



Cabinet

SUPPLEMENTARY AGENDA

Date: Wednesday, 17 July 2024

Time: 17:30

Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

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Agenda

Page nos

15 Norwich Unity Hub, Carrow House - Key Decision

3 - 22

Purpose - To consider the grant of a lease as outlined in this report.

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

Page nos

***19 Norwich Unity Hub, Carrow House - (Exempt Appendix - Para 3)**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Date of publication: **Wednesday, 10 July 2024**



Committee name: Cabinet

Committee date: 17/07/2024

Report title: Norwich Unity Hub, Carrow House

Portfolio: Councillor Kendrick, cabinet member for an open and modern council & Councillor Kidman, cabinet member for a prosperous Norwich & Councillor Giles, cabinet member for a fairer Norwich

Report from: Executive director of major projects & Executive director of housing and communities

Wards: Lakenham

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider the grant of a lease as outlined in this report

Recommendation:

To approve the grant of a lease of Carrow House, King Street, Norwich as per the terms outlined in the exempt appendix, and to approve the NCIL funding to be awarded to Norwich Unity Hub to deliver this project.

Policy framework

The council has five corporate priorities, which are:

- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich.
- An open and modern council.

This report describes how the project will meet each of the corporate priorities identified in the community-led plan We Are Norwich.

Background

1. Carrow House forms part of the wider collection of East Norwich sites. The Council acquired Carrow House in September 2021. The decision and funding to acquire the building formed part of the East Norwich project within the Towns Deal program.
2. Carrow House is a grade II listed house, the former home of the Colman family with a grade II* conservatory. To the south is a large parking area with access via King Street and Carrow Works. To the north is New Carrow House a 1960's office building, 6 storey's high including the basement, this is joined to Carrow House via a three storey glazed atrium.
3. Long term the intention has been to hold the site for future redevelopment, however the original business case for acquiring the site envisaged letting for office use in the interim.
4. Upon completing the purchase, the Council immediately undertook a refurbishment of New Carrow House starting in January 2022 with practical completion in Q3 2022/23. A separate contract for the refurbishment works to Old Carrow House started in Q2 2022/23 and completed in early March 2023.
5. Marketing for offices has had limited success and although a first occupier could have been secured, there were substantial risks around void costs and possible future landlord energy efficiency improvement costs. As soon as a first letting was secured the council would be liable for void business rates on the remainder of the property (circa £120k) until the building was fully occupied. The aim was to undertake short-term 3-year lettings, however this would only stack up financially with 80%+ occupancy extremely quickly. Given the limited market interest there was high risk of having substantial void space and therefore costs.
6. This has led to a decision to cease marketing. The building would incur costs of circa £60-70k pa even if kept vacant. Therefore, options to speed up redevelopment and also alternative meanwhile uses have been explored.

Meanwhile Use

7. Following the decision to cease marketing consideration was given to the ability for the building to host Charity/VCSE (Voluntary, Community and Social Enterprises) organisations as meanwhile use. The idea being to provide short-term low-cost accommodation to those organisations whilst also reducing hold costs for the council and reducing security risks. This would deliver a broad range of impacts across the five priorities of the new corporate plan.

Norwich Unity Hub

8. Norwich Unity Hub (NUH) are a Charitable Incorporated Organisation (CIO) with the charitable aim of providing affordable rented accommodation to charitable organisations in Norwich and fostering collaboration amongst their

members. One of their methods of achieving this goal is to establish a community hub for the VCSE sector in Norwich.

9. They were founded following a public meeting in early 2023 which was attended by a number of VCSE organisations facing the same challenge of being unable to find affordable rented accommodation in Norwich.
10. They subsequently approached us to see if we could support them to achieve their aim. Having initially given them support and advice around governance and funding, we suggested Carrow House as a possibility when it became apparent that it was going to remain vacant for a number of years.
11. NUH have approximately 25-30 member organisations from the VCSE sector. These groups all deliver services in Norwich and represent a range of charitable aims with services being delivered across mental health support, young people, disability and accessibility, environmental challenges, creative arts and skills development.
12. NUH plans to offer a wide range of charities, cultural groups, community organisations and community interest companies (VCSEs) a shared space at Carrow House and aim to foster collaboration and engagement between those organisations to enhance the social, environmental and economic benefits delivered by the member organisations. Their business case outlines how they will do this and is included in the exempt appendix.
13. Whilst NUH are a newly formed charity, their trustees have significant professional expertise and qualifications across a range of areas including finance, project management, public sector and charity management. They have established an effective governance structure which provides a democratic voice to their members whilst ensuring the legal responsibilities of running a charity sit with the trustees.

