

Item No. 14.	Classification Open	Date: 7 February 2017	Meeting Name: Cabinet
Report title:		Housing Revenue Account - Proposed Increases in Garage Charges for 2017-18	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING

Last month cabinet agreed the HRA budget report for 2017/2018. Feedback had been received on the report following consultation with Area Forums, Tenants Council and Homeowners Council. The response from these groups indicated there was some concern regarding the proposal to increase garage rents. Cabinet agreed the HRA budget but deferred the decision on garage rents. Officers were asked to look again at whether there was scope to reduce the proposed increase for tenants and at the same time look again at the private sector garage rents.

The additional work has resulted in revised recommendations for next year's charges and has also prepared the ground for a more intensive garage review to take place in 2017-18.

RECOMMENDATIONS

1. That cabinet approves an increase in the standard and concessionary garage rents of £1 per week, to £19.62 and £14.62 respectively. That cabinet also approve an increase of £0.50 per week for small sites currently charged at £10 per week and no increase for small sites currently charged £5 per week.
2. That cabinet approves an increase in the private sector rent of £5 per week, to £32.50.
3. That cabinet notes the ongoing planned maintenance programme to refurbish closed and empty garages.
4. That cabinet requests a further report be provided to the cabinet member for housing during 2017-18 assessing the potential to zone private sector rents based on proximity to public transport links, with the potential to charge in excess of £32.50 for more accessible locations.

5. That cabinet requests officers to carry out a borough-wide garage review to assess usage and opportunities for the garage portfolio. That cabinet notes the recommendations in the report titled "Achieving 500 New Affordable Business and Creative Spaces by 2018" which is on the same agenda.
6. Cabinet approves the proposed budget mitigation measure to fund the revenue shortfall arising from the revised fee increase from the HRA contingency budget as set out in the report.

BACKGROUND INFORMATION

7. On 24 January 2017 cabinet considered the Housing Revenue Account Final Rent Setting and Budget Report 2017-18. While cabinet approved most of the recommendations, officers were requested to provide a further report and recommendations on garage rents for the cabinet meeting on 7 February 2017.
8. The last review of the garage portfolio was carried out in 2009-10 and led to the introduction of a new standard rent of £18.62 per week from 1 April 2011. In April 2012 a concessionary £5 reduction on the weekly rent was introduced for tenants and resident leaseholders who were either Blue Badge holders or who were over 70 years of age. At the same time a private sector rent of £27.50 was introduced.
9. Zoning of garage rents was considered during the original review, but proved to be unpopular with tenants and homeowners. In order to mitigate the loss of rent income it is intended to explore the option of zoning garage rents again, but more specifically for private sector tenants.
10. Garages on housing land were constructed under powers in Part II of the Housing Act 1985 which enable their provision and maintenance in connection with the requirements of those occupying housing accommodation provided under that Part. As the garage portfolio is maintained within the Housing Revenue Account the garages must first be provided to those occupying housing accommodation maintained within the HRA.

KEY ISSUES FOR CONSIDERATION

11. There are currently 6,257 garages available for letting although 605 of these are in need of major repair to put them into a lettable condition, and refurbishment of these is currently being programmed. A further 308 are in need of minor repairs, which are ongoing, and 45 are being held for new homes delivery, with potentially more in the pipeline. The remaining 549 are available for letting immediately, although a significant proportion are deemed as 'hard to let' given their location. For example, 230 of these are on the Aylesbury Estate.
12. At the time of writing 3,123 garages are let to council tenants and resident leaseholders on the standard weekly rent of £18.62. 943 garages are let on the concessionary rent of £13.62, and 633 are let to private sector tenants at a rent of £27.50. 51 garages are let on differential rents, reflecting their size and situation, including a small number (11) that are let to the in-house cleaning service and other housing services at a zero rent.

