

# Arun District Council

<b>REPORT TO:</b>	<b>Special Economy Committee – 12 September 2024</b>
<b>SUBJECT:</b>	<b>Beach Hut Lease Terms – Beach Access Considerations</b>
<b>LEAD OFFICER:</b>	<b>Karl Roberts, Director of Growth</b>
<b>LEAD MEMBER:</b>	<b>Cllr. Roger Nash, Chair of Economy Committee</b>
<b>WARDS:</b>	<b>Beach, Felpham West</b>
<b>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</b> The continuation of rental beach hut lettings in the manner recommended by this report: a) will support the Council’s Vision in respect of fulfilling Arun’s economic potential. <i>“Encouraging the development of the district as a key tourist destination, supporting and enabling improvements and activities to increase visitor spend.”</i> b) accords with the principals of the Council’s 2024-28 Financial Strategy.	
<b>DIRECTORATE POLICY CONTEXT:</b> This report is presented within the context of the Council’s Asset Management Strategy.	
<b>FINANCIAL SUMMARY:</b> The 92 rental beach huts across the district currently generate £112k per annum (subject to occasional short void periods). Recommendation 2.1.1a) presented in this report are estimated to generate £149k in the 2025/26 financial year, with further RPI increases each year. A total estimated income of £462k over the recommended three-year contractual term (assuming RPI at 3%), representing a total increase of £126k to Council revenue streams over the current position. These figures may increase further if rental beach hut leaseholders opt in to the opportunity to share occupation. Recommendation 2.1.1b) presented in this report are estimated to generate £153k in the 2025/26 financial year, with further RPI increases each year. A total estimated income of £473k over the recommended three-year contractual term (assuming RPI at 3%), representing a total increase of £137k to Council revenue streams over the current position. These figures may also increase further if rental beach hut leaseholders opt in to the opportunity to share occupation. A revenue budget of £8k (year 1) would then be created, resulting in a net income of £145k in the first year.	

## 1. PURPOSE OF REPORT

- 1.1. This report follows from the Beach Hut Lease Terms report which was presented to Economy Committee on 8 July, and responds to questions raised by members regarding beach access solutions and the allocation of beach hut income towards such a scheme.
- 1.2. This report also explores options for lease mechanisms to permit subletting or sharing of occupation and responds to proposals for further rent increases to non-resident leaseholders.

## 2. RECOMMENDATIONS

2.1. That the Economy Committee delegates authority to the Group Head of Technical Services to:

2.1.1.

a) Offer and grant the 92 existing and 13 additional rental beach huts for lease on like terms as the existing agreements, save as to the following:-

Contractual Term	A term of three years commencing on 1 <sup>st</sup> April 2025 and expiring on 31 <sup>st</sup> March 2028
Annual Rent Arun District Resident	An initial annual rent of £1,396.26 (excl. VAT) which includes a 16.5% increase on 24/25 annual rent, to increase annually by RPI.
Annual Rent non-Arun District Resident	An initial annual rent of £1,675.50 (excl. VAT) which includes a 16.5% increase on 24/25 annual rent, to increase annually by RPI.

First by renewal to existing tenants, and second to Arun District residents only from the appropriate waiting list, and thereafter to Arun District residents only by appropriate marketing strategy.

Or, to enable a contribution towards beach access to be made:-

b) Offer and grant the 92 existing and 13 additional rental beach huts for lease on like terms as the existing agreements, save as to the following:-

Contractual Term	A term of three years commencing on 1 <sup>st</sup> April 2025 and expiring on 31 <sup>st</sup> March 2028
Annual Rent Arun District Resident	An initial annual rent of £1,437.66 (excl. VAT) which includes a 20% increase on 24/25 annual rent, to increase annually by RPI.
Annual Rent non-Arun District Resident	An initial annual rent of £1,725.18 (excl. VAT) which includes a 20% increase on 24/25 annual rent, to increase annually by RPI.

First by renewal to existing tenants, and second to Arun District residents only from the appropriate waiting list, and thereafter to Arun District residents only by appropriate marketing strategy.

And that a budget then be established representing 5% of the expected annual income from rental beach huts for the proposed 3 year term, for use towards the agreed beach access objectives (4.3) at both Littlehampton and Bognor Regis.

- 2.1.2. Include an option within the rental beach hut leases allowing tenants to share occupation at an increased rent of +20% above the rents stated in 2.1.1.
- 2.2. That the Economy Committee recommends to the Environment Committee that the principles and agreed objectives (4.3) established by the Bognor Regis Beach Access Working Party be applied additionally to Littlehampton Beach.
- 2.3. That officers survey existing beach hut leaseholders and waiting list customers to better understand any interest in future opportunities for sharing of occupation in relation to beach hut leases and the income that may generate for the Council, reporting back to this committee no later than Q1 2026.

