



CABINET – 7TH JUNE 2017

**SUBJECT: UNIT 21 LAWN INDUSTRIAL ESTATE, RHYMNEY – LEASE
RENEWAL TO THE FURNITURE REVIVAL, GC ENTERPRISES
(WALES) LTD**

REPORT BY: CORPORATE DIRECTOR COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To seek approval for the Council to enter into a new 10 year lease to GC Enterprises (Wales) Ltd (trading as The Furniture Revival) for Unit 21 Lawn Industrial Estate, which comprises 13,103 sq ft, at an annual rental of £1 per annum.

2. SUMMARY

- 2.1 GC Enterprises (Wales) Ltd trading as The Furniture Revival and predecessor organisations has been in occupation of Unit 21 Lawn Industrial Estate since May 2001 when a 10 year lease was granted and subsequently the company has held over on the existing agreement by virtue of the Landlord & Tenant Act 1954. The lease is on fully repairing and insuring terms at an annual rental of £1 per annum.
- 2.2 The Furniture Revival is a social enterprise which through minimising waste to landfill by reuse and recycling supports the community and alleviates poverty by providing access to household furniture, electrical items and household paint whilst providing a hub for volunteers and facilitating training to enhance employability and skills.
- 2.3 GC Enterprises (Wales) Ltd have identified the need for capital purchases and refurbishment works in order to continue operating at the site. They have successfully applied for financial assistance through the Council's Community Regeneration Fund (CRF) and £22,855.06 has been awarded in principle. The CRF funding criteria requires that any beneficiary in rented accommodation to have an unexpired lease of a minimum duration of 10 years. Therefore, GC Enterprises (Wales) Ltd has requested that the Council enter into a new 10 year lease agreement on the same terms and conditions as the expired lease.
- 2.4 The report sets out how the request for a new lease meets the requirements of the Council's Protocol for the Disposal of Property. The report also details the financial implications if the new lease is agreed and how the Council would comply with the EC regulations on State Aid.
- 2.5 Cabinet approval is being sought to enter into a new 10 year lease with GC Enterprises (Wales) Ltd trading as The Furniture Revival at less than the best price that could potentially otherwise be achieved in the interests of the economic, social or environmental well being of the whole or part of the County Borough. Entering into a 10 year lease will also satisfy the conditions associated with the in principle CRF funding award to GC Enterprises (Wales) Ltd.

3. LINKS TO STRATEGY

- 3.1 The provision of key employment sites has been a priority in the Council's regeneration strategy, the "Single Integrated Plan" and WG's regeneration framework "Vibrant and Viable Places".
- 3.2 GC Enterprises (Wales) Ltd trading as The Furniture Revival assists the Local Authority in its statutory duty under the EU Waste Framework Directive 2008 to manage waste through recycling. The Furniture Revival's recycling, employment, training and social activities contribute towards the aims of the Environment Act 2016, WG's "Towards Zero Waste Wales - One Wales : One Planet" policy, the Social Services and Wellbeing (Wales) Act 2014 and the priorities and aims within the Council's "Single Integrated Plan" and "Anti-Poverty Strategy".
- 3.3 The Council's industrial property portfolio and The Furniture Revival's activities based within a Council industrial unit promotes economic activity through provision of employment opportunities and contributes to the objectives for sustainable development as set out in the Well-Being of Future Generations (Wales) Act 2015 by engendering:-
- A prosperous Wales
 - A resilient Wales
 - A more equal Wales
 - A Wales of Cohesive Communities
 - A globally responsive Wales.

4. THE REPORT

- 4.1 Unit 21 Lawn Industrial Estate comprises 13,130 sq ft and has been occupied by GC Enterprises (Wales) Ltd, currently trading as The Furniture Revival, and predecessor organisations since May 2001.
- 4.2 The Furniture Revival originally began in 1999 as Groundwork Caerphilly's Community Furniture Enterprise project. Since its establishment the project has been governed by Groundwork, initially via the Groundwork Caerphilly Trust, more recently through the Groundwork Wales Trust, and in 2007 the project became a Company Limited by guarantee, operating as a non-profit distributing social enterprise. The Authority has a long-standing association with the project.
- 4.3 The Furniture Revival is a social enterprise which seeks to achieve environmental, social, financial, and community goals. Through minimising waste to landfill by reuse and recycling initiatives The Furniture Revival aims to alleviate poverty by providing access to household furniture, electrical items and household paint whilst supporting the community by providing a hub for volunteers and facilitating training to enhance employability and skills.
- 4.4 The Furniture Revival has seen steady growth in recent years and staff numbers have grown from five in 2011 to 14 full and part-time posts (FTE of 9) in 2017, the majority of whom live in the Upper Rhymney Valley, and aims to continue its growth plan for long term economic sustainability. The Furniture Revival undertakes several projects in partnership with the Council which include:-
- Furniture and electrical reuse.
 - Community repaint Caerphilly.
 - Office clearance / Home moves.
 - Community re-floor / Homelife.
 - The book revival.
 - Promotion of waste awareness and sustainability.

