


<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CABINET</p> <p align="center">10th July 2017</p>		
<p>GARAGES AND PARKING SPACE LETTINGS, CHARGING POLICY CHANGE AND GARAGES STOCK REFURBISHMENT</p>		
<p>Report of the Cabinet Member for Housing – Councillor Lisa Homan</p>		
<p>Open Report</p>		
<p>Classification: For Decision Key Decision: Yes</p>		
<p>Consultation: Commercial Services Department.</p>		
<p>Wards Affected: All</p>		
<p>Accountable Director: Nilavra Mukerji, Director for Housing Services</p>		
<p>Report Author: Paul Danek, Central services and Improvement Manager Valdrin Rexha, Parking, Garages and Ancillary Premises Manager</p>		<p>Contact Details: Tel: 0208 753 1925 / 4699 Paul.Danek@lbhf.gov.uk Rexha.Valdrin@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. Hammersmith and Fulham has 1,209 garages, of which currently, 876 are occupied and 333 are unoccupied (void). This report recommends changes to the existing garage licence agreement, and changes in the lettings policy for garages and secure residential car parks, to enable greater take up of empty garages, and generate increased revenue from the current portfolio. Council tenants and leaseholder will continue to be prioritised under the new licence as they are now, followed by private residents of the borough.
- 1.2. The recommendations in this report were developed as an outcome of the Garage team's service improvement programme, which included a lettings drive aimed initially at council tenants and leaseholders, followed by private borough residents, the introduction of discounts (OAP and Blue Badge holders), improvements to our procedures and our website to make applications simpler, profiling of all sites to identify potential customers, an in house stock condition survey and development of a refurbishment programme to improve the stock.

- 1.3. The actual gross annual income for 2016/17 from the occupied garages was £935,000¹. The budgeted annual income of £1,025,000² for 2017/18 is the minimum income expectation providing the recommendations outlined below are approved. By 2021/22, it is expected that the income generated per annum will be £1,658,000¹ after a capital investment of c£1.2m. After allowing for the additional investment required, the recommendations are expected to result in an additional net cash inflow to the Housing Revenue Account of £1,385,000 over the five years to March 2022.

2. RECOMMENDATIONS

- 2.1. To amend the garage licence to allow garages to also be used for storage. The existing garage licence agreement allows the storage of a car or a motorbike only.
- 2.2. To increase charges for private borough residents from £23.08 to £35 per week and to allow lettings to non-borough customers on garages sites where demand from our own residents is low. The proposed weekly rental charge for customers who do not live in Hammersmith and Fulham is £50 per week. (see appendix 3 for revised charges).
- 2.3. To agree the Procurement Strategy for garage refurbishment work, as set out in appendix 7, with contract performance reviewed each year and new contract awards to be approved by the Cabinet Member for Housing, subject to overall approval of the Council's HRA Capital Programme by Cabinet
- 2.4. To approve proposals to rent surplus parking spaces in secure underground car parks such as Walham Green Court and Woodmans Mews to customers who don't live in the block. The is proposal to keep charges for those who live in the block the same at £3.07 per week but charge non block residents £23.08 per week.

3. REASONS FOR DECISION

Proposal	Reasons
1) Amend the garage licence to allow garages to be used for general storage as well as vehicle storage, subject to conditions in 4.6 and appendix 8.	<ul style="list-style-type: none"> a. Demand for vehicle storage from residents is insufficient to let our current supply of garages. b. There is a steady demand from residents and non-residents wanting to use garages for storage. (see appendix 4). c. Storing goods in a garage would help residents who need more space in their homes and would expand the customer base to include customers who don't have a vehicle. d. The storage incentive would generate additional lettings and more income whilst keeping rental charges for LBHF residents the same. e. Most nearby councils are renting garages for storage (see appendix 1) for benchmarking with nearby Councils. f. A process for identifying potential sites for Hidden Homes has been undertaken and potential sites already identified. Further sites may

¹ Subject to the audit of the 2016/17 statement of accounts

² before repairs expenditure, section 9 of this report provides full details of predicted income and direct repair costs