### 3. EXECUTIVE SUMMARY

- 3.1. This report follows from the Beach Hut Lease Terms report which was presented to Economy Committee on 8 July, and responds to questions raised by members regarding beach access solutions and the allocation of beach hut income towards such a scheme.

### 4. DETAIL

#### Beach Access

- 4.1. On 8 July the Economy Committee considered a report which recommended terms for renewal of the Council’s rental beach hut leases. The committee deferred the matter, requesting Officers to consider how beach hut income could support a beach access scheme.
- 4.2. The subject of beach access has been considered extensively by the Environment Committee (and Cabinet), most recently on 21 November 2023 at minute 385. In November 2021 the Environment Committee resolved to establish the Bognor Regis Beach Access Working Party (BRBAWP) on a “task and finish” basis, the outcomes of which were reported to the Environment Committee in February 2023 stating that *“similar principles of the outcome of this work can be applied to access to all Arun’s beaches”*.
- 4.3. The Environment Committee agreed the following objectives:

1	Establish and engage with a user / stakeholder group for ongoing dialogue.
2	Apply the latest national guidance for equality of access to the natural environment.
3	Establish a vision statement and clear project critical success factors / objectives such as “what does success look like”?

4	Review seafront amenities and access in conjunction with the solution, such as disabled parking, toilet and changing facilities.
5	Utilise existing assets where possible coupled with a combination of smaller interventions for 'least restrictive access'.

4.4. In November 2023 an update was provided to the Environment Committee on this work, including assessment of existing ramp facilities at Bognor Regis, and specific feedback from Worthing Borough Council following a trial of wheeled beach access aids. The report invited any proposals for potential funding streams to aid this ongoing work. Funding has been a challenge and barrier to the ambitions of this work.

4.5. It is not possible at this stage to provide specific proposals as to how exactly any income from beach huts may be utilised towards the agreed objectives, the specifics should be determined by the ongoing work of the Environment Committee.

4.6. At the July meeting of the Economy Committee, it was suggested that an additional percentage of beach hut income could be provided towards this objective. An option reflecting this is provided within the recommendations of this report.

4.7. Example percentages of the total projected year 1 (2025) income of £153k from rental beach huts are as follows:

3.5%	5%	10%
£5,355	£7,650	£15,300

4.8. Feedback from the Council's Coastal and Flood Engineering Manager indicates that 5% would provide a meaningful contribution towards the current beach access objectives, funding works such as shingle clearance of existing assets and improvements to the access chain.

### Sharing Occupation

4.9. During the meeting on 8 July, members also asked that an option for rental beach hut leaseholders to "sublet" be considered.

4.10. An option for subletting was included when Committee previously considered beach hut leases in 2021 and was offered to tenants for their existing lease term which commenced in April 2022. This option was offered for an increased rent 25% over the base rent.

4.11. It is important to outline at this stage the distinct difference between subletting and sharing occupation: subletting is a formal legal transaction which requires the drafting of a sublease transferring possession to the sublessee (all of such work to be conducted by the tenant, not the Council), whereas sharing of occupation allows the demise to be used by others but specifically prohibits the creation of any landlord/tenant relationship providing a more flexible alternative.

- 4.12. In considering this, Officers are of the view that the intention of Committee Members is to permit rental beach hut leaseholders to share occupation thus allowing for occasional use by others and Airbnb style bookable hire.
- 4.13. The option offered in 2021 for permitting subletting was not opted into by any rental beach hut leaseholders. The additional 25% rent charge would require a minimum of 7 bookings per year at £55 per day (less commission) to break even.
- 4.14. A suggestion made by a member of the Economy Committee was that Arun District Council could host an AirBnB style booking service where beach hut leaseholders could list their hut for daily hire, with the Council taking a commission from each booking. Officers have explored this proposal and set out two options for delivery below:
- 4.14.1. To develop a hosting service similar to <https://www.beachhuts.com/> or <https://www.beachhuts4hire.co.uk/> including self-serving leaseholder portal with ID verification:- While technically possible, this is a significant piece of work for the Council's ICT Development team, estimated to require 5 officers committed full time for 5-6 months to undertake design, build, and testing (not including artistic web design). The Council's ICT Development team are currently committed on major projects until April 2026.
- 4.14.2. To develop a basic process with ICT back-office forms, back-office booking calendar, and payment handling:- This option would not allow leaseholders to self-serve, and would require officers to administer the availability of huts, and to take enquiries by phone to make bookings on behalf of leaseholders and customers. Development time for this solution may only take a number of days subject to project scoping, and may be deliverable ahead of April 2026 between existing project commitments. The staff resource implications for administering bookings cannot be absorbed within the Property, Estates, and Facilities team. Customer Services may be able to handle calls and enquiries for booking, but this would need to be scoped and any resource costs covered (not currently budgeted).
- 4.15. It is expected that bookings would be paid for by card. All card payments received by the Council are subject to administrative fees and commissions levied by the provider. These fees are variable dependant on the card used and the value of the transaction. Using an example transaction of £55, an estimated average fee of £2 per transaction should be allowed for.
- 4.16. Arun District Council would have to account for VAT at the standard rate on any retained commission.
- 4.17. Worked examples of a booking are appended to this report.

