

**Report to:** Council

**Report Ref:** C1923  
**Meeting Date:** 6<sup>th</sup> January 2020  
**Agenda Item:** 10  
**Prepared By:** Town Clerk



**Subject:** Public Toilet Lease and Void Space

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## **1.0 BACKGROUND**

### **1.1 INTRODUCTION**

This report concludes the Assets and Operations Committee review into the options for the public toilets service which council mandated in September 2019 (minute ref 19/077). It provides a background to the current position, overview of the previously planned works and the recommendations arising from the options review. It collates key information from previous reports on the topic to provide members with sufficient information to make a decision.

### **1.2 BACKGROUND TO PUBLIC TOILETS**

In the initial tranche of asset transfers, Cheshire East Council gave town councils the option of either taking on responsibility for public toilets or the facilities being closed. The council agreed to the freehold transfer of the toilets in 2012. During 2012 the council undertook a European tendering process to find a company to refurbish and run the public toilets and appointed Danfo for a contract term of 25 years.

The two buildings, at Malt Street and Bexton Road, transferred to the council in July 2013. The council originally intended to take on the Northwich Road toilets. This asset was owned by the Tatton Estate and leased to Cheshire East Council. The option of the lease transferring was not provided by the landlord and the transfer did not proceed.

The renovation of the public toilets involved the creation of three new cubicles (unisex accessible, unisex and female) and left the majority of both buildings redundant. Since renovation, the toilets have been awarded 'gold' in the annual Loo of the Year competition.

### **1.3 EXISTING LEASE ARRANGEMENTS**

The lease lets to Danfo the entirety of the public toilet buildings on a full repairing lease. It had been the intention that the lease would allow the council to utilise the empty space within the buildings should it wish to but in preparation for the works it was discovered that the drafting was not in the council's favour; the lease allowed the council to require Danfo to issue a sub-lease but that Danfo be landlord and are entitled to the market rent.



The Town Clerk, Cllr Forbes and Cllr Malloy met with Danfo in January 2019. Danfo explained that under the existing leases the council would get a share of the rental income but that they do not wish to be landlords nor have responsibility for the fabric of the entire building. Danfo stated their preferred route forward was for a new 25-year internal repairing lease for the public toilet area. Following the resolution in January, discussions with Danfo were terminated.

The council pays Danfo an annual service fee of £47,771.40 which covers £7,253.44 towards repayment of the capital works, £11,291.64 for business rates and utilities and £29,226.32 for the maintenance service. The 20p usage fee is collected by Danfo and credited against quarterly invoices to reduce the operation costs. The actual cost is therefore around £43,500 per year.

Based on the coin collection income (therefore excluding those who use a RADAR key, but potentially overcounting if users pay with, for example, a 50p coin) the average annual usage is 24,145.

The lease provides that the annual service fee be adjusted for RPI/CPI annually; this has never taken place.

## **2.0 OPTIONS REVIEW**

### **2.1 OVERVIEW**

The Assets and Operations committee established a working group (comprising Cllrs Forbes, Coan, Malloy and McCulloch) to undertake the review. The working group reported to the 16<sup>th</sup> December committee meeting. It was recognised that operating public toilets is always likely to cost money.

The working group considered as many options as it could think of and explored the capital and operational costs / revenues of each from existing known data and the more holistic pros and cons of each.

The options explored were:

- a) Close the toilets, mothball the buildings
- b) Close the toilets, commercially let the non-toilet space
- c) Close the toilets and let them commercially
- d) Close the toilets and sell the buildings
- e) Retender for a new service provider
- f) Renegotiate the existing contract and commercially let the non-toilet space
- g) Do nothing

The detail of these options is contained in Appendices B--D

The holistic cons to closing the public toilets (options a-d) was that it would be detrimental to the town centre visitor experience, in particularly for older residents and more so for older women who tend to be reluctant to 'pop in' to a public house to use their conveniences; would remove sharps dispensers from the town centre; result in limited access to accessible toilets (most restaurants in Knutsford do not have accessible toilets) affecting the desirability of visiting for disabled visitors and



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their carers; reduce the attractiveness of the Moor as a place to visit through removing close toilets and baby change facilities. The only pro to these options was the reduced cost over the longer term.

The holistic pros to retaining the public toilets were the opposite of the cons to closing them plus the opportunity to reduce operational costs in the short and long term compared to present. The cons were the long-term commitment and ongoing costs.

