

Arun District Council - Beach Hut Review 2021
Business Case Options Summary table.

- Option 1 - Existing Position as at 1st April 2021
 Option 2 - As Option 1 but increase rental prices circa 30%
 Option 3 - No privately owned huts - Supply and install new composite hut replacements for rent. Rent same as 2021/22 season.
 Option 4 - No privately owned huts - Supply and install new composite hut replacements for rent. Rent +30% onto 2021/22 season
 Option 5 - No privately owned huts - Install new composite beach huts on vacated plots and dispose of huts on long lease (15 years) anticipated lease premium @ £12,000 each. ADC to retain 32 huts for renting out to businesses.
 Option 6 - No privately owned huts - Install new composite beach huts on vacated plots and dispose of huts on long lease (15 years) anticipated lease premium receipt @ £15,000 each. ADC to retain 32 huts for renting out to businesses. Ground Rent + 30%.
 Option 7 - Hybrid Option - Retain 70 privately owned huts increase rent by 30% on 2021/22 prices. Install 80 new composite huts on vacated plots and dispose of 11 new increased size huts in Ferring on long lease (15 years) anticipated lease premium receipt @ £25,000 each.

	Option 1 Existing Position (Benchmark)	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7
Estimated Net annual revenue received after deduction of all costs	£138,864.00	£184,624.00	a) £123,541 (year 1-15)	a) £189,861 (year 1-15)	a) £136,532 (year 1-2) b) £143,693 (year 3-15)	a) £164,632 (year 1-2) b) £171,793 (year 3-15)	a) £181,909 (year 1-2) b) £182,932 (year 3-15)
Estimated lease premium after deduction of all costs	zero	zero	zero	zero	£1,519,000.00	£2,149,000.00	£146,300.00
Estimated borrowing Requirement	£0.00	£0.00	£770,000.00	£770,000.00	£770,000.00	£770,000.00	£510,000.00
Loan Duration	n/a	n/a	15 years	15 years	2 years	2 years	2 years £110k 15 years £400k
Estimated total loan repayment (principal + interest)	£0.00	£0.00	£991,760	£991,760	£784,322	£784,322	£627,251
Total estimated income over 15 year period.*	£2,082,960	£2,769,360	£1,853,115	£2,847,915	£2,141,073	£2,562,573	£2,741,934
Percentage % difference when compared to Option 1 benchmark position	n/a	33	-11	37	3	23	32
Additional estimated annual revenue generated over Option 1 (£138,864 Benchmark)	n/a	£45,760.00	a) -£15,323 (year 1-15)	a) £50,997 (year 1-15)	a) -£2,332 (year 1-2) b) £4,829 (year 3-15)	a) £25,768 (year 1-2) b) £32,929 (year 3-15)	a) £43,045 (year 1-2) b) £44,068 (year 3-15)
General Notes	As per 2021/22 season	As per 2021/22 season but with 30% rental price addition across the board. This scheme is low risk as the beach huts are all as existing.	Scheme shows a negative revenue reduction for years 1-15 when compared to Option one. This scheme provides a negative return when compared to Option one for the period of borrowing accordingly this scheme is not viable.	Scheme indicates positive financials for the period of borrowing (15 years) when compared to Option one noting that the Council would spend £221,760 in interest payments over the period of borrowing in order to secure an annual increase in revenue of £50,997. Scheme is however considered to be significantly higher risk given borrowing requirement (£770,000 over 15 years at a cost of £221,760 excluding the repayment of the principal sum). This scheme is likely to have to be managed and delivered in phases. This will likely impact / reduce revenue years 1-3. Looking at the additional income for this scheme when compared to Option 2 (no borrowing requirement) this scheme would deliver only £5,237 p/a increased revenue over 15 years. This very small level of increase could be generated at significantly lower risk by installing four new beach huts in newly identified locations within the District. This option is therefore just financially viable but when considering risk v financial gain this cannot place it ahead of Option 2.	Scheme generates a one-off lease premium receipt on completion of the scheme of £1,519,000 for the Council in exchange for reduced annual revenue. The Council would also see reduced financial and management liability in terms of planned and cyclical maintenance as this liability passes on to the leaseholder under lease. Significantly higher risk than Option one and two due to the size of the borrowing requirement (and over a much shorter period than options three and four). Again with this option the likelihood is that this would require a phased delivery approach in order not to flood the market with vacant beach huts for sale as this would serve to drive prices down. This action would need to be carefully considered via an adopted marketing campaign as this could impact the overall viability of this scheme and so is a further risk to consider. This factor is likely to negatively impact the early years (1 to 3) finances for this scheme. This option delivers a lease premium receipt for the Council but deliver's less revenue. Were the Council to agree to reinvest this predicted receipt in provision of additional beach huts to meet demand then this aspect could alter. Note: Council already have £250,000 allocated budget in 2021/22 to fund additional beach hut provision. The repayment of loan and principal over a 2 year period means that the Council would be investing £784k to generate no additional income during this period (then only £5k pa thereafter) and a one of lease premium receipt. This Option is therefore financially viable. However it would not improve the Council's financial revenue position in the same way as Option 2. Option 2 would deliver	All as Option 5 but with higher lease premium receipt at outset and increased ground rent also adds to improvement of the Council's financial revenue position. This Option is therefore financially viable. However it would not improve the Council's financial revenue position as per Option 2. Option 2 would deliver £13,786 per annum extra in revenue over a 15 year period.	As a hybrid this option provides a combination of the previous options. Consequently the risk is slightly reduced over Options 3 to 6. The borrowing requirement (£510,000) is still significantly higher than Option 2 (no borrowing required) and when assessed against option 2 this option would see an overall revenue reduction of £27,426 over the whole 15 year period assessed. This equates to £1,828 p/a.

