

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance and the Executive Director (Commercialisation)
(S151 officer)

To: Cabinet – 16th February 2016

Author: Ken Trotter-Interim Chief Accountant (SHDC)

Subject: Community Assets in the Housing Revenue Account

Purpose: To set out a business case for the Executive Director - Commercialisation to authorise the appropriation of garages and commercial properties from Housing to Operational assets.

Recommendations to Cabinet:

1. The Executive Director – Commercialisation be authorised to appropriate garages and parking spaces from Housing to operational asset use.

1.0 BACKGROUND

- 1.1 The proposal set out in this report has been developed as part of a wider review of the commercial assets of the Council. The proposal is to transfer two asset types, that is garages and parking spaces', in line with the commercialisation strategy to maximise the use and value of commercial assets.
- 1.2 All garages (including any land within garage sites which is only used to access the garages) and parking spaces are to be appropriated from housing. This strategy has been designed to ensure the maximum social benefit within a commercial framework.
- 1.3 The garages that are proposed to be appropriated are no longer considered to be required for housing purposes. Where garages in question are on estates they would, originally, have been constructed in connection with the housing and for use by tenants on the estates, but that is no longer the case. As a result these assets provide a benefit to the wider community and not solely to Housing tenants.
- 1.4 Guidance from DCLG in the Self-Financing prospectus "*Council Housing a real future*" encouraged local authorities to examine the HRA and to concentrate on core (Dwellings) activities. Non-core activities such as rental of garages are classified as non-core and have been examined on this basis.
- 1.5 The current usage of garages and parking spaces highlights 28% are used by tenants with the majority being used by Residents or are empty.

Tenure	Garages	Spaces	Total	%
Private	179	80	259	27%
Void	156	265	421	45%
Total non-tenant	335	314	680	72%
Tenant	198	69	267	28%
Total	533	414	947	100%

Clearly the need to maximise the use and income from these sites is highlighted in this current usage analysis.

- 1.6 Since the introduction of Right to buy regulations, all estates are now mixed tenure and are no longer 100% social housing. The 2011 census of the district highlighted that council social tenant's make up approximately 10% of the population of the district.

Tenure	Households	% of Households
Owned	27,035	72.5%
Shared Ownership	260	0.7%
Private Rented	4,714	12.7%
Social Housing – Other	900	2.4%
Social Housing – SHDC	3,828	10.3%
Rent Free	527	1.4%
	37,264	100%

- 1.7 Demand for garages and parking is more likely to come from Residents rather than tenants and this needs to be stimulated wherever possible.
- 1.8 Subject to a full review of activity Growth targets for income include a 10% increase in parking income over the medium term from these underutilised assets.

2.0 OPTIONS

- 2.1 To note the report and to approve the recommendation.
- 2.2 To note the report and not approve the recommendation.
- 2.3 Do Nothing

3.0 REASONS FOR RECOMMENDATION

- 3.1 To appropriate underperforming assets no longer required for their original as part of a wide ranging asset management review to redefine the commercial framework and increase usage and income in the future.

4.0 EXPECTED BENEFITS

- 4.1 Additional parking assets in the district which will complement the medium term Housing Growth agenda

5.0 IMPLICATIONS

5.1 Financial

- 5.1.1 Parking site information is currently contained in summary form only.
- 5.1.2 Income in 2015/16 is expected to be approximately £160k which will transfer to the General Fund from the 1st April 2016.
- 5.1.3 Maintenance costs are estimated at £15k per annum including a contribution to the repairs & renewals account for medium term planned maintenance. Management costs are approx.

£10k (0.5 FTE) giving an overall surplus on activities of £135k which is included in the 2016/17 budget report (paragraph 5.1.5 “Assets benefitting the wider community”)

- 5.1.4 Valuation of these assets is currently £517,500 and this value will be added to the General Fund Capital Financing Requirement (CFR) and deducted from the HRA CFR.
- 5.1.5 The minimum revenue provision has been examined and as these assets are not changing ownership and there is no overhanging debt in the HRA there will be no charge to the revenue budget in the General Fund. This will be included in the final treasury management strategy before it is submitted to council if this proposal is approved. The self-financing debt of approx. £67m is based on future income from core activities (Dwelling rents) only.
- 5.1.6 Borrowing capacity in the HRA will increase by this asset value (£517k) which may be needed in the future for the planned Affordable Housing programme.
- 5.1.7 The address list for the garages will be examined for any assets attached to or in close proximity to dwellings which could be construed as being part of the dwelling. Any assets identified will remain in the HRA as they will be considered as being continued to be used for their original purpose.
- 5.1.8 Garages that are hard to let due to location or condition will be examined for suitability as Affordable Housing sites. These may be subject to a planning application and a scheme design exercise as part of a potential Welland homes development management contract with the HRA.

5.2 Risk Management

- 5.2.1 Risks are highlighted within the appendix.

5.3 Legal

- 5.3.1 The Council has power under the Local Government Act 1972 to appropriate land which is no longer required for the purpose for which it was acquired to use for any other purpose for which it has power to acquire land. In the case of land held for housing purposes, that power is subject to Section 19 of the Housing Act 1985 which requires the consent of the Secretary of State to appropriation of dwellings from the HRA. As this proposal does not relate to dwellings, Section 19 consent will not be required. Any decision to appropriate will be subject to the Executive Director for commercialisation being satisfied that the land in question is no longer required for housing purposes. The rationale for this is set out in the body of this report.

6.0 WARDS/COMMUNITIES AFFECTED

- 6.1 Budget implications affect all wards.

7.0 ACRONYMS

- 7.1 **GF** General Fund
- HRA** Housing Revenue account
- CFR** Capital financing Requirement
- MRP** Minimum Revenue Provision
- RTB** Right to Buy
- MTFP** Medium Term Financial Plan
- DCLG** Department for Communities & Local Government

Background papers:- None

Lead Contact Officer

Name and Post: Julie Kennealy Executive Director (Commercialisation) (Section151)
Telephone Number: 01775 761161
Email: Julie.Kennealy@breckland-sholland.gov.uk or alternatively
ktrotter@sholland.gov.uk (Interim Chief Accountant (Deputy S151))

Director / Officer who will be attending the Meeting:

Julie Kennealy- Executive Director (Commercialisation) (Section 151)

Key Decision: No

Exempt Decision: No

This report refers both Mandatory Service and Discretionary Services

Appendices attached to this report:

None