Strategic Case

14. Given the range of organisations co-locating in this space, there are a wide range of social, cultural, economic and environmental impacts some of which are outlined below. The financial value of the project to Norwich has been calculated at £2.7million which has been established using the National TOMS Framework which is promoted by the LGA to measure social value. This is a conservative estimate based on the benefit delivered to Norwich and its residents. It does not include outcomes where there is not a strong link or logical pathway, or where we have limited data, therefore the total value is likely to be higher. The full social value assessment can be seen in the exempt appendix.
15. The project will be in a unique position to deliver meaningful outcomes on each of the council's priorities as set out in our community-led plan: We are Norwich. Further detail on each is set out below.

A prosperous Norwich

16. Co-location at Carrow House will facilitate collaborative working, skill-sharing and skill development. New jobs and opportunities will be created that will contribute to a creative, innovative, inclusive and sustainable economy. The security provided by a three-year lease for affordable space will enable organisations to focus their financial resources and capacity on service delivery and to innovate and test ideas, projects and opportunities.
17. The project will contribute to the council's objective to be a leader of culture and creativity and for a city that is both vibrant and accessible. The project will also bring a vacant building back into use assisting the vibrancy of this part of the City Centre.

A fairer Norwich

18. Significant wellbeing impacts through resident engagement in the activities hosted by organisations at Carrow House will boost self-esteem, confidence and overall wellbeing. The project will improve opportunities for disadvantaged people including those with disabilities and access needs, young people, vulnerable people and those at risk of social isolation.
19. Carrow House will facilitate more equality of opportunity resulting in improved mental health, reduced anxiety, respite for carers, improved access to creative experiences and therapeutic support for residents. It will further NCC's priorities to partner with charitable organisations and use our assets to empower communities for the benefit of the residents of Norwich.

A climate responsive Norwich

20. NUH at Carrow House incorporates a strong environmental focus. The centre will raise awareness about ecological issues and promote sustainable practices within the community. Events, workshops, and initiatives will encourage recycling, energy conservation, urban gardening, and other environmentally friendly practices. This will contribute to a greener and more environmentally conscious community.

A future-proof Norwich

21. Co-location will enable resources to be shared and costs reduced, it will support our communities to be active and strong and empower them to act locally to achieve solutions and improve community resilience. It will attract visitors from the community and beyond, supporting local businesses and the economy.

An open and modern council

22. The project enables the council to build and strengthen relationships with our voluntary and community sectors. The creation of a full time home for circa 25 charities and CICs, as well as informal usage for a number of others, will lead to increased participation and volunteering throughout the voluntary and community sectors and will support the council to achieve common goals.

Social Value Monitoring

23. NUH have committed to ongoing monitoring and annual evaluation reports to determine the benefits derived from the project. This information would be shared with the City Council so we can review the performance of this project and make changes as required.
24. The outcomes and measures identified in the original social value assessment will be used as the basis for these reports which will look at both the additional impact of individual organisations and the broader benefits of co-location space. We will also collect data to identify where residents using the services are coming from, ensuring that Norwich residents are benefitting from the project. Support will be provided by the community enabling team as required.

Lease Terms & Commercial Case

25. A summary of the lease terms is contained in the exempt appendix. The lease is based on a peppercorn rent but with internal repair and insurance liability resting with Norwich Unity Hub as Tenant. This would include tenant responsibility for maintenance of service media including electrical and heating installations.
26. The proposed area to be subject to the lease is as set out in the attached red line plan.
27. From a commercial perspective the benefit to the council is that this will bring the building back into a viable meanwhile use. It will also save the council circa £70k pa in hold costs which are principally comprised of insurance costs, security costs, utilities costs and repair and maintenance costs. This would equate to approximately £210k saving over the three years.
28. The car parking area has been excluded from the lease. This is to ensure that the lease does not impact the ability for this area to be brought forward for redevelopment ahead of the 3-year lease expiry. Short term licenses of the car park will be considered on a case-by-case basis to enable events etc. In addition, a small area of the car park will be licensed to NUH in the short term for operational use. This area will be restricted to promote sustainable forms of transport, but also to be broadly equivalent to the level of parking which could be provided on the remainder of the site through temporary parking provision. The aim is to ensure that the use by NUH does not prevent the redevelopment of the car park earlier than the three-year expiry period.
29. Norwich Unity Hub have produced a detailed business case to support their proposal which includes a detailed cash flow based on the terms on which the building is offered. This has been reviewed in significant detail by officers in finance, asset management and communities. It is considered to be a viable proposition for use of the building. Further details on risks are outlined in the risk section below.
30. Restrictions will be placed within the lease to ensure that the long-term hire of space is restricted to VCSE groups. NUH may offer occasional/day hire of space to generate additional income from non-VCSE groups but this will be focused on meeting rooms and areas such as the conservatory.