4.5 The positive impact of The Furniture Revival is demonstrated by its 2016 outputs:

- 202 tonnes of furniture, electrical items and paint diverted from landfill
- The cost to the Authority for the disposal of these items would have been nearly £20,000
- Social benefits include working with 76 volunteers who have provided nearly 4,000 hours of their time, 145 schools engaged with and 28 community groups supported.

4.6 In 2001 the Council leased Unit 21, Lawn Industrial Estate, Rhymney on a 10 year lease at a £1 per annum rental, with associated fully repairing and insuring terms. The original lease was granted in return for the project providing the Council with assistance in meeting recycling targets, assisting low income households and creating supported employment and training opportunities.

It was anticipated that the project would have been self funding at the end of 5 years. The original lease expired in 2011, but at that time there were concerns over the future of the project, as it had not achieved self-funding status and grant assistance that had previously been provided was being withdrawn.

Subsequently the project has continued to operate and remained in occupation of Unit 21 Lawn Industrial Estate by holding over on their original lease agreement by virtue of the Landlord & Tenant Act 1954.

4.7 Under the 1954 Act a business tenant has the right to a new lease on terms to be agreed and the market rent is estimated at circa £13,130-£19,695 per annum, based on £1-£1.50 per ft². This is lower than rentals achieved elsewhere on the estate, as Unit 21 is significantly larger and no other demand has been identified in the Upper Rhymney Valley area for Council owned business units of this size.

4.8 GC Enterprises (Wales) Ltd wish to continue their operations at Unit 21 but have identified the need for capital purchases and refurbishment works. They have successfully applied for financial assistance through the Council's Community Regeneration Fund (CRF) and £22,855.06 was awarded in principle in November 2016 and revised and re-confirmed in March 2017 to specifically exclude building maintenance related costs from the CRF award.

4.9 The CRF funding criteria requires that any beneficiary in rented accommodation to have an unexpired lease of a minimum duration of 10 years. In order to be able to benefit from the CRF funding, GC Enterprises (Wales) Ltd has requested that the Council enter into a new 10 year lease agreement on the same terms and conditions as the expired lease.

4.10 The Local Government Act 1972 : General Disposal Consent (Wales) 2003 allows the Council to enter into a disposal at an undervalue where it considers that the disposal is in the interests of the economic, social or environmental well-being of the whole or any part of its area, or any or all persons resident or present in its area and the undervalue is £2,000,000 or less.

4.11 Under the council's constitution, a lease of 10 years duration is a disposal and the Council's Protocol for Disposal of Property requires that:-

- Paragraph 8.1(vi) – "All disposals will be at the best price achievable. Any disposal at less than the best price available to be approved by Cabinet and, if appropriate, the National Assembly for Wales."

4.12 Given that this would be a 10-year lease at a potential maximum rental of £19,000, officers consider the capitalised value to be within those limits and that WG approval need not be sought. However, the Council should notify its external auditor within 28 days of taking the decision to do so.

- 4.13 Accordingly, Cabinet approval is being sought to enter into a new 10 year lease with GC Enterprises (Wales) Ltd trading as The Furniture Revival at less than the best price that could potentially otherwise be achieved in the interests of the economic, social or environmental well being of the whole or part of the County Borough. Entering into a 10 year lease will also satisfy the conditions associated with the in principle CRF funding award to GC Enterprises (Wales) Ltd.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 This proposal contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act and it is aimed at improving the environmental, social and economic well-being of the area.