The working group considered that the decision focused on “does the council wish to stop having public toilets in Knutsford”. The working group noted that over the five year period the operational cost difference (based on the cheapest options) between closing and keeping the toilets was a total of £28,057 or £5,611 per year. The working group also noted that cancelling the contract during the 2020/21 or 2021/22 financial years would greatly affect the precept when the council budgets are under notable pressure.

## **2.2 ASSETS AND OPERATIONS COMMITTEE RECOMMENDATION**

The Assets and Operations Committee considered the working group’s report at its meeting on 16<sup>th</sup> December and resolved:

- a) To request authorisation from Council to pursue a renegotiation of the existing contract/leases with Danfo
- b) To request authorisation from Council that in the event of the renegotiation being successful the council proceeds with the project to convert the redundant space into commercially lettable units

## **3.0 EMPTY SPACES PROJECT**

### **3.1 BACKGROUND**

The creation of the new toilet cubicles left a large area in each unit surplus to requirements. In 2014 a working group was established to investigate potential uses of this redundant space. The working group explored numerous ideas which were subsequently discounted by the Assets and Operations Committee including an electricity substation, tourist information centre and changing places toilet. It was agreed that the route forward be to create commercially lettable spaces within the empty space. Plans for the spaces were developed and the conversion works were tendered in December 2017. The units were advertised in early 2018 and 32 expressions of interest were received by the council’s agent.

The project was paused in January 2019 when council resolved (ref 18/121) to postpone all non-essential works to the council’s asset portfolio until at least the 2020/21 civic year.

### **3.2 PROPOSED WORKS**

The proposed works involve the removal of the existing internal structures to create the largest possible internal spaces. At Bexton Road this creates a 416 sqft space comprising a main retail/office space, adjoining private office and a toilet. At Malt Street this creates a 348 sq ft space and a 92 sq ft space. The works involve finishing the floors with screed, provision of electric storage heaters and



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basic lighting, fire alarm, emergency lighting, walls plastered and painted. Bexton Road will have three large glass windows to the front, Malt Street will have a glazed frontage on Malt Street and the smaller unit a large window overlooking the car park.

### **3.3 PROJECT FINANCES**

A tendering process was undertaken in December 2017 and further work with the chosen contractor revised the schedule slightly in December 2018 to reflect an updated structural survey on the proposed works. The planned works were set to cost £77,879. The total project budget, including contingency of 5% and professional fees is £92,275. Discussions have not taken place with the contractor as to whether this cost will have now varied.

Council originally intended to finance the works through a loan, paid off over five years. The council now has a sufficient capital receipts reserve that the works could be funded without a loan.

The three units would be expected to bring in a total annual rent of £21,000 per year, meaning that within five years the council would be in surplus. By funding the works from a capital reserve, the council's revenue budget would be in surplus from the moment tenants move in.

## **4.0 RECOMMENDATION**

### **4.1 RECOMMENDED ROUTE FORWARD**

The Assets and Operations Committee produced a two-part recommendation to proceed with a renegotiation of the lease and undertake the works to create the units. A recommended resolution is contained in 4.2 and subject to its approval the route forward would be as follows:

JAN/FEB	Renegotiation takes place with Danfo on the terms for revised lease
MAR	Assets and Operations Committee approves the heads of terms for a new lease and costs for works to create units reconfirmed
APR	Assets and Operations Committee approves revised project costs, application submitted to discharge the conditions of the planning permission, agent begins to advertise the units to build interest
JUL	Works commence to create units
SEPT	Spaces let

If the project progresses according to plan, the council should be able to derive an income from September 2020, amounting to £12,250 in the 2020/21 financial year. If approval is given at this meeting this could be factored into the precept request.