- 4.18. Arun District Council would not be able to insist that beach hut leaseholders used its own booking platform, and any attempt to do so would likely be in breach of competition law. The Council would therefore be operating in competition with the likes of <https://www.beachhuts.com/> or <https://www.beachhuts4hire.co.uk/>.
- 4.19. Sharing of occupation through day-hire schemes or similar would not affect the Non-Domestic Rates status for rental beach hut leaseholders.
- 4.20. Sharing of occupation through day-hire schemes or similar would not affect the Council's buildings insurance policy or premium for beach huts, but potentially increases the likelihood of an insurable event occurring and the Council then having to manage reinstatement. The Council's excess for any claim in respect of damage to beach huts is £1,000.
- 4.21. Any lease clause consenting to a rental beach hut leaseholder sharing occupation where they are effectively operating it as a hire out business will require that the lease is drawn on a commercial basis and the Council must therefore contract any affected leases out of the security of tenure provisions of the Landlord and Tenant Act 1954.
- 4.22. It is not known why rental beach hut leaseholders did not opt into the subletting option previously offered. The additional 25% rent increase may be prohibitive, or there may simply be no interest. It is also unknown if there would be any interest in using a platform developed by the Council for listing huts for daily hire.
- 4.23. To establish the true interest in any option to share occupation and the opportunity this may provide for increasing Council revenue generation, it is recommended at 2.4 that officers survey existing beach hut leaseholders and waiting list customers, reporting back to committee no later than Q1 2026.
- 4.24. While this is resolved, it is recommended at 2.1.2 to offer the option of sharing occupation to rental beach hut leaseholders at a rent increased by 20%. This figure is slightly below the previous offer of 25% which will hopefully encourage a little more uptake while market research is undertaken.

#### Non-resident Rent Increases

- 4.25. During the meeting on 8 July, members discussed the potential for higher rental increases to non-resident leaseholders.
- 4.26. The report presented to members on 8 July recommended maintaining a higher rent charge to non-residents. The recommended rent to be charged to non-resident leaseholders is uplifted to £1,675.50 per annum and represents an additional 20% (£279.24) over the recommended rent charged to resident leaseholders. This rental increase of 20% follows the principle previously set and agreed by committee.

- 4.27. There are currently 7 rental beach hut tenants from outside of the District. The rents recommended in the report presented on 8 July would generate a total of £2,233.92 per annum above that generated by the equivalent number of rental beach hut tenants from within the District.
- 4.28. An additional 20% rent charge is established. Any increase on this additional charge may cause non-resident leaseholders to not renew their lease.
- 4.29. Again, following previously established principles, the recommendation presented to Committee on 8 July sets out that any new leaseholders must be resident of the Arun District. Therefore, each time a non-resident tenant chooses not to renew their lease or exercises a break clause the Council will lose £279.24 per annum.
- 4.30. If the rent charged to non-resident leaseholders is increased further there is an increased risk that these leaseholders will not renew their lease and the Council will therefore not benefit from this additional income. It is therefore not recommended to increase rents to non-resident leaseholders above the established 20% uplift.

#### Arithmetical Correction

- 4.31. Due to an administrative error, the previous report to members stated the passing rent as £1,214.14 for residents of the Arun District, and £1,456.96 for non-residents. This was incorrect. The passing rent for residents of the Arun District stands at £1,198.05, and £1,437.65 for non-residents.
- 4.32. The previously proposed rents remain unchanged as these are based upon the market appraisal undertaken by officers. However, in percentage terms the uplift represents 16.5%, the recommendations of this report have been corrected to reflect this.

### **5. CONSULTATION**

- 5.1. Ward members of Beach and Felpham West have been notified directly of this work program item, and no responses have yet been received.
- 5.2. Due to the wider impact of the options and recommendations presented by this report, additional internal consultation has been undertaken.

#### Coastal and Flood Engineers

- 5.3. The Council's Coastal and Flood Engineering Manager has been consulted in consideration of the ongoing beach access work and its application to Littlehampton beach.

#### Revenues

- 5.4. The Revenues team have been consulted in consideration of non-domestic rates implications where sharing of occupation has been considered (see 4.19).