- 5.2 The proposal aligns with the following well-being goals:-

- A prosperous Wales – providing local employment opportunities in the community that create prosperity for the local population.
- A resilient Wales – providing employment opportunities makes the area more resilient to external economic factors.
- A more equal Wales - ensuring that the disadvantaged people have access to good quality, affordable furniture and electrical goods.
- A Wales of Cohesive Communities – providing local employment opportunities stabilises and develops local communities and prevents outmigration as people seek work opportunities elsewhere.
- A globally responsive Wales - reducing the impact of climate change through recycling products thereby minimising disposal to landfill and the need for providing replacement raw materials.

6. EQUALITIES IMPLICATIONS

- 6.1 An EIA has been completed in accordance with the council's Strategic Equality Plan and supplementary guidance and no potential for unlawful discrimination and/or low level or minor negative impact has been identified, therefore a full EIA has not been carried out.

7. FINANCIAL IMPLICATIONS

- 7.1 Should Cabinet agree to enter into the proposed lease, the Council will lose potential income of circa £13,130-£19,695 per annum, for the duration of the lease. However, whilst there is considerable demand for small industrial units of 500-1,500 sq ft in the Upper Rhymney Valley, there is no demand for premises of the larger size of Unit 21 of 13,103 sq ft. Consequently, if Unit 21 is not occupied by GC Enterprises (Wales) Ltd there is potential for the premises to remain vacant for some considerable time, until an alternate tenant is secured.
- 7.2 If Unit 21 were to be vacated by GC Enterprises (Wales) Ltd, the Council would be liable for the property's National Non Domestic Rates, £12,255.50 for 2017/18, until an alternate tenancy is secured. It should also be noted that GC Enterprises (Wales) Ltd's activities also reduced landfill by 202 tonnes in 2016, which represents a cost saving of nearly £20,000 for the Council.
- 7.3 Should the Council provide GC Enterprises (Wales) Ltd with a new lease at a £1 per annum the advice of Legal Services is that this would be considered to be State Aid. However, as the amount of State Aid falls within the acceptable European Commission limit that will not distort competition it can be regarded as 'de minimis' aid. Therefore, if Cabinet approves the new 10

year lease for the unit, appropriate State Aid monitoring arrangements will be put in place to ensure compliance with the State Aid de minimis regulations.

8. PERSONNEL IMPLICATIONS

8.1 There are no personnel implications associated with this report.

9. CONSULTATIONS

9.1 The comments from consultees have been included in the report.

9.2 The three Ward Members for Moriah and Twyn Carno Wards, which are in the vicinity of the unit, were consulted in February 2017 and all are in favour of renewing the lease with GC Enterprises (Wales) Ltd on the terms proposed.

10. RECOMMENDATIONS

10.1 That Cabinet approves that the Council enter into a new 10-year lease, at a rental of £1 per annum and otherwise on the same terms, with GC Enterprises (Wales) Ltd trading as The Furniture Revival for Unit 21 Lawn Industrial Estate.

11. REASONS FOR THE RECOMMENDATIONS

11.1 In the interests of the economic, social or environmental well being of the whole or part of the County Borough to support The Furniture Revival, which through minimising waste to landfill by reuse and recycling, sustains the community and alleviates poverty by providing access to household furniture, electrical items and household paint whilst providing a hub for volunteers and facilitating training to enhance employability and skills.

11.2 To comply with the Council's Protocol for Disposal of Property.

12. STATUTORY POWER

12.1 General Disposal Consent (Wales) 2003. Local Government Acts 1972 and 2000. This is a Cabinet function.

Author:	David Whetter	Interim Head of Regeneration (whettdj@caerphilly.gov.uk)
Consultees:	Cllr Sean Morgan	Cabinet Member for Economy, Infrastructure and Sustainability
	Christina Harrhy	Corporate Director, Communities
	Colin Jones	Head of Performance and Property Services (consulted in February 2017)
	Mark Williams	Interim Head of Property
	Tim Broadhurst	Section Head Estates
	Mark S Williams	Head of Community & Leisure Services
	Stephen Harris	Interim Head of Corporate Finance
	David Roberts	Principal Group Accountant
	Russell Allen	Senior Legal Assistant
	Antony Bolter	Business Support & Funding Manager
	Alison Ward	Business Support & Funding Industrial Property Manager
	Interim Head of Regeneration Cllr. David Harse	Councillor for Moriah Ward
	Cllr. John Bevan	Councillor for Moriah Ward
	Cllr. Carl Cuss	Councillor for Twyn Carno Ward