



Committee Name: Cabinet

Committee Date: 13/12/2023

Report Title: Managing Assets (Non-Housing)

Portfolio:	Councilor Kendrick, Cabinet member for resources
Report from:	Executive Director of Development and City Services
Wards:	Mancroft, Catton Grove

Purpose

For cabinet to consider the disposal of the assets identified in this report.

Recommendation:

Cabinet is requested to:

- (1) approve the disposal of the assets outlined in this report;
- (2) approve the disposal of 215b Woodcock Road for the sum detailed in the exempt appendix;
- (3) delegate acceptance of the most advantageous offer for 2/2a Charing Cross, 84 Upper St Giles and 74 Upper St Giles to the Executive Director of Development and City Services in consultation with the Cabinet member for resources.

Policy Framework

The Council has five corporate aims, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the aim of Norwich City Council being in a good shape to serve the city. The assets are in a condition such that substantial repair liabilities fall to the Council. Investment in the assets does not deliver a viable return and therefore a disposal is recommended to raise a capital receipt.

Report Details

1. The report relates to four assets as follows:
 - a. 2/2a Charing Cross;
 - b. 84 Upper St Giles;
 - c. 74 Upper St Giles.
 - d. 215b Woodcock Road
2. Further detail on each is provided in the sections below.

2/2A Charing Cross

3. 2 Charing Cross is a grade II* listed building with a C15 undercroft. It is a former retail unit on the junction with St John's Alley. It is set on a busy road junction in what has now become a tertiary retail/mixed use location. It is opposite a cluster of professional offices, estate agents and amongst a small group of specialized retail users. It is located close to St Andrews Car Park, between the St Benedict's Street shopping area and the bottom of Exchange Street and is, one step removed from The Lanes' shops area. The Lanes has benefitted from a renaissance recently, the other two areas are either professional offices (A2 use) or specialist retail areas (A1/A3 use).
4. The property has been vacant since 2017 when the tenancy came to an end. The property was under offer however this fell through during Covid.
5. The current EPC rating is D meaning the property will require works in the near future to make it lettable. The current requirement is for all non-domestic property to be rated an E under Minimum Energy Efficiency Standards (MEES), however the government have committed to upgrading this to a minimum standard of a C by 2027 and then a B by 2030. The property is currently compliant with a D rating but will need further energy efficiency improvement to meet the C standard by 2027, leaving the council exposed to non-recoverable expenditure.
6. Capex requirements would be in excess of five years rental with little prospect of rental increase due to its location. It is therefore considered that disposal in the market may be the best way to bring this building into beneficial occupation without the City having to invest substantial funds. Further detail is provided within the exempt appendix.
7. The Council disposed of the adjacent Burkett's Building (4 Charing Cross) in 2002 but still retains Strangers Hall Museum within the same row. The subject property is however totally separate and is a standalone asset.
8. Other options considered are:
 - a. Do nothing – this would leave the property vacant, would not realize the best outcome for this listed building and would not deliver any income.
 - b. Invest and re-let – further detail is provided in the exempt appendix however this is not considered to be a preferred option.

- c. Convert the upper floors to residential – the property has potential for conversion of the upper floors. Initial feasibility has been undertaken with plans drawn up for 2 flats on the upper floors whilst maintaining a ground floor retail unit. Pre-application planning advice has been obtained outlining that the proposal is acceptable in principle subject to details. Given the nature of the building, it is not likely to be suitable for affordable housing.
 - d. Transfer to the Norwich Preservation Trust – the Trust already have a pipeline of sites and limited capacity to take on more buildings, their focus is also on listed buildings at risk and this asset is not currently on the at-risk register.
9. It is recommended to market the property for sale and dispose of the asset with the benefit of the pre-application advice to ensure best consideration is obtained.

