NORWICH City Council

Committee Name: Cabinet

Committee Date: 07/07/2021

Report Title: Managing Assets (non-housing)

Portfolio:	Cllr Paul Kendrick
Report from:	Executive director of development and city services
Wards:	**Catton Grove**

Purpose

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

Recommendation:

To approve

a) the disposal of land identified in the report jointly with the County Council.
b) The commencement of a process to procure a selling agent.
c) To delegate authority to accept the most advantageous offer for the site to the Executive director of development and city services in consultation with the Cabinet member for resources; and
d) To seek revisions to the lease/an option agreement on the Norwich City Services Limited depot to secure a right of renewal ahead of sale.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the Inclusive economy corporate priority.

This report addresses the Mobilise activity and investment that promotes a growing, diverse, innovative and resilient economy strategic action in the Corporate Plan as well as meeting the objective of being a Financially stable and resilient organisation.

View the Corporate Plan 2019-22

This report helps to meet Securing the council's finances and Business and the local economy recovery themes of the COVID-19 Recovery Plan.

View the COVID-19 Recovery Plan

Report Details

Background

1. Norwich Airport Industrial Estate (NAIE) is owned by Norwich City Council and held on express trust for Norfolk County Council, effectively giving joint ownership. Income derived from the estate is divided 60% Norfolk County Council and 40% Norwich City Council.

2. NAIE covers an area of approximately 119 acres (48 hectares) created out of a joint initiative by the councils to develop an airport facility and separately an adjoining industrial estate on land previously occupied by the former RAF Horsham St Faiths military airfield. Some of the original airport hangers and associated buildings remain as re-purposed industrial and commercial units, however, the majority of the buildings on the estate were constructed from the 1970s onwards on ground leases of 60 to 125 years in length. Many of the buildings have been converted for a variety of purposes and are now also intermingled with newer, but still outdated, structures.

3. In total there is around 120,000 m^2 (gross floor area) of accommodation with the majority (circa 90%) being light and general industrial / warehousing (including an element of ancillary office space for those businesses) with the remainder being office space. A high proportion of the pre 1970 estate consists of re-purposed airport hangers and associated buildings that have been adapted over the years to meet modern business needs which differ from the original use of the building in question. However, most of the buildings on the estate were constructed from the 1970's onwards and let on ground leases of 60 to 125 years in length. There are vacant plots and development sites amounting to nearly 15 hectares, including a site allocated in the Local Plan for approximately 35 new homes.

4. Two companies (Heatrae Sadia and Anglian windows) have historically anchored the Estate and accounted for 40% of the income. Heatrae Sadia has ended production at NAIE and they have leased their site to Lotus Cars Ltd.

5. The estate is managed by NPS Norwich Limited and the councils receive a joint total net income of around £0.8m. Gross income is fairly consistent at just under £1.1m per annum.

Previous & Recent Studies

6. Both Councils, for several years, have been considering how to maximise the potential of the Norwich Airport Industrial estate. Several jointly commissioned reports have identified that for the estate to realise its full potential for tenants, future businesses and the creation of employment, investment is required.

7. Following these previous studies, both councils were prompted to consider whether disposing of NAIE would be a viable option to deliver the capital investment required on the estate alongside alternative models whereby some or partial ownership was maintained.

8. In light of this, three further pieces of work have been commissioned to provide:

   a) Full property liability information for the estate to provide a 'data-room' (along with lease information) for would be purchasers of NAIE, carried out by Carter Jonas;

   b) A red book valuation carried out by Savills, which has for the first time provided us with detailed and complete valuation advice based on a robust and complete data set supporting their conclusions; and

   c) Information on possible joint venture structures and partners should the council choose to purchase the county council's share carried out by BNP Paribas on behalf of the city council alone.

9. Whereas 8 a) and b) were commissioned by both councils, c) was commissioned by the city council alone. The nature of the trust agreement between the two councils enables either Council to achieve such a disposal with the other (i.e. jointly) or buying out the others share at market value. On the basis of the advice received, the County Council are taking a report to their cabinet meeting on 05 July 2021 to seek authority for the disposal of the whole of NAIE.

