undertaken by OCH(Investment)L (the housing company subsidiary from where the Barton properties will be managed from within the OCHL group) results in all supplies and services procured by OCH(I)L to be accounted for at gross costs and consequently any associated weekly service charges recovering these costs from OCHL tenants will similarly reflect the gross position.
2. Initial estimated calculations have been undertaken to determine the potential maximum weekly charges for OCH(I)L tenants and these are provided in the table below:
3. **Table 1 – Estimated Maximum Weekly Furnished Tenancy Costs for OCHL Tenants in 2019/20**

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| --- | --- | --- | --- | --- |
|  | **Tenure Type** | | | |
|  | **1 Bed** | **2 Bed** | **3 Bed** | **4 Bed** |
|  | **£** | **£** | **£** | **£** |
| **Max. Weekly Charge** | 15.53 | 19.06 | 24.99 | 26.68 |

1. The financial analysis has taken account that OCH(I)L will be undertaking working capital borrowing from Oxford City Council’s drawdown funding facility and the multiplier is the same as that used for HRA tenants, namely 1.464. The outcome of this analysis even after accounting for a bad debts provision suggests that all costs are recovered by the company within five years.