Note: All figures included are exclusive of Vat.

* No price increases allowed for in assessment

The above included figures are indicative only in nature to assist the business case and decision making process. Prices will likely fluctuate in reality depending on occupancy, approach to delivery and the market at the time in relation to supply and demand.

No allowance is included above for the Councils income generated through sale / assignment fee so this will represent additional revenue to that detailed within the above Options presented. This item is covered in Option 5 of Appendix 1.

Option 1 - Existing Position as at 1st April 2021

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual Rental Sum	Total Revenue received
Felpham	26	ADC owned and Rented to ADC residents	£880.34	£22,888.84
Felpham	6	ADC owned and Rented to Non - ADC residents	£1,056.40	£6,338.40
Felpham	77	Private	£446.03	£34,344.31
Littlehampton	52	ADC owned and Rented to ADC residents	£880.40	£45,780.80
Littlehampton	8	ADC owned and Rented to Non - ADC residents	£1,056.40	£8,451.20
Littlehampton	62	Private	£446.03	£27,653.86
Ferring	11	Private	£446.03	£4,906.33
Total number of Beach Huts	242		Total Annual Revenue £	£150,363.74

Summary of option 1

Cost of Option 1	£0.00	Present on site.
Revenue generated by Option 1	£150,363.74	
** Borrowing costs p/a	£0.00	
Reactive / Planned maintenance	£11,500.00	£125 per ADC owned hut (92No).
Predicted annual revenue after costs £	£138,863.74	

Note: All figures included are exclusive of Vat.

Option 2

As Option 1 but increase rental prices circa 30%

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual Rental Sum	Total Revenue received
Felpham	26	ADC owned and Rented to ADC residents	£1,145.83	£29,791.58
Felpham	6	ADC owned and Rented to Non - ADC residents	£1,375.00	£8,250.00
Felpham	77	Private	£579.84	£44,647.68
Littlehampton	52	ADC owned and Rented to ADC residents	£1,145.83	£59,583.16
Littlehampton	8	ADC owned and Rented to Non - ADC residents	£1,375.00	£11,000.00
Littlehampton	62	Private	£579.84	£35,950.08
Ferring	11	Private	£579.84	£6,378.24
Total number of Beach Huts	242		Total Annual	£195,600.74

The above rent increase would see £45,237 in additional annual revenue over the existing annual revenue generated as shown in Appendix 1 (£150363.74) with no additional spend required other than standard repair and maintenance costs to the Council owned and rented beach huts.

Summary of option 2

Cost of Option 2	£0.00	Present on site.
Revenue generated by Option 2	£195,600.74	
** Borrowing costs p/a	£0.00	
Reactive / Planned maintenance	£11,500.00	£125 per ADC owned hut (92No).
Predicted annual revenue after costs £	£184,100.74	

Note: All figures included are exclusive of Vat.