## Finance and Risk

- 5.5. The Council's Finance and Risk Manager has been consulted in respect of VAT and insurance implications relating to sharing of occupation and hosting a day hire booking service (see 4.15, 4.16, 4.17, 4.20).

## ICT Development

- 5.6. The Council's ICT Development team have been consulted on the implications and practicalities of developing a day hire booking platform (see 4.14.1 and 4.14.2).

## **6. OPTIONS / ALTERNATIVES CONSIDERED**

- 6.1. The options set out at this section of this report are in addition to those already described under section 6 of the previous report on this subject.
- 6.2. To increase rents above the recommended figures – This option is not recommended. A detailed market appraisal has been undertaken and rents proposed appropriately.
- 6.3. To apply a higher rent increase to non-resident leaseholders – This option is not recommended. With only 7 non-resident leaseholders the benefit of applying further rent increases to this small group will be minimal and may cause these leaseholders not to renew their leases.
- 6.4. To develop and implement a day hire booking platform for rental beach hut leaseholders to list their huts:- This option is not recommended without further market research and scoping, which it is not possible to complete before preparing these lease renewals.

## **7. COMMENTS BY THE GROUP HEAD OF FINANCE/SECTION 151 OFFICER**

- 7.1. The recommendation 2.1.1a sees a prudent approach that protects the Council and leaseholder from volatile inflation. The hourly rental proposals will require financial reviews of the Terms and Conditions to ensure we approximately mitigate financial risks.

## **8. RISK ASSESSMENT CONSIDERATIONS**

- 8.1. It may be that making funds available in recommendation 2.1.1b provides only limited improvements to beach accessibility.
- 8.2. Renewing such a large batch of leases simultaneously is resource intensive, and there is a risk that lease renewals are delayed and not completed by 1 April 2025.
- 8.3. Raising rents may generate a greater rate of turnover, impacting service resource in identifying new tenants and preparing new leases.

8.4. Beach huts are located in positions vulnerable to storm damage, particularly those placed on the shingle. There is a risk that huts may suffer damage and the Council incurs costs for their repair or replacement. Beach huts are covered by the Council's buildings insurance policy.

## **9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER**

9.1. The beach huts are all located on areas of public open space. Consequently, the disposals should all be advertised in accordance with Section 123 of the Local Government Act 1972 with any objections thereafter considered before the leases are entered into. In addition, if sharing occupation is allowed and this allows the tenant to charge for such use then this risks the tenancy becoming a business tenancy under the Landlord and Tenant Act 1954. As such, the safest option to prevent security of tenure on lease expiry would be to contract leases allowing this use out of the security of tenure provisions of sections 24-28 of the Landlord and Tenant Act 1954.'

## **10. HUMAN RESOURCES IMPACT**

10.1. Management of ground lease and rental agreements for beach huts is generally resource intensive. The range of options for lease formats and rent scales resulting from the resolution of the October 2021 Economy Committee meeting have been challenging to administer. Now in the final year of the rental agreements with all tenants on equal rent the management of rental beach huts is far simpler.

10.2. No additional resource will be required. However, the task of transacting on a batch of 92 leases all on the same date should not be underestimated.

## **11. HEALTH & SAFETY IMPACT**

11.1. There will be no direct health and safety impact as a result of actioning the recommendations of this report.

## **12. PROPERTY & ESTATES IMPACT**

12.1. The task of issuing new leases will be delivered jointly by the Property, Estates, and Facilities and Legal Services teams.

12.2. Ongoing management of the beach huts subject to this report will be carried out by the Property, Estates, and Facilities service.

## **13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE**

13.1. The equalities impact assessment has not identified adverse impacts on protected characteristics arising out of the recommended lease terms. If recommendation 2.1.1b is agreed, it makes available funds to apply the beach access principles to Littlehampton Beach which may assist those with limited mobility access the lower beach.

#### **14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE**

- 14.1. As this report is focusing solely on beach hut lease terms there is no direct impact on climate change or emissions in relation to the Council's scope 1, 2 and 3 sources as a result of these recommendations.

#### **15. CRIME AND DISORDER REDUCTION IMPACT**

- 15.1. There are no direct implications in relation to crime and disorder by way of this report.

#### **16. HUMAN RIGHTS IMPACT**

- 16.1. There will be no direct human rights impacts from the recommendations.

#### **17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS**

- 17.1. The content of this report has no freedom of information or data protection implications.

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#### **CONTACT OFFICER:**

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#### **BACKGROUND DOCUMENTS:**

[Beach Hut Lease Terms - Economy 8 July 2024](#)

[Beach Access For All Update - Environment 21 November 2023](#)

[Rental Beach Hut Day Hire Worked Examples](#)

[EIA](#)