13. An average of 31 garage accounts are terminated each month, and approximately 26 are repossessed for rent arrears. These are re-let as soon as possible from the waiting list which currently has circa 3,600 applicants. Of these 1,565 are private sector applicants, 1,596 are tenants and 470 are resident homeowners, with 8 not specifying a category. Conversely, around 70 new lets occur on average each month, and a further 12 accounts are re-instated following repossession action, giving a net increase of 25 on average each month.
14. In September 2011 the central garage team was created, since when 597 have had major refurbishment and a further 281 closed garages have been refurbished and opened for letting. A further 415 are expected to be refurbished over the coming months and returned to the portfolio to add to the rental stream. To date, 207 garages have been decanted to clear the site for either regeneration projects or new homes delivery, with a further 295 garages on proposed sites due to be decanted in the short to medium term, which will have a detrimental impact on the rental stream going forward. As part of the 2017-18 HRA savings programme, the garage repair budget has had to be scaled back which will lead to a re-profiling of the garage refurbishment programme.
15. In 2016-17 garage service charges were introduced where an additional service was provided, such as water, electricity and additional security. Service charges were also added to garages that were substantially larger or had an additional parking space in front. This raises a relatively small amount of income and it is not proposed to vary these charges in 2017-18, but they will be subject to review on an annual basis in future.
16. An annual web-based benchmarking exercise is carried out in order to inform the budget setting process. The exercise carried out in the current year indicated that Southwark's rents are competitive in the market place, although they are higher than many local authorities. Benchmarking has been carried out with the following local authorities: Westminster, Kensington and Chelsea, Corporation of London, Greenwich, Lambeth, Lewisham, Islington, Camden, Croydon, Hackney, Tower Hamlets. Benchmarking has also been carried out with the following private sector companies/web-hosts; Gum Tree, Lock-Up Garages, Viva Street, Big Yellow, Henfield Self Storage and Shurgard.

Local Authorities (Neighbouring boroughs with sufficient garages information available)				
Local Authority	Average garage tenancy per week for those LA deemed public sector residents eligible for concessionary charge	Average garage tenancy per week for those LA deemed public sector residents	Average garage tenancy per week for those LA deemed private sector residents	
Westminster	Unknown	£17.90	Unknown	Nearly all garages let to HRA residents
Kensington and Chelsea	Unknown	£5.09 to £25.64	£12.85 to £64.11	Rents vary from scheme to scheme
Corporation of London	Unknown	£2.07 to £55.52	Unknown	Rents vary from scheme to scheme and include estate parking
Greenwich	£4.00	£4.80	£6.00	
Lambeth	N/A	£12.23	£30.00	
Lewisham	£6.90	£13.81	£23.07	
Islington	£7.91	£16.47	£32.94	
Camden	£0.00	£12.00	£44.00	
Croydon	£14.00	£14.00	£14.00	
Hackney	N/A	£18.20	£21.84	
Tower Hamlets	£4.97	£9.94	£11.93	
Private Garages within 5 Miles of LBS				
Private Company/ Host Website	Average garage tenancy per week (Inc. VAT)			
Gum Tree	£87.90			
Lock up Garages	£21.00			
Viva Street	£26.80			
Private Self Storage within 5 Miles of LBS				

Private Company	Average tenancy per week (Inc. VAT) for space equivalent to the size of average Southwark garage			
Big Yellow	£84.28			
Henfield Self Storage	£35.93			
Shurgard	£71.54			

Community impact statement

17. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
18. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2017-18 and for previous years, each department will undertake equality analysis/screening on its budget proposals ahead of the final decisions being taken. Where screenings identify potential impacts more detailed analysis is being carried out.
19. Undertaking equality analysis helps the council to understand the potential effects that the budget proposals may have on different groups. The analysis also considers if there may be any unintended consequences and how any of these issues can be mitigated. Analysis is also undertaken to consider any cross-cutting and organisation-wide impacts.
20. For many services the budget proposals will include efficiencies which have staffing implications. As specific proposals are brought forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.
21. Equality analysis will continue through the cycle of planning and implementation of these budget proposals. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way so as to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council, information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. To date no cumulative impacts have been identified through the analysis.

