

20 February 2018		ITEM: 5
Housing Overview and Scrutiny Committee		
Review of Garages		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: John Knight, Assistant Director of Housing		
Accountable Assistant Director: John Knight, Assistant Director of Housing		
Accountable Director: Roger Harris, Corporate Director for Adults, Housing & Health		
This report is Public		

Executive Summary

The Council as a social landlord maintains a large number of garages across the borough, the majority of which are no longer used for their original purpose but are used as storage spaces for both tenants and non-tenants. A high proportion of this stock is currently not in a lettable condition or in good decorative order.

In recent months the Housing service has conducted a review of these assets to arrive at a robust data-set (now incorporated into the main database system) and improve the efficiency of the processes for matching and letting the garages.

This report summarises the progress made and considers some future options, both for how the garage stock can be improved in the short term and how better use could be made of the housing land in question.

1. Recommendation(s)

1.1 That the Housing Overview and Scrutiny Committee comments on the information in the report, and on the options and forward actions described

2. Introduction and Background

2.1 The Council has a total current stock of 2505, of which 637 (25%) are currently void. Of the void units 85 are now fit to let, which will bring overall usage up to 78%. The remainder cannot be utilised at present for a variety of reasons. The service is working to break down this number into those that can be quickly be brought back into use, for example by lock changes and other inexpensive works, and those that will require significant expenditure before

being lettable. A housing officer is being tasked with this exercise as short-term project to ensure that revenue is maximised and the data-set is accurate to inform the consideration of longer-term options for each garage and area.

- 2.2 The 1,868 garages which are currently let provide a significant source of revenue for the Housing Revenue Account (HRA). The weekly rental charge is currently £9.61 for Council tenants and £11.53 for non-Council tenants (incorporating VAT). 887 (47%) of the units are let to non-Council tenants. The total rent collectible each year for the number of garages now in use is £985k. Estimated void loss for the garages not currently being let is £266k p.a. A fully utilised portfolio would therefore yield an annual sum of circa £1,250,000 before taking repairs and maintenance costs into account.
- 2.3 The rent increase for garages is agreed as part of the overall rent-setting for Council tenancies report and is implemented annually at the same time as the general rent variation, i.e. the beginning of the financial year. The Council also has a number of garage plots where the tenant rents the slab and erects their own garage, raising a further £25,400 p.a. The rent increase applied for 2017/18 was 3%, in line with the increase applied to established service charges such as caretaking for residential properties. There is no rateable value or capital value for garages stored on the housing management system and the rent-setting regime has not been revisited for some years.
- 2.4 The allocation of garages was previously a manual process based on checking the reported void garages against a spreadsheet which held details of those who had applied to rent a garage. All applicants' details have now been added to the housing management database, and we are moving towards a fully automated matching process linking applicants on the waiting list to garages becoming void in their area of preference. Manual intervention will be reduced to a minimum, and the matching and letting processes will be 'mainstreamed' into the Allocations and Tenancy Services teams to achieve the quickest possible turnaround for void units. A priority system will operate and vacant units will be offered in order of priority to a) homeless applicants requiring a space to store their belongings (saving third-party costs on the General Fund), b) secure and introductory Council tenants, and c) non-Council tenants who have registered to rent a garage.
- 2.5 Currently most of the garage lettings are in respect of storage as they are not suitable for the modern era of motor vehicles. There are certain garages such as some on the Flowers Estate in South Ockendon that are an exception. There is a disclaimer that the tenants sign which explains that the Council no longer carry out lock changes when the key(s) are returned from the previous tenant but grants permission for the new tenant to change the lock or add additional locks at their own expense. It also confirms that the garage is intended for the storage of a motor vehicle, and if it is used for any other storage tenants need to insure the contents themselves.
- 2.6 There is currently no planned maintenance programme in respect of garages and the only earmarked budget is an annual budget of £75k for breakdown

and repairs. The total spend against this budget in 2015/16 was £39,763.85. In 2016/17 total spend was £52,765.08. At the end of December 2017 spend to date in 2018/18 was £ 43,010.26 – the service will be ensuring that the whole allocation is used by the end of the financial year.