**Option 3 - No privately owned huts - Supply and install new composite hut replacements for rent.
Rent based as same charged for 2021/22 season.**

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual rate	Total Revenue
Felpham *	92	ADC owned and Rented to ADC	£880.34	£80,991.28
Felpham *	17	ADC owned and Rented to Non - ADC	£1,056.40	£17,958.80
Littlehampton *	102	ADC owned and Rented to ADC	£880.34	£89,794.68
Littlehampton *	20	ADC owned and Rented to Non - ADC	£1,056.40	£21,128.00
Ferring *	9	ADC owned and Rented to ADC	£880.34	£7,923.06
Ferring *	2	ADC owned and Rented to Non - ADC residents	£1,056.40	£2,112.80
Total number of Beach Huts	242		Total Annual Revenue £	£219,908.62

The budget costs for attaining Option 3 are as detailed below:

Description	Quantity	Budget Unit Cost	Total Cost
Repairs to concrete bases ahead of beach hut install	154	350	£53,900.00
Supply and install Beach Hut	154	4650	£716,100.00
		Total cost £	£770,000.00

Summary of Option 3

Cost of Option 3	£770,000.00	
Annual revenue generated by Option 1	£150,363.74	
Additional annual revenue generated over Option 1	£69,544.88	
Total annual revenue generated by option 3	£219,908.62	
** Borrowing costs p/a (based over 15 years)	£66,117.33	
Annual Reactive / Planned maintenance	£30,250.00	£125 per hut.
Predicted annual revenue after costs for period of borrowing £	£123,541.29	

Note: All figues included are exclusive of Vat.

* For the purposes of this business model it has been assumed that 84% of huts will be rented to Arun residents and 16% will be rented to Non-Arun residents as per the current % split.

There are 242 beach huts in total and 92 of these are ADC owned (4 of which are timber with the remaining 88 being of composite construction). The remaining 150 are privately owned and in this option will vacate the site following expiry of their current lease. This therefore requires the purchase and installation of 154 beach huts.

** Borrowing based on a full capital repayment basis over 15 Years including interest @ 1.92% PWLB

**Option 4 - No privately owned huts - Supply and install new composite hut replacements for rent.
Rent based as 30% added onto 2021/22 season charges**

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual rate	Total Revenue received
Felpham *	92	ADC owned and Rented to ADC	£1,145.83	£105,416.36
Felpham *	17	ADC owned and Rented to Non - ADC	£1,375.00	£23,375.00
Littlehampton *	102	ADC owned and Rented to ADC	£1,145.83	£116,874.66
Littlehampton *	20	ADC owned and Rented to Non - ADC	£1,375.00	£27,500.00
Ferring *	9	ADC owned and Rented to ADC	£1,145.83	£10,312.47
Ferring *	2	ADC owned and Rented to Non - ADC	£1,375.00	£2,750.00
Total number of Beach Huts	242		Total Annual Revenue £	£286,228.49

The budget costs for attaining Option 4 are as detailed below:

Description	Quantity	Budget Unit Cost	Total Cost
Repairs to concrete bases ahead of beach	154	350	£53,900.00
Supply and install Beach Hut	154	4650	£716,100.00
		Total cost £	£770,000.00

Summary of Option 4

Cost of Option 4	£770,000.00	
Annual revenue generated by Option 1	£150,363.74	
Additional annual revenue generated over	£135,864.75	
Total annual revenue generated by option 4	£286,228.49	
** Borrowing costs p/a (based over 15 years)	£66,117.33	
Annual Reactive / Planned maintenance	£30,250.00	£125 per hut.
Predicted annual revenue after costs £	£189,861.16	

Note: All figures included are exclusive of Vat.

* For the purposes of this business model it has been assumed that 84% of huts will be rented to Arun residents and 16% will be rented to Non-Arun residents as per the current % split.

There are 242 beach huts in total and 92 of these are ADC owned (4 of which are timber with the remaining 88 being of composite construction). The remaining 150 are privately owned and in this option will vacate the site following expiry of their current lease. This therefore requires the purchase and installation of 154 beach huts.

