



CABINET – 12TH DECEMBER 2018

**SUBJECT: UNIT 21 LAWN INDUSTRIAL ESTATE, RHYMNEY – LEASE
RENEWAL TO GROUNDWORK CAERHILLY T/A THE FURNITURE
REVIVAL**

REPORT BY: CORPORATE DIRECTOR COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To seek Cabinet approval for the Council to enter into a new 10 year lease with Groundwork Caerphilly (trading as The Furniture Revival) for Unit 21 Lawn Industrial Estate. The unit comprises 13,103 sq ft and attracts a peppercorn annual rental of £1 per annum.
- 1.2 The request set out in this report was originally considered and endorsed by Cabinet on 7th June 2017. Since then, there has been a change of legal entity from GC Enterprises (Wales) Ltd to Groundwork Caerphilly in order to achieve the tax benefits afforded to a charity.

2. SUMMARY

- 2.1 Groundwork Caerphilly 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 for disposal 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 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.
- 2.4 Cabinet approval is being sought to enter into a new 10 year lease with Groundwork Caerphilly trading as The Furniture Revival at less than the best price that could potentially otherwise be achieved to maintain the best service interests of the Authority.

3. LINKS TO STRATEGY

- 3.1 The provision of key employment sites make a major contribution to the Council's regeneration strategy – A Foundation for Success 2018-23, Caerphilly's Future Generations and Wellbeing Action Plan and WG's strategy "Prosperity for All".
- 3.2 Groundwork Caerphilly trading as The Furniture Revival assists the Local Authority in its statutory duty under the EU Waste Framework Directive 2008 to manage waste through reuse

and 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" strategy, the Social Services and Wellbeing (Wales) Act 2014 and the priorities and aims within the Council's "Anti-Poverty Strategy".

3.3 The Council's industrial property portfolio and The Furniture Revival's activities based within the 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 Groundwork Caerphilly (and 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 (GC Enterprises (Wales) Ltd), operating as a non-profit distributing social enterprise, before reverting to the Groundwork Caerphilly registered charity in December 2017. The Authority has a long-standing association with the project.

4.3 The Furniture Revival seeks to achieve environmental, social, financial, and community goals. Through minimising waste for disposal by reuse and recycling initiatives, it 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 in 2018, 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 2017 outputs:

- 152 tonnes of furniture, electrical items and paint diverted from disposal;
- Nearly 3,000 households contributed items and over 2,200 households have accessed low cost furniture;
- The cost to the Authority for the collection and disposal of these items would have been circa £20,000;
- Social benefits include working with 47 volunteers who have provided nearly 9,000 hours of their time, 46 schools engaged with and a significant number of 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.
- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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."
- 4.11 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.
- 4.12 Accordingly, Cabinet approval is being sought to enter into a new 10 year lease with Groundwork Caerphilly trading as The Furniture Revival at less than the best price that could potentially otherwise be achieved to maintain the best service interests of the Authority.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 This proposal contributes to the Well-being Goals as set out in the 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 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 Groundwork Caerphilly, 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 Groundwork Caerphilly, the Council would be liable for the property's National Non Domestic Rates, £12,255.50 for 2016/17, until an alternative tenancy is secured. It should also be noted that Groundwork Caerphilly's activities also reduced collection and disposal of waste by 152 tonnes in 2017, which represents a cost saving of circa £20,000 for the Council.
- 7.3 Should the Council provide Groundwork Caerphilly 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, have been consulted and all are in favour of renewing the lease with Groundwork Caerphilly 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 on the same terms, with Groundwork Caerphilly trading as The Furniture Revival for Unit 21 Lawn Industrial Estate.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 To support Groundwork Caerphilly trading as The Furniture Revival, which through minimising waste for disposal 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 Local Government Act 1972. This is a Cabinet function.

Author: Antony Bolter, Business Support & Funding Manager

Consultees:

| | |
|-------------------|-------------------------------------------------------------------------------------------------|
| Cllr. Sean Morgan | Cabinet Member for Economy, Infrastructure, Sustainability and Well Being of Future Generations |
| Mark S Williams | Interim Corporate Director, Communities |
| Mark Williams | Interim Head of Property |
| Tim Broadhurst | Estates Manager |
| Michael Williams | Management Surveyor |
| Nicole Scammell | Head of Corporate Finance |
| Stephen Harris | Interim Head of Corporate Finance |
| David Roberts | Principal Group Accountant |
| Richard Crane | Senior Solicitor |
| Rhian Kyte | Head of Regeneration & Planning |
| Cllr. David Harse | Councillor for Moriah Ward |
| Cllr. John Bevan | Councillor for Moriah Ward |
| Cllr. Carl Cuss | Councillor for Twyn Carno Ward & Cabinet Member for Social Care and Wellbeing |

Background Papers: None

Appendices: None