

Subject: Gorleston Beach Huts  
Report to: Executive Leadership Team – 16<sup>th</sup> July 2018  
Policy and Resources – 31<sup>st</sup> July 2018  
Report by: Head of Property and Asset Management

**SUBJECT MATTER AND RECOMMENDATIONS:**

Approval of Beach Hut Development at Gorleston and the Marketing and Sale Process.

That Policy and Resources Committee approve:

- Provision of a permanent on-site amenity block solely for the use of Beach Hut owners.
- Allocation of additional Capital budget of £130k to cover the provision of the amenity block and additional costs associated with the provision of the Beach Hut structures.
- That the 70 Beach Huts be marketed for sale together with the grant of a 25 year lease for a plot subject to payment of a Ground Rent, to be released in phases with plots identified for sale through an independent Estate Agent with an annual Ground Rent of £750 plus VAT, subject to inflationary increases.
- Authority be delegated to the Director and Finance and Head of Property and Asset Management to approve plot sales.

## 1. INTRODUCTION

- 1.1 In November 2017 Council approved commencement of a Planning Application to install 70 Beach Huts on Gorleston Lower Promenade. The application was submitted and permission was granted on 25<sup>th</sup> May 2018.
- 1.2 Works have been ongoing during this time to confirm the budget requirement and develop the detail around advertising, purchase, lease and installation.
- 1.3 The report of November 2017 suggested three options for consideration from a 2x2m Beach Hut through to a 3x3m Beach Hut which would incorporate an external veranda. The Committee concluded the option to include the veranda be worked up to a full scheme using the initial proposals for sale and lease costs, the information below is as was presented to Committee in November 2017:



- (1) This style and size of beach hut could offer an enhanced opportunity for Gorleston. Although the same width it would give purchases a small outside space for their individual use. This size would enable a total of 70 beach huts to be developed in the first phase.

## **2 CURRENT POSITION**

- 2.1 Property and Asset Management team have been registering interest in relation to the purchase of the Beach Huts arising from the press coverage of the previous report.
- 2.2 Interest has been high in relation to the purchase of these facilities even though no formal advertisement of the scheme has been made.
- 2.3 The original proposal included a temporary amenity block however after further investigation it has been identified and agreed through the planning process that this is a permanent amenity facility for the benefit of the Beach Huts only.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 The original Business Case identified a requirement for a Capital budget of £140k to provide and install a total of 70 Beach Huts with the provision of a porta cabin facility for the amenity block being delivered annually through a revenue cost.
- 3.2 Detailed costs in relation to the provision of the individual Beach Huts has increased from original estimates from £1,900 to £2,500 per unit.
- 3.2 In undertaking investigations costs are now clearer in relation to the overall development and are detailed below for information:

Description	Individual cost	Cost for 70 Units
<b>Amenity Block</b>		
Substructure	3,932.50	
Internal finishes	2,674.32	
Fittings, furnishings and equipment	5,000.00	
Installation of services including; power, drainage and water (estimated as final utilities costs awaited)	66,037.50	
Total cost of amenity block		77,644.32

	Individual cost	Cost for 70 Units
<b>Beach Huts</b>		
Complete buildings *	2,500	175,000
Fees – capital recharge		17,000
<b>Overall Capital Cost</b>		<b>269,644.32</b>

\*Originally estimated cost per building £1,900

3.3 The overall capital cost of the works to provide the buildings has increased but will be subject to further clarification following the formal tender process. The amenity block was not originally included within capital estimates however the option to provide a permanent facility would reduce annual water and sewerage costs and enable the facility to be accessible for disabled use.

3.3 Ongoing revenue costs in relation to the development are now limited to the following:

Description – costs per annum	Cost
Utilities costs – power, water, sewerage	3,000
Beach Hut Warden service, cleaning, repairs and maintenance service to be delivered jointly through Property and Asset Management and the Joint Venture services	20,000
<b>Total</b>	<b>23,000</b>

3.4 The overall budgetary impact of the development would be as follows:

	<b>Capital Expenditure</b>	£
Expenditure	Capital requirement to deliver scheme (excluding ongoing borrowing costs)	(269,644)
	Income will need to cover the capital costs of the project in addition to any ongoing borrowing costs, it is anticipated that this can be achieved with the purchase price being subject to independent valuation	
	<b>Revenue Income and Expenditure</b>	
Income	Annual ground rent income based on £750 plus VAT per unit	(52,500)
Expenditure	Annual costs	23,000
	<b>Revenue Surplus per annum</b>	<b>£29,500</b>

3.5 Annual income is estimated on 70 occupied units for which a 25 year ground rent will be payable with annual increases identified through the lease agreement based on a standard RPI+ percentage.

3.6 Section 34.8 of the Constitution identifies that assets should be sold in a manner to obtain best value for the organization, and independent valuation is to be undertaken in line with this.

3.7 Tenders will be sought for the appointment of an independent Estate Agent to value and market the Beach Huts, costs for this are estimated at £12,000.

#### 4. RISK IMPLICATIONS

4.1 As has been mentioned previously Property and Asset Management have been gathering expressions of interest since the Committee decision to progress. Interest has been significant with numbers now exceeding supply in the first phase however it should be noted that this is with costs unknown by the interested parties.

4.2 Legal advice indicates that formal advertisement needs to be undertaken to ensure fair and transparent access to purchase the Beach Huts. Formal advertisement will therefore need to follow Committee approval of the development to include the cost, method of purchase, terms and conditions.

- 4.3 It is suggested that all customers who have to date expressed an interest be notified that a formal advertisement will be placed in the press detailing the application process.
- 4.5 Purchase and lease agreements are currently being drawn up by NPLaw and will be available at the time of advertisement to ensure all purchases are clear on the offer and aware of their responsibilities on purchase.
- 4.6 Beach Hut insurance will be mandatory as part of the purchase of the unit.
- 4.7 Should interest in the Beach Huts not reach expected levels a further report will be brought back to Members for consideration.

## **5. CONCLUSIONS**

- 5.1 Development of the first phase of the Gorleston Beach Huts to total 70 units and a permanent amenity block solely for use by purchasers.
- 5.2 Individual units offered for sale in phases of 20 through an independent Estate Agent. A 25 year lease will be issued subject to an annual ground rent of £750 plus VAT and subject to inflationary increases as detailed in the lease agreement.
- 5.3 Sales to be approved by the Director of Finance and the Head of Property and Asset Management, release of the plots will commence with the southernmost end of the development moving north.
- 5.4 The lease agreement will cover all terms and conditions of purchase including the requirements in relation to any onward sale and the annual increase in relation to the ground rent charges.
- 5.5 It should be noted that Business Rates is chargeable on individual Beach Huts although Small Business Rate Relief would be applicable depending on circumstances.

## 6. RECOMMENDATIONS

That Policy and Resources Committee approve recommendations as details on page 1 of this report.

Area for consideration	Comment
Monitoring Officer Consultation:	Incorporated into report
Section 151 Officer Consultation:	Incorporated into report
Existing Council Policies:	Yes
Financial Implications:	Yes
Legal Implications (including human rights):	Yes
Risk Implications:	Yes
Equality Issues/EQIA assessment:	None
Crime & Disorder:	Yes
Every Child Matters:	None