10. A summary and discussion of reports identified above is provided within the exempt appendix to this report. The appendix is exempt from publication as it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information at this stage. The information is exempt due to information being commercially sensitive.

11. With publication of the red book valuation the council needs to decide whether to sell NAIE jointly with the county council or to purchase the whole or parts of the estate. An options appraisal is provided within the exempt appendix which considers disposal, acquisition and partial acquisition options. Whilst in theory do-nothing is an option, this has previously been rejected as NPSN showed that without additional investment, continuation of current management practice would not be sustainable. Furthermore, the county council can force a disposal, as mentioned above, thereby leading the council back to the other options.

Financial and Resources

12. 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 2019-22 and Budget.

13. A full assessment of the financial implications of the decision is provided within the exempt appendix. Delivery of a capital receipt to the council could be utilised in a number of ways which would assist the future capital plan and medium term financial strategy and will be considered further as part of the financial planning prior to the 2022/23 budget and MTFS refresh in February 2022.

14. It is anticipated that an accelerated development program by a commercial investor would result in higher property tax income for city, namely business rates and council tax receipts.

Legal

15. 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.

16. Achieving best consideration will also ensure that the council is not caught by the European Commission's State Aid rules.

17. 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.

18. In this case whilst there are some vacant parcels of land and woodland within the area in question, these are fenced off and not accessible to the public or used for public recreation.

Statutory Considerations

Consideration:	**Details of any implications and proposed measures to address:**
Equality and Diversity	Sale of the estate 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	Based on current values for industrial land it is anticipated that a new investor would invest in the estate and redevelop parts of it, this would assist in delivering new employment premises, job growth and associated tax receipts.
Crime and Disorder	No material implications.
Children and Adults Safeguarding	No material implications.
Environmental Impact	No material implications, however a potential benefit in disposal would be to fast track investment in the estate which in turn is likely to lead to energy performance improvements in buildings.

Risk Management

Risk	Consequence	Controls Required
A change in the level of market interest.	Reduced capital receipt.	Based on advice from Savills the risk is considered to be low likelihood at the current time but could be high impact. Moving to marketing quickly minimises this risk. Acceptance of a final offer will require further approval of the cabinet member and executive director.
Reputational risk	Impact on reputation of council	The reputational risk of leaving the estate without additional investment is considered to be greater than that of taking the decision to dispose of the estate and secure much needed private investment in the estate to help deliver associated benefits of supporting local businesses, job creation, renewing this part of the city and realising a capital receipt to help deliver local services.

Other options considered

19. See paragraph 11 above.

Reasons for the decision/recommendation

20. The future of the estate has been under review for some time, and it has been necessary to consider if we would jointly dispose of the estate with the county council, acquire the county council share, or acquire the county council's share of parts of the estate.

21. Given the relatively high valuation of the estate and the significant capital sums needed to be invested in the estate, as well as resource requirements, acquisition of the whole or part of the estate is not recommended based on the evidence gained within the reports which have been summarised in the appendix. Joint ventures have been explored however this would still require significant resource and there is a trade-off between capital input, revenue return and control, whereby the council would lose significant control and revenue return if a partner is providing significant capital investment.

22. It is, however, important to note that the council would retain some control over the future of the estate given its role as a local planning authority.

23. Specific regard has been given to the NCSL depot. Whilst the lease has security of tenure it is recommended that an ability to renew the lease when it expires in 19 years' time is secured ahead of sale to minimise operational risk in the future.

24. Disposal of the estate would bring significant inward investment as well as resource, expertise and capital not readily available to us. In addition, a commercial investor would be better placed to realise the wider economic benefits that would flow from investment in a shorter timescale. This in turn would help renew and refresh this part of the City which is in need of investment. In turn this delivers a capital receipt to the council which would have a material impact in meeting future budget challenges in the mid term financial strategy. Accelerated investment in the estate by a commercial investor would also realise greater tax receipts to the Council.

25. Therefore, having considered the options available to secure investment, offices have concluded that the disposal of the City Council's interest in the estate is the most advantageous route to securing its long-term success.