31. Only Charitable organisations delivering services in Norwich and predominantly for Norwich residents will be eligible for the subsidised rate.
32. NUH have developed eligibility criteria to enable NUH to determine how requests for accommodation are determined. The full criteria and selection process is included as an appendix within their business plan which is attached in the exempt appendix. This criteria includes stipulations set out by Norwich City Council to ensure that groups taking on space in Carrow House are delivering benefits to Norwich residents. There will be a preference for groups which have a track record of delivering benefits within Norwich City Council boundaries. In addition, any charitable organisation whose average annual turnover over the previous three years does not exceed £1m will be eligible to pay just the service charge. Any charitable organisation whose average annual income does exceed this will be able to take up permanent space but must pay a commercial rate.

Exit Strategy

33. Both parties are clear that the lease is for a 3-year period pending wider considerations on site redevelopment/change of use. NUH have committed to using the lease term to develop the concept and look at what the other options are for continuing their work post Carrow House. Broadly these options are likely to include:
- a. Seeking another short-term lease on empty property. If the model can be shown to work effectively and remove the liabilities of a vacant property. The model may be more attractive to other landlords.
 - b. NUH may be able to operate from a number of other smaller sites with a smaller central hub in a city centre location which is more public facing.
 - c. NUH can assist member groups to take on their own leases of other premises.
 - d. NUH purchase of a property to continue their work.
34. As part of the NUH business plan a project manager is to be employed to work alongside the trustees to consider further property opportunities and the future development of NUH. The council would also be in close dialogue with NUH around their development of future options and proposals post Carrow House.

Future Redevelopment

35. The site forms part of the wider East Norwich growth area and redevelopment of the site is anticipated within the East Norwich Masterplan. Feasibility work is ongoing to consider the future options for the site and redevelopment potential. This work will progress and the lease will have the ability for the council to continue to access the premises to enable surveys to be undertaken to allow continued progress of this work.

Neighbourhood Community Infrastructure Levy

36. Norwich Unity Hub have made a request for Neighbourhood Community Infrastructure Levy (NCIL) funding to support the project. This bid is for £282k over 3.5 years. It is aimed at building their organisational capacity to deliver

this project and the unity hub concept. It includes a portion of capital expenditure to allow for some partitioning of New Carrow House and secondary glazing.

37. NCIL funding must be used to mitigate the negative impacts of growth. This project has a very strong link to growth as (a) developments around the city have made space unaffordable for many charitable organisations with a number losing their existing affordable space due to development; (b) many charitable organisations are experiencing an increase in demand with an unequal split of benefits from growth a contributing factor in this; and (c) a significant amount of recent and ongoing development in the city has been in and around the city centre in close proximity to Carrow House.
38. The board have assessed their NCIL bid which was scored at 90.6%. They have recommended it is approved on the basis that (a) it delivers strongly across all the council's corporate priorities; and (b) it will support 30+ charitable organisations delivering services for Norwich residents over the next three years. This equates to less than £4k per organisation per year.
39. A full breakdown of the costs together with the NCIL board's scoring of the application is included in the exempt appendix.
40. This would account for an estimated 46 – 60% of NCIL funding over the next four years depending on how much is received by the council. In this financial year, £129k of NCIL funding has already been committed to 6 projects across the city. The remaining NCIL funding over the next four years would be available to fund other projects in the city.
41. As the subsidised service charge only rate is only available to organisations delivering services in and for Norwich residents, NCIL funding will only be used for the benefit of Norwich residents.

Financial and resources

42. 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 2024-29 and budget.
43. In this case whilst the council would not receive a commercial rent for the premises the use by Norwich Unity Hub would provide a short-term meanwhile use and would save the council hold costs it would otherwise be exposed too were the property to be left vacant pending redevelopment.

Legal Considerations

Subsidy Control

44. The Subsidy Control Act 2022 ("the Act") came into force on 4 January 2023. Subsidy control in its broad sense follows previous similar regimes whilst the UK was a member of the EU (this was known as State Aid).