- 2.7 The garages were included in the recent independent stock condition survey - a sample of 10% were visited and the relevant extrapolations are included in the overall report. The information contained in the report from Baily Garner Ltd. is summarised below:-

The total estimated cost for works over a 30 year period equates to £22,362,449.05, excluding VAT, fees and inflation costs. The cost of works for Year 1 (2017) equates to £776,891.95 due to the high number of garages needing physical works to reach a lettable condition.

Garages

Element - Garages	£ estimate total	Backlog - 2017	2018	2019	2020	2021	2022
Basket Rate - per garage - overhaul	£1,311,927.87	£347,358.22	£72,413.44	£375,644.72	£0.00	£0.00	£386,959.32
Roof renewal	£816,480.00	£7,200.00	£25,200.00	£3,600.00	£3,600.00	£0.00	£253,080.00
Rebuild	£12,440,000.00	£80,000.00	£0.00	£0.00	£0.00	£0.00	£3,648,000.00
Door Renewal	£2,002,000.00	£80,000.00	£0.00	£10,000.00	£20,000.00	£0.00	£426,000.00
Hardstanding Areas - repairs	£1,339,200.00	£0.00	£0.00	£0.00	£18,000.00	£0.00	£126,000.00
Access Equipment	£1,536,000.00	£161,000.00	£49,500.00	£168,500.00	£2,500.00	£0.00	£460,750.00
Sub Total	£19,445,607.87	£675,558.22	£147,113.44	£557,744.72	£44,100.00	£0.00	£5,300,789.32
Other							
Prelims at 15%	£2,916,841.18	£101,333.73	£22,067.02	£83,661.71	£6,615.00	£0.00	£795,118.40
TOTAL	£22,362,449.05	£776,891.95	£169,180.46	£641,406.43	£50,715.00	£0.00	£6,095,907.72

There is also a recommendation that a review of elemental renewal is undertaken in order to prioritise elemental replacements based on condition rather than age, especially in relation to rebuild costs.

This data and the additional information gather during the review has provided the service with a clear understanding of the condition and profile of the garages within the borough.

- 2.8 With the implementation of the new allocation process it is proposed that once all the fit-to-let garages have been let a more sophisticated approach to matching the remainder can be applied, so that applicants are matched to those requiring the lowest levels of expenditure to bring them into use for storage.
- 2.9 All previous garage applicants were contacted during the review and asked to re-register in order that the Council had an up to date list of those who were still interested in renting a garage – the backlog of people wishing to be registered has been cleared, and at the end of December 2017 there were 717 individuals loaded into the system. The registration process is now online,

and the garage process has been identified as one of the simpler Council process which might in future be completed through a Rapid Application Development product, allowing customers to apply using their phones, and to digitally track the process of their application.

3. Issues, Options and Analysis of Options

3.1 The original 'analogue' garage project is now being replaced by the Northgate Housing Management System where all the applicants and void garages will be managed, including the matching process. The allocation of garages is in date order within the priorities previously mentioned in the report.

3.2 Consideration should be given to a two tier charging system whereby non-Council tenants are charged a more commercial rate than that charged for a Council tenant. There are currently 887 garages that are let to non-Council tenants and if there was a two tier charging system this could generate additional revenue. It is proposed that a 'quick/smart' benchmarking exercise is carried out to look at both the practices of other social landlords and the commercial rates for other storage options to arrive at an appropriate higher charge for non-tenants. .

3.3 A short term project could also be undertaken to bring the current garage stock up to a presentable and lettable standard and this would include external decoration, fascias and soffits and guttering and rain water pipes. This could be focussed on areas where there is a need to design out anti-social behaviour and ensure that these garages are safe and secure. The stock condition survey data would also inform the project so that spend was targeted on those garages where the investment would be best realised over the medium term.

3.4 Since the garages no longer serve their original purpose we will also look at the viability of demolishing them in order to make better use of the land on which they sit. Detailed modelling would be needed for each proposed removal of a garage to include the revenue from rents which would be foregone, the effect on density of adding more residential units, and the financial viability of the proposed new use. It may also be necessary to re-acquire plots and garages which have been sold, with these costs being met by the additional revenue to be provided by re-development of the space.

