



Financial Background

Since 2010, the government has reduced funding for local government in England as part of its plan to reduce the financial deficit.

Suffolk Coastal District Council operates within a challenging financial environment. It has an annual budget of about £12million. Around £7million comes from Council Tax.

Grant income from the Government has dropped from £7.4million in 2010/11 to £2.2million in 2015/16. By 2020 the central Government grant support is predicted to be zero.

The District's economy is very strong. So, in recent years, the Council has benefited from what is called 'incentivised income', through Business Rate Retention and New Homes Bonus, but these income streams are quite unpredictable and influenced by wider economic factors and government policies.

Suffolk Coastal has successfully managed to maintain its frontline services and continues to make significant investments in its communities.

Working with Waveney District Council, the two Councils have been leading the way nationally and in Suffolk by entering into a shared services arrangement. Together, the Councils delivered a combined saving of over £16m by 2015/16 by becoming more efficient, reducing staffing and operational costs.

In addition, the Council has made significant Capital investments in the District, notably over £16m in Felixstowe since 2011, with further investment plans of up to £19m by 2020.

However, despite the efficiencies already achieved, more needs to be done to address the remaining budget deficit of £3.4m in 2017/18 and £4.8m by 2019/20 if no actions were taken.

One of the ways the Council makes up the difference is by charging for certain services, such as the provision of beach hut sites.

Suffolk Coastal has put in place a strong Business Plan, which provides the Council with a long term framework to reduce its dependency on central Government grants and help it become financially self sufficient. One of the key components of its financial self sufficiency objective is for the Council to increase the income it generates. Fees and charges are a significant source of income and crucial to maintaining the extent and quality of the key services it provides.

The Council provides a wide range of services to its communities, often for a fee or charge. The nature of these fees and charges generally depends on whether they relate to statutory or discretionary services. Some of these, such as those for statutory fees, are set by Government statute and outside the Council's control.

The Council's policy for its non statutory services is to review Fees and Charges each year and the current policy on fees and charges states:

“Increase existing fees and charges on a market forces basis whilst having regard to the Council’s policies and objectives. As a minimum, fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate”.

The recently launched East Suffolk Business plan sets financial self sufficiency as a strategic aim and this contains a specific action to “Increase the number of beach huts provided in the District by at least 10%.”

In complying with the Council’s approved Business Plan and Medium Term Financial Strategy, and as part of its overall financial planning process, a comprehensive review of the beach hut service has been undertaken to fully understand how the portfolio operates, to identify any service efficiencies and to consider further income generation opportunities and ensure value for money for the taxpayer.

Beach Hut Service Review

To view the full publicly available part of the review report, please see our website <http://apps.eastsuffolk.gov.uk/committeeminutes/> and click on 06/12/2016 Cabinet.

The key recommendations were to:

- Develop additional beach huts in existing and new locations;
- Convert all current and new site licences onto longer-term leases (from annual licences); and,
- Introducing some new sites and converting some existing beach hut sites to a ‘try before you buy’ basis.

Key Points from Suffolk Coastal’s Beach Hut Service Review

- The Council currently license plots of land to beach hut owners and permits the siting of beach huts on these sites. The rent charged relates specifically to the sites, not the beach huts, and it is not directly related to the market value of the land asset because application of a market rent review has not been applied to reflect the land value of the sites. The standard licensing arrangement, and the management processes that support it, have been in place since the decision was made to license beach huts to beach hut owners on an annual basis. The beach hut review recommends that this process should be revised
- The review proposes to revise the way existing beach huts are managed by offering current beach hut licence holders a 10-year commitment for the site on which they currently reside, through a lease.
- The review undertakes a thorough market analysis exercise and concludes that the current annual license fees do not represent the market value of the land asset. This is due to sporadic increases and periods of low, or no, inflation. The review compares other Councils’ service and pricing models and although the strategy within many of these models varies; i.e. some look to provide leases for the land and hut whereas others provide shorter leases with no option to transfer the asset, overall, it concludes that the comparable rates for the

Suffolk Coastal area should be increased significantly alongside the current licencing arrangements.

- The report proposes that the rent will be subject to annual 10% rental increases for the first eight years of the term and then increase by RPI in the last 2 years of the term.
- Example: Brackenbury Cliffs (Standard) @ £350 rental (2016) with 10% per year uplift
 - 2017 - £385
 - 2018 - £423
 - 2019 - £465
 - 2020 - £512
 - 2021 - £563
 - 2022 - £619
 - 2023 - £681
 - 2024 - £750

On average, this equates to an average increase of £40 in Year 1. This rental figure includes annual ground maintenance fees

- Beach hut owners that licence sites in Manor End currently pay the lowest site fees in Felixstowe. The Suffolk Coastal beach hut review identified that this area of Felixstowe has seen major local redevelopment in the past five years and therefore proposes to increase charges by 20% in the first year, to reflect the new surroundings and increased desirability (20% rent increase in year 1, then 10% increases for 7 years before 2 years of inflation by RPI).
- Existing beach hut owners are being offered a 10-year commitment from Suffolk Coastal. Those that choose not to sign up to this would be asked to remove their hut from the site it currently resides before their licence terminates.
- The review has proposed there is an initial lease premium (minimum of £7k) for new sites, but this will not be applied to any agreement granted to existing beach hut licence holders for the duration of the proposed 10-year commitment. The lease premium will be applied should the Council choose to renew any lease at the end of the 10-year commitment period.
- The report recommended that if existing beach hut owners sell their beach hut during the period of the initial lease term, the new owner will not pay the £7,000 lease premium until the start of the term following the remainder of the 10 year commitment term transferred from the original owner.
- The review of existing arrangements has highlighted a number of improvement opportunities. For example the average beach hut in Felixstowe is currently sold for anywhere between £10-21k, when this sale takes place Suffolk Coastal only charges a £32.64 admin fee to terminate the former beach hut owner's licence, and grant a new one to the new beach hut owner. In line with the recommendations of the report, this would look to change to an assignment fee that equals three times the annual rent.