45. This legislation places obligations on local authorities when assessing and providing subsidies. Subsidies themselves are not prohibited so long as they can be justified (i.e. they become lawful subsidies), but that justification must be in accordance with the Act and must be evidenced before a decision is made.
46. In this case the grant of a peppercorn rent is considered to meet the tests for subsidy. The Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 sets out that the value is to be determined by reference to the value of the benefit on an enterprise, taking into account the difference between:
- a. the terms on which the subsidy is given, and
 - b. the terms on which financial assistance of the same kind might reasonably have been expected to have been available on the market to the enterprise.
47. It must be inclusive of all tax and determined in accordance with generally accepted accounting practices. If the Council cannot determine it precisely then it must determine the maximum possible subsidy that NUH could achieve.
48. The value of the subsidy is calculated as £934,163. Details of how this figure has been calculated are set out within the exempt appendix. It should be noted that this does not represent a figure the council would receive were it not to undertake the project. Despite the level of subsidy, compared to a do-nothing scenario the project is anticipated to save the council money over the lifetime of the MTFS.
49. Where a subsidy is being offered it is necessary to undertake a principles assessment. The Act contains 7 principles to be satisfied – essentially leading the Council to show that it has a policy reason for getting involved in/influencing the market and that it is reasonable and proportionate for it to do so.
50. A principles assessment has been undertaken and is included as an appendix to this report. The conclusion of this assessment is that it is reasonable and proportionate to offer the subsidy in this instance. Where a subsidy award exceeds £100,000, the Subsidy Control (Subsidy Database Information Requirements) Regulations 2022 requires that it must be published on an open database within 3 months of the decision to commit it.

Best Value Considerations

51. As the lease is for a short term tenancy it does not constitute a disposal for the purpose of best value considerations under section 123 the Local Government Act 1972. Circular 06/03 sets out that short term tenancies of less than 7 years do not need consent.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	An Equalities Impact Assessment has been undertaken which has not identified any adverse impacts for the proposal.
Health, social and economic impact	The scheme has the benefit of delivering some positive health and social outputs as outlined elsewhere in this report. Economic impacts have been considered in relation to the subsidy control principals assessment discussed elsewhere in this report.
Crime and disorder	No material impacts anticipated, although having the site in use is likely to deter possibly security risks.
Children and adults safeguarding	No material impacts are anticipated.
Environmental impact	No material impacts are anticipated.

Risk management

Risk	Consequence	Controls required
NUH have cash flow issues due to higher costs or reduced income due to lack of demand.	Project fails and building returned to City Council. Albeit the building could be in a worse condition at that point.	The business case and cash flow have had significant scrutiny by finance. The main risk/concern is on the timescales to get to 80% occupancy which is required to break even. NUH are confident on demand from members and will look to secure commitment from members ahead of taking on the building (whilst legals are progressing). There will also be close liaison with NUH at the start of the project to ensure success.

Risk	Consequence	Controls required
<p>High repair liabilities falling to NUH causing cash flow issues. Boilers breaking down/needng replacement.</p>	<p>Either failure of the project as per above or a need for the Council to intervene. The main risks is around the boilers where replacement would not be viable if they were to fail. Alternative temporary heating would be needed, albeit at a higher utilities cost.</p>	<p>The repair liability for M&E sits with NUH therefore the risk would sit with them. However, failure of the project could result in the building returning to City Council in a poorer state of repair. There are limited further controls other than to accept this risk.</p> <p>Whilst the boilers are end of life they have operated effectively since the council has owned the property subject to appropriate repair and maintenance. However, parts are difficult to obtain. If they do fail then the mitigation would be portable heating solutions. This is likely to have increased utility costs for NUH / it's members. NUH would need to secure the ability to recharge those costs to members.</p>
<p>Future Minimum Energy Efficiency Standards legislation requires substantial upgrades to the building.</p>	<p>Capital expenditure needed to allow the building to continue in use.</p>	<p>Some improvements are proposed by NUH. It is not anticipated that revised legislation will have an impact in the three-year term. The lease has break provisions were such legislation to make continued operation unviable.</p>
<p>Dilapidation of building/building returned in poor state of repair.</p>	<p>Building not in a condition which could be used for an alternative meanwhile use / higher costs of redevelopment.</p>	<p>The assumption is that the buildings would be redeveloped / refurbished in the medium term following the initial three year lease to NUH. In that scenario dilapidations to New Carrow House are unlikely to be a substantial factor. However, if the NUH project were to fail after say 6 months expenditure may be required to secure a further meanwhile use. As outlined above there will be close liaison to seek to ensure that failure of the project does not happen and the cash flow has been considered carefully. However, this is a risk which would need to be accepted. For Old Carrow House, careful restrictions will be placed on the lease to ensure that any dilapidations are minimal and that there is no harm to historic fabric. It is proposed that the property team would undertake regular inspections of the property during the term.</p>

Risk	Consequence	Controls required
Difficulty securing the exit of NUH and it's member organisations at the end of the 3-year period.	Reputational risks	Please see the exit strategy section of the report. In addition, this has been discussed with NUH and NUH are committed to joint communications on the matter.
Challenge from third parties relating to an offer of a lease at peppercorn rent	Reputational / challenge	The property has been extensively marketed. In addition, NUH are not occupying for their own use but would operate the building to provide low cost accommodation to VCSE's. Other VCSE's could become a member of NUH and NUH will develop their own prioritisation policy which they will administer according to the available space.