Background papers: n/a

Appendices: 1. Site plan
2. Exempt Appendix

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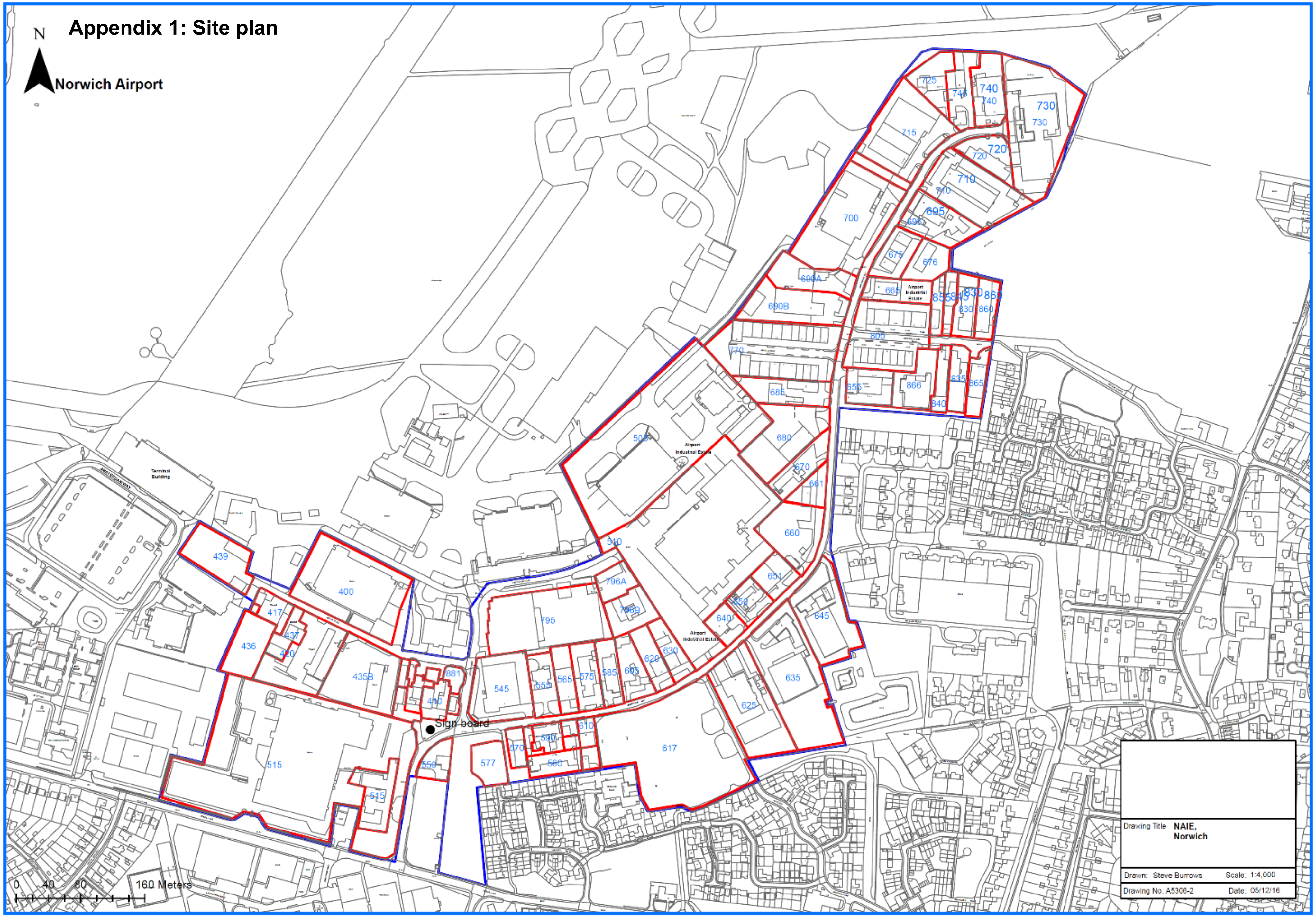
Appendix 1: Site plan



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