Financial Implications

22. The government's imposition of statutory rent control for the period 2016-17 to 2019-20, means the HRA's primary income stream is being constrained, requiring the identification of efficiency savings first and foremost and the maximisation of other income sources to ameliorate the need to make savings in more critical front-line service areas that impact on residents. This is necessary to close the budget gap and ensure a balanced HRA budget can be set as required by statute.
23. Garage and associated non-residential charges were last subject to change in 2012-13, and small-scale service charges were introduced during the current year. Benchmarking shows that Southwark's charges are generally towards the upper end of the price range, but still remain reasonably competitive and offer particular value for money with regards to the provision of storage, for which a proportion of the garage stock is used, for both personal and business use (although it is difficult to gauge the extent of this).
24. The proposed increases for 2017-18 are shown below:

	2016-17 £ per week	2017-18 £ per week	Change £ per week
Standard charge	18.62	19.62	1.00
Concessionary charge	13.62	14.62	1.00
Small sites (i)	10.00	10.50	0.50
Small sites (ii)	5.00	5.00	0.00
Private sector (non-resident charge)	27.50	32.50	5.00

NB. The £5.00 concessionary charge differential for elderly and Blue Badge holders is preserved under these proposals.

25. This would generate additional income of £346k in a full year, (against the £448k originally assumed in the 24 January 2017 cabinet report), leaving a shortfall of £102k. In order to enable a balanced budget to be set it is proposed to mitigate the revenue loss from the HRA contingency, which would avoid any further service delivery impact.

26. This assumes occupancy rates remain broadly stable following the increase, but there is a risk that private sector numbers may fall and that it may deter future demand from this cohort. However, there is a substantial waiting list for garages, both from residents and the private sector, so it is reasonable to assume that occupancy levels overall would be maintained, notwithstanding a potential reduction in the proportion of private sector renters at the higher rate, being replaced by residents at the standard rate, with a further revenue loss. For example, a shift of one hundred accounts from private sector to standard rate would result in a loss of £67k. Going forward, this will be one of the key considerations in the assessment of charging policy and possible introduction of zone pricing.

Consultation and notification

27. Consultation on the HRA Final Rent Setting and Budget Report 2017-18, which included a proposed increase in garage rents, was carried out with Tenants Council, Homeowners Council, the Area Housing Forums and the Southwark TMO Committee. The results of this consultation were included as Appendix G to the budget report presented to Cabinet on 24 January 2017. Four of the Area Forums (Peckham, Rotherhithe, Walworth East and Walworth West) and Tenants Council rejected the proposed increase of 10%. Two Forums (Bermondsey East and Borough and Bankside) were inquorate, and three (Bermondsey West, Camberwell East and Camberwell West) agreed to the original proposal. Nunhead and Peckham Rye Area Forum and the Southwark TMO Committee both noted the report, as did Homeowners Council. Aylesbury Area Forum agreed with the increase but recommended that priority should be given to those with mobility issues, who should also receive further concessions. Dulwich Area Forum agreed the increase but recommended that it be for private sector tenants only and not Southwark residents. Given the results of the consultation were inconclusive, cabinet considered alternative pricing options at the meeting but deferred their decision pending a report back.
28. Subsequent to approval of increases in garage charges, either as set out in this report or as amended by cabinet, and the passing of the necessary date for its implementation, the council will issue a contractual notification of variation in non-residential rents to all garage tenants, no less than 14 days prior to the commencement of the new rents and charges referred to above.

REASONS FOR URGENCY

29. The Housing Revenue Account Final Rent Setting and Budget Report 2017-18 was received by cabinet on 24 January 2017. Cabinet requested that officers provide an alternative recommendation in relation to the proposed increase in garage rent, and asked for a further report to be presented to cabinet on 7 February 2017. The report could not be delayed as it forms part of the HRA budget setting process, which requires the HRA to have a balanced budget set before the start of the financial year, and for statutory rent notifications to be issued to tenants 28 days before any variation is implemented.

