

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 1 September 2014

<b>Portfolio:</b>	Policy, Strategy and Finance
<b>Subject:</b>	<b>Beach Hut Site Rent Proposal</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Asset Management Plan.
<b>Corporate Objective:</b>	A dynamic, prudent, progressive and best practice Council

**Purpose:**  
To advise the Executive of a proposal to raise beach hut site rents above the current annual fees and charges increase. Any increase agreed will take effect from 1 April 2015.

**Executive summary:**  
The report advises the Executive of a proposal to raise beach hut site rents above the current annual fees and charges increase. The Executive are asked to consider the proposal and decide if it should either be accepted in full from 1 April 2015 or implement such other increase as the Executive decide is appropriate. The Executive are also asked to consider if depending on the level of increase agreed it should as for the 2004 review be phased in over a period of years to be decided or as an alternative a 3 year review pattern for future beach hut site rent increases can be agreed.

**Recommendation:**  
That the Executive considers the proposal to increase beach hut site rents from 1 April 2015 and decide;

- If the proposal should be implemented in full from 1 April 2015;
- implement such other increase as the Executive decide is appropriate;
- consider if depending on the level of increase agreed it should as for the 2004 review be phased in over a period of years; or
- decide if a 3 year review pattern for future beach hut site rent increases can be agreed.

**Reason:**

To advise the Executive of a proposal to increase beach hut site rents based on a comparable at Hayling Island in the Borough of Havant and reflecting the Council's budget guidelines

**Cost of proposals:**

If the proposal in the report is implemented in full the Council will receive additional income of £20,580 pa inclusive of VAT.

**Appendix A** - Letters dated 15<sup>th</sup> & 28<sup>th</sup> July 2014 received from the Fareham Beach Hut Association

**Appendix B** - FBC letter dated 2 July 2014 to owners and letters / e mails received from owners **NOT FOR PUBLICATION by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.**

**Appendix C** - Research on beach hut site rents charged by neighbouring Authorities



# Executive Briefing Paper

**Date:** 1 September 2014

**Subject:** Beach Hut Site Rent Proposal

**Briefing by:** Director of Finance and Resources

**Portfolio:** Policy, Strategy and Finance

## INTRODUCTION

1. This report sets out a proposal to increase beach hut site rents with effect from 1 April 2015.

## POSSIBLE INCREASE IN BEACH HUT SITE RENT PROPOSAL

2. The beach hut agreements permit the Council to increase 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. As for previous years the increase from 1 April 2014 was in line with the annual fees and charges increase and the following was confirmed by the Executive on 2 December 2013.

Beach Huts	Rent 2013/14 £	Rent 2014/15 payable from 1 April 2014 £	Increase %
Residents	£361	£379	5%
Non-residents	£722	£758	5%
<u>Notes</u>			
Fee inclusive of VAT at the prevailing rate.			

- 4 Consideration could be given to an increase over and above this level of increase from 1 April 2015. The Council budget guidelines state that fees and charges are "to be increased to achieve a 5% increase in income wherever possible and desirable 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”.

- 5 Research has therefore been undertaken on beach hut site rents charged by other neighbouring Authorities in accordance with the Council’s budget guidelines. Details are shown on the table attached as Appendix C. The most comparable to Fareham is considered to be Hayling Island in the Borough of Havant. The beach hut site rents for 2014/15 are £477 for residents and £954 for non-residents which are higher than Fareham. The Havant rents are also inclusive of VAT. Havant has the same policy as Fareham as regards non residents paying double the site rent paid by a resident of the Borough. Havant review their beach hut site rents annually and this is normally an increase in line with inflation. However this is also kept under review and is dependent upon customer demand.
- 6 A beach hut located at Hill Head adjoining the Solent is considered to be a comparable location to Hayling Island. Beach huts are selling for between £10k and £20k depending on size, location ( Cliff Road or Monks Hill) and condition. The value of a beach hut site is derived from its location. The value of this location , on the coast at Hill Head overlooking the Solent, is similar or higher than is being achieved at Hayling Island.
- 7 Based on the above, there is a case to increase beach site rents to the level set out below and which could be implemented from 1 April 2015 to comply with the required notice period.

<b>Beach Huts</b>	<b>2014/15 Rent</b>	<b>Proposed 2015/16 Rent payable from 1 April 2015</b>	<b>Increase</b>
Residents	£379	£477	£98
Non-residents	£758	£954	£196
<u>Notes</u> Fee inclusive of VAT at the prevailing rate.			

- 8 If the Executive agree to the proposal, then it is proposed that the new charges are introduced from 1<sup>st</sup> April 2015, having given owners three months’ notice in writing of the new charges.