	<p>be identified in future, but these are unlikely to have significant impact on current voids.</p> <p>g. Whilst alternative uses e.g. community use can be explored for unused assets, in the context of financial pressures on the HRA, the proposals in this report if agreed, would both make garages more accessible, and generate much needed revenue.</p>
<p>2) Introduce a new rental charge for private LBHF customers of £35 per week. The new charge applies to new lettings only. Amend the licence and introduce a new charge for customers who don't live in Hammersmith and Fulham, of £50 per week.</p>	<p>a. The new £35 per week rental charge for private LBHF residents will apply to new lettings only. 305 private residents who are existing licence holders will continue paying the current charge of £23.08. The new charge remains highly competitive when compared to market rates (see appendix 2).</p> <p>b. Demand from LBHF residents for garages located on the borders of the borough i.e. Edward Woods Estate, Woodmans Mews is very low.</p> <p>c. The change will increase demand for these garages and would generate additional income by charging non-residents £50 per week</p> <p>d. There is a steady demand from non-residents wanting to rent garages (see appendix 4 for demand analysis).</p> <p>e. LBHF residents will always be prioritised over non-residents.</p> <p>f. Most nearby councils are renting garages to non-residents at higher premiums (see appendix 1 for benchmarking with nearby Councils).</p>
<p>3) To agree the Procurement Strategy for garage refurbishment work with a review of performance each year.</p>	<p>a. Many garages are in poor condition due to a historic underinvestment making them unlettable.</p> <p>b. Investment in the stock is necessary to make garages more desirable and to prevent further degradation.</p> <p>c. Works will be targeted on garage sites where demand is evidenced to both bring these back into use and recoup the refurbishment expenditure quicker.</p> <p>d. Tendering the works could help LBHF attract contractors who specialise in garage refurbishment and deliver better performance and value for money.</p> <p>e. An annual review of performance will enable us to ensure performance and value is being delivered, and capture any learning.</p>
<p>4) Make surplus parking spaces in secure underground car parks available to customers who don't live in the block and charge £23.08 per week, the same as a garage.</p>	<p>a. The secure car parks are underused and we are currently losing revenue on the surplus parking spaces. For example, Waltham Green Court has a total capacity of 86 spaces but only 45 are leased by residents.</p> <p>b. Rental charges for residents will remain the same and they will be given allocation priority over non-residents.</p> <p>c. The change will help generate revenue by renting unused parking spaces at higher premiums.</p> <p>d. The proposed charge of £23.08 per week represents good value for money. By comparison the Fulham Broadway Centre are charging £57 per week for a parking space.</p>

4. PROPOSAL AND ISSUES

- 4.1. Through implementation of revised procedures; improved performance monitoring; increased publicity, including poster advertising targeted to tenants and leaseholders; and simplifying the application and sign up process, the garage void rate has dropped from 35% in October 2015 to 27% in April 2017. In this period, we received 492 expressions of interest, from which 133 resulted in lettings. In real terms this increased lettings by 59 garages as 74 existing customers terminated their licence during the same period.
- 4.2. The lettings rate remains low in comparison to the level of interest received, and we were unable to accommodate 282 potential customers as they either wanted to use the garage for storage, or lived outside the borough, or withdrew interest because the garage was in poor condition (see appendix 4). Where garage stock is available in a lettable condition, such as Clem Attlee Estate, the demand for goods storage is higher than the demand for vehicle storage.
- 4.3. The proposals to amend the licence and invest in maintaining the garage stock have proved successful with neighbouring Councils as is evidenced by the local authority benchmarking exercise (appendix 1). Analysis of private market rental costs (appendix 2) confirms our rental prices are highly competitive, and analysis of garage enquiries received from October 2015 to March 2017 confirms there is demand for storage and demand for garages from non-residents, which under the terms of the current licence we are unable to meet.
- 4.4. The proposal to rent garages to non-residents is designed to increase the potential customer base and generate additional revenue. However, in all cases Hammersmith and Fulham Council tenants and leaseholders will be given first preference, followed by disabled residents of the borough, followed by other residents of the borough. Lettings to non-residents of the borough will be limited to garages sites where demand from our own residents remains insufficient to cover the supply.
- 4.5. It is expected that several garage sites will be taken out of use over the next five years. Up to 212 garages may be affected, either through land sale or redevelopment of sites. These are listed in (appendix 5). It is therefore essential that the rental of the remaining stock is maximised.
- 4.6. Should the proposal to allow storage be agreed, the licence agreement terms and conditions will be updated so they are suitable for goods storage. The conditions will prohibit the storage of flammable materials, other explosive or inflammatory oils or substances, perishables, animals, plugged in electrical equipment. The conditions will also detail the Council can enter and inspect the garage without notice at all reasonable hours. The proposed conditions are contained in appendix 8.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The following options along with their advantages and disadvantages were considered before making the recommendations.