82 Upper St Giles, Norwich

10. The property is located to the south side of Upper St Giles and comprises a small restaurant at the ground floor frontage with former office space to the rear and above. The property is a Grade II listed building dating from C17 with C20 offices extending to the rear.
11. The offices are accessed via a separate access from a side ally. The offices have been empty for several years but have recently had a temporary letting on a license to New Routes.
12. The ground floor is let as a restaurant. The ground floor lease is for 15 years expiring in 2031 on an internal repairing basis with no service charge recovery.
13. The side entrance for the offices and being above a restaurant does not help when trying to let the office premises. The offices are also in need of substantial modernisation to attract a tenant.
14. The current EPC rating is an E rating. These levels will have to be improved substantially to comply with the regulations as the threshold increases. This will require potentially substantial investment just to enable the accommodation to be lettable at current rental levels.
15. The Council has no immediately adjacent land holdings.
16. Other options considered are:
- a. Do nothing – this would leave the office element vacant, would not realize the best outcome for this listed building and would not deliver any additional income.
 - b. Invest and re-let – further detail is provided in the exempt appendix however this is not considered to be a preferred option.
 - c. Convert the office accommodation to residential – the upper floor offices have potential for partial conversion to residential. Initial plans for four units have been drawn up and pre-application advice received from the planning team. Given the nature of the building, it is not likely to be

suitable for affordable housing.

- d. Transfer to the Norwich Preservation Trust – the Trust already have a pipeline of sites and limited capacity to take on more buildings, their focus is also on listed buildings at risk and this asset is not currently on the at-risk register.

17. It is recommended to market the property for sale and dispose of the asset with the benefit of the pre application advice which should enable the sale to generate best value.

74 Upper St Giles, Norwich

18. 74 Upper St Giles is located on the corner of Cleveland Road. It is a C17 Grade II listed building with timber-framed walls at first floor above flint rubble ground floor walls. The interior dates from the 19th-century. The two storied rear block is at right angles to the street frontage and has flint rubble walls and a roof of clasped purlin construction.

19. The property is held as an investment asset and is currently vacant following the tenant ending their lease earlier this year.

20. The current EPC rating is a D rating. These levels will have to be improved substantially to comply with the regulations as the threshold increases. This will require potentially substantial investment just to enable the accommodation to be lettable at current rental levels.

21. The Council has no immediately adjacent land holdings. There is likely to be little demand for the building in its entirety as an office. It is more likely to attract interest as a conversion into residential.

22. Other options considered are:

- a. Do nothing – this would leave the office element vacant, would not realize the best outcome for this listed building and would not deliver any additional income.
- b. Invest and re-let – further detail is provided in the exempt appendix however this is not considered to be a preferred option.
- c. Convert to residential – the property has potential for conversion to residential. Initial plans for two units have been drawn up and pre-application advice received from the planning team. Given the nature of the building, it is not likely to be suitable for affordable housing.
- d. Transfer to the Norwich Preservation Trust – the Trust already have a pipeline of sites and limited capacity to take on more buildings, their focus is also on listed buildings at risk and this asset is not currently on the at-risk register.

23. It is recommended to market the property for sale and dispose of the asset with the benefit of the pre application advice which should enable the sale to generate best value.

215B Woodcock Road

24. The property is located on Woodcock Road, which is a predominantly residential area to the north of Norwich city centre, in close proximity to Norwich's outer ring road. The surrounding area comprises residential properties with St Clements Park situated to the rear of the property.
25. The property comprises a site fronting Woodcock Road. The site is occupied by car garage, showroom and workshops originally dating from around 1970. The property was constructed by the tenant and is currently let on a long lease that expires in 2065 with a small ground rent income to the council.
26. The park to the rear of the property is designated public open space in Council ownership.
27. The tenant wishes to improve the property and wishes to purchase the freehold interest. The tenant is a special purchaser which releases latent value above market value. A red book valuation has been undertaken to ascertain both the market value and the uplift to account for the marriage value, further details are within the exempt appendix. Any disposal would also be subject to an overage provision for 50 years based on 50% of any additional value obtained via planning permission.
28. The disposal would allow investment in the site which is now unlikely given the limited time remaining on the leasehold interest.
29. Other options considered are:
 - a. Do nothing – the council would continue to receive the limited rental income however the site is currently vacant and unlikely to receive any substantial investment by the leasehold given the limited time remaining on the lease.
 - b. Buying the tenants leasehold interest and relet – given the cost of acquiring the leasehold interest this would not realise a financial return to the council.
 - c. Buying the tenants leasehold interest and redeveloping the site - the site if bought in could be considered for residential development but the cost of buying the tenants interest and remediation of the site would make such a development unviable. Further details are included in the exempt appendix.
 - d. Offer a re-gear extended leasehold interest – this would allow for some additional ground lease income, however that income would be limited and a capital receipt would not be obtained.