### **4.2 RECOMMENDED RESOLUTION**



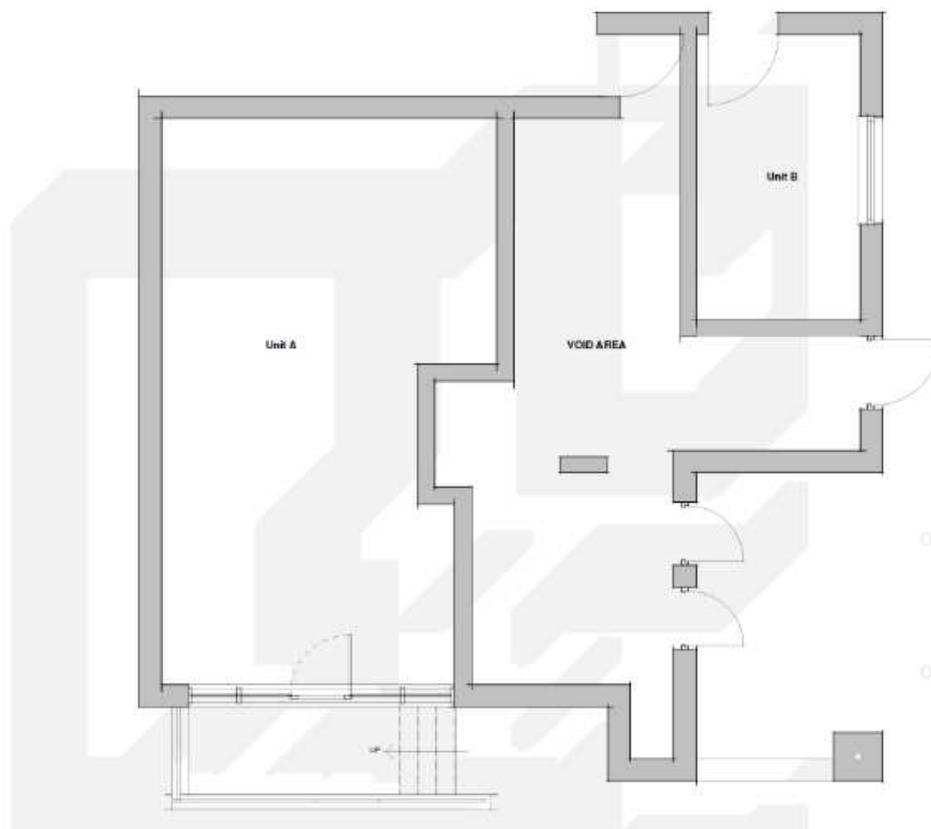
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Council resolves that the Assets and Operations Committee be authorised to renegotiate the lease with Danfo and subject to the successful renegotiation be authorised to proceed with the works to convert the redundant spaces within the toilets to commercial letting units, with the funds being drawn from the council's capital receipts reserve.

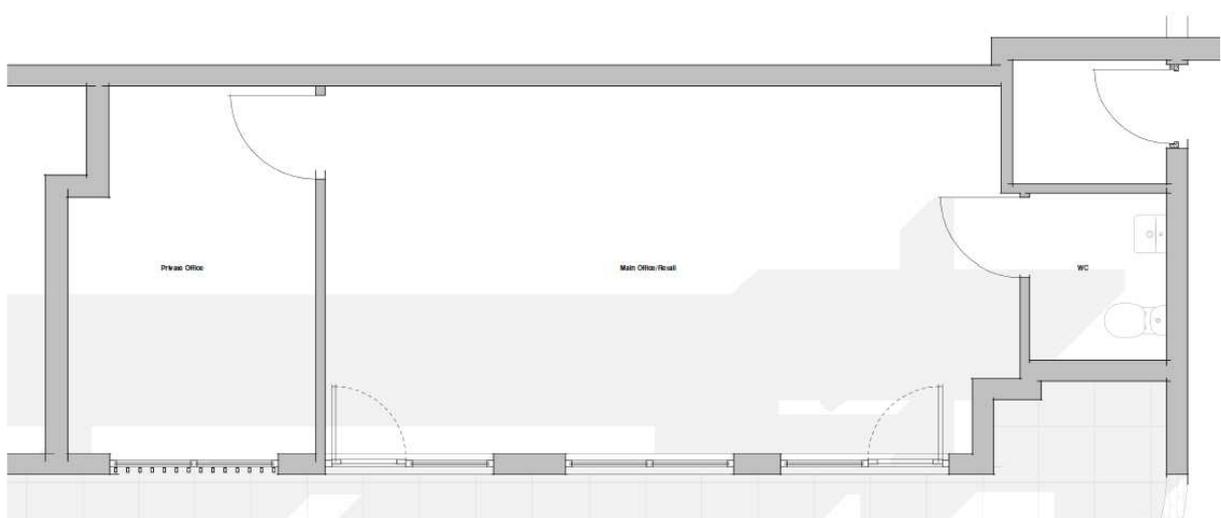


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## APPENDIX A – PROPOSED BUILDING FLOOR PLANS