REASONS FOR LATENESS

30. It has not been possible to circulate this report five clear days in advance of the meeting as the decision requesting this report was made at cabinet on 24 January 2017. Further to consultation and feedback on the HRA, a decision on these charges was deferred so that additional information and proposals in relation to the charges can be considered by cabinet on 7 February 2017.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

31. Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ('the 1989 Act'). The 1989 Act provisions include a duty, under Section 76 of the 1989 Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.
32. Under section 74 of the Local Government and Housing Act 1989, expenditure and income relating to housing and other property provided by the council under Part II of the Housing Act 1985, must be accounted for in the Housing Revenue Account ("the HRA"). This includes garages constructed under powers in Part II of the Housing Act 1985.
33. The Housing Act 1985 – Local Government and Housing Act 1989, Leasehold Reform, Housing and Urban Development Act 1993, Circular No. 8/95 ("the Circular"), gives guidance to local housing authorities in England on certain aspects of the HRA. Guidance relating to garages (and garage sites) let to non-HRA tenants is provided in paragraph 14 of the Circular which provides; "Where an authority has a policy of letting, on a long-term basis, blocks of HRA garages to people who are not HRA tenants, the authority should consider appropriating the garages from Part II of the 1985 Act and accounting for them in the General Fund. The department considers that, where tenants do not have the opportunity to rent garages in a block, the provision of those garages does not form part of an authority's housing function."
34. There is no statutory requirement to consult on the recommendation in this report. As a term of the tenancy agreement with its tenants however, Southwark Council has undertaken to consult with the Tenant Council before seeking to change rent and other charges. The report indicates consultation has taken place in order to comply with this contractual term. Cabinet must consider the outcome of the consultation.
35. As noted at paragraph 17 of this report, the public sector equality duty (PSED) contained within section 149 of the Equality Act 2010 requires the council to have due regard in its decision-making processes to the need to:
- a) Eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it; and
 - c) Foster good relations between those who share a relevant characteristic and those that do not share it.

36. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The duty also applies to marriage and civil partnership, but only in relation to (a) above.
37. The council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making decisions in the current context. The cabinet must consider the report author's reference to equalities considerations at paragraphs 17-21 of this report.

Strategic Director of Finance and Governance

38. Cabinet considered the proposed increase in garage rents at its meeting on 24 January 2017 but deferred making a decision pending receipt of further information, specifically in relation to private sector rents and the possibility of introducing zone pricing. Given the urgency, this report addresses some of the more immediate information requests, proposes an alternative fee increase for 2017-18 and budget mitigation, and commits to investigate the viability of zone pricing and report back later in the year.
39. Garage rents and other non-residential charges fall within the purview of the HRA which reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. The council is obliged by statute to agree a balanced budget and the proposals contained in the 24 January 2017 cabinet report - HRA Final Rent Setting and Budget Report 2017-18, conformed to that requirement.
40. The revised fee proposals outlined above would generate a budget shortfall in income from that predicated previously. At the 24 January 2017 cabinet meeting, officers were charged with identifying further savings as required to mitigate any potential shortfall occurring as a result of agreeing a different set of fee proposals. The HRA contingency budget represents less than 1 percent of the gross HRA and is held to address specific budget anomalies or unforeseen pressures that may arise during the year and generally reduce budgetary risk. In the circumstances and given the relatively low level of materiality, it is considered appropriate to use this to manage the revenue shortfall. In the normal course of events, if there are no calls on the contingency during the year, it can be applied to fund the HIP or repay debt or added to reserves, whichever is deemed to be the highest priority at year-end and this will be unaffected by this decision.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Housing Revenue Account – Final Rent-Setting and Budget Report 2017-18	160 Tooley Street London SE1 2QH	Paula Thornton Constitutional Team 020 7525 4395
Link: (Copy and paste link into browser) http://moderngov.southwark.gov.uk/documents/s66095/Report%20Housing%20Revenue%20Account%20-%20Final%20Rent-Setting%20and%20Budget%20Report%202017-18.pdf		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	
Lead Officers	Dominic Cain, Director of Exchequer Services	
Report Author	Louise Turff, Homeownership Manager	
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CONSULTATION WITH OTHER OFFICERS/DIRECTORATES/CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
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