



## **CABINET**

Tuesday 6 December 2016

### **SUFFOLK COASTAL DISTRICT COUNCIL BEACH HUT REVIEW (CAB 45/16)**

#### **EXECUTIVE SUMMARY**

Faced with reducing central government support, Suffolk Coastal District Council (SCDC) is under increasing pressure to improve the income it generates to maintain the extent and quality of core services, and has a responsibility to reduce the financial burden of its taxpayers by maximising potential income opportunities. As a result, the East Suffolk Business plan contains the specific action to "Increase the number of beach huts provided in the District by at least 10%."

Therefore, a comprehensive review of the beach hut service has been undertaken to fully understand how the portfolio operates, to identify any service efficiencies and to consider further income generation opportunities.

The review has three distinct and complimentary recommendations for service improvement:

1. The development of additional beach huts in existing and new locations
2. The conversion of all current and new site licences into longer-term leases
3. The introduction of some new sites and the conversion of some existing ones, to a 'try before you buy' plot and hut basis

These recommendations can be implemented together, or separately, and therefore provide the Council with the flexibility to decide what mix of services to offer.

The beach hut portfolio recorded a net income of £364k in 2015/16. If all three of the review's recommendations are implemented, the annual income generated may increase from £430k to £736k in 2024/25, an increase of £306k over the 8 year period.

The main drivers of the beach hut review were, to increase equality within the service by increasing the choice of opportunities available to all our residents that want to experience and access a range of beach hut services across the district, and, to maximise the income generated from this valuable resource to further invest in core services, and reduce to the burden on the Suffolk Coastal tax payer.

This report recommends ways in which to meet key corporate actions within the East Suffolk Business Plan and seeks to secure the appropriate resources to deliver robust business cases for each of the review's recommendations. Delivery of this will create a diverse range of beach hut services, increase the tourism profile of the district, support the Council's invest to save aspirations, and help to decrease the financial burden on Suffolk Coastal's taxpayers.

Following a detailed report of the findings of the SCDC beach hut review Cabinet will be

asked to consider the approval of the following recommendations:

- That Cabinet approves the findings and approach of the Beach Hut Review and gives delegated authority to the Strategic Director to undertake full business case appraisals on each of the locations listed within 'Recommendation 1' of this report.
- That Cabinet approves the findings and approach of the Beach Hut Review and instruct officers to move existing licence holders onto the new terms of the 1 year licence and subsequent 9 year lease as listed within 'Recommendation 2' of this report.
- That Cabinet authorises the allocation of £40k from 2017/18 budgets, to develop the business cases outlined in 'Recommendation 1' of this report and to purchase huts for any existing sites in Felixstowe, that are not leased or licenced to current licence holders under the new terms detailed within this report.
- That Cabinet approves the findings and approach of the Beach Hut Review and gives delegated authority to the Strategic Director to implement the proposals detailed within 'Recommendation 3' of this report, alongside the development of Recommendation 1 and Recommendation 2.

|   |  |
|---|--|
| Is the report Open or Exempt?   | The main body of the report is OPEN.<br><br>The Appendices attached to the report are EXEMPT   |
| Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information. | The body of this report is to be considered open to the public.<br><br>Appendix A and B of report are to be considered during the EXEMPT part of the Agenda because they contain exempt information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended). This exempt information relates to those sites that the Council sees as having development potential which it does not want to disclose as this information relates to the potential value and income of the land.<br><br>It is considered that the public interest in not disclosing the exempt information outweighs the public interest in disclosing the information because to disclose this information will prejudice the Council's ability to negotiate with third parties in developing land not owned by the Council, and may also affect the Council's ability to develop objective feasibility studies at any freehold Council sites. |

|                             |  |
|-----------------------------|--|
| <b>Cabinet Member:</b>      | Cllr TJ Haworth-Culf & Cllr Geoff Holdcroft  |
| <b>Supporting Officers:</b> | <p>Name: Andrew Jarvis<br/> Job Title: Strategic Director<br/> Telephone: 01394 444323<br/> Email: <a href="mailto:Andrew.Jarvis@eastsoffolk.gov.uk">Andrew.Jarvis@eastsoffolk.gov.uk</a></p> <p>Name: Keri Ryder<br/> Job Title: Leisure Project Consultant<br/> Telephone: 01394 444766<br/> Email: <a href="mailto:keri.ryder@eastsoffolk.gov.uk">keri.ryder@eastsoffolk.gov.uk</a></p> |

## 1 INTRODUCTION

- 1.1 SCDC's business plan, the East Suffolk Business Plan, aims to achieve the right balance for the district by attracting inward investment and taking advantage of economic opportunities whilst addressing social challenges and protecting and enhancing all that is best about the natural and built environments of the coast. The plan is delivered through 10 critical success factors, and within these values are specific actions planned for Suffolk Coastal, one of which is to "Increase the number of beach huts provided in the District by at least 10%."
- 1.2 SCDC's portfolio of beach huts and chalets provide a significant source of income. This income helps to fund other essential services across the district. In 2015/16, the portfolio generated a total net contribution of £460k, which supported the delivery of the Council's key services.
- 1.4 The Council's policy is to review Fees and Charges each year. The Medium Term Financial Strategy – Key Principles states the current policy on fees and charges: "Increase existing fees and charges on a market forces basis whilst having regard to the council's policies and objectives."
- 1.3 In addition and in line with the priorities of the East Suffolk Business Plan, SCDC carried out an evaluation of the beach hut and chalet service. The aim of this was to better understand any service efficiencies and opportunities, and more specifically:
- To look to improve the performance and financial return of these assets?
  - To look to reduce their operational costs?
  - To explore the potential to extend the service and create additional income which will help to support the delivery of other Council services.
  - To deliver against wider corporate objectives.
- 1.5 To fully understand the portfolio and identify service efficiencies, a consultant was appointed to review the service in its entirety. The findings from this detailed review can be found on Appendix A, and a synopsis of the review is detailed below. The review assessed the current service and how it operates, provided an overview of the financial implications and suggested future recommendations for Cabinet to consider.

## 2 PROPOSAL

- 2.1 Beach huts and chalets are a well established part of the SCDC leisure offering. They are also an important local landmark and play a part in maintaining the vibrant seaside image of Felixstowe, promoting the area as an attractive seaside destination. The beach huts in Sizewell provide a different offering and are predominantly used as a community base for families and although they are less focused on the tourist market their local importance is arguably as significant.
- 2.2 SCDC own 904 beach hut sites, 14 beach hut and beach hut sites and 77 chalets within the Felixstowe and Sizewell areas. A break down of beach hut and chalets locations can be found in the below table:

| Location                                   | Beach Huts     | Beach Huts            | Chalets  | Chalets                          |
|--|----------------|-----------------------|--|----------------------------------|
|  | Freehold Sites | Freehold Sites & Huts | Services available but not included in licence fee | Services included in licence fee |
| Felixstowe - Bath Tap                      |                |                       |  | 36                               |
| Felixstowe - Brackenbury Cliffs (Premium)  | 182            |                       |  |                                  |
| Felixstowe - Brackenbury Cliffs (Standard) | 191            |                       |  |                                  |
| Felixstowe - Brackenbury Fort (Premium)    | 136            |                       |  |                                  |
| Felixstowe - Brackenbury Fort (Standard)   | 114            |                       |  |                                  |
| Felixstowe - Cliff House                   |                |                       | 17   | 24                               |
| Felixstowe - Clifflands (Premium)          | 31             |                       |  |                                  |
| Felixstowe - East Beach                    | 26             |                       |  |                                  |
| Felixstowe - Gardens near Mannings         |                | 1                     |  |                                  |
| Felixstowe - Manor End                     | 57             |                       |  |                                  |
| Felixstowe - Pier North                    | 15             | 1                     |  |                                  |
| Felixstowe - Pier South (inc. The Pier)    | 16             |                       |  |                                  |
| Felixstowe - Spa                           | 55             |                       |  |                                  |
| Felixstowe - Undercliff Road (Premium)     | 39             |                       |  |                                  |
| Felixstowe - Undercliff Road (Standard)    | 10             |                       |  |                                  |
| Felixstowe - West End                      | 32             |                       |  |                                  |
| Sizewell                                   |                | 12                    |  |                                  |
| <b>Total Huts</b>                          | <b>904</b>     | <b>14</b>             |  |                                  |
| <b>Total Chalets</b>                       |                |                       | <b>17</b>  | <b>60</b>                        |

