

Property Sub-Committee – 3 November 2021

Recommendation by Mark Deaville - Cabinet Member for Commercial Matters

Location/Electoral Division

Cannock Household Waste Recycling Centre
Lichfield Road, Cannock, WS11 8NQ

Samantha Thompson – Cannock Villages

Proposed Transaction

Grant of lease of part of Cannock Household Waste Recycling Centre, Lichfield Road, Cannock, WS11 8QN

Recommendations

To approve the granting of a lease of part of Cannock Household Waste Recycling Centre, Lichfield Road, Cannock, WS11 8QN to Katharine House Hospice for a term commencing on 20 March 2020 and ending 31 March 2023 at £1 per annum.

Decision Level/Authority/Officer Delegation Scheme number

Property Sub-Committee

Details

1.Current Use and Owner/Occupier/Lessee etc

- Katherine House Hospice (KHH) are currently in occupation and sells items for re-use, which have been donated by the public at any one of the Household Waste Recycling Centres (HWRC) across Staffordshire, either directly from the re-use shop located at the Cannock Household Waste Recycling Centre or via their charity shop network.
- KHH reimburses the Council for any costs incurred in transporting reuse items to the shop and for utilities used in operating the shop.
- The Council benefit from the reduction in disposal costs for all materials which are diverted to the re-use facility.

2.Proposed Use

- Continuation of a Re-use shop operated by KHH in line with the current and proposed exception which will expire in March 2023.

3.Proposed Purchaser/Lessee/Lessor/tenant etc...

- The tenant is:
Katharine House Hospice
Weston Road

Stafford
ST16 3SB

4. Estimated Value/Cost/Rental Income

- Advised on 21 June 2021 by the Council's Interim Estates and Valuation Surveyor that:

'The rent should be £4,750pa, but anything above £4,000pa for a Charitable purpose would be in order.'

5. Proposed transaction sale price/outline terms

- A proposed peppercorn rent of £1 per annum.
- Lease to be excluded from the security of tenure provisions under the Landlord and Tenant Act 1954
- Either party can terminate the lease on not less than 3 months prior written notice at anytime
- Permitted use restricted to for the sale of reuse items received from Staffordshire Household Waste recycling Centres or any items directly donated to KHH by members of the public.

6. Implications of transaction for County Council (Risks)

(a) Strategic: To include contribution transaction makes to outcomes listed in the Strategic Plan *

Key Principles impacted are:

- **Encourage residents and communities to help themselves and one another**
 - Reducing the carbon footprint by encouraging residents to donate items for re-use which can also benefit other members of the Staffordshire community.
 - Supporting a charity which enables Staffordshire residents with life limiting conditions and those close to them to live life as fully as possible and make the most of the time that they have, whether at the hospice, in the community and at home.
- **Think climate change in all we do to limit our impact on the planet**
 - Using items for longer and removing the need to generate carbon in producing new items and unnecessary disposal of useful items.

(b) Financial:

Capital costs/income

- N/A

Revenue costs/income

- Loss of annual rental income of £4k. However, since Covid, the tonnage of re-use donated to KHH has significantly reduced which is impacting on the financial sustainability of the re-use facility.

Change in Property running costs

- KHH is paying for property running costs so therefore no change.

(c) Operational:

- Ongoing operation and service since 2014.

(d) Legal:

- KHH have been in occupation for more than 6 months and have had exclusive possession. In light of this, they will have acquired security of tenure under the Landlord and Tenant Act 1954 which grants them a right to request a new lease and limits the Council's ground for terminating their occupation. The main ground which the Council can terminate their occupation would be if the Council is looking to redevelop or if the Council wishes to occupy for its own use. Granting the lease (excluding the security of tenure provisions) will mean KHH will lose any rights to renew and the Council can terminate their occupation on a shorter notice period.
- This would also be a transaction at undervalue. Please refer to section 7 below on S.123 considerations.

