



Delegated decision report

DECISION UNDER DELEGATED POWERS

**DECISION CANNOT BE TAKEN BEFORE
31 MAY 2018**

Title **BEACH HUT REVIEW**

Report of **REPORT OF THE DEPUTY LEADER AND CABINET
MEMBER FOR RESOURCES**

EXECUTIVE SUMMARY

1. The purpose of this paper is to seek approval to proceed with a review of the beach hut licence agreements and to implement the beach hut rental increases from 1st April 2019

BACKGROUND

2. The Isle of Wight Council currently operates a Beach Hut site service at various locations on the Island.
3. In total there are 241 beach huts. They are varying in sizes and are located at the following sites:

| | | |
|----------------------------|---|----|
| Appley, Ryde | - | 55 |
| Dunroamin, Sandown | - | 52 |
| East Cowes | - | 6 |
| Gurnard | - | 40 |
| Puckpool | - | 62 |
| Old Littlestairs, Shanklin | - | 11 |
| Colwell (Madeira Road) | - | 15 |

4. This review is focused on a standard size hut that measures no more than 8 square metres and does not therefore presently include Dunroamin, Colwell (Madeira Road) and one council owned hut at Puckpool.
5. The Beach huts themselves are privately owned but the lands upon which they sit is owned freehold by the Council. The land is currently let individually to each hut owner by way of a three year Licence agreement.
6. The present licences are provided for three years only, and significantly restrict the use of the huts. A Licence is personal to the named individual and is not

assignable. However, customarily the Licensee can nominate a new licensee and the council will issue a transfer notice for which a small transfer fee is payable. The council does not get involved with hut sales or purchase other than to issue transfer notices.

7. The purpose of the current review is twofold. Firstly to consider the type of agreements being issued and the conditions associated with them and secondly to formulate a method for calculating the rent using a commercial approach.
8. The first aspect of the review is to consider the type of agreement that is currently being issued and whether it is appropriate for a beach hut.
9. A licence is a contractual relationship between parties. 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. For this reason it is proposed that leases are used.
10. The term of agreement is an important factor when issuing an agreement. The current period is three years and has been accepted by the existing tenants for several years. However it is proposed to offer a 10 year lease that is more attractive and beneficial to these persons.
11. The benefits to the beach hut owners for the proposed new lease arrangements are that:
 - A longer term lease agreement would provide a greater level of security. Instead of a licence renewal every three years, this would only happen once every 10 years.
 - A 10 year lease would be more attractive for potential buyers. For Instance, if a purchaser was taking out a loan to buy the hut, financing would be much more readily available to them.
 - The Sale of a hut and the assignment of the lease would be available to buyers both on and off the Island.
 - Ownership of a hut and transfer of a lease will be undertaken by way of an agreement to assign instead of the usual transfer document. The current transfer fee would be replaced by a legal fee for the assignment
 - The process for changing from a licence to a lease will not incur an administrative cost.
 - At the end of each 10 year lease period the existing Lessees will be given first refusal when lease renewals are being considered.
 - The ground rent would be subject to annual inflation which is index linked. No further rent reviews would take place during the initial 10 year lease term.
 - Payment method for the annual ground rent could be available in instalments instead of annually in advance.

- An agreed colour scheme shall be permitted at each location
12. The second aspect of the review is to consider a rent review. The current rent is based on the 2010 report which was undertaken by an Independent Valuer.
 13. The current rent for 2018/19 was set using the recommendations of the 2010 Independent Valuer's report which was subject to an annual inflationary increase. The existing values are based on the depth size of a hut.
 14. Since the last 2010 review the Council has developed and delivered its own beach huts at Colwell (The Esplanade) and one at Puckpool. These huts are available on a 10 year leasing arrangement. The rent is calculated at £162.03 per square metre. The huts at Colwell measure 4.32 sq mt for which a ground rent of £700p.a. is applicable. The hut at Puckpool is slightly larger and the ground rent is £948.84p.a.
 15. The land for the huts at Appley, Dunroamin, East Cowes, Gurnard, Puckpool, and Littlestairs, is currently priced on a rate of £308.40 for land measuring up to 5 metres in depth. Each additional 30cm is charged at £18. Licence fees are not currently calculated on a square metre rate and as a result people with larger beach huts are paying the same rate as those that are half the size. The following table provides the current rate at 2018/19 and gives examples of the proposed prices over the next three years

| Square metre rate | Current rate | Year one | Year two | Year three |
|--------------------------|---------------------|-----------------|-----------------|-------------------|
| £162.03 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | Net | | | |
| 3.75 sq mt | 308.40 | 408.14 | 507.88 | 607.61 |
| 4.5 sq mt | 308.40 | 448.65 | 588.89 | 729.14 |
| 5.0 sq mt | 308.40 | 475.65 | 642.90 | 810.15 |
| 5.44 sq mt | 308.40 | 499.41 | 690.43 | 881.44 |
| 6.0 sq mt | 308.40 | 529.66 | 750.92 | 972.18 |
| 6.25 sq mt | 308.40 | 543.16 | 777.93 | 1012.69 |
| 7.13 sq mt | 308.40 | 590.69 | 872.98 | 1155.27 |
| 8.0 sq mt | 308.40 | 637.68 | 966.96 | 1296.24 |

