

# Delegated decision report

## **DECISION UNDER DELEGATED POWERS**

**DECISION CANNOT BE TAKEN BEFORE 29 OCTOBER 2018**

Title

**BEACH HUT REVIEW**

Report of

**THE DEPUTY LEADER AND CABINET MEMBER FOR RESOURCES**

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### EXECUTIVE SUMMARY

1. The purpose of this second report is to provide an acknowledgement that all representations of the beach hut review have been received and considered. Many of the submissions came from owners of the beach huts at locations that were not included in the previous report. This paper replaces the Delegated Decision Report of 22 May 2018, ref 17/18 and applies changes to the options available to beach hut owners, such as the inclusion of the Dunroamin and Colwell (Madeira Road) sites. Based on the inclusion of new and amended options the continued aim is to seek approval to proceed with a review of the beach hut licence agreements and to implement the beach hut rental increases from 1 April 2019.

### BACKGROUND

2. The background content and objectives remain unchanged and can be referred to in appendix 1 of this report.
3. From the various comments received it is clearly recognised that some beach hut owners have had licenses renewed for many years, often to different members of the same family
4. Beach huts in general go back more than 250 years. There has been a phased popularity throughout their history but today they are in high demand. This can be reflected in the high prices paid when they are sold on the open market. Even throughout this review period with the uncertainty of the sites on the Island some huts have sold for as much as £30,000.
5. Sites for beach huts are no different from any other commercial site. They have an open market value based on the size and position. Providing locations for beach huts are not part of the council's statutory duties and are part of its commercial estate.

6. The review continues to focus on the standard size hut that measures no more than eight square metres. However, given the representations and the need to formulate a fair pricing structure for all hut owners this report now includes Dunroamin and Colwell (Madeira Road). The council owned hut at Puckpool is already in line with the proposed fees.
7. The site at East Cowes is now outside this review because of the potentially restricted access, the severity of the landslip adjacent to the huts and proposed redevelopment of the Esplanade. This review therefore only includes the following sites:
  - Appley - 55
  - Puckpool - 61
  - Gurnard - 40
  - Old Littlestairs - 11
  - Dunroamin - 52
  - Colwell (Madeira Road) - 15
8. In general the benefits of a longer lease described at paragraph 11 of appendix 1 are still applicable. However, in light of the many comments from the first report it has been considered that the following additional benefits should include:
  - Beach huts leases can be in joint/multiple names, either by more than one member of the same family or two or more families.
  - The lease will include the ability to sublet huts for the purpose of recovering annual rent and maintenance costs but not for commercial operation.
9. In accordance with paragraph 15 of appendix 1, the current price for land measuring up to five metres in depth is calculated at a rate of £308.40 plus VAT. Also, as per paragraph 17 the proposed rate is £162.03 per square metre. The annual rent therefore for a standard hut measuring 8 square metres is proposed at £505.97, rising annually over a further 4 year period as in the table shown at paragraph 12.
10. To enable this phase of the review to include Dunroamin and Colwell (Madeira Road), consideration was provided on formulating a pricing structure for those huts measuring above eight square metres.
11. The current method used for the five metre hut is payment of £18 per additional 30 centimetres. This equates to £60 per metre only. To provide an affordable rate that is both fair and reasonable and is an acceptable market value, the proposed rate is £20 per additional square metre above the standard eight square metres.
12. Approximately one in five beach hut owners responded to the consultation and it was apparent from the varied representations received that owners felt the increase was too high and the speed at which it was to be implemented was too fast. To recognise this, the council has chosen to implement a phased approach over five years instead of the intended three years. Although no consultee offered anything other than their personal opinion suggestions about the cost of future rentals, the

council considered prices elsewhere on the south coast and believes the phased change reflects the market price. The following table therefore provides the current rate at 2018/19 and gives examples of the proposed prices includes huts over and above the standard size

<b>Square metre rate</b>	<b>Current rate</b>	<b>Year one</b>	<b>Year two</b>	<b>Year three</b>	<b>Year four</b>	<b>Year five</b>
<b>£162.03</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Net</b>	<b>Net</b>	<b>Net</b>	<b>Net</b>	<b>Net</b>	<b>Net</b>
3.75 sq. mt	308.40	368.24	428.09	487.93	547.77	607.61
5.0 sq. mt	308.40	408.75	509.10	609.45	709.80	810.15
8.0 sq. mt	308.40	505.97	703.54	901.10	1098.67	1296.24
10 sq. mt	308.40	513.97	719.54	925.10	1130.67	1336.24
17 sq. mt	416.40	628.37	840.34	1052.30	1264.27	1476.24
20 sq. mt	489.80	699.09	908.38	1117.66	1326.95	1536.24
25 sq. mt	612.25	817.05	1021.85	1226.64	1431.44	1636.24
30 sq. mt	734.70	935.01	1135.32	1335.62	1535.93	1736.24

## STRATEGIC CONTEXT

13. The beach hut review supports the council's Corporate Plan and its vision in particular its priorities of "The environment and unique island characteristics are celebrated" and "A financially balanced and sustainable council".

## CONSULTATION

14. Following publication of the beach hut review, slightly in excess of 50 individual representations were received. These statements were varied but in general they fell in to the following categories:

- New rental values are too high.
- The implementation of the new rents is too fast.
- Should be a variance in rent based upon location.
- Beach hut owners should be allowed to sub-let.
- Beach hut owners should be able to opt for current licence or new lease.
- Agreements should allow multi person ownership.