**MALT STREET**



**BEXTON ROAD**

*There is an outstanding change to the Bexton Road plans following a structural engineers report which will reduce the number of openings to three.*



## APPENDIX B: OPTIONS REVIEW OVERVIEW

Option	Pros	Cons	Financial Implications
A <b>Close toilets, Mothball Building</b>	<ul style="list-style-type: none"> <li>Reduced annual costs</li> </ul>	<ul style="list-style-type: none"> <li>No public toilets, detrimental to visitors and older residents</li> <li>No sharps dispensers in town centre</li> <li>Limited access to accessible toilets</li> <li>No toilets near the moor</li> <li>No baby change facility near the moor</li> <li>Waste of town centre floorspace</li> </ul>	<ul style="list-style-type: none"> <li>TR Parking Permit</li> <li>Business rates</li> <li>Reduced coin income</li> <li>Reduced contract costs</li> <li>Annual insurance</li> <li>Termination fee</li> <li>Routine maintenance/inspection costs</li> </ul>
B <b>Close toilets, let non-toilet space</b>	<ul style="list-style-type: none"> <li>Generates rental income</li> <li>Floorspace in use</li> <li>Provides opportunity for local business, supporting local economy</li> </ul>	<ul style="list-style-type: none"> <li>No public toilets, detrimental to visitors and older residents</li> <li>No sharps dispensers in town centre</li> <li>Limited access to accessible toilets</li> <li>No toilets near the moor</li> <li>No baby change facility near the moor</li> <li>Triggers overage</li> </ul>	<ul style="list-style-type: none"> <li>TR Parking Permit</li> <li>Business rates</li> <li>Reduced coin income</li> <li>Reduced contract costs</li> <li>Annual insurance</li> <li>Termination fee</li> <li>Routine maintenance/inspection costs</li> <li>Works Cost</li> <li>Professional Fees</li> <li>Rental Income</li> <li>Planning Fees</li> <li>Overage</li> </ul>
C <b>Close toilets, let out whole building</b>	<ul style="list-style-type: none"> <li>Generates rental income</li> <li>Floorspace in use</li> <li>Provides opportunity for local business, supporting local economy</li> </ul>	<ul style="list-style-type: none"> <li>No public toilets, detrimental to visitors and older residents</li> <li>No sharps dispensers in town centre</li> <li>Limited access to accessible toilets</li> <li>No toilets near the moor</li> <li>No baby change facility near the moor</li> <li>Triggers overage</li> </ul>	<ul style="list-style-type: none"> <li>TR Parking Permit</li> <li>Business rates</li> <li>Reduced coin income</li> <li>Reduced contract costs</li> <li>Annual insurance</li> <li>Termination fee</li> <li>Routine maintenance/inspection costs</li> <li>Works Cost</li> <li>Professional Fees</li> <li>Rental Income</li> <li>Planning Fees</li> <li>Overage</li> </ul>



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D	<b>Close toilets, sell building</b>	<ul style="list-style-type: none"> <li>• Reduced annual costs</li> <li>• Generates capital receipt</li> <li>• Provides opportunity for local business, supporting local economy</li> </ul>	<ul style="list-style-type: none"> <li>• No public toilets, detrimental to visitors and older residents</li> <li>• No sharps dispensers in town centre</li> <li>• Limited access to accessible toilets</li> <li>• No toilets near the moor</li> <li>• No baby change facility near the moor</li> <li>• Triggers overage</li> </ul>	<ul style="list-style-type: none"> <li>• TR Parking Permit</li> <li>• Reduced coin income</li> <li>• Reduced contract costs</li> <li>• Termination fee</li> <li>• Overage</li> <li>• Sale proceeds</li> </ul>
E	<b>Change Supplier</b>	<ul style="list-style-type: none"> <li>• Potentially reduced annual costs</li> <li>• Potentially improved service</li> <li>• Retains public toilet provision</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially worse service</li> <li>• Potentially more expensive</li> <li>• Requirement to build new relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Professional Fees</li> <li>• Change in contract costs</li> <li>• Termination fee</li> </ul>
F	<b>Renegotiate contract, let non-toilet space</b>	<ul style="list-style-type: none"> <li>• Generates rental income</li> <li>• Whole building in use</li> <li>• Provides opportunity for local business, supporting local economy</li> <li>• Potentially lower annual costs</li> <li>• Retains public toilet provision</li> <li>• Opportunity for capital costs to be charged to capital receipts reserve</li> </ul>	<ul style="list-style-type: none"> <li>• Upfront costs</li> <li>• Potentially longer contract</li> <li>• Increase in tenant management requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Professional Fees</li> <li>• Renegotiation costs</li> <li>• Planning Fees</li> <li>• Works costs</li> <li>• Business Rates</li> <li>• Insurance</li> </ul>
G	<b>Do nothing</b>	<ul style="list-style-type: none"> <li>• Simplest option, no work needed</li> </ul>	<ul style="list-style-type: none"> <li>• Waste of town centre floorspace</li> <li>• Loses opportunity to reduce expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> </ul>