- 2.3 SCDC grant annual licences to beach hut owners for a fee. This gives the licence holder access to a beach hut site which they have rights to place their hut on. The fees charged in 2016/17, which are subject to annual increases, are detailed in the below table. All fees are subject to VAT at 20%.

| Location                             | Number | 16/17 Fee | Oversized Hut Fee (per Sq m) |
|--------------------------------------|--------|-----------|------------------------------|
| <b>Brackenbury Cliffs - Standard</b> | 191    | £349.68   | £95.87                       |
| <b>Brackenbury Cliffs - Premium</b>  | 182    | £404.16   | £105.13                      |
| <b>Spa Pavilion - Premium</b>        | 55     | £515.31   | £122.67                      |
| <b>Sizewell</b>                      | 12     | £427.56   | -                            |
| <b>Undercliff Road - Standard</b>    | 10     | £387.26   | £111.89                      |
| <b>Undercliff Road - Premium</b>     | 39     | £448.55   | £122.67                      |
| <b>East Beach</b>                    | 26     | £400.72   | £122.67                      |
| <b>West End</b>                      | 32     | £400.02   | £120.36                      |
| <b>Manor End</b>                     | 57     | £334.92   | £109.43                      |
| <b>Pier South</b>                    | 16     | £336.98   | £85.87                       |
| <b>Pier North</b>                    | 15     | £336.98   | £85.87                       |
| <b>Brackenbury Fort - Standard</b>   | 114    | £382.60   | £79.83                       |
| <b>Brackenbury Fort - Premium</b>    | 136    | £436.66   | £87.57                       |
| <b>Clifflands - Premium</b>          | 31     | £371.26   | £87.57                       |
| <b>Felixstowe Forward huts</b>       | 2      | £0.00     | £0.00                        |

- 2.4 In Felixstowe, 578 beach huts are not of the standard size. This equates to 56% of huts in Felixstowe and contributes £50k towards the overall income generated by the beach hut portfolio. These huts are charged an oversized hut fee for every square metre that they are over, 2.13m wide, 2.43m deep and 1.80m high, the standard hut size. Fees are detailed in the above chart and form part of the overall budget figures detailed in the finance section of this

report. The following clause is included in all beach hut licences: “If a new or replacement hut is placed on the Site, or if repairs or alterations are made to an existing standard sized hut, the Licensee shall ensure that the Hut does not exceed the standard size”. This clause is to ensure the standardisation of the huts sizes in Felixstowe and to reduce the time spent administering the level of different sized beach huts in the area.

- 2.5 At the end of each licence period, a letter is sent to licence holders, asking them if they would like to renew their licence for another year. The same process takes place for both the chalets and freehold beach hut site and hut locations.
- 2.6 The administration of the beach hut and chalet service is undertaken by a SCDC officer that works part time within the Asset Management team. This officer;
- oversees the annual licence renewal process,
  - acts as a conduit between Suffolk Coastal Norse and beach hut and chalet licence holders to communicate any planned or reactive maintenance works taking place,
  - maintains the chalet waiting list, which currently stands at 242 people
  - undertakes other day to day beach hut and chalet related duties.
- 2.7 Other services areas within SCDC that also input to work related to the beach hut and chalet portfolio include; the Finance Team that prepare and chase overdue invoices for licence fees; the Legal Team that make any requested amendments to licence documentation; and the Customer Services Team that arrange parking permits for beach hut owners, process card payments for the Asset Management Officer, and provide a marketing service for licence holders that choose to rent their hut to the public via SCDC. The services provided by the Customer Services Team would be reviewed and potentially discontinued upon application of the recommended models.
- 2.8 Suffolk Coastal Norse undertake the full programme of planned, preventative and reactive maintenance and also offer services directly to beach hut owners. These services include moving seaside fronting beach huts twice a year to avoid damage to the huts from the sea.
- 2.9 Following various conversations with Members, it was decided that an assessment of future options for SCDC’s portfolio of chalets would be undertaken and presented to Cabinet, separately, due to the distinct differences between the two services. This report, therefore, presents three recommendations to improve income generation and service provision of the beach hut portfolio only. These three recommendations are:
1. The development of additional beach huts in existing and new locations
  2. The conversion of all current and new site licences into longer-term leases
  3. The introduction of some new sites and the conversion of some existing ones, to a ‘try before you buy’ plot and hut basis

2.10 Each of these recommendations present a range of benefits that will enhance the service offered to beach hut owners and local residents, increase income to the Council and suggest ways in which to improve service administration. To give clarity to each recommendation, the report has been split into three sections, and each recommendation is reviewed in isolation. It is, however, important to also consider the interlinking qualities of each recommendation and whether they are implemented together, or in isolation, each presents a very different service opportunity.

### **3 RECOMMENDATION 1**

- ***The development of additional beach huts in existing and new locations***

- 3.1 The East Suffolk Business Plan looks to increase the amount of beach huts in the district by 10%. This recommendation therefore looks at ways to deliver this.
- 3.2 The locations initially identified for further analysis can be found on Appendix A. These locations are exempt from the body of this public report.
- 3.3 The review suggests that the most beneficial approach to income generation is to invest in beach huts to be erected on new or existing beach hut sites before letting these sites out to the public on 10 year leases. Leasing beach hut sites with the physical beach hut already on them, rather than offering people a site for them to put their hut on, significantly increases the value of the asset.
- 3.4 Site visits to each of the locations in Appendix A identified the need to tailor the type of hut erected on the each of the sites to its surroundings. A range of beach huts, yurts and glamping pods are currently available to choose from and considerations should be given to the sites' environmental status, popularity, nearby facilities and the type of customer the huts/sites would look to attract, before committing to a bespoke design at each location.
- 3.5 A few of the less traditional options are highlighted in the below pictures. Before deciding if a less traditional proposal is right for each of the locations, consideration should to be given to the market that SCDC is hoping to attract. Further market testing with specialist local retailers should help to provide more information on this point.

Images not available

- 3.6 As SCDC does not currently lease sites with beach huts on them, a detailed market analysis of the service took place, looking to identify the pricing strategy of other Councils and beach hut providers. This identified three methods of pricing:
- To charge an up front premium for the luxury of leasing or licencing the hut/site itself and a lower annual rent
  - To charge a smaller up front premium for the luxury of leasing or licencing the hut/site itself and a higher annual rent
  - To charge a higher annual rent that incorporates the up front premium spread across the term of the lease.
- 3.7 As SCDC maintains a portfolio of beach huts sites that are licenced to beach hut owners, it makes operational sense to deliver a pricing strategy that is similar to the current approach detailed within the 'Recommendation 2' section of this report. Strategically the review found that charging lease fees and annual rents, increased by RPI and market rent reviews, were

common practice, however, it also found that SCDC does not currently achieve market value for its beach hut sites or charge a premium for the provision of annual licences.

- 3.8 New developments provide the Council with the opportunity to increase the rent of new sites to a reasonable market rate. These rates, which vary depending on the sites location, have been detailed within the finance section of this report. Based on the market analysis findings within the SCDC beach hut review, the following table lists the basic lease terms which this report recommends any newly developed beach hut is marketed on:

| Agreement Type              | Lease  |
|-----------------------------|--|
| Term                        | 10 years (outside the Landlord & Tenant Act)   |
| Lease Premium               | Minimum of £7k   |
| 2016/17 Annual Start Rent   | Between £718 and £1,105 depending on the site location                                     |
| Rent Review                 | Annual rental uplifts by Retail Price Index (RPI) and a rent review at year 5 of the lease |
| Early Termination Permitted | Subject to a five months written notice  |
| Ground Maintenance Fee      | Included within annual rent  |
| Assignment Permitted        | Subject to an administration fee equal to three times the current rent                     |

- 3.9 In order to continually test the market value of the beach hut sites, it is recommended that every new beach hut site that is advertised as part of a bidding process to determine the initial lease premium, and how much that individual site is worth. This process was adopted by Waveney District Council for beach huts in Southwold and initial premiums ranged between £50k and £120k.
- 3.10 It is assumed that at the end of every year a market review will be carried out and rents will reflect this review before being advertised. The rents for 2016/17 are detailed in the above chart.

