

ECONOMIC COMMITTEE
12 OCTOBER 2021

AGENDA ITEM 5 – PUBLIC QUESTION TIME – ORDER IN WHICH THE CHAIR OF THE COMMITTEE WILL INVITE QUESTIONS BELOW RECEIVED IN WRITING IN ADVANCE OF THE MEETING

1. From Mr Farrell and Mr Gibbons to the Chair of the Economic Committee, Councillor Cooper
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FULL DETAIL OF THE QUESTIONS TO BE ASKED IS DETAILED BELOW

Note, the Chair will:

- invite questions from members of the public who have submitted in writing their questions in line with the Council's Constitution;
- explain that the questions received will be answered by the Chair or other appropriate Members of the Committee
- confirm that Public Question Time allows Members of the public to ask one question at a time and that a maximum of one minute is allowed for each question.
- state that questions will be invited in the order in which they have been received and that if there is time remaining from the 15 minutes allowed for Public Question Time, questioners will be allowed to ask a supplementary question.

QUESTION ONE

From Mr Farrell and Mr Gibbons to the Chair of the Economic Committee, Councillor Cooper

The report recommends adoption of option 2. Potentially and at first glance good news for people who own their beach hut and who are very anxious about losing their hut. There are councils who offer a 25-year lease. What is stopping the council making it ten years or more? A reason would not be - "we don't want to" - but should be a procedural, legal or commercial reason. This is potentially a money/time saver for the council.

Response

Thank you for your question. A 25-year lease for a beach hut is considered excessive and unnecessary for an asset of this nature. Leases over 7 year have to be registered at the land registry and this in itself creates more work for the Council's legal team as well as for our customers who would each be required to undertake this task via their Solicitor, potentially further adding to cost. The proposed lease of 7 years would provide the customer with increased security of tenure over the current 5-year lease.

QUESTION TWO

From Mr Farrell and Mr Gibbons to the Chair of the Economic Committee, Councillor Cooper

If option 2 is adopted, and bearing in mind that the increase in the cost of the annual lease since ADC took over has been 24% (on the 2015 license cost with Inspire), could we ask why a 30% increase is recommended? Is there a reason apart from a desire to increase revenue by 'sweating the asset'? And why specifically 30%? Later in the report the cost-of-living increase of 3% is mentioned. Surely that is a starter point for Arun residents/hut owners.

Response

Thank you for your question. The beach hut service is not a statutory service that the Council must provide. Consequently, the service must stand alone commercially. Officers have looked at charges that other Local Authorities make as these vary and also charges that beach huts command privately. The conclusion is that the charges proposed within the report, are entirely reasonable. The current lease (expiring 31st March 2022) contains an RPI (Retail Price Indexation) clause in respect of the annual rent review. This is operationally awkward to manage due how the RPI statistics are published ahead of the 1st April. Accordingly, as part of the review the Council wished to simplify this. In setting a fixed 3% annual increase it provides greater certainty to customers.

QUESTION THREE

From Mr Farrell and Mr Gibbons to the Chair of the Economic Committee, Councillor Cooper

If option 2 is adopted, it comes with the idea of a sales commission of (currently) around £2700 per sale (in addition to the £500 + vat fee for the Council's work) - this has been rejected in the past. What has changed and why has that been recommended now? At this point we must highlight that all costs will include VAT. Very few owners will be exempt from that tax and its implications to the proposed ground rent rises.

Response

Thank you for your question. This is incorrect as the Council do not propose to charge a £500 assignment fee (as included in the current lease) in addition to the commission fee upon assignment / sale (proposed for the new lease from 2022). All costs quoted within the report will attract Vat in accordance with HMRC guidance. The typical physical value of a traditional timber beach hut, when new, is around £2000 / £3000 (maximum). In valuation terms any sum commanded by any beach hut upon disposal above this amount is generated as a result of the location of the beach hut. i.e. the land upon which the beach huts stands. This is land under the ownership of the Council. Accordingly, from a commercial perspective it is considered reasonable that the Council as Freeholder of the land share in this sum (which will ultimately be dictated by the open market). This is a shift in position, but this is considered entirely consistent with sound Property and Estate Management practice.

QUESTION FOUR

From Mr Farrell and Mr Gibbons to the Chair of the Economic Committee, Councillor Cooper

Has the council considered other models, one of which could be the beach huts on Marine Drive West in Bognor that are run by a commercial company? They have a system that offers people the opportunity to buy blocks of 'lease years' at £600 per lease year with a minimum of 14 years. This gives additional income to the site owner and as much security as an owner wants. Bear in mind that this is a commercial company and so we'd have thought it might be worth looking at. Is this something the Council will consider?

Response

Thank you for your question. The example referred to above in Bognor Regis is known to the Council and covers a relatively small number of beach huts. The Council presently has 242 beach huts across the district to manage and we are looking to increase this number very shortly. The delivery model described would result in a significant amount of additional administration costs, which would need to be passed on to customers, and was therefore discounted.