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## APPENDIX C: OPTIONS REVIEW FINANCIAL IMPLICATIONS DETAIL

Ref	Implication	Amount	Explanatory
1	Town Ranger Parking Permit	£1,000 pa	There is an arrangement with Cheshire East Council whereby parking wardens are allowed free use of the public toilets in return for a permit which entitles the Town Ranger to park on double yellow lines and in public car parks.
2	Termination Fee	£151,800	Termination fee is £15,000 plus £7,200 per year remaining.
3	Overage	NIL	Presumed to be zero based on the £181k cost of capital works on the asset and current valuations. A sale above £726k would trigger overage.
4	Business Rates	£5,280 pa	Current annual business rates
5	Coin Income	£4,600 pa	Average annual coin income
6	Contract Costs	£47,771.40 pa	Annual cost of services as per the existing lease. Comprises £7,253.44 (capital), £29,226.32 (services) and £11,291.64 (rates, utilities). Lease allows for it to be RPI/CPI adjusted.
7	Insurance	£350 pa	Cost of insurance per year. Under contract it is charged back to Danfo.
8	Building Maintenance	£1,500	Assumes some repairs to fabric of the empty building
9	Building Inspections	£1,100	Every five years, structural survey and valuations
10	Building Works	£82,000	Cost of creating the lettable spaces
11	Rental Income	£21,000 pa	Figure quoted by Williams Sillitoe based on provided a shell unit as per existing plans. Letting the whole property (on a shell unit basis) would generate a higher income.
12	Planning Fees	£500	Discharge of conditions applications required for both sites prior to works
13	Professional Fees	£10,000	Budget cost for preparing leases, agent fees for letting, surveyor costs etc.
14	Sale Proceeds	£63,000	Based on valuations from March 2013 of £25k for Bexton Road and £38k for Malt Street
15	Renegotiation Costs	£2,000	Budget cost for solicitor fees for new leases



## APPENDIX D: OPTIONS REVIEW FIVE YEAR OPTIONS EXPENDITURE FORECAST

### CAPITAL

Option	2020/21	2021/22	2022/23	2023/24	2024/25	5 YEAR TOTAL
A Close toilets, Mothball Building	-	-	-	-	-	-
B Close toilets, let non-toilet space	92,500	-	-	-	-	92,500
C Close toilets, let out whole building	108,900	-	-	-	-	108,900
D Close toilets, sell building	-63,000	-	-	-	-	-63,000
E Change Supplier	-	-	-	-	-	-
F Renegotiate contract, let non-toilet space	92,500	-	-	-	-	92,500
G Do nothing	-	-	-	-	-	-

### OPERATIONAL

Option	2020/21	2021/22	2022/23	2023/24	2024/25	5 YEAR TOTAL
A Close toilets, Mothball Building	159,930	6,630	6,630	6,630	7,730	187,550
B Close toilets, let non-toilet space	133,120	-18,680	-18,680	-18,680	-18,680	58,400
C Close toilets, let out whole building	178,500	-24,200	-24,200	-24,200	-24,200	81,700
D Close toilets, sell building	152,800	1,000	1,000	1,000	1,000	156,800
E Change Supplier	151,800 + Unknown	Unknown	Unknown	Unknown	Unknown	151,800+ Unknown
F Renegotiate contract, let non-toilet space	18,891	16,891	16,891	16,891	16,891	86,457
G Do nothing	43,171	43,171	43,171	43,171	43,171	216,957

