



Report for:	Cabinet
Date of meeting:	15 December 2020
Part:	1
If Part II, reason:	

Title of report:	Garage Programme Update
Contact:	<ul style="list-style-type: none"> • Andrew Williams, Portfolio Holder for Corporate and Contracted Services • Margaret Griffiths, Portfolio Holder for Housing • Linda Roberts, AD People, Performance and Innovation, Author/Responsible Officer • James Deane, Corporate Director (Finance and Operations), Garage Programme Sponsor • Fiona Williamson, AD Housing, Garage Programme Sponsor • Samantha Raggatt, Garage Programme Manager (contractor)
Purpose of report:	<p>1. The purpose of this report is to provide Cabinet with an update on:</p> <ol style="list-style-type: none"> a. The current garage asset position b. Progress of the Garage Programme review and its objectives
Recommendations	Note the progress made to date.
Corporate objectives:	<ul style="list-style-type: none"> • Building strong and vibrant communities • Ensuring economic growth and prosperity
Implications:	<p><u>Financial</u> The review is essential to ensure the garage asset maximises revenue and is appropriately aligned to demand, so that alternative use options can be considered for the generation of capital receipts or alternative revenue streams. The review is being funded from reserves on the basis of spend to save.</p>
'Value for money' implications	<p><u>Value for money</u> The review is being undertaken at market rates for this nature of professional services support.</p>

Risk implications	<p>There is an active risk register for this programme review which is managed by the Programme Board.</p> <p>The main risk for the Council relating to Garages is without any intervention they will be a continued decline of revenue. There is a reputational risk to the Council for the perceived poor management of the garage stock.</p>
Community Impact Assessment	Community Impact Assessment carried out on 7 th January 2020.
Health and safety Implications	There are no specific H&S concerns in this review as such. However Health and Safety implications will be full considered as part of the recommendations that will be developed once the review is complete.
Monitoring Officer/ Deputy S.151 Officer Comments	<p><u>Deputy Monitoring Officer comments</u> There are no legal implications arising from this report.</p> <p><u>Deputy S151 Officer comments</u> There are no financial implications arising from this report.</p>
Consultees:	<ul style="list-style-type: none"> • Jacqueline Hutton, Legal & Corporate Services, DBC • Jonathan Carrington Dunn, Estates and Cleaning Lead Officer, DBC (for Clearing and Ground Maintenance) • Richard Rice, GM, Commercial Assets and Property Development, DBC (for Disposals) • David Barrett, Group Manager, Housing Development • Lucy Tash, Accountant: Housing, DBC (for budgets) • Ben Trueman, GM - Technology & Digital Transformation, DBC (for ICT systems) • Joe Guiton, Team Leader Community Safety & Children's Services (Verge Hardening Programme) • Alan Parry, Business Systems Developer (IT), DBC • Andrew Linden, Procurement Team Leader, DBC • Steve Oakey, Partner, Brasier Freeth • Differentis, Data Analysis Consultants • Aitchison Raffety, Property Consultants, Hemel Hempstead • The Garages Team, Housing, Property and Place
Background papers:	
Glossary of acronyms and any other abbreviations used in this report:	<p>CMT – Corporate Management Team CPW – Community Protection Warning CPN - Community protection Notice</p>

Executive Summary

1. The Garages Project has been running since November 2019. The approach to managing the Garages has had some long-term issues and the project was created

in order to understand the current condition of the stock, establish if there is any demand, improve the letting processes and maximise any income from potential disposals.

2. There has been approximately 4 months of delay to the project as a consequence of the pandemic. However the conditional surveys of all the garages was completed at the end of September 2020.
3. A data model has been generated using the survey data and work has commenced on analysing the data in accordance with the objectives of the project: Protect the revenue stream, Invest in the stock, Streamline the lettings process and continue the disposals programme.
4. The project will report back to Cabinet in April 2021 with an update on further recommendations to ensure that the council has going forwards a professional Garages Letting and Management Service.

Introduction

5. The Garages Project has been running since November 2019. The approach to managing the Garages has had some long-term issues and the project was created in order to understand the current condition of the stock, establish if there is any demand, improve the letting processes and maximise any income from potential disposals.
6. In the previous update the objectives of and the approach to the project were defined. It started looking at the potential pent-up demand as there were many people listed on various waiting lists. There was also an initial review of the Garages team working processes to see how these could be improved.
7. Unfortunately in March 2020 the project was halted due to the impact of the COVID-19 pandemic. This caused a significant delay to the project as the software suppliers (Orchard Pro-Master) furloughed some staff which halted the further development of the tool to be used for capturing condition survey data. In addition we were unable to appoint a condition survey company to carry out the surveys as we were in lockdown.
8. The resulting delays means that the survey of all garage was not completed until the end of September 2020. This data has subsequently been exported from the collection tool and a data model has been created using Microsoft Power BI.

