

Oddicombe Beach Chalets

Extract from Council minutes

Proposed by Councillor Pountney/seconded by Councillor Darling and carried.

(iii) that the Executive Director of Operations and Finance be given delegated authority, in consultation with the Group Leaders and following receipt of a satisfactory full business plan to approve prudential borrowing of up to £193,000 for works to reinstate and enhance Beach Chalets at Oddicombe Beach. The Council believes that the Insurance Claim receipts should be treated as compensation for the loss of income of the former beach huts and must therefore be used to partially offset such losses. The business case, therefore, must show a satisfactory return to Torbay taxpayers based on the full investment cost of the project.

Further amendment proposed by Councillor Pountney/seconded by Councillor Darling and carried.

(iv) that the Executive Director of Operations and Finance, in consultation with Group Leaders, be given delegated authority to determine a satisfactory funding solution for the additional borrowing requirement of £0.6 million for works on the Meadfoot Beach Chalets. The Council does not accept that an extension of the prudential payback period to 35 years is prudent or that the Resort Service revenue budget should show a deficit and requests that the Director of Operations and Finance determines that any resulting funding shortfall should be met from savings from other capital projects or from any unallocated budgets or from receipts from future assets sales or any other financial method he feels viable.

Oddicombe Beach Chalet Rebuild Business Case

Project Goal

To rebuild the Council owned rooftop beach chalets destroyed in the arson incident in the late summer of 2014 at Oddicombe beach, thereby maintaining a revenue income stream, avoiding reputational damage and sustaining the amenity of an area that is valued by our residents and by our visitors.

Background of Oddicombe Beach

Oddicombe beach is located at the northern end of the Torbay coastline below the cliffs at Babbacombe and St Marychurch. The beach is tidal and made up of pebbles and shingle. It has views across Babbacombe Bay and can be accessed on foot or by the Babbacombe Cliff Railway. Oddicombe has held a Blue Flag, awarded for over twenty separate criteria including land amenities, since its inception.

There are 18 roof chalets complete with balconies, located on top of the main stand-alone building. On the ground floor of this building, there are several business units occupied under lease by a number of different tenants. The main use of the ground floor is that of a beach cafe.

On the promenade level, away from the main building, there is a Beach Manager's office, commercial storage, a gift shop, public toilets, a Sailing Club and a number of timber seasonal beach huts. The Beach Manager's office is used during the summer period for the provision of beach management and supervision of the site, including the beach huts and chalets. The site also benefits from other amenities such as hire of watercraft and a visitor centre run by volunteers from the Babbacombe Cliff Railway.

Normally there are a total of 35 beach huts/chalets with the chalets being available for use all-year round. In the summer months there are 17 timber-built beach huts at ground level as well as the 18 concrete and timber roofed first floor beach chalets. The 17 timber-built beach huts on the promenade level are relatively new, having been replaced in 2005. In 2014, all 17 were occupied by seasonal tenants with none vacant, no bad debt and maximum income obtained. All 18 of the beach chalets were also occupied prior to the fire in 2014 although a number of these were on short lets due to their poor condition.

The Aim

In August 2014, the roof chalets located on top of the main stand-alone building were deliberately set on fire by persons unknown. This resulted in 10 out of the 18 chalets being destroyed with the remaining chalets badly damaged by heat and smoke.

The aim of the project is to demolish the remaining fire damaged chalets and clear the site to allow for the erection of a row of 18 replacement chalets. Each chalet will be approximately 8' x 10' with a single entrance doorway to the rear and a double opening and double-glazed door at the front leading onto a balcony. Inside each unit there will be a work surface with an under surface storage cupboard. The chalets are intended for use throughout the year with each one having a metered electricity supply and internal lighting. They are designed in such a way that the ongoing maintenance will be very low. This specification is similar to the chalets that have been designed and procured for the Meadfoot and Broomsands projects, which have been previously approved by the Council.

Other Considerations

Adjacent Tenants

The fire also damaged the waterproof membrane that protects the business premises situated on the ground floor. Soon after the fire, these units started to suffer from water ingress following periods of rain. Several units are located on the ground floor, below the chalets, and a number of different tenants occupy these but the main use is that of a beach cafe.

The cafe suffered severe storm damage in February 2014 and the tenants could not continue with their business as they were unable to secure any contents insurance, this being their second large insurance claim in recent years. At the time of the fire, the Executive Head of Tor Bay Harbour Authority was trying to secure the transition to a new viable tenant who was clearly nervous about the scale of his investment and the future amenity value of the site. It was important for the existing tenants and the new cafe operators that the Council (in whatever form) made an early decision to reinstate the chalets. Local councillors, beach users and other stakeholders would inevitably have been critical if no action had been taken.

