



**NEIGHBOURHOOD, SOCIAL COHESION
AND HOUSING STRATEGY CO-
ORDINATION
CABINET MEMBER MEETING
20 SEPTEMBER 2007**

ITEM 7

Report of the Corporate Director - Resources

FURNISHED TENANCIES

RECOMMENDATIONS

- 1.1 To approve the introduction of new simplified Furniture Packs for tenants undertaking new tenancies, as detailed below.
- 1.2 To review the operation of the new furniture packs in 18 months time to check that the impact of the change is as expected.

REASONS FOR RECOMMENDATIONS

- 2.1 The furniture pack system at the moment is too complex and could be significantly simplified. This report details proposals to streamline the furnished tenancy packs and offer two standard packs. The proposals were presented to Local Housing Boards on 14 June 2007 and 21 June 2007, and presented to Derby Homes Board on 26 July 2007. The recommendations incorporate feedback from these meetings
- 2.2 The price of the existing options is sometimes a deterrent to moving back into work where service charges are benefitable, as the cost then has to be borne by the tenant. This can contribute to a 'benefit trap' in terms of accepting work. The lower charges of the simpler packs will help to reduce this problem.

SUPPORTING INFORMATION

- 3.1 The report to Derby Homes' Board recommending the new scheme is attached. It recommends that two packs are offered in future – Pack 1 consisting of a double bed plus Settee, Cooker, Washing Machine and Fridge Freezer, and Pack 2 adding single beds to Pack 1 – up to four single beds. The original report to Derby Homes Board excluded a fridge freezer and understated some other costs. After a review of the detail of the calculations, the figures recommended to be charged for each pack need to be revised to the following to more accurately reflect the total costs of the packs:

Pack 1	£14.20 / wk for 48 weeks
Pack 2 (a) 1 extra bed	£15.20 / wk for 48 weeks
Each additional bed	£ 1.00 / wk for 48 weeks

- 3.2 These charges would then be inflated each year as for other service charges. Unfortunately, furnished tenancies once let have to continue as furnished tenancies - there is no option to convert to unfurnished tenancies at a later date. This will continue to apply to all old tenancies and those with the new packs. These charges are considerably lower than the previous packs and also include an optional baby pack where needed at no additional charge.
- 3.3 The charges levied should cover the costs incurred over a period, but this will depend on the level of turnover of furnished tenancies and whether they can all be re let on the same basis. If the majority of vacancies are re let as furnished – as they should be – then the Council will receive gradually increasing levels of income to the HRA as a result of the consistent investment in new furniture packs, and this should be sufficient to maintain the assumptions made in the current HRA Business Plan. If this is not the case – and it is proposed that the operation of this proposal be reviewed in around 18 months time to confirm the impact of the changes – then this policy would need to be reconsidered at that point. It should be stressed, however, that it is expected that the new packs will recover their cost over time.

OTHER OPTIONS CONSIDERED

4. To continue with charges as they are. This would be possible but would continue the complexity and dependence issues mentioned above.

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Background papers: Derby Homes Board papers on furnished tenancies
List of appendices: Appendix 1 – Implications
Appendix 2 – Derby Homes Board report

IMPLICATIONS

Financial

1. There will be a gradual loss of income as older furnished tenancies may be gradually replaced by new packs at a lower charge. Such a loss could impact on the HRA which is supported by the income from service charges. The cost over time will eventually reach in excess of £0.5m a year – compared to the income that would be generated by continuing with the existing packs. This loss of income can be bridged by a gradual growth in the number of furnished tenancies, which should equal or exceed the loss of older tenancies' service charge income. The income being generated from new tenancies is expected to continue to be greater than the loss of income from older tenancies not being replaced. A review will take place in around 18 months time to check the impact that the new packs are having and to establish whether the position remains as sustainable as it is currently expected to be.

Legal

2. None

Personnel

3. None

Equalities impact

4. One of the motivations for the new packs is to reduce the extent of the potential benefits trap for new tenants of accepting a furnished tenancy.

Corporate priorities

5. **Providing you with excellent services and value for money** will be enhanced by the simplification of the packs and their lower cost to tenants.