

BOROUGH OF POOLE

CABINET

14 JULY 2015

**PROVISION OF NEW BEACH HUTS: REPORT OF THE HEAD OF
CULTURE AND COMMUNITY LEARNING SERVICES**

1 PURPOSE

- 1.1 To seek support for proposals to provide up to 178 new additional beach huts and refurbish a further 131 huts, to meet high demand from local residents and generate additional income.

2 RECOMMENDATIONS

Cabinet recommend that Council:

- 2.1 Approve capital expenditure of up to £3.620m for Phase 2 of the Beach Hut project and an additional estimated £174k to fund one off shortfalls in annual beach hut rental income during construction. Project scale, construction, phasing and final costs are subject to ground & building surveys, planning permission and procurement. The project is designed to make a positive contribution to the Councils MTFP.
- 2.2 Delegates to the Chief Financial Officer (CFO) the ability to utilise the Council's Capital Fund, reserves, balances, S106 monies for public realm enhancements and grant beach hut leases of 7 years or more, if required, to fund the project.
- 2.3 Delegates to the Head of Culture & Community Learning (C&CL) and CFO the final progression of individual schemes within the programme and the final funding mix.
- 2.4 Note that an allowance for additional maintenance costs has been made, however significant pressure remains on the overall seafront maintenance budget, which supports a substantial commercial property portfolio.
- 2.5 Note that public consultation would be undertaken as part of the planning process. The scheme reflects the emerging findings of the 'Sustaining Poole's Seafront' document and accords with the general principles of the recent working group.
- 2.6 Note that Officers continue to explore further commercial opportunities as part of ongoing work to improve seafront facilities and revenues.

3 BACKGROUND

- 3.1 There are 1340 people waiting for up to 20 yrs for a hut. New huts will help to meet some of that demand and present an opportunity to enhance localised

sites along popular areas of the shore line.

- 3.2 Research conducted in the development of ‘Sustaining Poole’s Seafront’ (see 7.1) indicates that there is a broad level of public support for more beach huts and there are no viable alternative uses for the sites identified.
- 3.3 In 2014, the Council decided to develop new additional huts and by July 2015, a total of 70 new additional huts will have been constructed at sites between Sandbanks and Branksome Dene.

4 INFORMATION

4.1 New Beach Hut Proposals

- 4.1.1 The proposal is to build up to 178 new additional beach huts at some or all of the following locations, depending on the outcome of feasibility work:

Beach	Location	Huts	Details
Sandbanks	West of Beach Office	6	Addition of first floor to existing block.
Flaghead	Chine - in front of toilets	12	New huts on vacant land with public realm enhancement.
Canford Cliffs	West - promenade	107	Addition of first floor to existing blocks. New café + toilets in pavilion.
	East - promenade	45	Addition of first floor to existing blocks.
Branksome	West - promenade	4	Extend current block.
Branksome Dene	West - promenade	4	New huts on vacant land with public realm enhancement.

- 4.1.2 The new beach huts would, in most cases, be created by adding a first floor to existing huts. It will therefore be necessary to refurbish and enhance around 131 existing ground floor huts as part this project.
- 4.1.3 To improve facilities for all people visiting the seafront and help meet anticipated planning conditions, funding is being allocated to make public realm and facility enhancements at Flaghead and Canford Cliffs.

4.2 Timeframe

- 4.2.1 It is intended that construction work at all sites could be completed by July 2017, using a phased approach and that pre-application advice would be sought in relation to design.
- 4.2.3 Contractor appointment would not be completed until planning and formal approvals are agreed. Disruption would be minimised by building huts out of the main beach season.

4.3 Existing Tenants

- 4.3.1 A communications strategy would be developed to provide information and

options for existing tenants and arrangements for those affected by the scheme would be developed in consultation with the Poole Beach Hut Association.

5 FINANCIAL IMPLICATIONS

5.1 The table below outlines the estimated costs and incomes. The total capital cost is estimated at £3.620m made up of new 178 huts (£2.431m), 131 refurbished huts (£0.675m), Public Realm Enhancements (£0.148m i.e. £0.135m + £0.013m) and Project Contingency & Fees (£0.366m). Please note that construction costs have still to be finalised following surveys and tendering.

Description	Project Funded by S106 & Capital Fund
Number of Huts - New Builds	178
Number of Huts - Refurbishments	131
Assume average cost per new build	£13,000
Assume average cost per refurbished hut	£4,500
CAPITAL	
Refurbishment and Demolition of Old Huts	£674,500
New Huts	£2,431,000
Public Realm Enhancement	£135,000
Contingency	£274,050
Feasibility costs	£55,000
Property Management Fee	£50,000
Total Capital Cost	£3,619,550
Funding Identified	
S106 Money (inc. 10% contingency)	£(148,500)
Net Capital Cost – Capital Fund	£3,471,050
REVENUE IMPLICATIONS (NON-recurring)	
Lost Income during construction phase	£174,239
COMBINED COST	
Capital + Lost Income during construction	£3,793,789
REVENUE IMPLICATIONS (recurring)	
Additional Income	£(272,273)
Additional Maintenance	£57,000
Insurance (£50/hut)	£9,000
Total Additional Net revenue	£(206,273)
Return on Capital Employed	
Net annual return – capital spend only	5.70%
Net annual return – capital spend + Lost income during construction	5.44%

5.2 The funding requested for one-off revenue costs of £174,239 reflects lost

revenue during the construction and refurbishment of the huts (9 months for Canford Cliffs sites and 6 months for all other sites).