By encouraging chalet usage throughout the year the scheme will provide an improvement to the overall amenity value of the Oddicombe site. For example, the new chalets should provide confidence to the new tenant of the beach café, encouraging him to invest further and to expand his business operation into the shoulder months or even a winter operation. In addition, the cafe may extend their opening hours into the evenings, which might allow them to reach out to a new client base wishing to experience a unique location to dine.

Pre-existing Condition of Chalets

The 18 beach chalets were the subject of a condition survey on the 29th November 2010 and this is attached as Appendix 1. At the time of the survey, they were already an ageing asset and the condition report identified the need for urgent and extensive remedial work, with some chalets becoming beyond economical repair. The survey highlighted the problems caused by a year on year reduction in the budget allocated to revenue maintenance budget. Consequently, many of the chalets had been showing signs of failure over the last 5 years. In particular, the external walls, windows and doors, as well as the electricity supply, were shown to be in a poor condition, exhibiting major defects and not operating as intended. Since the condition survey in 2010, the old chalets developed a problem with water ingress through the roof structure, which meant that extensive work was needed to the ceilings. The facility continued to suffer from the double opening glazed doors not allowing easy access to the balconies, with some being unable to be secured at night. All of these maintenance factors contributed to poor and/or inconsistent levels of occupancy. It is likely that the Council would have had to replace these huts within a short period in any event. Also, local councillors, beach users and other stakeholders would inevitably have been a very vocal force in asking for the old chalets to be rebuilt, with or without the fire.

Geological Surveys

These are undertaken at Oddicombe as part of the cyclical inspections and maintenance regime. The cliffs to the rear of the chalets have been subject to stabilisation work and were not considered to be a risk over the life of the new chalets. Currently there are no outstanding concerns with any of the cliffs in this area that might directly affect the rebuilt chalets.

Insurance

Detailed below are the costs, which the Loss Adjuster has confirmed are up for consideration as part of the overall claim to reinstate proportionately the chalets that were destroyed by the fire. The building was insured for reinstatement and for loss of income. Therefore, the reinstatement element of the overall insurance settlement can legitimately be counted as a contribution towards the project as a whole. The lost income settlement will be credited to the in year revenue budget.

Amount	Reason
£59,550	Insurer's liability towards the cost of reinstatement of the chalets, (to include an allowance for repairs to the deck area) less the £1000 policy excess (which will be centrally funded)
£5,410.49	Proportionate amount for debris clearance and making the area safe – to be agreed
£185.47	Initial electrical testing
£192.25	Engineer's Structural survey
£300	Asbestos survey report
To be agreed	Contribution towards asbestos removal
£4,140 (to be agreed)	Loss of winter rental income for the 2014/15 winter season
£2,864 (to be agreed)	Loss of summer rental income for the 2014/15 summer season

The issue of Professional Fees (where not already included in the costs submission) are also being considered to see if any qualify as part of the insurance recovery.

A meeting will be convened with the Loss adjuster to finalise the claim but in the meanwhile, the above costs are a reasonable indication of the likely costs to be recovered from Insurers for this Council owned property.

Impacts

Positive Impacts

- The proposal would result in an improvement of the local area.
- The chalet waiting lists will be regenerated by improving the quality of units available for rent.
- Better all year round use because the chalets will have upgraded interiors and will only be available to rent on an annual basis.
- Increased out of season use should result in reduced antisocial activity.
- New and modern facilities will increase visitor numbers to the area, which in turn will allow investment by local businesses, perhaps the expansion of the water-based activities to enhance the overall ambience of the area.
- Maintain and potentially increase revenue to the Council – ability to charge more for a better facility and to re-charge consumed electricity using card meters.
- Savings can be made on existing and planned maintenance for a number of years.
- Develop increased winter footfall spreading wider economic activity over the shoulder months and increase the potential for further economic development in the area.

Negative Impacts

- Possibility of customer complaints due to higher prices.
- Complaints had previously been received from business operators at Babbacombe with regard to the lack of asset maintenance (painting) at Oddicombe, it was anticipated that there would be further complaints should the fire damage structure not be replaced.

Risks

Please see the Risk Register in Appendix 2.

Supporting Information

The beach hut provision by Resort Services is an important part of the service delivery, while the rental received contributes to a major part of the service budget. The main customers of the service are local residents and as such, the beach hut and chalet provision plays a significant part in increasing public satisfaction. The viability of seafront recreation, leisure activity and local businesses are all enhanced from the custom generated by the beach hut users. It is therefore important that Torbay Council continue to provide top quality facilities that meet the needs of our residents and visitors alike.

Oddicombe Beach has previously had a good waiting list for the beach chalets and a 100% occupancy rate. The rebuild will enable the Council to maintain or even increase the footfall as well as providing a further opportunity to improve the business potential for the café and other businesses on the beach.

Consultation

The following Groups have been consulted :-

Beach Hut Users Group (BHUGS)

The following question was asked at the BHUGS Committee Meeting :-

Would the users be interested in renting all year round ? The users gave a positive response to the prospect of all year round rental.