16. The total income for 2018/19 is currently £53,353.20
17. It is proposed to increase the beach hut rent to the same level as the Colwell (The Esplanade) site which is structured and based on £162.03 per square metre. If implemented the annual income would increase to £159,422.58 in 2019/20 which shows a growth of £106,069.38

STRATEGIC CONTEXT

18. 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

19. An early decision provides a sufficient period of time to advise the beach hut tenants and implement the necessary changes. Beach hut owners have all been written to, to advise them that this paper is due to be published and that they can make representations to the Cabinet should they wish to do so.

FINANCIAL / BUDGET IMPLICATIONS

20. The number of huts that form part of this review is 174 in total. The expected income for the current year 2018/19 is £53,353.20. The value of a 10 year lease is greater than a three year licence and as a result the suggested fees are increased to reflect this

21. The proposed beach hut ground rental increase would provide an additional income of £106,069.38 per annum if charges were to be reviewed and due with effect from 01/04/2019.

22. The council could also take a phased approach to the introduction of new rental charges and if this was phased over the three year period, starting on 01/04/2019 the profile of additional income would be:

| | |
|------------|--------------------|
| Year One | 2019/20 - £35,356 |
| Year Two | 2020/21 - £70,712 |
| Year Three | 2021/22 - £106,069 |

23. The financial information that has been provided is based on the existing fees for the number of huts included and the proposed increased rate.

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

LEGAL IMPLICATIONS

25. 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 10 year lease or continue to grant 3 year licences.

26. 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.

EQUALITY AND DIVERSITY

27. 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

28 The land the Council is proposing to lease is owned by the Council. The huts that are already in situ are privately owned.

OPTIONS

29. The options available to the Council are:

With regard to lease arrangements:

Option 1: End the current three year licences and provide notice to the tenants to remove their huts allowing the IW Council to invest in developing and delivering its own beach huts.

Option 2: Provide new ten year leases to the existing beach hut tenants when the current licence expires.

Option 3: Continue with the existing three year licences

With regard to rental arrangements:

Option 4: Implement proposed rental increases in line with the methodology set out at paragraph 21 of this report and with effect from 01/04/2019.

Option 5: Implement proposed rental increases in line with the methodology set out at paragraph 22 of this report over a phased three year period, commencing on 01/04/2019.

Option 6: Not to impose the rental increases, continue with annual RPI based increase.

RISK MANAGEMENT

30. Careful consideration was given to the effect this would have on the beach hut licence holders. Potential issues were identified as follows:

- An annual increase of this amount could cause financial problems to current licensees, and some on low income may not be able to afford such a rent.
- Individuals with limited financial means may be trapped with a high rent to pay and an inability to sell their hut immediately. Whilst market forces will bring forward some other potential beach hut owners who are willing to pay, it is not a quick or simple matter to sell a beach 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 may be forced to surrender their licences if they cannot pay, which would represent a substantial 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 would have an adverse effect on prices.

EVALUATION

31. To reduce the risks of adverse impacts on licensees a three year phased increase to allow licensees time to budget or re-consider their tenure as set out in option 5
32. Option 2 generates additional income for the Council and provides benefits to the Lessee as detailed in paragraph 11 and also allows the current licensee to continue to occupy the site.

Option 1 would potentially in the long term bring in significant financial income to the Council. This option presents the greatest commercial return but presents the biggest reputational risk.

A long term lease would save on Isle of Wight Council Officer time and resources and would provide a certainty of income for 10 years.

Option 2 does allow for a fair rental system and the size of the land is reflected in the proposed charges. Currently those with a larger size plot are paying the same as those who utilise a much smaller plot

RECOMMENDATION

33 That options (2) and (5) be adopted and that the Council:-

Option 2: Provide new ten year leases to the existing beach hut tenants

Option 5: Implement proposed rental increases in line with the methodology set out at paragraph 22 of this report over a phased three year period, commencing on 01/04/2019.

Contact Point: Representations
should be made to
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WENDY PERERA
Head of Place

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

Decision

Signed

Date