Other options considered.

52. Do nothing – this has been considered, however the council would incur hold costs and would not realise the benefits outlined in this report. It would also be necessary to spend further funds on security and hoarding of the building.

53. Continue to market the building for commercial lettings. Further detail on this is included in the exempt appendix. However, this is not considered to be viable as a short-term strategy. Office use will be considered as part of the long-term feasibility work around redevelopment, however that would likely require substantial further capital expenditure to enable the building to meet future minimum energy efficiency standards. The meanwhile use will enable time for the long-term future of the building to be considered as part of further feasibility work.

54. Accelerated Redevelopment – any redevelopment of the site will take some time to bring to fruition. However, the car park has the greatest opportunity for redevelopment in the short term. It is proposed that this can happen in tandem with the NUH opportunity. Feasibility work relating to redevelopment has already commenced. The exclusion of the car park from the lease will ensure that the early redevelopment of that area would not be prevented. Feasibility work and proposals for the rest of the site can continue whilst NUH are in situ.

Reasons for the decision/recommendation

55. The granting of a lease to NUH would provide a meanwhile use for New and Old Carrow House pending medium-long term considerations for the sites development. This would assist numerous VCSE groups in delivering their aims for Norwich and in delivering social & environmental capital. This would also reduce council hold costs compared to the property sitting vacant and provide additional security to the site. The project is not without risks as outlined in the report, however the community benefits and commercial

benefits of a reducing hold costs are considered to justify the proposed scheme.

Background papers:

Appendices: Appendix 1: Site Red Line Plan
Appendix 2: Subsidy Control Principles Assessment
Exempt Appendix

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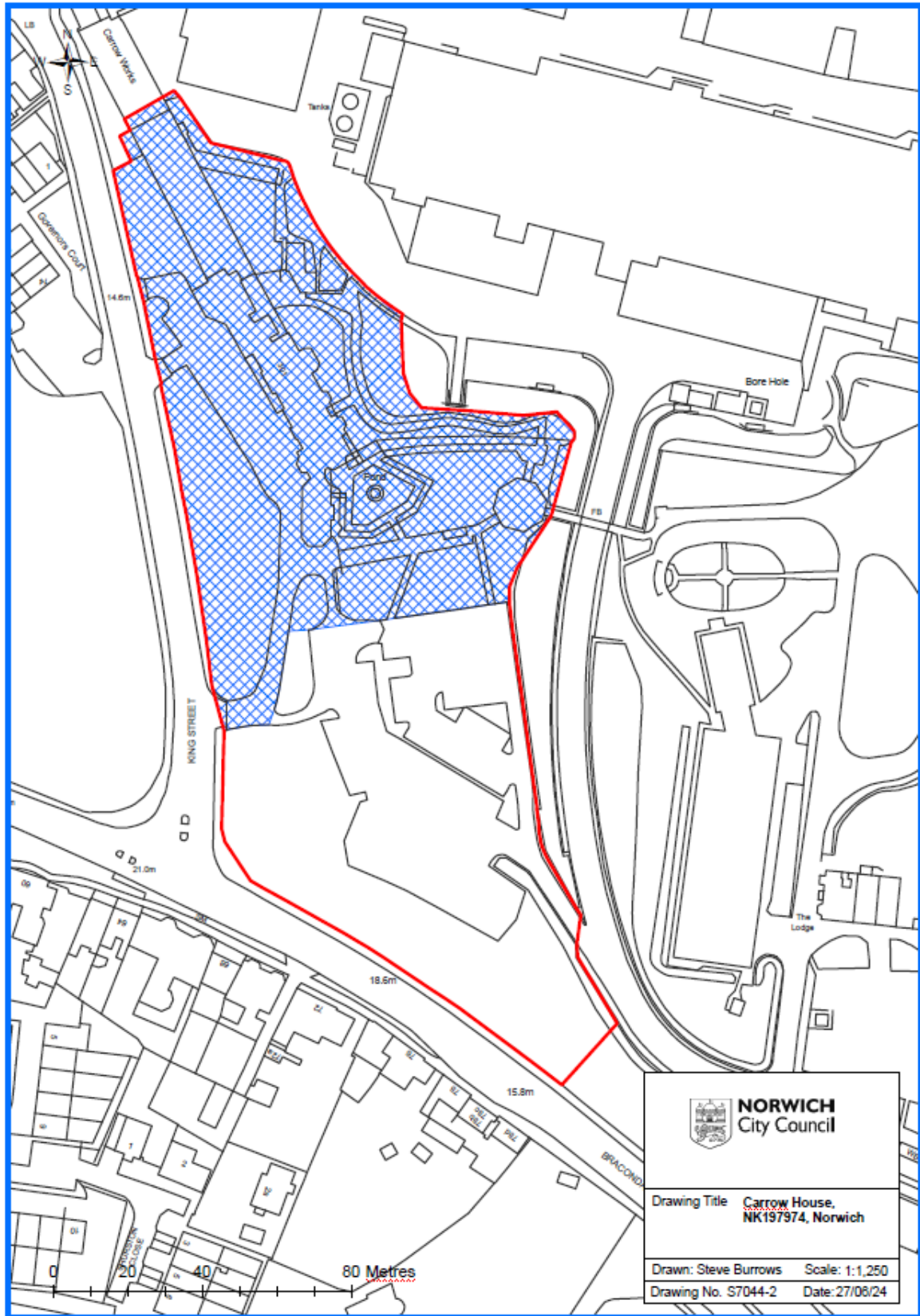
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Appendix 1: Site Red Line Plan