7. Background Information:

NB Please ensure that reference is made to any issues which may affect any transaction e.g. restrictive covenants

- In 2020, the Council initiated an emergency procurement process necessitated by the premature termination of the HWRC contract.
- KHH ran a waste re-use scheme in partnership with FCC Waste Services UK Limited from 2014 until the HWRC contract was terminated in March 2020. The Council was not party to the arrangements between the former HWRC contractor and KHH.
- The Council stepped into the shoes of the former HWRC contractor to ensure the existing waste re-use shop service at the Cannock HWRC site managed and run by KHH continued to operate.
- In March 2020, a draft letter of intent was prepared setting out temporary arrangements for the continued running of the scheme between the Council and KHH, pending a full review once the shop had been up and running for an initial period of three months, with a view to putting in place a formal contract if appropriate in due course. However, the terms of the letter were not finalised before the government-imposed restrictions in response to the Covid pandemic which necessitated the closure of HWRC sites and the suspension of the reuse shop.
- A report was considered by Prosperous Overview and Scrutiny Committee on 16 September 2021 in which it was reported that 'In terms of next steps, subject to agreement with Katharine House Hospice, it is not envisaged that there will be any changes to the current management of re-use items until April 2023'.

Alternative options for the site

- The long-term use of the building is under review. It is proposed to undertake Soft Market Testing, and a considered debate on how re-use can best be used for the benefit of the Staffordshire community. Overview Scrutiny has made initial comments of potential future proposals which will be taken forward by the Sustainability and Waste Team.

Resource/VFM Analysis

- For the Council to recover the £4k per annum rent, the re-use operation run by KHH would need to divert approximately 40 tonnes of waste from the waste stream.

Reasons for recommended option

- To enable the re-use operation to continue until a considered debate has been progressed on how re-use can best be used for the benefit of the Staffordshire community.
- Due to Covid and restrictions imposed on businesses by Government, KHH has had difficulty in financially supporting the re-use shop (due to shop closures, quarantine of donated items, etc.) and undertook an exercise to reduce costs which included a reduction in shop opening and employee / volunteer hours to make the operation financially viable. If the proposed rent of £4k per annum was applied to the lease of the building, this could potentially result in a decision by KHH to close the re-use operation. KHH has experience a significant reduction in the net profit arising from the HWRC re-use scheme. As an example of this, in 2019 / 2020, total re-use tonnage was 962. Due to the impact of Covid, in 2020 / 21 this has dropped significantly to 42 tonnes.
- To continue the re-use arrangements between the former HWRC contractor and KHH.
- Exclude security of tenure protection under the Landlord and Tenant Act 1954.

Relevance of Section 123 of the Local Government Act 1972/General Disposal consent Order 2003

This is not a disposal in terms of the legislation. However, it is an undervalue transaction. This undervalue is a continuation of current arrangements and only for a short period of time whilst the review is undertaken, and the financial benefit is to a locally based charity.

8. Community Impact (e.g. reference to particular communities or service users affected by the proposal)

- Support to a Staffordshire charity in providing care, support, and facilities to Staffordshire residents with life limiting conditions and their families.
- Less household waste entering the waste stream.
- Recycling opportunities for householders.
- Re-use volunteering opportunities for the Staffordshire community.
- Support to low income families.

9. Comment by Local Member (Councillor Samantha Thompson)

As the Council has not previously received rent for the re-use shop, Councillor Thompson is happy for this arrangement to remain unchanged until the remainder of the lease.

10. Comments by SLT Members

11. Proposal supported by Ian Turner, Assistant Director for Commercial and Assets

Signed

Date

12. Valuer/Officer advising on this transaction

Signed: Peter Townley

Date: Email of 21.6.21 (attached)

Background Documents:

Please list here any previous reports to Members relevant to this transaction/site:

Prosperous Overview and Scrutiny Committee - Thursday 16 September 2021

*3 priority Outcomes for the people of Staffordshire are:

- To be able to access more good jobs and feel the benefits of economic growth
- To be healthier and more independent
- To feel safer, happier and more supported in their community.