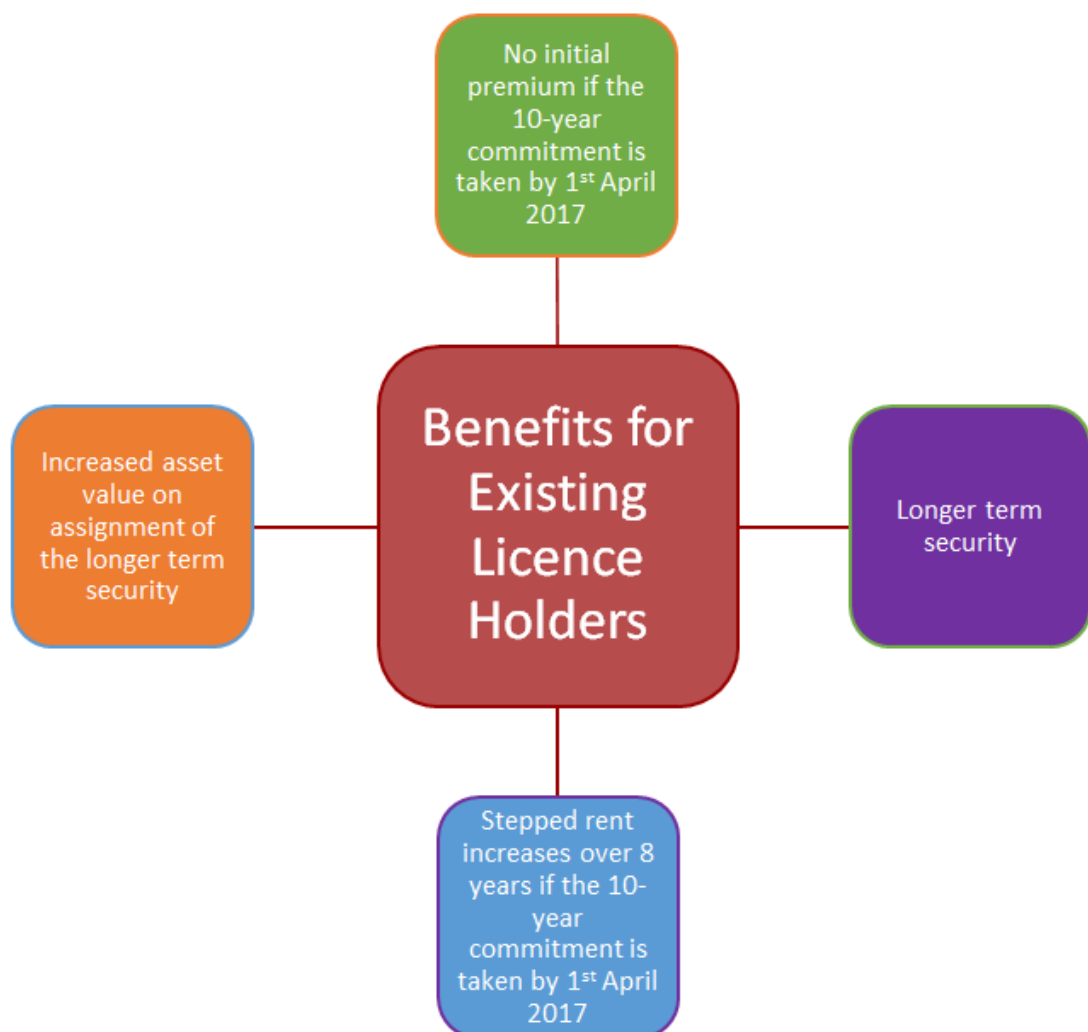
## 4 RECOMMENDATION 2

- ***The conversion of all current and new site licences into longer-term leases***

- 4.1 The Council currently licence plots of land to beach hut owners and permits the siting of beach huts on these sites. The rent charged relates specifically to the sites, not the beach huts, and it is not directly related to the market value of the land asset because application of a market rent review has not been applied to reflect the land value of the sites. Rates are currently reviewed annually through SCDC's Fees and Charges procedures and this usually results in an RPI or higher increase. The standard licensing arrangement, and the (annual) management processes that support it, have been in place since the decision was made to licence beach huts to beach hut owners on an annual basis. The beach hut review recommends that this process requires modernisation.



- 4.2 This report proposes to modernise the way existing beach huts are managed by offering current beach hut licence holders a 10-year commitment for the site on which they currently reside. This will take place in the form of a two phase approach, a 1 year licence and subsequent 9-year lease, which will provide officers with enough time to effectively administer the operational changes and communicate the new process to beach hut owners over a longer period.
- 4.3 The Council has significant control over the demand side of the market, both in terms of its own ability and the ability of others to add to the stock of beach huts. The buoyant prevailing market value of known beach hut sales, 186 since 2014, coupled with the analysis undertaken as part of the review that evidences other similar locations charging more for a similar product, suggests that a strategy which results in some beach huts costing more is unlikely to reduce the overall level of demand. It is important to recognise that, if this type of strategy is actively considered, the 'added value' in the new proposition will need to be clearly identified and explained to beach hut owners.
- 4.4 The Felixstowe Beach Hut Association (FBHA) approached SCDC to request longer term site security. This review suggests that granting this request when the current licences finish on the 31<sup>st</sup> March 2017 will provide SCDC with the opportunity to streamline its current processes and increase rents to market value. This approach is considered reasonable within the review, provided that SCDC effectively communicates the "added value" that this unlocks for the lease holder. The benefits unlocked for existing licence holders by SCDC if they are guaranteed a 10-year commitment for their beach hut site, in place of the current annual licence, are detailed in the below charts:

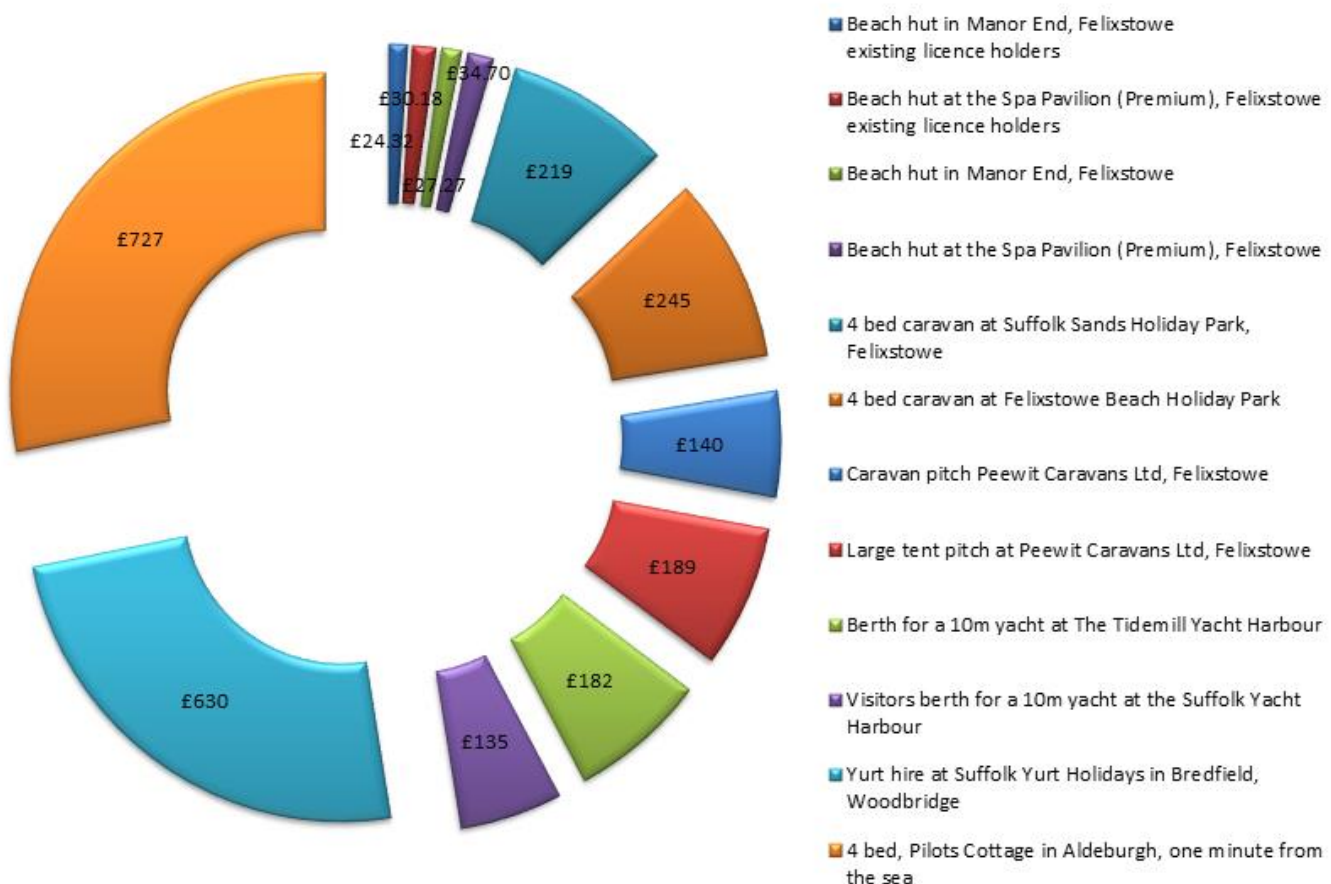


| Who Benefits              | Licence Restrictions   | Lease Benefits   |
|---------------------------|--|--|
| SCDC and beach hut owners | A licence grants permission to use land in consideration of a fee subject to the conditions set out in the licence | A Lease is a transfer of right to exclusive possession of that property by the lessor to the lessee, made for a certain term in consideration of a fee subject to the terms set out in the lease agreement |
| Beach hut owners          | A licence does not grant exclusive possession  | A lease grants exclusive possession for a fixed period (term)  |
| Beach hut owners          | A licence does not create or transfer an interest in the land  | A lease creates an interest in the land which can be transferred to the lessee for the period of the lease   |
| Beach hut owners          | A licence is not transferable  | A lease can be transferred (assigned) to another party and if registered on the title is binding on a new owner of the land  |
| Beach hut owners          | A licence is revocable   | A lease is not revocable (other than subject to any conditions set out in the lease (e.g. a redevelopment clause)  |

4.5 The review undertakes a thorough market analysis exercise and concludes that the current annual licence fees do not represent the market value of the land asset. This is due to sporadic increases and periods of low, or no, inflation. The review compares other Councils' service and pricing models and although the strategy within many of these models varies; i.e. some look to provide leases for the land and hut whereas others provide shorter leases with no option to transfer the asset, overall, it concludes that the comparable rates for the SCDC area should be increased significantly alongside the current licencing arrangements. Further detail on market values, current rental rates and percentage increases can be found in the finance section of this report.

4.6 Alongside the direct comparison with other local Councils and beach hut providers, an exercise was undertaken to analyse the value of a beach huts in the SCDC area against other tourism related leisure activities. This found that the annual cost of a beach hut was significantly lower than similar leisure activities in the local area, as demonstrated in the below chart:

### Cost of Leisure Activities Per Week



4.7 The review of existing arrangements has highlighted a number of improvement opportunities. For example the average beach hut in Felixstowe is currently sold for anywhere between £10-21k, when this sale takes place SCDC only charges a £32.64 admin fee to terminate the former beach hut owner's licence, and grant a new one to the new beach hut owner. In line with the recommendations of this report this would look to change to an assignment fee that equals three times the annual rent.

4.8 The draft terms of the 1-year licence and 9-year lease being proposed can be found in the below table, this also provides a comparison between the current licence and proposed 10-year commitment period arrangements:

| Item                                      | Current   | Future  |
|---|---|---|
| <b>Term</b>                               | <ul style="list-style-type: none"> <li>Yearly licensing, no provision for early termination</li> </ul>  | <ul style="list-style-type: none"> <li>10-year commitment period that consists of two phases;               <ul style="list-style-type: none"> <li>Phase one = 1-year interim licence</li> <li>Phase two = subsequent 9-year lease</li> </ul> </li> <li>Outside the Landlord &amp; Tenant Act i.e. the tenant does not have the right to automatically renew at the end of the term.</li> <li>Can be terminated by the tenant on the 1st April in each year of the term.</li> <li>Five month's written notice required.</li> </ul>  |
| <b>Transfer of ownership (Assignment)</b> | <ul style="list-style-type: none"> <li>Transfer not permitted.</li> <li>Licence holders can approach SCDC with details for new prospective licence holders. SCDC is under no obligation to grant a new licence to any new beach hut owner, however consent is not normally refused.</li> <li>Administration fee of £32.64 charged by the Council for processing a new licence.</li> </ul> | <ul style="list-style-type: none"> <li>Transfer of licence in year 1 not permitted. If the licence holder sells their beach hut and terminates their licence with SCDC, SCDC will grant the new owner the terms of the subsequent 9-year lease. This process will be subject to the administration fee detailed below.</li> <li>Transfer of 9-year lease permitted but subject to tenant paying an administration fee.</li> <li>Administration fee is equal to three times the annual site rent.</li> </ul>   |
| <b>Licence/Lease Fees</b>                 | <ul style="list-style-type: none"> <li>The fee is set annually by the Council (this financial year (2016/17) it increased by 2%).</li> </ul>  | <ul style="list-style-type: none"> <li>The rent will be subject to annual 10% rental increases for the first eight years of the term.</li> <li>The rent will increase by RPI in the last 2 years of the term.</li> <li>Example: Brackenbury Cliffs (Stnd) @ £350 (2016) with 10% per year uplift               <ul style="list-style-type: none"> <li>2017 - £385</li> <li>2018 - £423</li> <li>2019 - £465</li> <li>2020 - £512</li> <li>2021 - £563</li> <li>2022 - £619</li> <li>2023 - £681</li> <li>2024 - £750</li> </ul> </li> <li>The rent would rise to only £410 in 24/25 if annual increments of 2% were continued to be applied.</li> <li>This rental figure includes annual ground maintenance fees</li> <li>The proposed initial lease premium (minimum of £7k) will not be applied to any agreement granted before the 1<sup>st</sup> April 2017 to an existing beach hut licence holder. The lease premium will be applied should the Council choose to renew any lease at the end of the 10-year commitment period.</li> </ul> |
| <b>Licence/Lease Fee Review</b>           | <ul style="list-style-type: none"> <li>Council has an annual right to review the licence fee at the end of the term.</li> </ul>   | <ul style="list-style-type: none"> <li>Stepped rental increases over the initial 8 years of the term, then rent to be reviewed annually by RPI for 2 years.</li> </ul>  |

- 4.9 There is a risk that the increase in rent may cause disquiet among beach hut owners. Past experience indicates any increase in price will cause a certain amount of disquiet. If the increase to beach hut owners asset value and longer term security benefits unlocked as part of this process are communicated effectively, the justification for the increase should sell itself.
- 4.10 As SCDC does not currently offer beach huts to the market, there is no waiting list or certainty about how many people would want these services in the future, however, the relatively buoyant market and high prices for which the beach huts are currently sold indicates that the demand is high. A small percentage of current beach hut licence holders may however decide not to take the 10-year commitment being offered by SCDC, as it does not meet their requirements. SCDC could use these sites to place a hut on and either revert to the model outlined in Recommendation 1 of this report or offer day, week or monthly rental opportunities to the public, as outlined in Recommendation 3 of this report, further diversifying the SCDC beach hut portfolio.
- 4.11 Officers will clearly explain to beach hut owners that the terms being offered are only available to them before the 31<sup>st</sup> March 2017. If they choose not to sign up to the 10-year commitment period by the 1<sup>st</sup> April 2017 any lease granted by SCDC will be subject to the lease terms for newly developed beach hut sites detailed in Recommendation 1. These terms include annual rents at market values from year 1, lease premiums, market rent reviews and the beach hut owner may also be asked to remove their hut enabling SCDC to erect its own hut on the site before the lease is granted.
- 4.12 Existing beach hut owners are being offered a 10-year commitment from SCDC delivered over two phases and although SCDC will ask current licence holders to let us know if they plan to sign up to this 10-year commitment by the 31<sup>st</sup> March 2017, the beach hut owner has no legal obligation to take the 1-year licence on the 1<sup>st</sup> April 2017, or 9-year lease on the 1<sup>st</sup> April 2018. Those that choose not to sign up to the 1-year licence by the 1<sup>st</sup> April 2017 or 9-year lease by the 1<sup>st</sup> April 2018 would be asked to remove their hut from the site it currently resides before their licence terminates on the 31<sup>st</sup> March 2017 or 31<sup>st</sup> March 2018 and the site would be utilised in accordance with either Recommendation 1 or 3 of this report.
- 4.13 In the first year of the 10-year commitment period (phase one, licence period) the beach hut owner does not have the right to transfer their licence. If the beach hut owner chooses to sell their beach hut in this period their licence will terminate and SCDC will grant the terms of the 9-year lease to the new beach hut owner. This process will be made clear in the communication sent to existing beach hut owners detailing the change to beach hut services.

