

REFERENCE:
ORGANISATION:
CATEGORY:

006a
HANOVER (SCOTLAND)
REGISTERED SOCIAL LANDLORD

Response on Behalf of Hanover (Scotland)

General

The outcome of these proposals is likely to exacerbate the Scottish Governments stated objectives of increasing the supply of social housing. If implemented, HAG levels will reduce and borrowing will increase by approx. 30% on each project. This will impact on the viability of projects and, in some cases, may result in decisions not to proceed. Pressure on rents to increase beyond current limits will, no doubt, result.

Specific

RENTS

Hanover reviews rent levels annually by taking into consideration current inflation rates. An element is added to the inflation rate to ensure a rise is achieved in real terms. We agree with the proposal that average rents will rise annually by 1% in real terms.

VOIDS

We do not agree with the proposed reduction of the void rate from 2% to 1%. Given the type of accommodation and services offered by Hanover it would be unlikely that a 1% void rate could be achieved. Reducing the void rate to 1% would increase the net rental income as increased private finance would be required. We recommend that the void rate remains the same at 2%.

PRIVATE FINANCE

We agree that, in the uncertain climate surrounding the financial markets, the cost of borrowing rate should remain at 6%.

INFLATION

Hanover has always adopted the Government target for inflation (RPI) in its long term projections. Short term figures are adjusted to take account of prevailing rates. We feel that the inflation assumption should remain in line with the Government target.

MANAGEMENT, MAINTENANCE AND MAJOR REPAIRS ALLOWANCES

We do not think that the 2007/08 allowance levels are sufficient to cover the costs required to manage property specifically designed for the

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elderly. Costs of maintenance covers essential services such as: gas safety checks; PAT testing; Legionella; fire risk safety assessments and Telecare equipment. We recommend that the 2007/08 allowance rates are uprated for 2008/09.

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