### **CONSULTATION WITH FAREHAM BEACH HUT ASSOCIATION & OWNERS**

- 9 Due to the proposal being placed before the Executive consultation 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 of the report being presented to the Executive.

## RESPONSE FROM FAREHAM BEACH HUT ASSOCIATION TO THE PROPOSAL

10 Attached as Appendix A are letters received from the Fareham Beach Hut Association dated 15th & 28th July. Following receipt of the letter dated 15 July a consultation meeting on the proposal was held with the Association on 23 July 2014. This resulted in the Association sending the letter dated 28 July. Below is a matrix of the points raised by the Association in their letters and the officers comments.

### Summary of the comments from the Fareham Beach Hut Association contained in the letters dated 15<sup>th</sup> & 28<sup>th</sup> July 2014 attached as Appendix A

Comments – Letter dated 15 July	Officer Comments
1. The Fareham Borough Council rent increase clause in Agreements is one sided in favour of the Council.	The review proposal reflects the rent increase clause as set out in the beach hut Agreements which have been entered into by all owners. This is a pre-existing clause that has not been revised.
2. Disappointed to find the rent increase clause raised in the opening part of the letter to owners dated 2 <sup>nd</sup> July 2014, setting out the 26% increase proposal.	Reference to the rent increase clause in the letter to the owners was to justify the proposal to be considered by the Executive on 1 <sup>st</sup> September 2014.
3. Council should take into account that many owners are senior citizens and have limited disposal incomes.	All previous beach hut site rent increases have not taken into account age or income. The only rent differential is that non-Fareham Borough residents pay double the site rent.
4. Reference the Council budget guidelines, and that beach hut rents provide increasing source of income for the Council.	Council budget guidelines include, ‘...that proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers.’ This is the basis of the proposal based on the Havant comparable.
5. Gosport Council has significantly reduced rates for senior citizens and a further reduction for the disabled.	As referred to in number 3 above the only differential is for non-Fareham Borough residents, and not age, income or disability related.
6. Direct comparison with Havant. The rents proposed to take effect from 1 <sup>st</sup> April 2015 are those charged by Havant in the current financial year.	Proposal is based on Havant 2014/2015 site rents which may increase for 2015/2016.
7. Comparison with Havant is not a fair one as it is, for example, a nationally recognised holiday resort.	As mentioned in response 4, the proposal has had regard to the Council’s budget guidelines with Havant being a neighbouring authority whose beach hut rents are inclusive of VAT and are double for non-authority residents. The location of a beach hut at Hill Head overlooking the Solent is considered to be comparable, if not better, than Hayling Island. It is accepted that Hill Head does not have the tourist type attractions that Hayling Island

	enjoys but the non-commercialised location of Hill Head could be argued to make Hill Head more desirable.
8. For reasons set out in letter that Havant is not a fair comparison, the 26% proposal cannot be justified. The Association proposes that whatever increase is implemented, it should stand for 3 years with future reviews every 3 years thereafter which are index linked.	A 3 yearly review has merit. It will give owners certainty of rent payments which will not increase over the period and save the Council administration costs by not having to send out letters to owners every year for the annual fees and charges increase. The 3 yearly reviews should be based on the Retail Prices Index or comparable beach hut rents, whichever is higher.
9. Council should not abuse contractual right to determine site rents without full justification.	The justification for the proposal is the Council budget guidelines
10. For the vast majority of beach hut owners, the use of their beach huts is very seasonal and weather dependent.	Agreements permit beach huts to be used for 12 months of the year.
11. Council refers to beach huts being a valuable piece of real estate. The Association is not aware that members own a beach hut because it is a good investment. Value of the beach huts is of no interest to the members. Potential resale values should have no bearing on the level of site rents that the Council set.	Beach huts sell for between £10,000 - £20,000 depending on the size, location (Cliff Road or Monks Hill) and condition. The value of the beach hut if sold is derived from its location on one of the most attractive waterfront locations overlooking the Solent.
12. The Association expected to be included in the discussions as part of the review, not after it was concluded.	The proposal was the subject of consultation with the Association at a meeting held on 23 <sup>rd</sup> July 2014. All owners were made aware of the proposal in a letter dated 2 <sup>nd</sup> July 2014 which asked for comments and gave details of how they could make a deputation.
13. Minutes of Executive meeting on 2 <sup>nd</sup> December 2013 requested officers to undertake a full beach hut review during 2014/2015. It was expected that the review would include the Association.	As the Association does not represent all beach hut owners it was not possible to negotiate a review just for the owners that the Association represents.
14. Finance Department has already made a decision on the rent increase which has been communicated to beach hut owners without prior consultation with the Association.	No decision on the proposal has been made. This will be a matter for the Executive on 1 <sup>st</sup> September 2014. As mentioned consultation with the Association on the proposal took place at a meeting held 23 <sup>rd</sup> July 2014 with letters dated 2 July 2014 sent to all owners setting out details of the proposal for their comments and advising how they can make a deputation.
<b>Comments – Letter dated 28 July</b>	<b>Officer Comments</b>
15. Association pleased that on 23 July the long asked for meeting to discuss the beach hut review took place.	Meeting was held on 23 July to discuss the proposal to considered by the Executive on 1 September. The meeting was held once the

