

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 06 January 2020

Portfolio:	Policy and Resources
Subject:	Beach Hut Site Rent Review
Report of:	Director of Planning and Regeneration
Corporate Priorities:	A dynamic, prudent, progressive and best practice Council

Purpose:

To advise the Executive of the outcome of user consultation and review of beach hut site rents. The review has resulted in a proposal to increase rents which, if agreed, will take effect from 1 April 2020.

Executive summary:

The report advises the Executive of the outcome of a Review of beach hut site rents. The Executive was last asked to consider site rents and other issues in 2014 and the current review has been carried out in a similar way. The Review has resulted in a proposal to increase beach hut site rentals above the current annual rate of inflation, based on market comparables. The proposal is fully in accordance with the principles set out in the Council's Medium-term Finance Strategy.

Recommendation:

It is recommended that the Executive agrees the proposed increase in beach hut site rents set out in paragraph 10 of the Executive Briefing Paper to £565.00 per annum for residents and £1,130 per annum for non-residents.

Reason:

To advise the Executive of a proposal to increase beach hut site rents based on comparables from other local authorities (in particular at Hayling Island in the Borough of Havant) and reflecting the Council's Medium-term Financial Strategy.

Cost of proposals:

If the increase proposed in the report is implemented in full the Council will receive additional income of £12,180 pa inclusive of VAT. If any concessions or discounts or other changes are introduced this figure will be reduced.

Appendices:

A: Research on beach hut site rents charged by neighbouring authorities

B: Summary of responses from Fareham Beach Hut Association

C: Summary of responses from Beach Hut owners

Background papers: Letter from the Fareham Beach Hut Association

Letters and emails received from owners

Reference papers:

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Executive Briefing Paper

Date:	06 January 2020
Subject:	Beach Hut Site Rent Review
Briefing by:	Director of Planning and Regeneration
Portfolio:	Policy and Resources

INTRODUCTION

1. There are two beach hut locations in Hill Head Fareham at Cliff Road and Monks Hill. The huts are privately owned by individuals and families and a site rental is paid to the Council. This report sets out the outcome of a Review of beach hut rents based on market comparables and a consequential proposal to increase beach hut site rents with effect from 1 April 2020.

BACKGROUND

2. The wording of the beach hut agreements allows for an annual increase in the site rent "to such sum as the Council in their absolute discretion shall decide". At least three months' notice in writing to expire on 31st March in any year has to be given in this respect.
3. No discounts or concessions on the rent are currently granted and beach hut owners who are not resident in the Borough of Fareham pay a double site rental.
4. On 1 September 2014 a report was presented to the Executive proposing an increase of 25.85% based upon comparable evidence from Hayling Island in the Borough of Havant. The decision of the Executive was to implement the recommended increase and to phase this in over a three-year period commencing 1 April 2015.

	Residents Owners	Non-Resident Owners
2015/16	£411	£822
2016/17	£444	£888
2017/18	£477	£954

5. The second part of the decision was for officers to review the beach hut site agreements after consultation with beach hut owners. As a first stage to the review officers

corresponded with the Fareham Beach Hut Association. A number of suggestions were considered in respect of the documentation and the double site rental for non-residents but it was concluded each of the suggestions made in respect of the double site rent would if adopted limit future income to the Council and so no changes were implemented.

6. In 2018/19 the increase was in line with RPI (at 4%) and from 1 April 2019 to 31st March 2020 was in line with CPI which resulted in a 2.2% increase.

	Residents Owners	Non-Resident Owners
2018/19	£496	£992
2019/20	£507	£1,014

BEACH HUT SITE RENT REVIEW

7. The Council's Medium-Term Finance Strategy states that fees and charges are " to be increased to achieve a realistic increase in income wherever possible and every effort to be made to identify new sources of income. The proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers".
8. Research has been undertaken on beach hut site rents charged by other neighbouring Local Authorities and details are shown on the table attached as Appendix A. There are obviously differences in the tenancy and rental arrangements, transfer/administration fees, local facilities and parking provisions, but officers consider Hayling Island in the Borough of Havant to be the most appropriate comparable to Fareham. This is because the majority of beach huts at Hayling Island are privately owned, non-residents of Havant Borough have the opportunity to own a beach hut, and there is an out of Borough fee. Havant review their beach hut site rents annually and this is normally an increase in line with inflation, however this is kept under review and is dependent upon customer demand. The beach hut site rents for Hayling Island for 2019/20 are £565 (inc VAT) for residents and £1,234 (inc VAT) for non-resident; these rents were frozen at the 2018 level.
9. The beach huts are privately owned with each owner entering into an agreement (called the Beach Hut Agreement) with the Council for the use of the site. The Beach Hut Agreement includes payment of an annual site rent and non-domestic rates on the beach hut. Demand for the Beach Huts in Fareham is known to be high and beach huts at Hill Head are known to be selling for up to £26,000 depending on size, location (Cliff Road or Monks Hill) and condition. The value of a beach hut site is derived from its location on the coast overlooking the Solent, not the amenities or services at Hill Head. The Council does not receive any of the sale proceeds.
10. Based on the market comparables (see appendix A), there is a case to increase beach hut site rents above the rate of inflation to the level set out below, and which could be implemented from 1 April 2020 in accordance with the beach hut agreements.

Beach Hut site rent	2019/20 Current (inc VAT)	2020/21 Proposed (inc VAT)	Increase
Residents	£507	£565	£58
Non-residents	£1014	£1130	£116

This equates to an 11.4% increase and based on the current split of resident and non-resident beach hut owners, if the proposal is accepted, the additional income for 2020/21 would be £10,150 excluding VAT (£12,180 inclusive of VAT)

Beach Hut Owners	Current Beach Hut Rent (inc VAT)	Proposed Beach Hut Rent (inc VAT)
Residents (132)	£507	£565
Non-Residents (39)	£1,014	£1,130
Total (inc VAT)	£106,470	£118,650

CONSULTATION WITH FAREHAM BEACH HUT ASSOCIATION & OWNERS

11. Consultation over a three-week period setting out the proposed increase based on comparable market evidence has taken place with the Fareham Beach Hut Association and owners. As the Association does not represent all owners a letter was sent to every beach hut owner advising them that a report was to be presented to the Executive and giving them the opportunity to comment on the proposal.
12. Attached as Appendix B is a summary of the comments received from Fareham Beach Hut Association together with commentary from officers. Fareham Beach Hut Association has suggested that beach hut site rent increases are based on inflation only.
13. Attached as Appendix C is the summary of comments from individual beach hut owners together with commentary from officers.
14. Key issues raised in the responses are:
 - an above inflation rental increase,
 - over reliance on Hayling Island as a comparable,
 - double rental for out of Borough residents
 - lack of discount for OAP and people with disabilities,

Full commentary from officers on each off these issues is included in Appendix B and C as appropriate.

CONCLUSION

15. The Executive is asked to consider the proposed beach hut rent increase set out above, based on market comparables and in accordance with the principles set out in the Medium-Term Financial Strategy. If any discounts or concessions were to be introduced these would have an adverse effect on income.

Enquiries:

For further information on this report please contact Grant Hobday (Ext 4320)