Appendix 2: Subsidy Control Principles Assessment Template

Section 12 of the Subsidy Control Act 2022 requires public authorities to consider the subsidy control principles and be of the view that their subsidy or scheme is consistent with those principles before giving an individual subsidy or making a subsidy scheme. This template outlines the main components of the assessment framework which helps to ensure that a subsidy is consistent with these principles. Public authorities should also refer to the full requirements set out in the Act as explained in the Statutory Guidance.¹

It is recommended that public authorities use this template to assist with documenting their evidence, analysis and conclusions for their principles assessment for most subsidies and subsidy schemes.² The depth of the assessment of compliance with the principles for a subsidy or subsidy scheme should be commensurate with the size and the potential distortive impact of the subsidy, or subsidies given under the scheme. This template may be used as the starting point for documenting the principles assessment for Subsidies or Schemes of Interest (SSoIs) or Subsidies or Schemes of Particular Interest (SSoPIs). However, a more extensive assessment on the potential distortive impacts will need to be undertaken for these types of subsidies and schemes.³

Public authorities should state what evidence has been used for each component of the assessment. This may involve cross-referencing to specific sections of the associated business case or other internal or external documents. Additionally, it is recommended that public authorities explain their approach to:

- how contradictory or inconsistent evidence was weighed in coming to conclusions under each element of the assessment; and
- any decisions made in relation to the proportionality of not collecting evidence or undertaking analysis as suggested in the Subsidy Control Statutory Guidance.

¹ www.gov.uk/government/collections/subsidy-control-regime

² A scheme's consistency with the subsidy control principles is generally assessed in the same manner as for individual subsidies. The assessment should focus on the subsidies that could reasonably be given under the terms of that new scheme that have the highest risk of not complying with the principles.

³ As set out in Chapter 3 ('subsidy design and assessment') of the statutory guidance, public authorities are advised to follow the same four-step assessment framework for these categories of subsidy and to refer to Annex 2 of the Statutory Guidance as well the Subsidy Advice Unit guidance.

Assessment Framework Component	Recommended Evidence
<p style="text-align: center;">Step 1</p> <p>Policy objective (Subsidy Control Principle A)</p>	<ul style="list-style-type: none"> • <i>Provide details of specific policy objective</i> <p><i>This subsidy would enable the delivery of the project for Norwich Unity Hub to take on a short-term lease for Carrow House which would deliver against the following priorities outlined in the council's new community-led plan:</i></p> <ul style="list-style-type: none"> ○ A prosperous Norwich: by supporting the growth of the VCSE and cultural sectors with opportunities for innovation to support our work in becoming renowned as a culture and creative leader encouraging collaborative working, creating jobs, providing opportunities for skill development and support into employment. ○ A fairer Norwich: encouraging more joined up working across organisations to tackle the root causes of disadvantage, improving health outcomes and providing greater equality of opportunity across both the creative arts and various VCSE-led support services. ○ A future proof Norwich: testing new ways of working to build the strength and resilience of communities and empowering them to act locally to achieve the best local solutions. ○ A climate-responsive Norwich: supporting the growth of the green economy, raising awareness and understanding about climate change with a focus on changing behaviours, increasing reuse and improving the biodiversity value of our natural spaces. ○ An open and modern council: supporting high levels of involvement across our voluntary and community sectors with skills and knowledge shared across sectors. <p><i>Further details can be found in the social value spreadsheet.</i></p> • <i>Establish the existence and significance of the market failure and/or the inequality the subsidy seeks to address</i> <p><i>The subsidy seeks to address the market failure as follows:</i></p> <ul style="list-style-type: none"> i) <i>It is not practical to let commercially within the the timescale ahead of the anticipated long term development of the site. Securing an occupier of the asset on commercial terms which deliver a net return to the council is not considered likely in the current market.</i> ii) <i>A lack of affordable rented accommodation for charities and CICs within the city.</i>