## 5 RECOMMENDATION 3

- ***The introduction of some new sites and the conversion of some existing ones, to a 'try before you buy' plot and hut basis***

- 5.1 The review recommends using some of the sites evaluated in Recommendation 1 and a small percentage of sites that aren't committed by the detail of Recommendation 2, to develop a 'try before you buy' rental system. Offering the public the opportunity to rent a beach hut and the site it sits on for periods of a day, week or month. This type of provision could be used by people on the waiting list for longer term leases and encourage shorter term take up by those that are unable to afford any longer term commitment.

- 5.3 Providing a mix of beach hut lettings provides access to a range of recreational leisure opportunities, contributing to a healthy lifestyle and positively influencing people's health and wellbeing. It also enhances SCDC's tourism offering by providing creating an attractive environment for local and non-local day, week or month visitors.
- 5.2 This recommendation also supports SCDC to establish a more robust picture of the latent demand for beach huts. The waiting list would be continually reviewed, updated and adjusted as people rent sites resulting in people on waiting lists for shorter periods of time.
- 5.3 This recommendation would require a more proactive approach to beach hut management and the officer responsible for management of the beach hut portfolio would need to have very good communication skills and be able to effectively market the new scheme.
- 5.4 If Cabinet choose to implement Recommendation 2 of this report, the resource currently available in the Asset Management team could be used towards implementing the new rental approach. The rental approach would however still require additional resource. Careful consideration should be given to resourcing the beach hut service and where it fits within the Council's staffing structure.

## 6 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 6.1 In 2015/16 the beach hut and chalet portfolio budgets recorded a net income of £460k to the Council. Removal of the chalets from these financial figures, results in a net income of £364k.
- 6.2 In summary the recommendations within this report are:

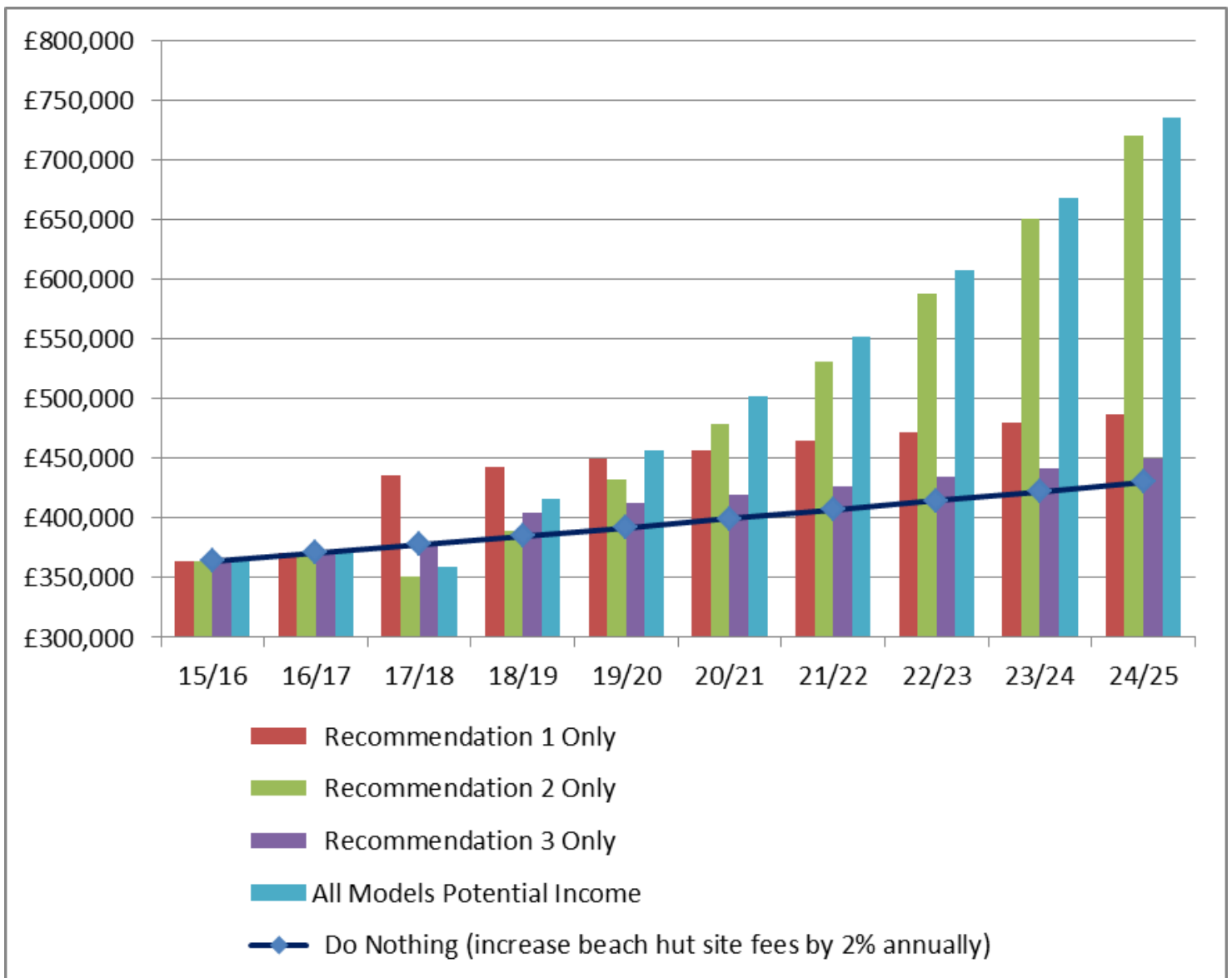
|                                 |   |
|---------------------------------|---|
| <b>Do Nothing</b>               | Continue to deliver the beach hut service as it currently stands increasing licence rates by 2% year on year.   |
| <b>Recommendation 1</b>         | Increase the amount of beach huts in the district by 10% and market these on 10 year leases at market value rates. Existing beach hut licence holders would continue on a licence basis and rates would increase by 2% annually.  |
| <b>Recommendation 2</b>         | Move existing licence holders onto the terms of the 10-year commitment period in a two phase approach (1-year licence and subsequent 9-year lease), increasing rates by 10% annually until they reach market value in year 8.   |
| <b>Recommendation 3</b>         | Use some of newly developed beach hut sites and some of the existing beach hut sites to develop a portfolio of beach huts available for public hire on a day, week or month basis. Existing beach hut licence holders would continue on a licence basis and rates would increase by 2% annually.  |
| <b>Combined Recommendations</b> | Increase the amount of beach huts in the district by 10% and market these on 10 year leases at market value rates.<br>Move existing licence holders onto the terms of the 10-year commitment period in a two phase approach (1-year licence and subsequent 9-year lease), increasing rates by 10% annually until they reach market value in year 8.<br>Use some of newly developed beach hut sites and some of the existing beach hut sites to develop a portfolio of beach huts available for public hire on a day, week or month basis. |

6.2 These three recommendations can be implemented together or separately and therefore provide the Council with the flexibility to decide what mix of services to offer. If all three of the recommendations within this report are implemented the income generated by the beach hut portfolio has the potential to increase from £3,962k to £5,030k in 2024/25.

6.3 If implemented in isolation, each of the recommendations within this report could generate the following in forecasted income by 2024/25:

- **Do nothing** – cumulative £3,962k, income generated in year 8, £430k.
- **Recommendation 1** – cumulative £4,422k, income generated in year 8, £487k an increase of £57k when compared to do nothing.
- **Recommendation 2** – cumulative £4,875k, income generated in year 8, £720k, an increase of £290k when compared to do nothing.
- **Recommendation 3** – cumulative £4,102k, income generated in year 8, £450k, an increase of £20k when compared to do nothing.
- **All Models** - cumulative £5,030k, income generated in year 8, £736k, an increase of £306k when compared to do nothing.