As with residential and retail units on regeneration sites, the Council can use legal action where necessary to facilitate re-development through demolition.

3.5 It is also permitted to use '1-4-1' capital receipts from the sale of properties through Right to Buy to buy back garages. 50% of buyback costs can be funded from these receipts. It is important to note however that under financial regulations only 6.5% of the overall 1-4-1 receipts can be used for buybacks. Any significant programme of demolitions would need to be based mainly on funding from elsewhere. A programme of small garage sites might for example be put forward to central government in bidding for any relatively

small 'pots' of additional money that might be announced following the recent decisions in the Budget to commit more resources to social housing and regeneration.

- 3.6 As part of a comprehensive review of garage sites consideration will be given to identifying potential locations where alternative uses may be a more efficient use of the land.
- 3.7 A review of sites considering the current vacancy levels and of use for parking, the existence and extent of any anti-social behaviour, the degree to which garage sizes remain suitable for modern vehicles and the extent of alternative parking facilities in the locality are factors amongst others which could be used to identify those sites which could potentially lend themselves to housing development. Following this initial assessment each site will be appraised against a range of considerations including planning restrictions around access, impact on the surrounding occupiers, potential overlooking, the impact of additional units on local density and local services, and suitability of access, including access for refuse and emergency services which are often limiting factors on sites of this nature.
- 3.8 Together with a financial viability assessment individual locations or a combined package of sites could then be identified allowing decisions to be made about taking them forward. Whilst garage sites often present common difficulties for development, such as the existence of drains or other utilities, they can provide a valuable option for developing new homes in underused or otherwise problematic locations and such 'windfall' sites can positively contribute to brownfield housing development targets. Modern methods of construction ('modular', off-site, etc.) could potentially be a cheaper and quicker option on some of these sites than more traditional building models.
- 3.9 In summary, the service is close to concluding the internal review which will provide the appropriate level of revenue from these assets in the short term and address the most glaring defects which mar the overall 'look and feel' of some of our estates. In the medium term a 'place-based' longer-term solutions will be developed for each block of garages, potentially as part of wider regeneration efforts in which members and communities will have the opportunity to fully participate.

4. Reasons for Recommendation

- 4.1 The information contained above is based on the review of the current garage project and the implementation of the garage allocation process, moving from a manual matching process to an automated process using the current housing management system which contains all garages and applications.
- 4.2 The decision regarding the level of finance needed as detailed in the stock condition surveys provide the option to consider a two tier charge and the implementation of a focus 'uplift' capital works and maintenance program in the short term.

4.3 There is to be a concerted effort to let all the free to let garages and then concentrate of those that can most effectively be brought back to a lettable standard and matching them to suitable applicants.

4.4 More ambitiously, the clear view of these non-residential assets provided by this recent work will contribute to a series of assessments based on making better use of housing land, whether for parking or for additional homes.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 No formal consultation is required for the actions set out in the report for the short term. In the event that disposals and/or demolition is identified as a viable option in future, consultation will take place in each area as required.

6. Impact on corporate policies, priorities, performance and community impact

6.1 No specific implications identified.

7. Implications

7.1 Financial

Implications verified by: **Julie Curtis**
HRA & Development Accountant

The revenue from the letting of garages contributes to the financial resilience of the Housing Revenue Account. Full consideration of the financial impact of any planned disposals or demolitions in the future will need to form part of the overall options appraisal for specific changes. The Council is legally obliged to balance the Housing Revenue Account in each financial year.

7.2 Legal

Implications verified by: **Chima Obichukwu**
Housing Solicitor

There are no direct legal implications arising from the contents of the report. Where the Council may in the future wish to change its approach to the use of these assets, the legal rights of those individuals who are currently renting them, and those who have acquired a leasehold or freehold interest in garage plots and/or buildings, will have to be established and protected in each case.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development Manager

While there are no direct implications at present arising from this report, a Community Equality Impact Assessment will be carried out against any new proposals considered following the current review.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- No direct implications identified.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. **Appendices to the report**

- None

Report Author:

John Knight
Assistant Director of Housing
Housing Department