Assessment Framework Component		Recommended Evidence
		<ul style="list-style-type: none"> Identify how the subsidy will remedy the market failure (i.e. provide a more efficient outcome) and/or address the equity objective (reduce an inequality) <p>The subsidy will allow NUH to take on a short term lease of Carrow House which will both see the asset occupied until the site is developed whilst also providing affordable full time rented accommodation for 20 – 25 charities and CICs in the city and a further 10+ using space on an occasional basis.</p> <ul style="list-style-type: none"> State the desired outcome(s) <ul style="list-style-type: none"> Avoid the costs associated with securing a listed building if unlet Support charitable organisations to grow and develop their services for the benefit of the residents of Norwich Deliver in an effective and cost-efficient way to deliver against the five priorities outlined in the council's new community-led plan (details explained at the start of this section)
	Appropriateness (Subsidy Control Principle E)	<ul style="list-style-type: none"> Justify why a subsidy is the most appropriate instrument for addressing the identified policy objective and why other instruments have been set aside such as regulation, direct provision of the good or service by the authority, or loans or equity investment on commercial terms <p>These two challenges converge into a community opportunity which are enabled by the subsidy.</p> <p>It is impractical for the Council to directly provide affordable rented accommodation to charities and CICs as this would incur a number of financial liabilities which are unaffordable within the Council's medium term financial strategy. The subsidy will actually have a positive impact on the Council's MTFS given the anticipated £180k savings from having the building occupied over three years.</p> <p>Further details of alternative options are considered within the associated cabinet report supporting this decision.</p>
Step 2	Baseline no-subsidy scenario (Subsidy Control Principles C & D)	<ul style="list-style-type: none"> Set out the future scenario – over both the short and the long-term – In the absence of the subsidy <p>In the short term, there would continue to be a shortage of affordable accommodation for charitable organisations within the city leading to a loss of community resources and opportunities for collaboration. We would also need to secure a vacant listed building.</p>

Assessment Framework Component	Recommended Evidence
	<p><i>Longer term, the development would be unaffected, but the VCSE sector would continue to be impacted and marginalised with no new opportunities for co-location and collaboration. The Council would likely have to find additional resource and assets to support the VCSE sector.</i></p>
<p>Additionality Assessment (Subsidy Control Principles C & D)</p>	<ul style="list-style-type: none"> <p><i>Relative to the baseline/no subsidy scenario, provide details of how the subsidy will lead to a change in the economic behaviour of the beneficiary (and therefore brings about something that would not have occurred without the subsidy) which assists with achieving the policy objective</i></p> <p><i>The subsidy will allow NUH to deliver broadly on its charitable objects to provide affordable rented accommodation to the VCSE sector in Norwich. This, in turn, will allow the member organisations the relative security of three years to develop their practice and services, test new ideas and grow their organisations leading to increased numbers of jobs, more external funding brought to the city and additional accessible services for residents of Norwich. Further details can be found in the social value spreadsheet.</i></p> <p><i>Please provide appropriate justification if the subsidy will compensate for the costs the beneficiary would have likely funded in the absence of any subsidy such as business as usual costs.</i></p> <p><i>Without the subsidy the hub at Carrow House would not be able to proceed which would also potentially lead to a loss of momentum in establishing a longer-term sustainable solution for NUH.</i></p> <p><i>For schemes, please provide details of how it has been designed to exclude any groups of beneficiaries where it can be reasonably determined in advance that there is unlikely to be additional benefits that wouldn't have otherwise happened in the absence of the subsidy. Please provide appropriate justification where it has not been possible/reasonable to identify and exclude these groups.</i></p> <p><i>This is not a scheme so is not applicable. However, being a charity NUH are obliged to only commit their resources to the furtherment of their charitable objects. Therefore only charitable organisations with low incomes who are unable to afford commercially available opportunities are eligible to benefit from the discounted rates at Carrow House.</i></p>