6.4 The below chart provides a visual of the annual income that is forecast for the three recommendations within this report over the next 8 years:



6.5 The below table provides an eight year financial forecast for the beach hut portfolio if decisions are made to implement all recommendations within this report:

| Recommendation<br>2 Lease Year                                  | Forecasted<br>Base Year |                 | 1               | 2               | 3               | 4               | 5               | 6               | 7               | 8               |                   |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Financial Year  | 15/16                   | 16/17           | 17/18           | 18/19           | 19/20           | 20/21           | 21/22           | 22/23           | 23/24           | 24/25           | Totals            |
| Beach Hut Income - Existing Sites                               | £410,780                | £418,996        | £400,606        | £440,667        | £484,734        | £533,207        | £586,528        | £645,181        | £709,699        | £780,669        | <b>£5,411,067</b> |
| Beach Hut Income - New Sites Rents                              | £0                      | £0              | £7,832          | £9,398          | £9,398          | £9,398          | £9,398          | £9,398          | £9,398          | £9,398          | <b>£73,621</b>    |
| Beach Huts Income - New Sites Lease Premiums                    | £0                      | £0              | £80,000         | £84,000         | £84,000         | £84,000         | £84,000         | £84,000         | £84,000         | £84,000         | <b>£668,000</b>   |
| Beach Huts Income - Rental Huts                                 | £0                      | £0              | £0              | £20,000         | £20,000         | £20,000         | £20,000         | £20,000         | £20,000         | £20,000         | <b>£140,000</b>   |
| <b>Total Income</b>   | <b>£410,780</b>         | <b>£418,996</b> | <b>£488,438</b> | <b>£554,066</b> | <b>£598,132</b> | <b>£646,606</b> | <b>£699,926</b> | <b>£758,579</b> | <b>£823,097</b> | <b>£894,067</b> | <b>£6,292,687</b> |
| Direct Costs  | £14,114                 | £14,537         | £64,974         | £66,923         | £68,930         | £70,998         | £73,128         | £75,322         | £77,582         | £79,909         | <b>£606,418</b>   |
| <b>Operating Income</b>   | <b>£396,666</b>         | <b>£404,458</b> | <b>£423,465</b> | <b>£487,143</b> | <b>£529,202</b> | <b>£575,607</b> | <b>£626,798</b> | <b>£683,257</b> | <b>£745,515</b> | <b>£814,158</b> | <b>£5,686,269</b> |
| Indirect Costs  | £32,611                 | £33,589         | £34,597         | £35,635         | £36,704         | £37,805         | £38,939         | £40,107         | £41,311         | £42,550         | <b>£373,849</b>   |
| Beach Huts - plot & hut investment                              | £0                      | £0              | £30,000         | £36,000         | £36,000         | £36,000         | £36,000         | £36,000         | £36,000         | £36,000         | <b>£282,000</b>   |
| <b>Net Income</b>   | <b>£364,055</b>         | <b>£370,869</b> | <b>£358,868</b> | <b>£415,508</b> | <b>£456,498</b> | <b>£501,802</b> | <b>£551,859</b> | <b>£607,150</b> | <b>£668,205</b> | <b>£735,608</b> | <b>£5,030,421</b> |
| <i>Do Nothing (increase beach hut site fees by 2% annually)</i> | £364,055                | £370,869        | £377,805        | £384,865        | £392,052        | £399,367        | £406,813        | £414,391        | £422,104        | £429,955        | £3,962,277        |
| <i>Recommendation 1 Only</i>                                    | £364,055                | £370,869        | £435,637        | £442,264        | £449,450        | £456,766        | £464,211        | £471,790        | £479,503        | £487,353        | £4,421,897        |
| <i>Recommendation 2 Only</i>                                    | £364,055                | £370,869        | £351,036        | £389,609        | £432,144        | £479,040        | £530,736        | £587,715        | £650,509        | £719,703        | £4,875,417        |
| <i>Recommendation 3 Only</i>                                    | £364,055                | £370,869        | £377,805        | £404,865        | £412,052        | £419,367        | £426,813        | £434,391        | £442,104        | £449,955        | £4,102,277        |
| <i>Combined Recommendations</i>                                 | £364,055                | £370,869        | £358,868        | £415,508        | £456,498        | £501,802        | £551,859        | £607,150        | £668,205        | £735,608        | £5,030,421        |

6.6 The chart was forecast using the following assumptions:

- Beach hut fees exclude VAT.
- All Net figures exclude internal recharges.
- The column shaded orange highlights the expected outcome for this financial year, 2016/17.
- All year on year figures have been calculated with a 2% increase in income and a 3% increase in costs.
- The income figures in the columns headed 1 - 8 include the suggested 10% annual increase in fees outlined in Recommendation 2 of this report.
- The minimum lease premium of £7k is received for all Recommendation 1 beach hut leases. Higher sums could be achieved for new lease premiums if the recommended bidding process is applied.
- The income for new beach hut sites is based on the development of 12 new beach huts per year, from year 2, at the market value tariff for Manor End, Felixstowe. Development costs being accrued from year 1.
- The income for new beach huts in year 1 is based on the completion of leases for 10 existing sites currently vacant across Felixstowe, at the market value tariff for Manor End.
- Development costs have been forecast at the overly high rate of £3k per hut/site.



- A resource cost of £50k has been added to the direct costs column in year 1 to manage the implementation of all three recommendations and wider corporate objectives, this is subject to Cabinet's support of the recommendations within this report.

6.7 The final four rows of the above table highlight the projected income to the Council, if; the three recommendations within this report were not approved by Cabinet, and a 2% annual fee increase was applied to the existing beach hut stock annually; or, if any of the three recommendations within this report were implemented in isolation.

6.8 To achieve a reasonable market rent for the existing beach hut sites the beach hut review suggests a 10-year commitment period with a stepped increase of rent for existing licence holders in Recommendation 2 of 15% over a 5 year period, RPI increases for a further 5 years. Internally this was considered too steep an increase for existing beach hut licence holders and therefore the recommendations within this report suggest a 10-year commitment period with a 10% stepped increase to rent for the first 8 years, RPI increase for a further 2 years. This enables the Council to achieve market value for the existing beach hut sites over time without unreasonably increasing rents for existing licence holders.

6.9 The tariff for a beach hut licence at Manor End is currently the lowest available in Felixstowe, £335. Major development at this end of the Town has seen economic regeneration of the Manor End site. It is recommended that, alongside the increase to all beach hut tariffs, the Manor End fees are increased by a further 10% in the first year, to reflect the improvement in this area of Felixstowe and bring the tariff in line with other areas of similar local desirability.

6.10 The table below shows the number of beach huts in each location and the impact, in each case, of a 10% annual increase in fees over the 8-year period (exclusive of VAT). The 15/16 licence fees are used as a start position when adding the percentage increases.

| Location                      | Huts | Fees    |         |         |         |         |         |         |           |           | Totals           |
|-------------------------------|------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|------------------|
|                               |      | 16/17   | 17/18   | 18/19   | 19/20   | 20/21   | 21/22   | 22/23   | 23/24     | 24/25     |                  |
| Brackenbury Cliffs - Standard | 191  | £349.68 | £384.65 | £423.11 | £465.42 | £511.97 | £563.16 | £619.48 | £681.43   | £749.57   | <b>£4,748.47</b> |
| Brackenbury Cliffs - Premium  | 182  | £404.16 | £444.58 | £489.03 | £537.94 | £591.73 | £650.90 | £715.99 | £787.59   | £866.35   | <b>£5,488.28</b> |
| Spa Pavilion - Premium        | 55   | £515.31 | £566.84 | £623.53 | £685.88 | £754.47 | £829.91 | £912.90 | £1,004.19 | £1,104.61 | <b>£6,997.64</b> |
| Sizewell                      | 12   | £427.56 | £470.32 | £517.35 | £569.08 | £625.99 | £688.59 | £757.45 | £833.19   | £916.51   | <b>£5,806.04</b> |
| Undercliff Road - Standard    | 10   | £387.26 | £425.99 | £468.58 | £515.44 | £566.99 | £623.69 | £686.05 | £754.66   | £830.13   | <b>£5,258.79</b> |
| Undercliff Road - Premium     | 39   | £448.55 | £493.41 | £542.75 | £597.02 | £656.72 | £722.39 | £794.63 | £874.10   | £961.51   | <b>£6,091.07</b> |
| East Beach                    | 26   | £400.72 | £440.79 | £484.87 | £533.36 | £586.69 | £645.36 | £709.90 | £780.89   | £858.98   | <b>£5,441.57</b> |
| West End                      | 32   | £400.02 | £440.02 | £484.02 | £532.43 | £585.67 | £644.24 | £708.66 | £779.53   | £857.48   | <b>£5,432.06</b> |
| Manor End                     | 57   | £334.92 | £401.90 | £442.09 | £486.30 | £534.93 | £588.43 | £647.27 | £712.00   | £783.20   | <b>£4,931.05</b> |
| Pier South                    | 16   | £336.98 | £370.68 | £407.75 | £448.52 | £493.37 | £542.71 | £596.98 | £656.68   | £722.35   | <b>£4,576.01</b> |
| Pier North                    | 15   | £336.98 | £370.68 | £407.75 | £448.52 | £493.37 | £542.71 | £596.98 | £656.68   | £722.35   | <b>£4,576.01</b> |
| Brackenbury Fort - Standard   | 114  | £382.60 | £420.86 | £462.95 | £509.24 | £560.16 | £616.18 | £677.80 | £745.58   | £820.14   | <b>£5,195.51</b> |
| Brackenbury Fort - Premium    | 136  | £436.66 | £480.33 | £528.36 | £581.19 | £639.31 | £703.25 | £773.57 | £850.93   | £936.02   | <b>£5,929.61</b> |
| Clifflands - Premium          | 31   | £371.26 | £408.39 | £449.22 | £494.15 | £543.56 | £597.92 | £657.71 | £723.48   | £795.83   | <b>£5,041.52</b> |