** Borrowing based on a full capital repayment basis over 15 Years including interest @ 1.92% PWLB

Option 5 - No privately owned huts - Install new composite beach huts on vacated plots and dispose of beach huts on long lease (15 years) for lease premium receipt @ £12,000 each. ADC to retain 32 huts across the District for renting out to local businesses (hotels / holiday homes/ weekly rentals etc).

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual rate	Total Revenue received
Felpham	15	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£32,824.95 *
Felpham	94	Long Lease Beach Hut Ground Rent.	£446.03	£41,926.82
Littlehampton	15	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£32,824.95 *
Littlehampton	107	Long Lease Beach Hut Ground Rent.	£446.03	£47,725.21
Ferring	2	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£4,376.66 *
Ferring	9	Long Lease Beach Hut Ground Rent.	£446.03	£4,014.27
Total number of Beach Huts	242		Total Annual Revenue £	£163,692.86

The anticipated budget for attaining Option 5 are as detailed below:

Description	Quantity	Budget Unit Cost	Total Cost
Supply and install Beach Hut	154	5000	£770,000.00 ****
Capital receipt for beach hut unit on long lease.	210	12,000	£2,520,000.00
Agent fee	210	400	£84,000.00
Legal and Surveying costs - Granting of lease	210	700	£147,000.00
Additional staffing / Management costs 16 hour per week admin post	1		£16,000.00
			Figures to be confirmed by finance
		Balance £	£1,503,000.00

Summary of Option 5

Cost of Option 5 - supply & install of beach huts	£770,000.00
Annual Revenue generated by Option 1	£150,363.74
Additional annual revenue generated over Option 1 (£150363.74)	£13,329.12
** Borrowing costs p/a	£7,161.00
Reactive / Planned maintenance	£4,000.00
Predicated annual revenue after costs £	£136,531.86
**** Lease Premium receipt after deduction of costs and following repayment of loan on completion of project	£1,519,000

£125 per beach hut P/A (32 huts)

Note: All figues included are exclusive of Vat.

* for the purposes of calculating the annual rent this has been based on a % void occupation with varying weekly rentals throughout the season. Maximum rent attainable with 100% occupation is considered to be £3275 net so vacant periods have been considered to account for non-seasonal dates. Operating 32 units on this basis will need Officer time and so a cost has been included to allow for a part time post to cover management and administration duties at 16 hours per week.

** Borrowing based on a full capital repayment until all disposals have occurred suggest 2 years for business case based on 0.93% from PWLB

*** Predicted annual revenue following repayment of loan

**** Lease Premium receipt could be used to invest in additional beach hut locations to increase revenue further. This sum could potential fund up to 275 further beach huts, assuming suitable locations can be identified in the Arun District, where planning permission would be granted.

***** of the 242 beach huts installed, 88 are already composite leaving 154No (150 are the vacated sites and 4 are ADC owned which are constructed of timber).

Option 6 - No privately owned huts - Install new composite beach huts on vacated plots and dispose of beach huts on long lease (15 years) for lease premium receipt @ £15,000 each. ADC to retain 32 huts across the District for renting out to local businesses (hotels / holiday homes/ weekly rentals etc).

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual rate	Total Revenue received
Felpham	15	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£32,824.95 *
Felpham	94	Long Lease Beach Hut Ground Rent.	£579.84	£54,504.96
Littlehampton	15	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£32,824.95 *
Littlehampton	107	Long Lease Beach Hut Ground Rent.	£579.84	£62,042.88
Ferring	2	ADC owned and Commerically Rented short term weekly lets	£2,188.33	£4,376.66 *
Ferring	9	Long Lease Beach Hut Ground Rent.	£579.84	£5,218.56
Total number of Beach Huts	242		Total Annual Revenue £	£191,792.96

The anticipated budget for attaining Option 2 are as detailed below:

Description	Quantity	Budget Unit Cost	Total Cost
Supply and install Beach Hut	154	5000	£770,000.00 *****
Capital receipt for beach hut unit on long lease.	210	15,000	£3,150,000.00
Agent fee	210	400	£84,000.00
Legal and Surveying costs - Granting of lease	210	700	£147,000.00
Additional staffing / Management costs 16 hour per	1		£16,000.00
		Balance £	£2,133,000.00

Figures to be confirmed by finance

Summary of Option 6

Cost of Option 6 - supply & install of beach huts	£770,000.00
Annual Revenue generated by Option 1	£150,363.74
Additional annual revenue generated over Option 1	£41,429.22
** Borrowing costs p/a	£7,161.00
Reactive / Planned	£4,000.00
Predicated annual revenue after costs £	£164,631.96
**** Lease premium receipt after deduction of costs and following repayment of loan on completion of	£2,149,000

£125 per beach hut P/A (32 huts)

Note: All figues included are exclusive of Vat.