	proposal to be placed before the Executive was formalised.
<p>16. Comparability- Hayling Island in Havant is not a fair comparison on which to base the site rental increase proposal.</p> <p>Hayling Island is a well recognised tourist resort with enhanced beach side facilities which must add a premium to beach hut site rents in that area whether or not beach hut owners choose to avail themselves of these attractions.</p> <p>Suggestion that for 2015/16 a linkage to increases in fees and charges should be adequate.</p>	<p>As mentioned in 4 above the Council budget guidelines include, '...that proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers.' This is the basis of the proposal based on the Havant comparable in a neighbouring Authority.</p> <p>The officer comments in 7 states that it is accepted that Hill Head does not have the tourist type attractions that Hayling Island enjoys but the non-commercialised location of Hill Head could be argued to make Hill Head more desirable. The sale value of beach huts at Hill Head is more than is being received for beach huts at Hayling Island. This suggests the desirability of owning a beach hut at Hill Head. The Executive could decide to continue with fees and charges increases. As mentioned by the Association in 13 the Executive on 2nd December 2013 requested officers to undertake a full beach hut review during 2014/2015. This is the basis of the proposal to be considered by the Executive .</p>
<p>17. Future site rental determinations.</p> <p>Reaffirms Association suggestion in their letter of 15 July that reviews are perhaps held 3 yearly applying a RPI increase or the same annual increase as other fees and charges.</p>	<p>As mentioned in the officer comment 8 a 3 yearly review has merit. This suggestion is included as one of the recommendations for the Executive to consider.</p>
<p>18. Suggestion that the Council reassess the differential that non Fareham residents pay double the site rent of a Fareham resident.</p>	<p>The policy of non residents paying double the site rent has been in place for many years. This is the price paid by a non Fareham resident for siting a beach hut at Hill Head. Gosport for example has a policy that to be eligible to rent a hut in Council ownership you must be a Gosport or Lee-on-the-Solent resident.</p>
<p>19. Fareham Beach Hut Association comparisons shown on the table attached to their letter.</p>	<p>As mentioned in 16 the proposal before the Executive has had regard to the Council budget guidelines which include, '...that proposed charges should be considered alongside those for similar services in neighbouring authorities.....' This is the proposal based on the Havant comparable in a neighbouring Authority.</p> <p>Whilst the comparisons put forward by the Association to make their case are understood it cannot be accepted that beach huts located</p>

	<p>in Brighton, Dover, Hastings and Rother are neighbouring authorities.</p> <p>Attached as Appendix C is a table of the research into beach hut site rents charged by local authorities which resulted in the proposal being placed before the Executive for consideration.</p>
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11As referred to in the response to the Fareham Beach Hut Association letters a suggestion put forward by the Association which has merit is that beach hut site rent reviews are undertaken every 3 years as opposed to as at present annually tied to the Council's fees and charges increase. If this suggestion was accepted it would mean that the increase which the Executive agree to implement from 1 April 2015 will be fixed for 3 years with the next review taking place on the 1 April 2018 and thereafter every 3 years. This will have advantages to owners as they will have certainty of the rent to be paid annually for a 3 year period, but conversely, the rent increases are likely to be higher at each rent review because of the elapsed time between each.

12If a 3 year review pattern is agreed the reviews should be based on comparable beach hut site rents or Retail Prices Index (RPI) whichever is the higher.

### **RESPONSES FROM OWNERS TO THE PROPOSAL**

13Attached as Appendix B is the letter dated 2 July 2014 sent to owners advising of the proposal to be considered by the Executive together with letters and e mails received following receipt of the letter. Below is a matrix of the similar comments received from owners and the officers comments.

#### **Summary of comments received from Beach Hut Owners in the letters / e mails shown in Appendix B**

<b>Comments</b>	<b>Officer Comments</b>
1. The beach hut rent proposal is excessive and cannot be justified.	Justification for the proposal is the Council budget guidelines which includes 'the proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers.' This is the basis of the proposal using the Havant comparable.
2. The increase will force owners to sell their beach hut	If this is the case it will be very unfortunate and regrettable but there is no evidence to suggest that sales decisions are based purely on the beach hut site rent paid.
3. Discount should be given to residents of Hampshire who live outside the Fareham boundary so they do not pay double the rent of Fareham residents. Double rent should only be paid by residents who live outside Hampshire.	At present the only rent differential is that non Fareham residents pay double the site rent of a Fareham resident.