5.3 It is proposed that the scheme is funded by the Borough's Capital Fund and S106 monies but the option remains to use other reserves, balances and potentially grant beach hut leases of 7 years or more, if appropriate, to raise funds.

5.4 After the costs have been established for the individual schemes within the programme, the CFO and Head of C&CL will be able to evaluate the financial impact more accurately and decide the funding mechanism. Whilst it is clear that granting leases will reduce annual income, it is sensible to remain flexible should other capital schemes come forward requiring the Council's limited resources.

5.5 The scheme is forecast to generate an annual return on capital of between 5.4% and 5.7% depending on whether the lost income during construction is included in the project cost, for example:

5.7%: £206,273 / £3,619,555

5.4%: £206,273 / £3,793,789

5.6 The building of the 178 new huts is forecast to generate an additional £272,273 of Annual Rental Income each year. This is based on the number of new huts at each site and the site specific rentals that apply there. The net revenue saving is the region of £206,273 (rental income less recurring revenue costs).

5.7 An allowance for additional maintenance costs of £57,000 has been made, however significant pressure remains on the overall seafront maintenance budget which supports a substantial commercial property portfolio.

6 LEGAL IMPLICATIONS

6.1 It is proposed that the new huts will be issued using the existing system of annual licences. If, however, leases of 7 yrs or more are used as a disposal/finance method on open space, the Council would be required to advertise a disposal notice, which could be combined for some or all sites. Given the scale of the project there may be a high level of public interest, comment and/or objection.

6.2 There are no legal covenants restricting the proposed works.

7 POLICY IMPLICATIONS

7.1 The Council is in the process of developing a Supplementary Planning Document (SPD) titled "Sustaining Poole's Seafront" to set out a 25 year vision for the development of Poole's beaches. The aim is to:

1. Conserve the beautiful natural environment
2. Improve the range of facilities to encourage visitors all year round
3. Invest in the ageing infrastructure such as drainage and toilets, to ensure the preservation of core services

7.2 The C&CL Business Plan 2015/16, includes an objective to construct new

additional beach huts. The addition of new huts will generate more income from the seafront and provide long term, high quality and desirable recreational assets.

7.3 The Head of C&CL will work with the Head of Legal and the Portfolio Holder/s to develop a view regarding the provision of long term leases.

8 RISK MANAGEMENT

Summary of key strategic risks and responses is provided below:

	Strategic Risk Identified	Action Taken/Proposed	Residual Risk
1	“Sustaining Poole’s Seafront” identifies alternative use for the sites.	The proposals reflect the emerging findings and accord with the general principles of the SPS working group. Alternative uses for the sites have been explored by Project Board, no alternative viable options found.	Low
2	Planning Permission is delayed or refused.	Proposals to be developed following pre-application advice.	Medium
3	Project costs higher than expected.	Current scheme has enabled more accurate cost projection.	Low
4	Addition of first floor to some existing huts is not possible due to building and/or ground conditions.	Extensive surveys to be conducted. Potential variations in ground conditions expected. The highest risk area is Canford Cliffs due to scale proposed.	Medium/High
5	Loss of economies of scale if Individual schemes are progressed at different times.	Smaller schemes likely to be more expensive (per hut) due to size and location. Cost effectiveness to be assessed through procurement.	Low
6	Construction delayed or disruption prolonged.	Realistic project time frame proposed, disruption minimised by building huts out of the main beach season.	Low
7	Organisational capacity to deliver project and additional burden of administering new licenses and payments.	Realistic project time frame proposed. Some additional support may be required depending on the number of huts added.	Low
8	Environmental impact	The proposals would add to existing developed areas. Impact assessments would be undertaken during planning process.	Low

9 CONCLUSION

Members are asked to support the recommendations in 2.0 for the following reasons:

- **Finance** – the analysis confirms that the proposals will generate a revenue surplus for the Council and enhance Poole’s asset base with long term, high quality and desirable recreational assets.

- **Risk** – key strategic risks are largely low level and mitigated by careful research, planning and due process. Unfavourable ground conditions present the highest risk to the final scale of the project.
- **Commercial viability** – There is a high demand for Poole’s beach huts with a long waiting list.
- **Strategic viability** – The provision of huts support the commitments made following the recent Beach Hut Review and research conducted in the development of “Sustaining Poole’s Seafront” has shown that there are no other viable alternative uses for the sites identified.
- **Corporate viability** – By making additional beach huts available the Council is widening access and enjoyment of Poole’s seafront.

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