6.11 Using Brackenbury Cliffs (Standard) as an example these percentage increases equate to a total increase of £1.31 per week at year 8, as shown in the below table:

|                       | <b>10%</b>      |                |                           |
|-----------------------|-----------------|----------------|---------------------------|
| <b>Financial Year</b> | <b>Increase</b> | <b>Total</b>   | <b>Per Week</b>           |
| <b>2017/2018</b>      | £34.97          | £384.65        | £0.67                     |
| <b>2018/2019</b>      | £38.46          | £423.11        | £0.74                     |
| <b>2019/2020</b>      | £42.31          | £465.42        | £0.81                     |
| <b>2020/2021</b>      | £46.55          | £511.97        | £0.90                     |
| <b>2021/2022</b>      | £51.19          | £563.16        | £0.98                     |
| <b>2022/2023</b>      | £56.32          | £619.48        | £1.08                     |
| <b>2023/2024</b>      | £61.95          | £681.43        | £1.19                     |
| <b>2024/2025</b>      | £68.14          | £749.57        | £1.31                     |
| <b>Total</b>          |                 | <b>£364.92</b> | <b>£7.68 (£30.72 p/m)</b> |

6.12 When the rent increases are compared to the fees currently charged by Waveney District Council it becomes clear that the new model's pricing strategy will help SCDC to align its beach hut fees alongside those of neighbouring authorities, as highlighted in the below table (please note these figures exclude RPI increases and impacts of rent reviews).

| <b>Beach Hut Lease Area</b>  | <b>Initial Premium</b> | <b>Annual Rent</b> | <b>Lease Period in Years</b> | <b>Total Rent</b> | <b>Total Lease Income</b> | <b>Average Annual Income Over 10 years</b> |
|--|------------------------|--------------------|------------------------------|-------------------|---------------------------|--|
| Pakefield (newest site)  | £6,995                 | £500               | 25                           | £12,500           | £19,495                   | £1,950                                     |
| Southwold (most expensive site)  | £120,000               | £659               | 30                           | £19,777           | £139,777                  | £13,978                                    |
| Recommendation 2 model<br><i>existing licence holders (Pier South, Felixstowe)</i>             | £0                     | £370 -<br>£722     | 10                           | £5,684            | £5,684                    | £568                                       |
| Recommendation 2 model<br><i>existing licence holders (Spa Pavilion - Premium, Felixstowe)</i> | £0                     | £566 -<br>£1105    | 10                           | £8,691            | £8,692                    | £869                                       |
| Recommendation 1 model ( <i>Pier South, Felixstowe</i> )                                       | £7,000                 | £722               | 10                           | £7,224            | £14,224                   | £1,422                                     |
| Recommendation 1 model ( <i>Spa Pavilion - Premium, Felixstowe</i> )                           | £7,000                 | £1,105             | 10                           | £11,046           | £18,046                   | £1,805                                     |

6.13 Without further analysis it is difficult to project income for Recommendation 3 as the percentage mix of day, week and month rentals and the number of huts developed under this model presents the opportunity of a variant income projection. For the basis of this report the review was undertaken on the basis that 30 SCDC owned huts were rented out daily for a £25 fee.

- 6.14 The SCDC beach hut review recommends an indicative development budget of circa £200k is allocated to fund the development and design of 100 new beach huts (circa £30k) and undertake the site preparation, construction and installation of these huts (circa £170k).
- 6.15 The review indicates that the model outlined in Recommendation 3 would generate an income of £167k to the Council over an 8 year period, an average annual income of circa £20k. The below chart forecasts the income for this model based on a capacity level of 2 rental days per week for five months of the year.

| 30 Huts                  | Per Beach Hut  | Year 1          | Year 2         | Year 3         | Year 4         | Year 5         | Year 6         | Year 7         | Year 8         | Total            |
|--------------------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Income</b>            | £1,000         | £30,000         | £30,600        | £31,212        | £31,836        | £32,473        | £33,122        | £33,785        | £34,461        | <b>£257,489</b>  |
| <b>Running costs</b>     | £105           | £3,160.80       | £109           | £112           | £115           | £119           | £122           | £126           | £130           | <b>£3,992.34</b> |
| <b>Development Costs</b> | £3,000         | £90,000         | £0             | £0             | £0             | £0             | £0             | £0             | £0             | <b>£90,000</b>   |
| <b>Net Profit</b>        | <b>-£2,105</b> | <b>-£60,105</b> | <b>£30,491</b> | <b>£31,100</b> | <b>£31,721</b> | <b>£32,354</b> | <b>£33,000</b> | <b>£33,659</b> | <b>£34,331</b> | <b>£166,552</b>  |
| <b>ROI in year 3</b>     |                | <b>-£60,105</b> | -              | £505           | £32,226        | £64,581        | £97,581        | £131,240       | £165,571       |                  |

6.16 The chart was forecast using the following assumptions:

- 30 beach huts are developed under this model.
- Rental income is based on a day rate of £25.
- Hut capacity is based on the rental of all 30 huts for 2 days a week, five months of the year.
- Development costs have been forecast at £3k per hut, above the review's recommended £2k, and assume all 30 beach huts are developed in year 1.
- Beach hut running costs were calculated by identifying the pro rata figure for 1 beach hut using SCDC's 2015/16 financial budget figures. These also include a pro rata figure for the new resource cost added to calculations under item 6.6 of this report.
- All year on year figures have been calculated with a 2% increase in income and a 3% increase in costs.
- Net profit figures exclude internal recharges.

6.17 Recommendations 1 and 3 discussed within this report require further analysis and it is recommended that business cases are developed for each recommendation to ensure their financial viability before committing the Council to implementation of any of these development options. A budget of £20k is required to develop these business cases, this budget will pay for on site surveys, designs and preliminarily works ensuring the business cases are robust and recommendations are fit for purpose.

6.18 If the recommendations within this report are approved the current governance procedures that set beach hut fee increases will change. Incremental increases will be removed from the Suffolk Coastal Fees and Charging review and set by the new lease terms.

## 7 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

7.1 Increasing the beach huts within the district by at least 10% has been highlighted within the East Suffolk Business Plan as an aim. This action was seen as a catalyst for the beach hut review and therefore this report goes further, recommending other options to develop the

portfolio, enabling a more cost effective way to review and implement change to the entire service.

7.2 The re-development also contributes to two of three of the East Suffolk Business Plan corporate priorities:

**Enabling Communities** – the recommendations within this report diversify the beach hut portfolio and provide more options for people to access the beach hut service provided by SCDC, enabling those on lower incomes the opportunity to rent out beach huts on a day, week or monthly basis.

**Economic Development** – the recommendations within this report will increase the tourism profile of the district on a local and national level.

