

**REPORT TO: HEALTH & SOCIAL CARE SERVICES COMMITTEE ON  
6 AUGUST 2008**

**SUBJECT: RENTAL CHARGES FOR SUPPORTED ACCOMMODATION**

**BY: DIRECTOR OF COMMUNITY SERVICES**

**1. REASON FOR REPORT**

- 1.1 To seek approval of Committee to adopt an alternative method of evaluating rentals for Supported Accommodation.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme relating to exercising the functions of the Council as Social Work Authority under the Social Work (Scotland) Act 1968.

**2. RECOMMENDATION**

- 2.1 **It is recommended that Committee note the report and instruct the Head of Estates Services to vary the rent review clauses in all leases of Supported Accommodation where the consent of the tenants can be obtained.**

**3. BACKGROUND**

- 3.1 There are currently 11 converted houses leased by The Moray Council providing accommodation for adults with learning disabilities living in the community and a further property in the process of being converted and leased. The current style of lease dates back to Grampian Regional Council and requires that the rent is reviewed using 5 methods and that the rent then applied would be the highest of the 5 methods. The methods applied can be summarised as follows:
  - 3.1.1 Current passing rent.
  - 3.1.2 Open market rent of the premises.
  - 3.1.3 Existing rent increased in proportion with capital value increase in comparable sized residential properties in Elgin since the last review.
  - 3.1.4 Existing rent increased in proportion with rental value increase in comparable sized residential properties in Elgin since the last review.
  - 3.1.5 Rent increased in line with Retail Price Index.
- 3.2 The current review process was considered suitable in the 1980's when the first properties were opened, as there was very little market evidence for this

type of property and each property tended to have significantly differing levels of conversion and upgrading but the method has proven to have flaws.

- 3.3 The rent is currently paid by the Care Provider who is also the Council's tenant. The Care Provider then recovers their rent through a charge to their clients, which is ultimately paid through Housing Benefit. Although current rental levels are being met through Housing Benefit, significant increases in rental for any reason could result in Care Providers or their Clients being required to find funds to meet rents.

#### 4. **PROPOSAL**

- 4.1 To simplify the process it is proposed that the Head of Estate Services is instructed to vary any affected leases (where the consent of the tenants can be obtained) as they become due for rent review with a view to ensuring that future rent reviews are assessed with the aim of achieving a market rent. However, as it would be difficult or even impossible to undertake the rent review based on comparable market evidence it is proposed that the current review clause be replaced with a clause which would assess rental at the next rent review based on the cost of providing the facility decapitalised at 7.1%. Thereafter the rent would be adjusted every three years in line with changes in the General Building Cost Index provided by The Royal Institution of chartered Surveyor's Building Cost Information Service.

#### 5. **SUMMARY OF IMPLICATIONS**

- (a) **Corporate Development Plan/Community Plan/Service Improvement Plan** - the contents of this report comply with Social Programme in the Corporate Development Plan in that it ensures the provision of affordable housing.
- (b) **Policy and Legal** – The proposed variation in rent review provisions will require a contractual change which will need to be approved by existing tenants.
- (c) **Resources** (Financial, Risks, Staffing and Property) – It is not anticipated that the changes proposed in this report will have a material impact on income to the Council.
- (d) **Consultations** – Consultation has taken place with Head of Community Care, Principal Accountant Lorraine Paisey, the Chief Housing Officer, Head of Estates and Alasdair McEachan Principal Solicitor (Commercial and Conveyancing), all of whom concur with the contents of this report.

#### 6. **CONCLUSION**

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**It is recommended that the Committee instruct the Head of Estates to change the method of reviewing and setting rental values for supported Accommodation to ensure they are in line with market rental values.**

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Background Papers:

Ref:

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