Existing Users

The existing chalet users were consulted and were positive in their response to rebuilding the units after the fire. Other stakeholders, including the operators of the Water-sports Business, Beach Shop, Sailing Club, Cliff Railway, Language School and the prospective tenant of the Beach Cafe were also consulted and provided a positive response to the proposed rebuilding of the chalets.

Political

Local ward Councillors and the elected Mayor were consulted and expressed their desire to see the chalets replaced.

Annual Survey

Questions that were previously asked in the Resort Services Annual Users Survey include the following :-

Would you be interested in renting all year round ?

Would you be prepared to pay more for an improved chalet with some facilities ?

There was a positive response to both these questions from the returned surveys.

Reason for Decision/Timescale

- The original chalets including the fire-damaged section were all reaching the end of their useful life.
- There was a considerable amount of repair work required under planned maintenance - approximately £59,500 identified in 2010.
- The previous level of income was not sustainable as the chalets could not be maintained without a budget and it would therefore have been necessary to take some out of use as they become unsafe or un-rentable.
- There would have been a significant rise in public dissatisfaction as the Oddicombe Beach area would begin to look and feel neglected.
- The loss of footfall as a result of taking units out of use would have a negative impact on local business.

Proposed Options

Three options were considered :-

Option 1

To demolish the existing wooden framed and concrete structures to allow for the erection of a new structure consisting of 18 rentable chalets. These new modern chalets would vastly improve the customer satisfaction levels for the overall area. Furthermore, this option would allow for an increased use of the facility during the shoulder season therefore improving the local economic climate.

Option 2

Demolish all the destroyed chalets, clear that part of the site and make it safe. Make good the remaining chalets and try to rent them. Repair the water proofing membrane that protects the ground floor business units as this reinstatement is part of the landlord's responsibility. Ongoing maintenance would continue to be an issue, which would provide a budget pressure. The Council will still face the requirement to demolish the remaining chalets within the next few years. It was likely that the structural defects and overall appearance of the asset would restrict the ability to obtain a realistic market rent for the units. Chalet users would be unwilling to pay the rental fee for a substandard structure with no facilities. This option would see an increase in customer dissatisfaction and criticism of the Council.

Option 3

Demolish all the chalets, clear the site and make it safe. This would see the level above the main building (cafe) unused. Sizeable costs would be incurred just to clear the area and to make good. It would be necessary to remove or stabilise the asbestos present in the structure and to ensure that rainwater could not penetrate into the commercial units occupied below. This option would see considerable public opposition, due to the reduced amenity of the site, poor customer care and the removal of a facility. Local businesses, not just those on the beach, would consider that the reduced amenity also affected the footfall for the whole area. There would be reduced income to the Council from the overall site. We would receive complaints from the business users and stakeholders on site. Tenants would probably request a reduction in rent as a result of the lower footfall caused by the Council's inaction.

Risks

See Appendix 2.

Financial Statement

See Appendix 3.

- Total construction and demolition costs: £191,359
- Total borrowing amount: £131,809
- Repayment costs: £9,017 per year for 25 years
- Minimum insurance claim contributions towards total costs: £59,550
- Total gross annual income: £ 19,800
- Net income shows growth from year three (3) onwards
- Assumed 2% bad debt/void – previous years/pre-fire = under 1%

- £10k for new stairs removed from the updated cost schedule - assumes Building Regs acceptance (if not the associated borrowing costs will add £700 annually to the bottom line)
- In house Engineers fees have been taken to Revenue budget
- Assumption of a 3% price increase year on year has been taken out
- The forecast of gradual decommissioning of the pre-fire units has been built back in

**** Note**

This Business Case format follows the template used for the Meadfoot Chalet Project, which was approved by the Council.

Appendix 1	Condition Survey - 29 th November 2010
Appendix 2	Risk Register
Appendix 3	Financial Statement
Appendix 4	SWOT Analysis

Appendix 4

SWOT ANALYSIS – Oddicombe Beach Chalets Rebuild

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none">• Political support• Stakeholder support• Funding available• Some insurance pay out• Known market experience• Staff resources are experienced• Beach chalets are presently very popular• Existing customer base	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none">• Project is likely to be more costly due to new building regulations• The rebuild cost will not be entirely covered by the building insurance claim – the chalets were probably under-insured• May have a modest economic impact on the Council as no immediate income is possible• Staff resources are already stretched
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none">• Project may improve the local economy• It will improve the overall image of Oddicombe Beach as a location• The project will boost the Council's public image and reputation• An increased waiting list should encourage further development• An inevitable replacement of the chalets but part funded by insurance settlement• It will eventually provide additional income to the revenue budget	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none">• Financial constraints may be a threat to the final build quality• Time delays due to adverse weather or delayed decision making• Cost of asbestos removal may be prohibitive• Lack of a decision could lead to the loss of an anchor tenant• Reduced demand due to an increase in chalet rental fees• Loss of key staff could delay completion