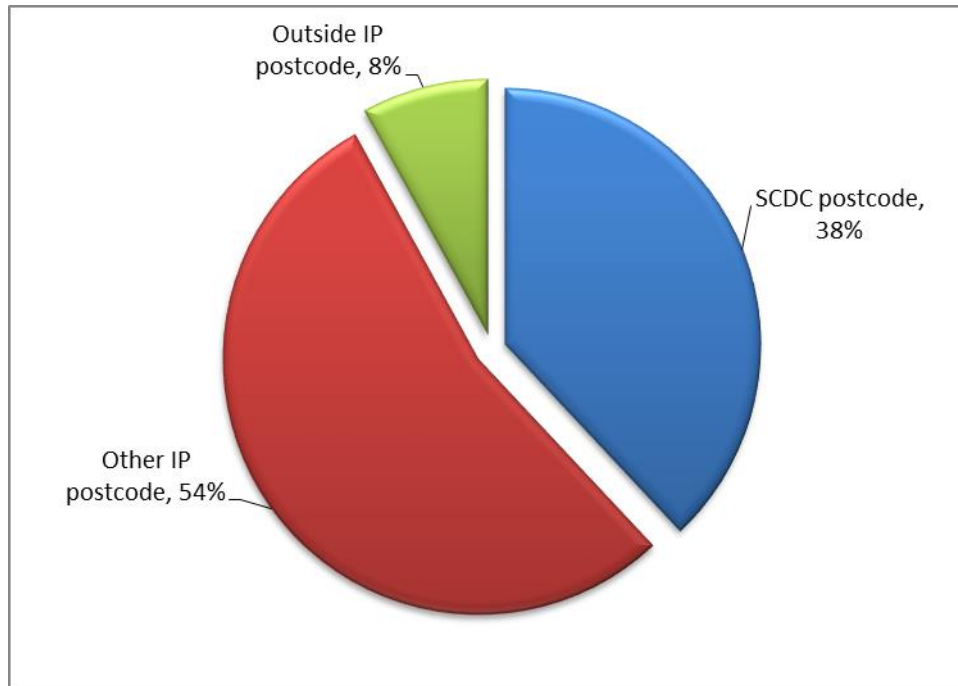
**Financial Self-Sufficiency** – the recommendations within this report outline a number of ways for the Council to increase income from the beach hut portfolio, taking the burden away from the Suffolk Coastal taxpayer. These recommendations also outline a variety of ‘invest to save’ projects.

7.3 The appended beach hut review meets 8 out of 10 of the East Suffolk Business plans Critical Success Factors

- Economic Development and Tourism; *helps develop a dynamic local economy by increasing the tourism offering and raising the profile of the district at local and national levels.*
- Leisure; *increases access for all to quality leisure services and provides communities with opportunities to undertake outdoor recreation.*
- Planning; *development of a well managed sustainable offering that preserves the centres historical and natural surroundings.*
- Customers; *a development that puts its customers first, providing beach hut owners with the longer term security they requested and planning the range of services that meet the needs and demands of the wider local community. Ensuring information regarding the services is easily accessible and available through a range of communication channels.*
- Communities; *provides communities increased access to the current beach hut service provided, enabling those on lower incomes to rent out beach huts on a day, week or monthly basis.*
- Community Health; *provides communities with a service that gets them outside and taking part in physical activity enabling them to take responsibility of their own mental and physical health and wellbeing, helping them to live active and healthy lives.*
- Green Environment; *development of a suite of modern beach huts that consider the protection of sensitive environmental areas and coastline sustainability.*
- Resources; *development of a facility that has the ability to deliver a more business like approach to management and income generation whilst providing the best possible service to its customers.*

## 8 OTHER KEY ISSUES

- 8.1 Concerns have been raised regarding the potential loss of local ownership of beach huts as a result of the new models approach. Currently 38% of the beach hut and chalet owners are considered local to the Suffolk Coastal district as shown in the below chart.



- 8.2 A dialogue with the relevant Town Councils could help to prevent any further decrease of this local customer base. For example, Suffolk Coastal District Council could offer Felixstowe Town Council and Leiston Town Council first refusal of an allocated number of beach huts in their area which they could sub-let back to the local community at reduced rates.
- 8.3 All of the recommendations outlined within this report are subject to the usual planning authority requirements and permissions. Preliminary discussions have been carried out with planning officers to identify any sites unsuitable for development. This process uncovered a number of considerations that need to be looked into further when developing business cases for each of the sites listed within this report.
- 8.4 The current level of resource allocated to the beach hut service is not sufficient to undertake the full range of recommendations identified within this report. The service currently sits in the Asset Management Team and the beach hut and chalet administration is undertaken by a part time officer. Recommendation 2 of this report could be undertaken with the current level of resource however further consideration would need to be given to how recommendations 1 and 3 are resourced and continually managed once implemented. To overcome this resource issue a £50k annual resource budget has been added to the figures outlined in the finance section of the report, and, subject to Cabinets approval of all recommendations within this report, will be released to the Strategic Director to appropriately resource the beach hut service.
- 8.5 There is the risk that not everyone who currently holds a licence for existing beach hut sites will want to sign up to the 10-year commitment period. This may cause disquiet with the Felixstowe Beach Hut Association or individual beach hut owners and SCDC may face a challenge from a few unhappy licence holders. The SCDC Legal Team advice is that the

Council's position to defend legal challenge is strong and the current licences granted do not present an expectation of renewal following the end of the licence term.

8.6 An equality impact analysis form has been completed and can be found on Appendix B.

## **9 OTHER OPTIONS CONSIDERED**

9.1 The 'do nothing' approach was considered as part of this review however it was felt that at a time when the Council was looking to adopt a more business-like approach to services the beach hut portfolio required a full service review. To do nothing would also directly conflict with the specific action in the East Suffolk Business Plan to increase the beach hut portfolio by 10%.

9.2 A fourth Recommendation was also considered within the beach hut review to bundle a selection of beach huts and their sites into a commercial property investment portfolio. This recommendation projected a financially advantageous influx of income to the Council however this model is currently untested within the beach hut market and is therefore considered a high risk approach to adopt. Further preliminary analysis of this recommendation also uncovered that income generation was not significantly greater than that recorded as part of the implementation of Recommendations 1-3 listed in this report over a 25 year period, however results in the loss of control over the beach hut assets themselves. This recommendation could be considered for further investigation and specialist advice in the future should the Council ever require a fast monetary injection to its budgets.

## **10 REASON FOR RECOMMENDATION**

10.1 To assist with the delivery of key corporate actions within the East Suffolk Business Plan.

10.2 To increase the opportunities for people to access a range of beach hut services across the district, and to maximise the income generated from this valuable resource to further invest in services and reduce the burden on the Suffolk Coastal tax payer.

10.3 To secure the appropriate resources to deliver robust business cases for recommendations outlined within this report, supporting the Council's invest to save aspirations.

10.4 To show that the Council has listened to The FBHA's request for greater security over the beach hut sites they currently hold licences for.

10.5 To increase the tourism profile of the district locally and nationally, providing a service that increases customer choice, visitor footfall and in turn the local economy.

### **RECOMMENDATIONS**

1. That Cabinet approves the findings and approach of the Beach Hut Review and gives delegated authority to the Strategic Director to undertake full business case appraisals on each of the locations listed within 'Recommendation 1' of this report.

2. That Cabinet approves the findings and approach of the Beach Hut Review and instruct officers to move existing licence holders onto the new terms of the 1 year licence and subsequent 9 year lease as listed within 'Recommendation 2' of this report.
3. That Cabinet authorises the allocation of £40k from 2017/18 budgets, to develop the business cases outlined in 'Recommendation 1' of this report and to purchase huts for any existing sites in Felixstowe, that are not leased or licenced to current licence holders under the new terms detailed within this report.
4. That Cabinet approves the findings and approach of the Beach Hut Review and gives delegated authority to the Strategic Director to implement the proposals detailed within 'Recommendation 3' of this report alongside the development of Recommendations 1 and Recommendation 2.

#### **APPENDICES**

**Please note that the following appendices contain 'Exempt' information and have NOT been made available to the public and press.**

|                   |                          |
|-------------------|--------------------------|
| <b>Appendix A</b> | Exempt Report Content    |
| <b>Appendix B</b> | SCDC Beach Hut Review    |
| <b>Appendix C</b> | Equality Impact Analysis |

**BACKGROUND PAPERS None.**