* for the purposes of calculating the annual rent this has been based on a % void occupation with varying weekly rentals throughout the season. Maximum rent attainable with 100% occupation is considered to be £3275 so vacant periods have been considered to account for non-seasonal dates. Operating 32 units on this basis will need Officer time and so a cost has been included to allow for a part time post to cover management and administration duties at 16 hours per week.

** Borrowing based on a full capital repayment once all disposals have occurred suggest 2 years for business case based on 0.93% from PWLB

*** Predicted annual revenue following repayment of loan

**** Lease premium receipt could be used to invest in additional beach hut locations to increase revenue further. This sum could potentially fund up to 390 further beach huts, assuming demand remained and suitable locations could be identified in the Arun District where planning permission would be granted.

***** of the 242 beach huts installed, 88 are already composite leaving 154No (150 are the vacated sites and 4 are ADC owned which are constructed of timber).

Option 7 - Hybrid Option - Retain 70 privately owned huts increase rent by 30% on 2021/22 prices. Install 80 new composite huts on vacated plots and dispose of 11 new increased size huts in Ferring on long lease (15 years) anticipated lease premium receipt @ £25,000 each.

Location	No of Beach huts	Tenure / Type of Beach Hut	Annual rate	Total Revenue received
Felpham & Littlehampton	70	Long Lease Beach Hut Ground Rent.	£579.84	£40,588.80
Felpham & Littlehampton*	135	ADC owned and Rented to ADC residents	£1,145.83	£154,687.05
Felpham & Littlehampton*	26	ADC owned and Rented to Non - ADC residents	£1,375.00	£35,750.00
Ferring	11	Long Lease Beach Hut Ground Rent.	£579.84	£6,378.24
Total number of Beach Huts	242		Total Annual Revenue £	£237,404.09

The above represents a 9% increase in annual revenue received over Option 1 (Appendix 1).

The anticipated budget for attaining Option 2 are as detailed below:

Description	Quantity	Budget Unit Cost	Total Cost
Supply and install Beach Hut	80	5000	£400,000.00
Supply and install Beach Hut	11	10000	£110,000.00
Lease premium receipt for Ferring beach hut units on long lease.	11	25,000	£275,000.00
Agent fee	11	1,000	£11,000.00
Legal and Surveying costs - Granting of lease	11	700	£7,700.00
		Balance £	-£253,700.00

Summary of Option 7

Cost of Option 7	£510,000.00	
Annual Revenue generated by Option 1	£150,363.74	
Additional annual revenue generated over Option 1	£87,040.35	
** Borrowing costs p/a (£110K @ 0.93%)	£1,023.00	
** Borrowing costs p/a (£400K @ 1.92%)	£34,347.00	
Reactive / Planned maintenance	£20,125.00	£125 per beach hut P/A (161 huts)
Predicted annual revenue after costs £	£181,909.09	
**** Lease premium receipt after deduction of costs and following repayment of loan on completion of project	£146,300	

Note: All figures included are exclusive of Vat.

* For the purposes of this business model it has been assumed that 84% of huts will be rented to Arun residents and 16% will be rented to Non-Arun residents as per the current % split.

* for the purposes of calculating the annual rent this has been based on a % void occupation with varying weekly rentals throughout the season. Maximum rent attainable with 100% occupation is considered to be £3275 so vacant periods have been considered to account for non-seasonal dates. Operating 32 units on this basis will need Officer time and so a cost has been included to allow for a part time post to cover management and administration duties at 16 hours per week.

** Borrowing based on a full capital repayment once all disposals have occurred suggest 2 years for business case based on 0.93% from PWLB. The replacement 80 huts borrowing is based on 1.92% from PWLB.

*** Predicted annual revenue following repayment of loan

**** Lease premium receipt could be used to invest in additional beach hut locations to increase revenue further. This sum could potentially fund up to 26 further beach huts, assuming demand remained and suitable locations could be identified in the Arun District where planning permission would be granted.