Garages Project Objectives

9. The objectives for the Garages Project were agreed in February 2020 and the initial findings of the project are described in relation to each of the objectives:
 1. Protect the revenue stream
 2. Invest in the stock
 3. Streamline the lettings process
 4. Continue the disposals programme

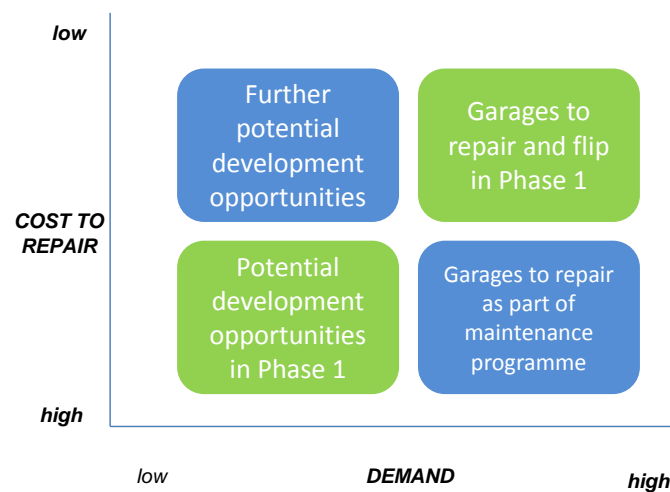
Protect the revenue stream

1. At the beginning of the project, and as reported in February 2020 OSC, the council believed that there were 7,611 garages across 771 blocks. The detailed survey has confirmed that there are currently 7,385 garages in 769 blocks across Dacorum.
2. The reduction in numbers is due to garages that historically have been disposed were not removed from the original data. There are 2,245 void garages of which 1,369 have not been identified disposal and could potentially increase revenue generating capacity.
3. The garages income has consistently increased even when prices were increased. Previous price increases were on an incremental basis - there was scope to increase income but the point of price elasticity was unknown. A big part of this project is to isolate the variables that might have affected demand, and to understand how much demand is genuinely price elastic and how much of previous volatility was down to processes that needed improving, stock refurbishment etc.

Years	Revenue Income	Void Rates
2015/2016	£2.7m	23%
2016/2017 5.3% standard inflationary increase	£3.1m	21%
2017/2018 14.3% price increase, after a Garages Pricing Review, contributed to increased void rates in following years but revenue income increased.	£3.3m	23%
2018/2019	£3.4m	27%
2019/2020	£3.2m	31%

4. From analyzing the income data it can be seen that the current void rate is 31%. From those that are occupied we have determined that we receive income from:
 - Leaseholders 10%
 - Housing Tenants 15%
 - Private Lets 45%

5. The diagram below illustrates the approach to identifying which garages should be repaired in Phase 1 and which garages could be considered for future disposal.



Invest in the stock

6. The logic to repair those with estimated low costs to repair in areas of high demand means that the council should be able to flip these garages quickly for rental. This in turn will provide additional income to help fund the further repair and maintenance work that is required across the garage estate.
7. Once identified the project will need to develop a tender for this work and explore how and when it can be completed. The council are actively considering how this could be awarded to a local company as part of the council's response to post-COVID recovery.
8. As the model has only just been completed, it will take some further time to identify the number of garages suitable for Phase 1 and the likely cost of work. This and the tendering process means that it likely that the work should aim to start in April 2021

Streamline the lettings process

9. Initial work completed at the beginning of the year was to work through back-log of waiting list. There is still a requirement to continue to do some data cleansing and consolidate into a single list going forward.
10. Although some investigations were made into looking at either procuring or developing an online garage management system at this time the team feel that the improvements would not warrant the expenditure. However it will be possible working with the council's own Development Team to ensure that there is an easy to use garage request solution for potential customers going forward.
11. The current team has performed very well despite the problems in working that occurred during the first lockdown. Despite all the challenges there has been an increase in rents and income when compared to the previous year. Going forward the team will also look into advertising and marketing to support take up where voids are being repaired and made available.

12. Further process improvement is required to develop the service into a professional Garages Letting and Management Service. This will include a review of future organisation needed to deliver it and will be managed by the current Project Manager.

Continue Disposals Programme

13. The garage disposal programme over the last 5 years has been particularly successful in achieving the Council's corporate ambitions. It has generated £8.56m of capital receipts to support the delivery of the capital programme whilst minimising the revenue impact of borrowing; it has seen a number of sites developed by Housing Associations delivering much need affordable housing across the borough, which in turn has enabled Right-to-Buy receipts to remain within Dacorum rather than being returned to Central Government. One of the objectives of this project is to continue benefitting from an evidence-based disposal programme.
14. In addition to those garages and sites that have already been earmarked for development, the data model can be used to identify those garages that are in areas of high cost to repair and low demand. These sites will be investigated to see if they can be developed for alternate use. It may also be appropriate to demolish if these are areas subject to continued Anti-Social Behaviour.
15. When thinking about disposals other issues such as parking consideration as well as proximity to other potential disposal sites will be taken into account when considering the best solution for the site.
16. The next phase of the disposal programme is underway and Heads of Terms have been agreed in principle. The sales have been targeted at Housing Associations so that as well as providing capital receipts to the council it is a ways to ensure an increase in the number of affordable homes across the Borough. The purchaser intends to build low density affordable homes. The agreed Heads of Terms are subject to contract, due diligence & approval. Sites are sold unconditionally – i.e. without planning. Any future development of the site is subject to DBC's planning process.

Next steps

17. The following list shows the further steps that the Project will be considering going forward:
 - a. Complete identification of low cost of repair/high demand void garages to flip and re-let.
 - b. Produce a tender for this tailored programme of works for Repairs, preferably targeting a local company, to start the repairs from April 2021.
 - c. Identify further potential development sites to be investigated from high cost of repair/low demand data.
 - d. Develop approach for on-going maintenance plan to cover remaining garage stock on a cyclical basis.

- e. Continue to improve and streamline letting processes in advance of a large number of garages being made available to rent.

18. It is proposed that the project should report again to Cabinet in March 2021.