Financial and Resource issues relating to all properties

30. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.
31. There are several options available for use of any receipt which will be considered in future budget and MTFS papers. However, there is scope to replace the lost revenue via a number of treasury management mechanisms.

Any associated loss of rental income will need to be reflected within budget reports once the sale timelines are known.

32. The service will continue to manage the overall income budget which varies throughout the year due to the changes in tenancy agreements as part of normal business activity.

33. A summary of the financial implications is provided in the exempt appendix.

Legal issues relating to all properties

34. By virtue of section 123 of the Local Government Act 1972 the city council has the necessary statutory powers to dispose of its land. This section also states that on a disposal, the council are under a statutory obligation to obtain the best consideration that can reasonably be obtained for the land.

35. All assets have been subject of red book valuation and 2 Charing Cross, 82 Upper St Giles and 72 Upper St Giles will be marketed on the open market to achieve best value. 215b woodcock road is to be sold to the tenant, however this will be at an uplift above market value due to the marriage value and based on a red book valuation.

36. Achieving best consideration will also ensure that the council is not caught by the subsidy control regime.

37. If any part of the site consists of open space land, section 123(2A) of this Act states that the council must follow certain statutory requirements to advertise the disposal of the said areas of open space land. In this case, none of the sites in question contain open space land.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	Sale of the assets will result in the transfer of the freehold interest, but this is not anticipated to have any material equality and diversity implications.
Health, Social and Economic Impact	There are no direct consequences flowing from these proposals.
Crime and Disorder	There are no direct consequences flowing from these proposals. Albeit some of the properties in question are vacant and therefore can be targets for crime and disorder. The decision to dispose should assist in bringing the assets back into use.
Children and Adults Safeguarding	Not applicable
Environmental Impact	There are no direct consequences flowing from these proposals.

Risk Management

Risk	Consequence	Controls Required
Deterioration of market interest for this property type	We are unable to generate interest for this building and worsen our position.	Recent sales suggest that the sites may appeal to a local investor / developer. Other options are available if the assets did not sell and would need to be assessed further if there is no marketing success.
Risk of infestation, vandalism or fire	Property becomes blighted / attracts negative stigma and impacts surrounding buildings	Regular monitoring required, seeking to dispose of the asset
A void property could encourage anti-social behaviour	Neighbours complain and feeling vulnerable	Regular monitoring required, seeking to dispose of the asset
Reputational risk of keeping this asset empty	Considered to be low at present	Active decision making on vacant assets

Reasons for the decision/recommendation

38. For the reasons outlined in this report it is recommended to dispose of the assets listed which will generate a capital receipt for the council.
39. For the purposes of 2 Charing Cross, 74 Upper St Giles and 82 Upper St Giles it is recommended to delegate authority to the Executive Director of Development and City Services in consultation with the Cabinet member for resources to accept the most advantageous offer.
40. Whilst these three properties are not considered to be a viable proposition for the council to invest in, it may appeal to the wider market, who may take a longer-term view on investment and/or be interested in conversion opportunities.

