

Committee:	Date:	Item
Barbican Residential	14 July 2011	
Subject: Baggage Store Charging Policy.	Public	
Report of: Director of Community and Children's Services	For Decision	
<p style="text-align: center;"><u>Summary</u></p> <ol style="list-style-type: none">1. This report, which is for decision seeks to extend the current charging policy for baggage stores on the Estate for a further three years.2. Licence fees for baggage stores have been reviewed between 2008 and 2010 in relation to the Retail Price Index published by the Office of National statistics in April of that year with the licence fee payable being dependent on the size of the store.3. It is proposed to extend this charging policy for a further three years and to review the policy again in 2014. <p>Recommendation</p> <ol style="list-style-type: none">4. I recommend that all baggage store licence fees are to be subject to review annually from 29 September 2011 over the next three years. The increase to be calculated by reference to the Retail Price Index published by the Office for National Statistics in April of each respective year to allow appropriate notice to be given to Barbican residents.5. The effect of this will be that from 29 September 2011 the annual licence fees for<ul style="list-style-type: none">• Standard stores will increase from £270 to £285• Transportable stores will increase from £325 to £340• Large stores will increase from £380 to £4006. The purchase price for standard baggage stores on the estate will remain		

at £6,500 and the purchase price for the 44 large stores in Thomas More will remain at £10,000. Transportable baggage stores and the large stores at Brandon Mews are not available for purchase

7. The key deposit for new baggage store lettings will increase from £ 95 to £100 with effect from 29 September 2011.
8. The purchase price of stores and the key deposit to be reviewed annually from 29 September 2012, but not necessarily linked to Retail Price Index.

Main Report

Background

9. The Barbican Residential Committee at its meeting on 20 September 2007 resolved that the licence fees for baggage stores should be set according to the size of the store which would be subject to an increase over the next three years with the increase to be calculated by reference to the Retail Price Index (RPI) published in April each year. This method has been accepted by residents and it proposed to extend this method of calculation for a further three years. This method of calculation has resulted in increases of 3.8% in 2008, nil in 2009 and 4.4 % in 2010. The RPI published in April 2011 was 5.3%.
10. The September 2007 review was the culmination of three extensive reports on baggage store charging policy following an Internal Audit review which recommended that rental prices should be compared to commercial lettings to ensure that income to the City Corporation was optimal in relation to other service providers. The Barbican Residents Consultation Committee raised concerns that the originally proposed increase to £650 per annum did not adequately address the issues of differential sizing, quality of Barbican Estate baggage stores or the temporary nature of most of the commercial storage facilities used in the original comparison exercise. A revised charging methodology, which reflected the differential sizing of Barbican stores and established a base charge related to the lowest commercial rates identified, was therefore proposed which would be subject to upward only increases linked to RPI over the next three years. This methodology was endorsed by the RCC

and agreed by the Barbican Residential Committee. Further details of the agreed methodology are set out at Appendix A.

- 11 Stores are only let to existing Barbican residents and, unlike Barbican flats, there is no private market in baggage store lettings. Direct comparisons to commercial facilities are therefore difficult. Appendix B provides details of nearby commercial storage facilities which charge significantly higher fees than the Barbican. However, the letting terms (e.g. hours of access, length of letting) and quality of facilities may vary significantly from site to site and from the Barbican Estate.
- 12 There are currently 1108 standard stores (18sq ft) which are let at a licence fee of £ 270 per annum, 110 Transportable stores (35sqft) let at a licence fee of £325 per annum , 44 stores at Thomas More and 4 large stores at Brandon Mews let at £380 per annum. (60sqft). (The differential in fees reflects the size of the stores.)
- 13 By applying the RPI published in April this year of 5.3%, the licence fees for stores will increase to £285 (standard stores), £340 (transportable stores) and £400 (large stores) respectively.
- 14 A list detailing baggage store letting figures and the current waiting list is attached in appendix C. The demand for stores has decreased with currently 24 residents waiting for their first store and 29 residents wishing to have an additional store. Four years ago 69 residents were waiting their first store and 61 residents wanted to have an additional store. A factor in reducing demand is that an additional 110 stores have been provided since 2007.

Other Proposals

- 15 I do not propose to raise baggage store purchase prices. The rationale for assessing prices has been related to the purchase price of Barbican flats. The purchase price was increased by 10 % in 2007 to reflect the rise in Barbican flat prices from 2006. A 50% increase was applied in 2006 to reflect change in property prices from 2002 to 2006. The sale prices of Barbican flats have been fairly static over the last 4 years and no increase is therefore considered appropriate.
- 16 I also propose to increase the key deposit from £95 to £100 with effect from 29 September 2011 to reflect recent price increases in the provision of locks and keys.

Financial Implications

17. An increase of 5.3% in licence fees would result in an increase of income of approximately £17,500 per annum from the first full financial year (2012/13) assuming that the stores are let at their current levels.

Consultees

18. The Chamberlain, Comptroller & City Solicitor and City Surveyor have been consulted in the preparation of this report.

Conclusion

19. The City has a duty to achieve a reasonable return from its assets having regard to market levels and any net surplus generated benefits the City Fund. The Barbican Estate Office offers a fair policy in the allocation of stores on the Estate and if income was the sole purpose of our policy we would; (1) allow the transfer of let bays upon the resale of a flat instead of insisting it is returned to the Estate for reallocation from our waiting list; and (2) have recommended significantly higher increases over the years. I feel that the continuation of the current charging policy is a sensible way to proceed and to review it again in 2014.

Joy Hollister
Director of Community & Children's Services

Contact:

Mike Kettle - Commercial Manager

020 7029 7944

michael.kettle@cityoflondon.gov.uk

Charging Rationale and Methodology agreed in September 2007

1. Baggage stores are not included in either the leases or short term tenancy agreements for flats. The stores meet a demand from residents for this facility and they also provide an income stream for the City. Net income from baggage stores forms part of the Director of Community and Children's Services cash limited local risk budget and offsets the cost of other services funded from this budget. As a result of reviews carried out by Internal Audit and the Barbican Estate Office in 2006 and the City Surveyor in 2007, the findings of which have been reported to previous meetings of both the RCC and the BRC, rental prices for Barbican stores appeared to be well below market rates. In September 2007 the BRC agreed to adopt the following charging methodology.
2. Stores are grouped into three main bands:
 - A. 1108 standard baggage stores (approx 18sq ft)
 - B. 110 transportable stores (approx 35 sq ft)
 - C. 44 large Thomas More Stores (approx 60 sq ft)
3. Each band is then weighted to reflect the fact that under the terms of the licence the City can, if necessary, require residents to move to another possibly smaller store albeit at a reduced rental. Furthermore there is a valid argument to support a lower sq footage rate for larger stores as most Barbican residents are happy with standard stores on the estate and larger units commercially normally attract a lower rental per sq ft. The following table sets out the weightings and base charge agreed for each band in September 2007.

Band	Weighting	Base Charge
A	100	£250
B	120	£300
C	140	£350

4. The base charge was established from information provided by the City Surveyor which indicated rents of £10-£15 per square foot for nearby commercial stores offered on a long term basis but which were not as convenient for residents and which did not have the level of facilities provided on the Estate. Bearing this in mind and given the on-going demand for stores on the Estate and a requirement for the City to optimise the return from its assets the original base charge for Barbican stores was set at the upper end of this range at £250 for a band A store or approximately £14 per square foot. This charge has been updated annually for inflation.