

WAVERLEY BOROUGH COUNCIL

HOUSING OVERVIEW & SCRUTINY COMMITTEE

27 NOVEMBER 2018

Title:

GARAGE RENTAL REVIEW 2018/2019

Portfolio Holder: Cllr Carole King]
[Wards Affected: All]

Summary and purpose:

To present to the Committee the findings of the garage management review relating to the occupancy, promotion, rental and terminations of garages. To propose changes to the garage rent charges.

How this report relates to the Council's Corporate Priorities:

The report supports both the People and Place Corporate priorities. Improving garage blocks and increasing lettings will impact on the aesthetics of neighbourhoods and increase in the Housing Revenue Account income.

Equality and Diversity Implications:

There are no direct equality and diversity implications arising from this report.

Financial Implications:

The garage rent review needs to allow for a rent that will lead to increased occupancy and reduce the currently high void rate. Therefore, this report seeks to fix the current garage rental charges for at least one year in order to reach maximum occupancy and in turn increase total income.

Legal Implications:

The restriction on rents contained within the Welfare Reform and Work Act 2016 does not apply to garage rents, therefore the proposals in the Conclusion section of this report are considered reasonable in the circumstances.

Background

1. In February 2018 the Special Projects Officer commenced a review of the management of the housing services garage stock. The review was in response to the historic lack of priority given, subsequent poor service and potential to increase income.
2. Waverley owns 682 garages across 60 sites. The standard price (for 53 of the 60 blocks) is £14.43 per week for a council tenant and £17.32 per week for a private resident. The remaining seven sites have a higher rent, ranging from £14.86 to £29.80 per week due to being in popular central locations.

3. To date, 450 garages are let giving 66% occupancy rate. Of these occupied garages, 73% are private licensees and just 27% are council tenants.
4. As a result of the poor garage management practices over recent years, the rate of occupancy is lower than expected and the statistics do not reliably reflect the true garage service potential. Unused garages become a wasted asset, which can fall into disrepair and attract opportunists attempting to break in or fly tip incurring large costs to the Council.

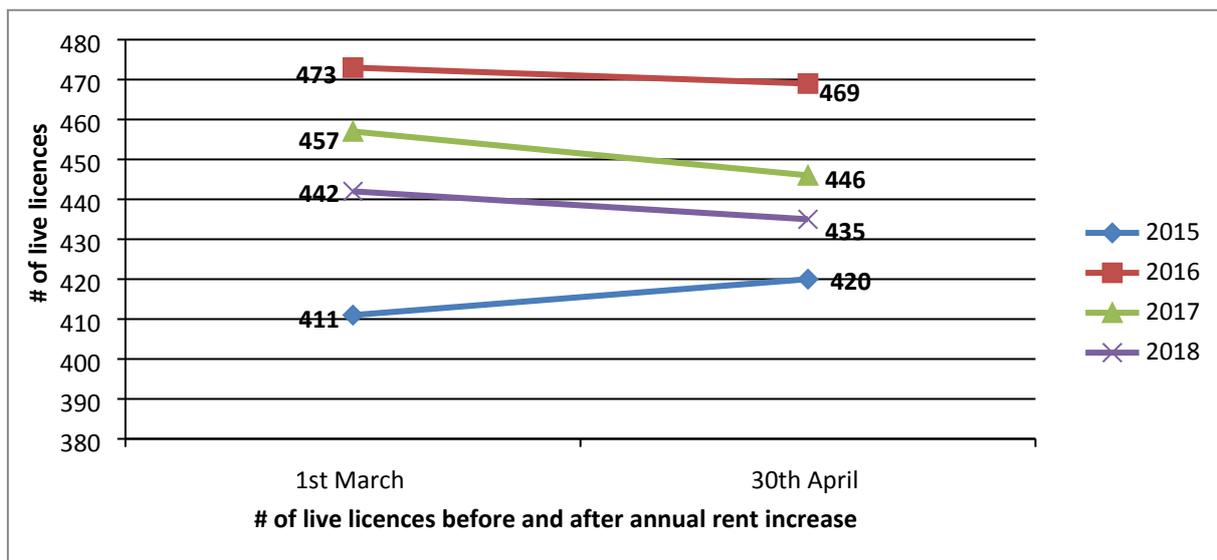
Rent Benchmarking

5. Figure One of Annexe One shows a comparison of the standard weekly garage charges employed by Councils across Surrey, following a benchmarking desk top exercise.
6. The weekly Waverley tenants charge is very similar to that charged by Runnymede Council; however, Waverley's non-tenant charge (£17.32p/w) is 52% higher than that charged by Guildford Borough Council.
7. Figure Two of Annexe One demonstrates a 26% increase since 2014/15, when comparing Waverley's garage rental charges each year, over the last four years.