Background papers: None

Appendices:

Site Location Plans
Exempt Appendix

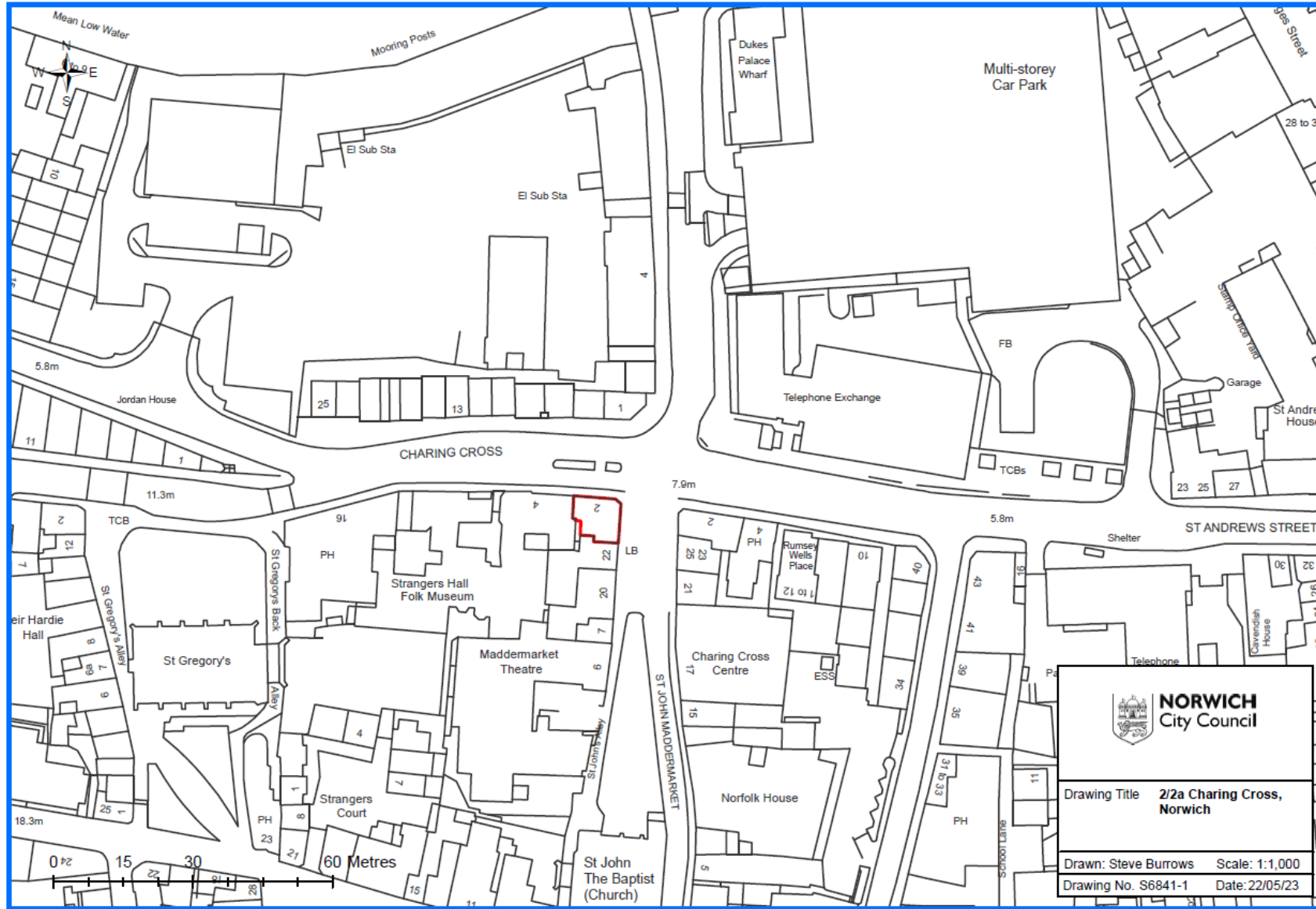
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