<p>4. Hill Head is not comparable to Hayling Island e.g. Hill Head not a blue flag beach, no commercial facilities are provided, not a recognised holiday resort, from Hill Head you have the not so scenic view of Fawley Power Station and Oil Refinery, beach huts adjacent to a public right of way .</p>	<p>The location of a beach hut at Hill Head overlooking the Solent is considered to be comparable, if not better, than Hayling Island. It is accepted that Hill Head does not have the tourist type attractions that Hayling Island enjoys but the non-commercialised location of Hill Head could be argued to make Hill Head more desirable.</p>
<p>5. Lack of facilities provided for beach hut owners.</p>	<p>The services which are provided at Hill Head are for all users of the beach and not exclusively for beach hut owners.</p>
<p>6. Site rents should be based on square footage of the area occupied by the beach hut as the huts vary in size and smaller hut owners are already paying a disproportionate rent. System of charging double plot rental to non-residents is very unfair.</p>	<p>The site rent paid for beach huts historically has not taken into account the size of the beach hut. Size is however one of the factors that reflects in the sale value of beach huts. Havant Council also does not take account of the size of the beach hut to determine the site rent paid. This suggestion if it found favour and how it is implemented would need to be looked at very carefully because it could result in owners of the large beach huts paying substantially more with non residents paying double. As mentioned in 3 the Council has a policy which has been in place for many years of charging non Fareham residents double the site rent paid by a Fareham resident.</p>
<p>7. Condition of the beach at Hill Head e.g. dogs toilet, build-up of shingle due to unprecedented winter storms, litter.</p>	<p>These matters have been taken up with the appropriate Departments of the Council.</p>
<p>8. Lack of signage for dogs on the beach and 'No Cycling'</p>	<p>See 7 above.</p>
<p>9. Public footpath adjoining the huts at Cliff Road is very busy and used by cyclists, pedestrians, dog walkers.</p>	<p>See 7 above.</p>
<p>10. Majority of beach hut owners are senior citizens on pensions, this cannot be in line with Government practices</p>	<p>Previous beach hut site rent increases have not taken into account age or income.</p>
<p>11. The sign at Monks Hill which was knocked down stating that dogs on the beach are restricted during 1st May to 31 October is still missing, please replace as this is causing friction between hut owners and dog owners. Also signs for 'No Cycling' were removed when the ramp for cycle path was built, these have not been reinstated.</p>	<p>These matters have been taken up with the appropriate Departments of the Council.</p>
<p>12. Beach Hut owners frequently have to clear grass and weeds from behind the huts, we share the promenade with the public, dog walkers, cyclist and often have to clear rubbish, broken glass, dog mess to keep Cliff</p>	<p>See 11 above.</p>

Road clean for all to enjoy. Please clarify dog owners position and put up 'No Cycling' signs and remember that many owners are pensioners	
13. Recent repairs to the promenade are a sticking plaster; really need major upgrade to make it more robust. Due to Councils refusal to upgrade the next winter storms will once again breach the promenade and damage the huts. Considerable money has been spent at Hayling to improve sea defences .A modest increase would not be objected to if the money was spent directly on beach improvements, promenade upgrade and proper dog controls	Works following the unprecedented winter 2014 storms have been undertaken by the Eastern Solent Coastal Partnership. The comments made about the promenade will be passed to the Eastern Solent Coastal Partnership including the work done to the gabions on the eastern side of the sailing club where the gabions have again been breached. Income from beach huts goes into the general fund to help pay for the services which the Council provides.
14. Hayling can sub-let their huts in order to offset some of the rental costs	Havant Council does not allow owners to sub-let their beach huts.
15. Investigate other ways to raise income .i.e. Council tax banding loopholes	As part of the Council efficiency savings programme other income streams are being considered.

## FINANCIAL IMPLICATIONS

Beach Hut Owners	Current Beach Hut Rent £	Proposed Increase in line with Hayling Island £
Residents (132)	379	477
Non-Residents (39)	758	954
Total Rental Income Received	79,590	100,170

By increasing the Beach Hut site rents in line with the current 2014/15 site rents charged by Havant Borough Council for the Hayling Island sites, the Council would receive an additional income of £20,580 inclusive of VAT.

## CONCLUSION

14The report advises the Executive of a proposal to raise beach hut site rents above the current annual fees and charges increase. The Executive are asked to consider the proposal and decide if it should either be accepted in full from 1 April 2015 or implement such other increase as the Executive decide is appropriate. The Executive are also asked to consider if depending on the level of increase agreed it should as for the 2004 review be phased in over a period of years to be decided or as an alternative a 3 year review pattern for future beach hut site rent increases can be agreed.