Options	Advantages and Disadvantages	
Option One Continue with the current policy.	Advantages <ul style="list-style-type: none"> • No capital investment required. 	Disadvantages (Option 1 and 2) <ul style="list-style-type: none"> • Failure to make maximum revenue from garage stock. • More voids through the continued degradation of garage stock. • Increase in demand for reactive repairs and office resources to manage customer complaints. • Continued degradation will lead to garages requiring more than basic planned maintenance in the coming years.
Option Two Change the lettings policy without additional investment.	<ul style="list-style-type: none"> • Some reduction in the void rate through take up for storage, where garages are in a fit condition to let. • No capital investment required. 	
Option Three (Recommended) Changing the policy supported by investment in the stock.	Advantages <ul style="list-style-type: none"> • Stock is more desirable and the need for reactive repairs is reduced. • The void turnover due to repairs issues is reduced. • We can target refurbishment in high demand areas to recover investment quickly. Disadvantages <ul style="list-style-type: none"> • Investing in the stock will require increased spending in the short term. 	

6. CONSULTATION

- 6.1. The proposals in this report were discussed at the Borough Forum on the 25th May and once the proposals are agreed we will do a briefing for the TRA's and offer to meet them.
- 6.2. There is no legal requirement to carry out formal consultation with Council residents on the proposed changes to the garage licence and charging as garages are an open resource available to all.
- 6.3. There is no legal requirement for formal leaseholder consultation, because the garage refurbishment works are not rechargeable. There will be an informal engagement with residents on estates where refurbishment is being done and by writing to all occupiers to update them on the scope and timescales for the works before the works begin works, and through attending Residents Association meetings.
- 6.4. Residents living on estates that have exclusive use of secure undercover parking spaces will be consulted before any changes to the lettings policy are formalised.

7. EQUALITY IMPLICATIONS

- 7.1. Changing the garage licence to allow storage will benefit residents.

8. LEGAL IMPLICATIONS

- 8.1. As set out the report, garages are currently underused and Council tenants, leaseholders and the disabled will be given priority over other residents of the

borough and non- residents. In view of this it is not necessary to carry out formally consult with secure tenants who will not be substantially affected by the proposal.

- 8.2. The new licence for storage should prohibit business use to avoid creating a secure business tenancy which would make it difficult to recover possession.
- 8.3. Implications completed by: Janette Mullins, Senior Solicitor (Housing Litigation, Tel 020 8753 2744)

9. FINANCIAL IMPLICATIONS

- 9.1. Amending the garage licence agreement to allow the garages to be let for storage and by out of borough residents; together with refurbishing 1,130 of the 1,209 garages over a five-year period is expected to generate a significant increase in income for the Housing Revenue Account. By 2021/22, net revenue income is expected to be £1.628m (not including other running costs, overheads and capital refurbishment costs), £723,000 more than the net income for 2016/17. After allowing for the additional investment required the recommendations are expected to result in an additional net cash inflow of £1,385,000 over the five years to March 2022.
- 9.2. The total refurbishment budget is anticipated to be up to £1.2m over the five years (2016/17 – 2020/21). This consists of circa £100,000 for 2016/17 funded from the Housing Capital Programme approved in 2016, plus £500,000 for 2017/18, £300,000 for 2018/19 and indicative budgets of £200,000 and £100,000 for 2019/20 and 2020/21 from the Housing Capital Programme 2017/18 – 2020/21 approved by Cabinet in March 2017.
- 9.3. The table below sets out the predicted increased lettings and the forecast revenue position before deducting the cost of other services such as electricity and water, staff costs and overheads. It also shows the profile of the capitalised refurbishment works and available funding.