Percentage Occupancy and Terminations

8. 'Percentage occupancy' is an umbrella statistic which takes into account, demand and affordability. Normally this could be a useful indicator of the current letting situation.
9. Figure Three of Annexe One shows that the garage occupancy was maximised in 2016, having 474 live licences though as a result of inefficient garage management over the past few years, occupancy levels began to decline each year after.
10. On the 1 April 2018, just 64% (439) of the total garage stock was let, leaving 36% (243) of garages void.
11. To date (01/10/18), six months later, Waverley has seen a 2% increase, reaching 66% (450) let rate and 34% of garages (232) remain void as shown in Figure Four of Annexe One.
12. 58 new licenses have been issued in the last two months and 37 licences have been terminated. See Figure Five of Annexe One
13. Figure Six (below) clearly shows that there has been a trend over the last three years in a reduction of live licences at the end of April each year, compared to the start of March that same year. This may be correlated with the implementation of the annual rent increase.
14. When the first 10% increase was introduced in April 2017, the number of terminated licences more than doubled (20) compared to the previous year (9).

Figure 6 The change in number of licences before and after the introduced rent increase each year 2015-2018



Garage Application Forms

15. The volume of new garage application forms enables us to quantify and measure demand and interest.
16. Figure Nine of Annexe One shows a significant rise in new garage applications, particularly in the first six months of the year, suggesting residents were not put off by the cost of Waverley garages at that time.
17. Waverley has received more garage applications in the last six months than we received in the whole of the financial year 2016-2017 (Figure Ten of Annexe One.).
18. A further increase in new garage applications is expected, following the updated web page and advertising (magazine adverts and leaflets) in autumn 2018. Uptake levels will be reviewed following this advertising campaign.

Garage Offers and Refusals

19. Over the last few months, there have been a number of refused offers. The two most common reasons for refusal are:
 - The garage is unaffordable
 - The garage is not in the preferred location.
20. Unfortunately, 'the reason for refusal' data has not been previously recorded, however this information is a valuable indicator for Waverley to make informed decisions on the rents and future of garage sites
21. Since 1 April 2018, 153 garage offers have been made following the appointment of a temporary Project Administrator to work intensively on making garage offers with the aim to fill as many voids as possible. Of these 153 offers, 76 have been refused (50% refusal rate) Figure 11 of Annexe One.

Public Opinion

22. Case Study 1: One licensee, whose licence began in 2016, is extremely unhappy with the annual rent increases. He has advised that he, along with many others, has been subject to a 20% increase in rent charges over the last two years. This has meant a £169 increase in two years. He stated that very few if any, have had a 20% salary increase during the same 2 year period. Figure.12 of Annexe One.
23. Case Study 2: A letter of concern was received (March 2018), from a garage licensee (since 2006), following receipt of the rents letter informing of the 2018/19 increase. She wrote ‘
- I am sure you are aware, few garages are used for the cars as they should be? Some of this is due to the ‘Modern’ cars being too large to be housed in them. If charges were lowered, all would be occupied, & therefore viable, better to be used than empty. Very little maintenance is necessary & it keeps more cars off the roads giving access to emergency vehicles & buses!’*
24. Waverley has also recently lost two long term licensees as a direct result of the 2018 rent increase. One held a garage licence with Waverley for 29 years and the other for seven years. To date, these two garages remain unoccupied as we have no applicants available on the waiting list who are willing to pay the charge for this particular block.
25. It is clear that if garage rents continue to significantly increase year on year there is a risk of losing our long-term, loyal licensees and result in more void garages than paying licensees.

Options / Discussion

26. There are three possible options for garage rent setting for the next financial year:
- **10% increase:** as has been implemented for the last two years.
 - **No rent increase:** this could be revisited/ reassessed for year 2020/21
 - **Increase the price of specific blocks only:** e.g. recently refurbished blocks.
27. The benchmarking exercise found that Waverley’s rental prices for private / non-tenants are 52% higher than those charged by Guildford Borough Council. Garage licensees have also seen an overall 26% increase since 2014/15. The case studies have highlighted a number of concerns regarding the high costs and underuse of garages and the data showed an increase termination rates following rent increases.
28. Despite the fact that to date Waverley has not advertised the garages; it is evident that there is a demand. 118 new garage applications have been submitted in the last six months, almost double the amount submitted during the same time period four years ago. In order to meet demand, we must ensure the garages remain affordable.
29. The refurbishment of blocks during the year has been to bring them up to lettable standard eg repairing roofs, lighting etc. No additional security or extra services have been provided that would warrant a rent increase.

Conclusion

30. Taking into account the garage data and public feedback it is recommended that the service focusses on maximising occupancy at the current rent levels to achieve an overall increase in the rental income rather than increasing the rent on 450 let garages.

31. 100% occupancy at today's rates would be far more successful than reaching 50% occupancy at a higher price.

32. It is imperative we achieve a balance between maximising occupancy and setting the appropriate rental price of garages, to generate the optimal level of income.

Recommendation

It is recommended that the Housing Overview and Scrutiny Committee:

1. support the proposal to fix the current garage rental charges for at least one year in order to reach maximum occupancy, in turn increasing total income; and
 2. to receive a progress update on the garage occupancy, applications and income in 2019/2020.
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Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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