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<p style="text-align: center;">Step 3</p> <p>Proportionality and Minimising Distortion (Subsidy Control Principle B & F)</p>	<ul style="list-style-type: none"> • <i>Demonstrate how the subsidy is proportionate and has been designed to minimise any negative effects on competition and investment within the UK whilst still allowing it to meet the policy objective. This should include details how you have considered the following subsidy characteristics (where relevant):</i> <ul style="list-style-type: none"> ○ <i>The nature of the instrument</i> <p><i>The subsidy is time limited (3 years maximum) and takes the form of (a) a peppercorn rent which is a financially prudent solution for the Council; (b) NCIL funding awarded through an open process accessible to other charitable organisations working in Norwich; and (c) business rates relief which is embedded within a policy that applies across the City.</i></p> ○ <i>The breadth of beneficiaries and the selection process</i> <p><i>NUH are a membership organisation. Between 20 and 25 charitable organisations will have a permanent (for the duration of the lease) home in Carrow House. A wider range of charitable organisations will benefit from using space on an occasional basis.</i></p> <p><i>A public meeting was held in early 2023 where organisations who were seeking affordable space to co-locate were invited to come along and discuss their requirements. This was before Carrow House was a possibility, and when Carrow House became an option further groups who had approached the Council about space were pointed towards NUH.</i></p> <p><i>Within Carrow House itself, accessibility requirements are prioritised in the allocation of space. Where there have been competing requests for the same space, this has been resolved effectively through discussion.</i></p> ○ <i>The size of the subsidy</i> <p><i>The value of the subsidy is calculated as £934,163. It is split out as follows (note these are total costs over three years):</i></p> <ul style="list-style-type: none"> ▪ <i>NCIL: £282,900</i> ▪ <i>Peppercorn rent: £613,478 (inc VAT)</i> ▪ <i>Discretionary business rate relief: £37,785</i> ○ <i>The timespan over which the subsidy is given</i>

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		<p><i>The subsidy will be given predominantly over 3 years, with a small proportion of NCIL funding being carried over into the start of the fourth year.</i></p> <ul style="list-style-type: none"> ○ <i>The nature of the costs being covered</i> <p><i>See above</i></p> <ul style="list-style-type: none"> ○ <i>The performance criteria</i> <p><i>NUH will not be held to targets, but regular monitoring and a thorough evaluation will be requested against an agreed outcome-based framework to evidence how effectively they are delivering against the identified outcomes. This will be based on the social value spreadsheet.</i></p> <ul style="list-style-type: none"> ○ <i>Ringfencing</i> <p><i>Only charities and CICs will be eligible to take up space in Carrow House. It will be permitted that non-charitable organisations can hire out occasional space but this must be at a commercial rate and with the income to support the charitable objects of NUH. This will be secured via the formal lease.</i></p> <ul style="list-style-type: none"> ○ <i>Monitoring and evaluation</i> <p><i>As outlined in performance criteria above</i></p>
Step 4	<p>Balancing Exercise (Subsidy Control Principle G)</p>	<ul style="list-style-type: none"> ● <i>Set out details of the expected benefits of the subsidy (as they relate to the specified public policy objective) and its anticipated negative effects, including in particular any negative effects on competition and investment within the UK, and international trade and investment. This should also include any geographical and distributional impacts. Justify why the negative effects are outweighed.</i> ● <i>Please note that it will not always be possible to quantify every element of the assessment, and therefore the balancing exercise may need to include both quantitative and qualitative elements.</i> <p><i>It is anticipated that any negative effects will be negligible. As the members organisations cannot afford commercially available office space, and there is no other provider of affordable space of this kind in Norwich there will be no impact on competition and</i></p>

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	<p><i>investment. There may be some negative impacts on competition within the VCSE sector if the space at Carrow House cannot satisfy the demand. NUH will be able to offer these organisations occasional use including hotdesking space.</i></p> <p><i>An in-depth analysis of the expected benefits of the subsidy are laid out in the social value spreadsheet. Where possible, we have used proxy values identified in the national TOMS framework (Themes, Outcomes and Measures) to assign a financial value to the social outcomes. We are aware that this detail is incomplete and further work would give a fuller picture of the outcomes – in particular to measure the number of volunteer hours and jobs created. Even so, this already gives a social value generated of approximately £2.7m over three years. In addition there are a number of qualitative outcomes where it has not been possible to attribute a financial proxy these include the outcomes highlighted in step 1 of this assessment.</i></p>