GARAGE UNITS, REVENUE, CAPITAL PROJECTIONS AND FUNDING						
	FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22
GARAGE UNITS	Actual±	Budget	Projection	Projection	Projection	Projection
Projected Lettings	876	956	1,036	1,116	1,180	1,180
Projected Voids	333	253	173	93	29	29
Total Garage Units	1,209	1,209	1,209	1,209	1,209	1,209
Projected Number of Garages Refurbished	-	66	430	700	970	1,130
REVENUE	£000s	£000s	£000s	£000s	£000s	£000s
Income from In-borough Lettings	935	1,147	1,243	1,339	1,416	1,416
Additional income from charging private residents £35 pw (£11.92 pw more) ²	-	9	15	28	46	68
Additional income from lettings to non-residents ²	-	12	48	84	108	174
Reactive repairs expenditure	30	30	30	30	30	30
NET income after reactive repairs if recommendations are implemented (excl discounts)³	905	1,138	1,276	1,421	1,540	1,628
NET current budgeted Income after reactive repairs	985	995	995	995	995	995
NET additional revenue surplus / deficit as a result of recommendations in report (excl discounts) *	80	143	281	426	545	633
CAPITAL	£000s	£000s	£000s	£000s	£000s	£000s
Refurbishment Expenditure (capital)	71	493	300	200	100	-
Housing Capital Programme Funding (approved)	100	500	300	200	100	-

Notes

²Assumes 10% or 120 garages will be let to non-borough residents by 2021 and 110 voids will be rented by private residents at £35 per week.

³Includes gross income less repairs expenditure. The effect of discounts on the income projections is negligible

* the 2016/17 deficit is not because of the report recommendations but because there were more empty garages in the year than predicted when the budget was prepared

± actual subject to the audit of the 2016/17 Statement of Accounts

- 9.4. The projections assume a third of projected voids will be leased to private residents at £35 per week by 2021/22. This is based on current trends in actual lettings and applications received from private residents. The increase in rental charges for private residents is projected to generate an additional annual cash inflow of £68,000 by 2021/22.
- 9.5. There are several risks to the projections including the potential for up to 212 garages to be developed for affordable housing. This could reduce the projected net revenue surplus by up to £250,000 per annum.
- 9.6. Finance officers will be closely involved with the tendering and appointment of a refurbishment contract and ensuring the associated financial implications can be managed within the approved budget envelopes.
- 9.7. This report also recommends renting surplus parking spaces to non-residents and the analysis demonstrates that this will generate additional income.
- 9.8. Implications completed by: Danny Rochford, Head of Finance, 020 8753 4023.

10. IMPLICATIONS FOR BUSINESS

- 10.1. The client manager for the appointed contractor will ensure that economic and community benefits will be clearly identified and detailed in the new contract and

will be monitored by the client management team and reported back to Members on a regular basis.

- 10.2. Contracts will include SMART targets relating to social value, local economic and community benefit. This will include in particular, support for the Council's enterprise programme and support for small businesses through LBHF's 'Brilliant for Business' events.
- 10.3. Implications verified/completed by: Antonia Hollingsworth, Economic Development Learning & Skills. Telephone 020 8753 1698

11. COMMERCIAL IMPLICATIONS

- 11.1. This proposal to refurbish the garage stock and deliver improved income and rentability of garages and parking spaces is supported by the Commercial Revenue Team. A reduced short term investment over a five-year period below earlier investment estimates delivers a beneficial return to the Council.
- 11.2. This programme is to run over five years and it needs strong project and contract management to deliver the benefits. It is suggested that some benefits profiling be developed in the first year of the refurbishment to be able to map the proposed increased income and give an income profile against which to monitor progress.
- 11.3. Implications verified/completed by: Simon Davis, Head of Commercial Management, Tel 07920 503651.

12. PROCUREMENT IMPLICATIONS

- 12.1. The Corporate Procurement Team has been consulted on the procurement arrangements and will provide support throughout the processes.
- 12.2. Implications completed and verified by: Allan Perry, Interim Head of Procurement (Commercial and Procurement Services, Tel 020 8753 2581).

13. OTHER IMPLICATIONS PARAGRAPHS

- 13.1. The rental agreement should contain sufficient legal protections stipulating the user is liable for any damage caused by their negligence and the Council take no legal liability for damage to property inside the Garage by any cause whatsoever i.e. we are not offering a guaranteed dry and damp proof building. I would be happy to review rental agreements and liaise with Legal.
- 13.2. Implications verified/completed by: (Ray Chitty, Head of Insurance Service, 07739315565)

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
	Equality Impact Assessment	Valdrin Rexha	HRD

LIST OF APPENDICES:

Appendix 1 - Local authority benchmarking

Appendix 2 - Private market analysis

Appendix 3 - Revised charges

Appendix 4 - Demand Analysis

Appendix 5 - Garage Sites Referred for alternative uses

Appendix 6 - Proposed FY2016-2017 and FY2017-2018 refurbishment programme

Appendix 7 - Procurement Strategy Report

Appendix 8 - Proposed Licence Conditions Specific to Storage in Garages