## FINANCIAL / BUDGET IMPLICATIONS

15. The number of huts that form part of this review now totals 234. The current income expected income for 2018/19 is £71,155.

16. As per the previous report at paragraph 17, appendix 1 the proposed beach hut ground rental increase would provide an additional income of £100,686 per annum if charges were applied from 1 April 2019. The inclusion of Colwell (Madeira Road) and Dunroamin increases the additional income to £145,658. This brings the total income for beach hut ground rent to £216,814 at year five.

17. Taking a five year phased approach starting on 01/04/2019 the profile of additional income would be as follows:

- Year one 2019/20 - £27,671
- Year two 2020/21 - £58,263
- Year three 2021/22 - £87,395
- Year four 2022/23 - £116,526
- Year five 2023/24 - £145,658

18. Resource required to implement any decision arising from this paper is covered by the service baseline budget.

### LEGAL IMPLICATIONS

19. The council has the power to dispose of property under section 123 of the Local Government Act 1972, which requires it to achieve 'best consideration' in any disposal. It can enter into a lease or grant a licence.

20. A lease mainly differs from a licence in that a lease grants exclusive possession to a tenant meaning that a tenant can exclude the landlord and third parties from the land. A lease exists as an estate in land and not just as a contract - a lease has more security. A licence is a contractual relationship between parties. Current licences offer no security beyond the term of the licence.

### EQUALITY AND DIVERSITY

21. The council, as a public body, is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regards to diversity legislation and the nine protected characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership). There are no direct implications for the council's duties under the terms of the Equality Act 2010 arising from the recommendations in this paper.

### PROPERTY IMPLICATIONS

22. The land the council is proposing to lease is owned by the council and the majority of the huts that are already in situ are privately owned.

### OPTIONS

23. The options available to the council are as follows:

With regard to lease arrangements:

Option 1: Dispose of the land on the open market to attract a substantial capital.

Option 2: End the current three year licences and provide notice to the tenants to remove their huts allowing the council to invest in developing and delivering its own beach huts.

Option 3: Continue as existing, offering three year licences at current costs.

Option 4: Provide new ten year leases to the existing beach hut tenants when the current licence expires with the additional benefits as per paragraph 8 of this report.

With regard to rental arrangements:

Option 5: Implement proposed rental increases in line with the methodology set out at paragraph 16 of this report and with effect from 1 April 2019.

Option 6: Implement proposed rental increases in line with the methodology set out at paragraph 12 of this report over a phased five year period, commencing on 1 April 2019. The phased increase over this length of time would enable the increase to be paused, deferred or cancelled should market conditions change.

Option 7: Implement proposed rental increases in line with the recommendations of the previous report at appendix 1.

## RISK MANAGEMENT

24. Careful consideration was given to the effect this would have on the beach hut Licence holders. The potential issues that were identified remain the same and are as follows:

- An annual increase of this amount could cause financial problems to current licensees.
- Individuals with limited financial means may have a high rent to pay and an inability to sell their hut immediately. Market forces will bring forward other potential beach hut owners but this may take time. Much would depend upon the price sought for the hut.
- A higher rate of vacancy could occur, with the associated risk of vandalism to vacant huts.
- There is also the risk that current licensees would need to surrender their licences if they cannot pay which could represent a loss to them and also result in unoccupied huts.

Similarly, there is a risk that a large number of huts may come onto the market at the same time which would affect the price. There could be a significant loss to those who have just bought a hut at a high price.

## EVALUATION

25. To reduce the risks of adverse impacts on licensees a five year phased increase will allow licensees time to budget or re-consider their tenure as set out in option 6. It is also proposed to allow visitors to the island who do not have a permanent residential address here, to apply for a lease. This will increase the size of the market and protect the value of existing holder's property.

Option 1: would potentially provide substantial income. This option is a one off capital receipt and does not enable Commercial Services to achieve its revenue budget savings.

Option 2: presents the greatest commercial return but also presents the biggest reputational risk.

Option 3: this option allows the current licensee to continue to occupy the site but presents the least commercial return but does not provide any security to the owner

Option 4: allows for the owner to continue occupying the site on a longer term agreement which makes the sale of a beach hut much more attractive for potential buyers.

Option 5: By implementing the increases without applying a phased approach has the ability to cause owners financial difficulty.

Option 6: The phased approach provides for a fair rental system and enables the owners to budget for the increases year on year. This option also allows for future any down fall on market conditions.

Option 7: does not include Dunroamin and Colwell (Madeira Road) which means that a separate review would need to take place.

## RECOMMENDATION

26. That the following options be adopted:

Option 4 - Provide new ten year leases to the existing beach hut tenants when the current licence expires with the additional benefits as per paragraph 8 of this report

Option 6 - Implement proposed rental increases in line with the methodology set out at paragraph 12 of this report over a phased five year period, commencing on 1 April 2019. The phased increase over this length of time would enable the increase to be paused, deferred or cancelled should market conditions change

## APPENDICES ATTACHED

[APPENDIX 1](#) - Beach Hut Review Cabinet Member Delegated Decision Report  
Published 22 May 2018 ref 17/18

Contact Point: Representations should be made to [stuart.hutchinson@iow.gov.uk](mailto:stuart.hutchinson@iow.gov.uk)

WENDY PERERA  
*Assistant Chief Executive*

COUNCILLOR STUART HUTCHINSON  
*Deputy Leader and Cabinet Member for  
Resources*

Decision

Signed

Date