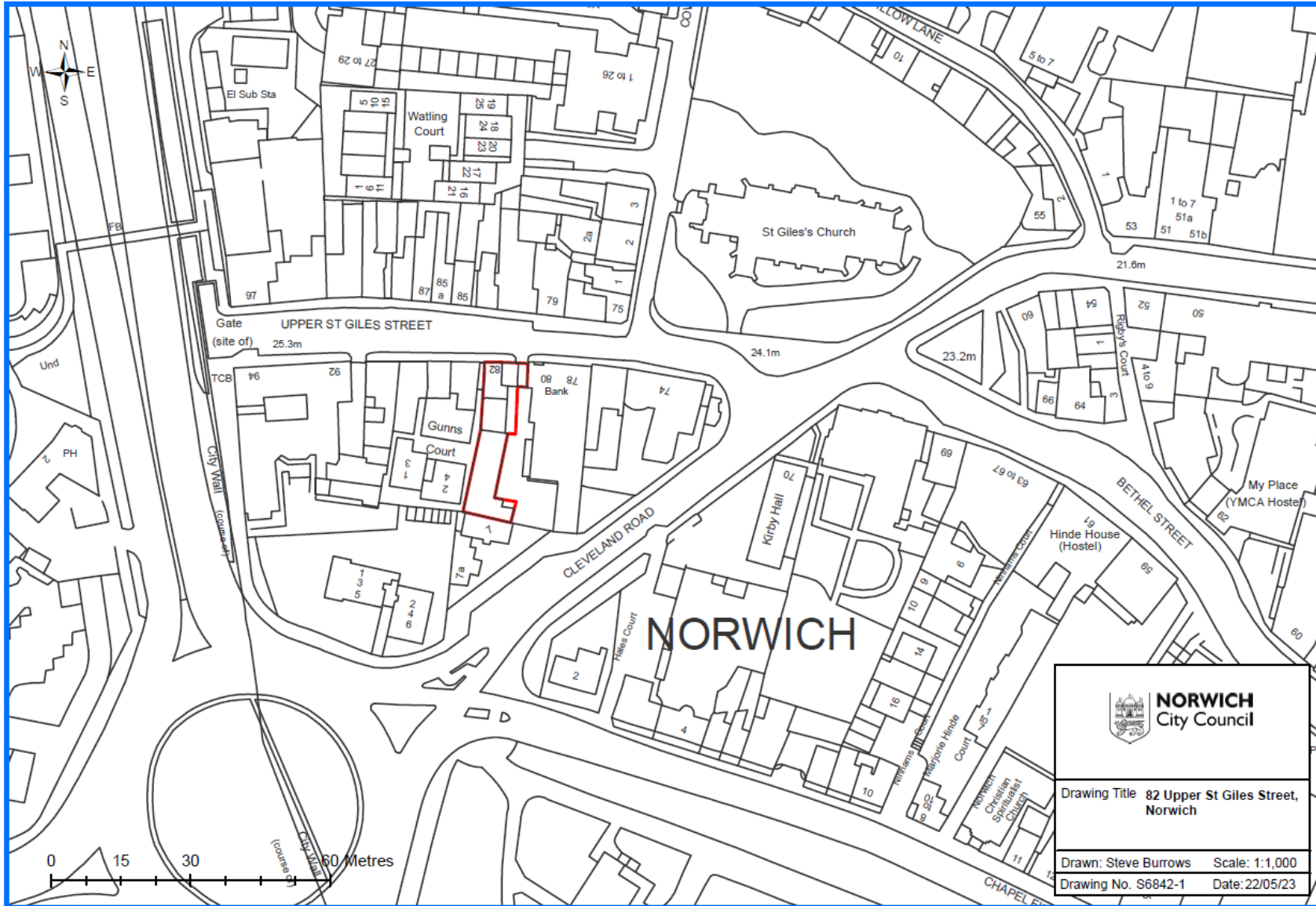
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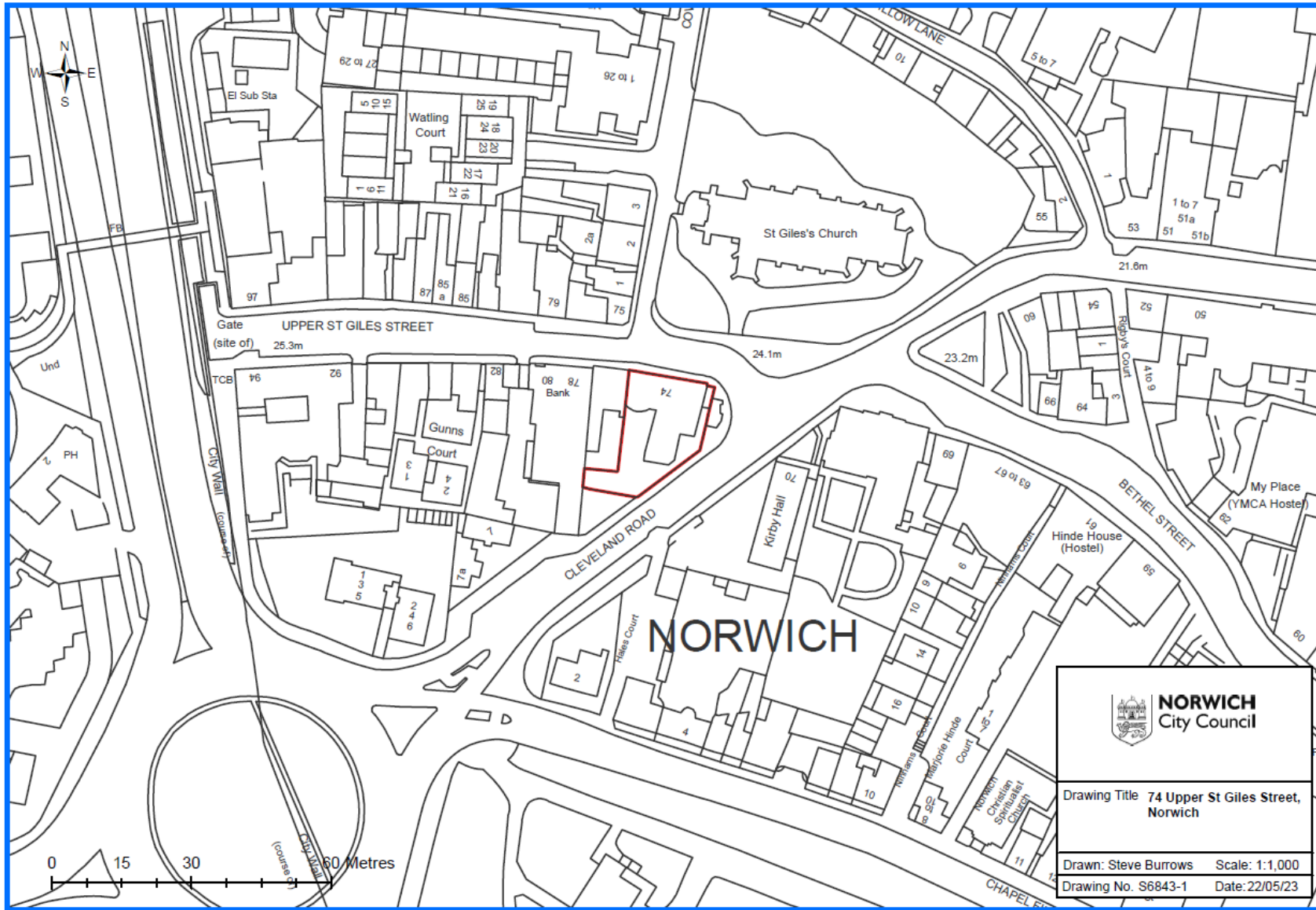
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Site Location Plans







 NORWICH City Council	
Drawing Title 74 Upper St Giles Street, Norwich	
Drawn: Steve Burrows	Scale: 1:1,000
Drawing No. S6843-1	Date: 22/05/23

