

Agenda Item 16

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Report

Subject : Housing Revenue Account (HRA) Budget and Rent Setting

Report to : The Cabinet

Date : Wednesday 30 January 2008

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Cabinet Member for Housing: Councillor Tomes

Purpose of Report

The purpose of this report is to seek the Cabinet's approval to increase the rent charged for Housing Revenue Account (HRA) garages by £2 per week for the financial year 2008/09, and a further £2 per week in the financial year 2009/10.

1. Background:

- 1.1 The rent on Council garages managed within the remit of the Housing Revenue Account (HRA) has generally kept pace with residential rents on the Council's housing stock in terms of increasing roughly in line with inflation when rents are adjusted each year. However because they started from a very low base, the rents are very low, being an average of £3.36 per week (before VAT is added for garage tenants living in private addresses).
- 1.2 When Council garages were first provided there were far fewer cars on the roads and there was correspondingly lower demand for garages and parking spaces generally. However greatly increased car ownership and the increase of parking charges for the Council's car parks, mean that the market rate for renting a garage is substantially higher than that currently being charged.

2. Market Rent Analysis:

- 2.1 As referred to above the average garage rent in Salisbury is **£3.36** per week (before VAT is added for garage tenants living in private addresses).

For comparison analysis has been made of the average weekly rent for a Council/Housing Association garage elsewhere in the South of England –



Awarded in:
Housing Services
Waste and Recycling Services



Synergy Housing Group (Wessex Area) £6.28
Mid-Devon District Council - £6.99
Dartford Borough Council - £7.11
Reading Borough Council £8.62,
Bristol City Council £11.62,
Portsmouth City Council £12.34.

- 2.2 For further comparison, private garage rents in Salisbury are around £15 per week, and are a similar figure in Southampton. The rent for the Council's 21 General Fund garages (which are in the City centre) is £12 per week.
- 2.3 For additional comparison, the cost of season ticket parking in the Council's pay and display car parks (averaged over the different locations) shows that the average weekly cost works out at around £20.

3. Supply and Demand:

- 3.1 From this it can be seen that the rent being charged for the HRA garages in Salisbury is well below the regional average, and low by any other comparison. In deciding how much the rent in Salisbury could be increased, account should be taken of the level of supply and demand, to ensure that a substantial rent rise does not mean that the Council is left with a lot of garages it cannot let. It should perhaps also be noted that as no Housing Benefit is payable for garages in terms of equity an increase in rent may be seen as a regressive charge.
- 3.2 In Area 1 (the City area) there are 634 garages, with a waiting-list of 400 people. There are a small number of garages in Rawlence Road that cannot be let due to extensive vandalism, but for the remainder there is a high demand for most areas.
- 3.3 In Area 2 (the rural area) there are 750 garages with 192 people on the waiting list and 19 garages which cannot be let.
- 3.4 While there are a small number of garages in each area which cannot be let, this does not reflect a general lack of demand.
- 3.5 From the number of people on the waiting list in both Areas 1 and 2 it can be seen that there is sufficient demand for garages for the rents to be increased by a reasonable amount and in all probability still maintain nearly full occupancy. Even if the rents were increased by £4 per week, they would be competitive with the private rented sector.
- 3.6 If a substantial rent increase did result in a number of garages being handed back, there would still be the option of freezing rents or reducing them again in certain areas of lower demand. Alternatively the rule that the garages cannot be used for storage could be relaxed, or not enforced so firmly.

4. Consultation:

- 4.1 The proposal to increase garage rents by £2 per week for the financial year 2008/09, and a further £2 per week in the financial year 2009/10 has been considered and approved in principle by the Housing Revenue Account Business Plan Project Board.
- 4.2 Consultation has also been carried out by taking a draft of this report to the Tenants' Panel. The Panel broadly agreed that the increase in garage rents should take place, and indeed questioned the need to phase in the increase over 2 years.
- 4.3 In line with the recommendation that an Equality Impact Assessment (EIA) should be carried out in connection with this report, (see Human Rights implications below), an EIA has been drafted. This has concluded that there will be no unduly adverse impact on the main equality

groups from the proposal to increase garage rents as proposed. As part of the consultation for the EIA, letters were sent to the representatives of seven groups, none of whom responded negatively. The EIA did note that the proposal will affect people on a low income most, as there is no Housing Benefit payable towards garage rents, but concluded that since car ownership involves a certain level of affluence, and does not necessitate the use of a garage, this is not a reason to prevent a rent increase.

5. Conclusion:

5.1 By any measure of comparison, the rent being charged for the HRA garages is low, and analysis of supply and demand, including the substantial waiting lists, indicates that rents could be significantly increased without running the risk of pricing the garages out of the market. An increase of up to £4 would be possible and still be comparable with the rents of other housing organisations. If it is felt that this is too big an increase in one go, increases of £2 a week could be phased in over two years.

6. Recommendation:

6.1 It is recommended that the rents for the HRA garages should be increased to more closely match the market rate, in order to make best use of these assets. It is suggested that rents should be increased by £2 per week over each of the next 2 years. This would still leave the garages competitively priced in comparison with the private sector and rents charged by other social landlords in the South of England. After each increase there should be a review to determine whether the increase is leading to more garages becoming difficult to let.

7. Implications:

Financial: There are 1384 HRA garages in the District, therefore for every £1 increase in weekly rent, over a 50-week year (allowing for the 2 rent-free weeks), an extra £57,782 per annum income is theoretically possible, allowing for the deduction of VAT from the extra income. If a £2 per week increase were made for the financial year 2008/2009 and full occupancy of the garages were achieved there is a potential increase in revenue of £115,564 per annum. A further increase for the financial year 2009/2010 would produce a similar increase in revenue, giving a total increase of revenue from the current position of £231,128 per annum. It should be noted that for a number of reasons this is a theoretical increase given that a few of the garages are used for storage of materials by the Direct Works labour force, a few are beyond economic repair, there are a few garages which are difficult to let due to their location, and there is a loss of income between tenants. It is also likely that the turnover of garages would increase when rents are increased if some tenants decide they do not wish to pay a higher rent. However the figures do give an indication of the level of income which is being lost by letting the garages at below what is considered the market level.

Legal: any increases in rent may only be effected in accordance with the terms of any agreements or on the grant of any new agreements

Human Rights: any agreement will probably be a right for the purposes of First Protocol Article 1 [protection of property]. Any increases in rent should be reasonable. Article 14 [right not to be discriminated against] is engaged if First Protocol Article 1 is. An equalities impact assessment should be considered. Any differential treatment should be objectively justified.

- Personnel** : None
- Community Safety** : None
- Environmental** : None
- ICT** : None
- Council's Core Values** : Excellent Service
- Wards Affected** : All