

Committee Name: Cabinet

Committee Date: 14/06/2023

Report Title: Managing Assets (Non-Housing)

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

Purpose

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

Recommendation:

Cabinet is requested to approve the disposal of the assets outlined in this report;

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. Four of the assets in question currently form part of the investment portfolio and one asset is an HRA Shop. 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 two assets as follows:
 - a. The Brook Hotel, Bowthorpe;
 - b. 67 Ridder Haggard Road;
2. Further detail on each is provided in the sections below.

The Brook Hotel, Bowthorpe

3. The Brook Hotel is located to the west of the City on the edge of Bowthorpe at the junction of Dereham Road and Barnard Road. It was a Best Western Hotel, now temporarily closed and being used as temporary accommodation. The City Council granted a long ground lease on a piece of bare land on 18/11/1988 for the development of the hotel. A 125-year lease was granted with a rental of a peppercorn in exchange for a capital payment of £409,500. The lease currently has 90 years unexpired with no provision for review of the peppercorn rental. The Council formally owned land to the west now occupied by a bowling alley however this has now been disposed of.
4. The leaseholder has approached the Council to acquire the freehold interest of the site. Given there is no income from the leasehold interest this is a special purchaser arrangement. A red book valuation has been sought and led to discussions on a price. Further detail is provided in the exempt appendix.
5. Other options considered are:
 - a. Do nothing – this is a low-risk option but would not deliver a capital receipt. It may be possible to renew the leasehold interest or gain a great capital sum in say 20-30 years. Albeit it is likely to be preferable to secure a capital receipt now.
 - b. Re-gear the lease to extend the leasehold interest and achieve a ground rent income. Given there are still 90 years left on the lease this is unlikely to generate any substantial ground rent return. This may be a better option in say 20-30 years.
6. Given the asset delivers no income and has no income potential in the short-term, it is recommended to dispose of this asset to the leaseholder in line with the terms outlined in the exempt appendix.

67 Rider Haggard Road

7. 67 Rider Haggard Road is an HRA shop, it is a purpose-built single-story property located at the junction of Ridder Haggard Road and Gunn Road in Heartsease. The property is not located in a parade of shops, it is surrounded by 2 story terrace housing. The site is shallow with the rear garden area having been sold off in the past. The adjacent properties either side have been acquired via right to buy. As a result, the site is not considered to be suitable for redevelopment. The nearest community shop facilities are located at Witard Road where there is a Co-Op and a small parade of shops.

8. The property was let until July 2021 and traded as a dentist laboratory where they made dentures, paying £4,000 pa rent. No attempts were made to market the property due to the extensive repair works and the works required to obtain a satisfactory EPC rating. It is estimated that at least £40,000 would have to be spent on the property to get it up to lettable standard. An enquiry was received as to whether the property would be considered for disposal.
9. A notice was placed at the property for 4 weeks requesting expressions of interest, with two interested parties. One party has made an offer to acquire the asset.
10. Other options considered are:
 - a. Do nothing – this would leave the property vacant and be detrimental to the property itself and the surrounding area.
 - b. Redevelopment to a residential dwelling – the site is extremely tight and whilst it may be possible to deliver a single unit on the site there is a planning objection to loss of the community use. It would also be a costly redevelopment for 1 dwelling for the HRA given demolition costs and would be relatively low priority compared with far more attractive sites in the development pipeline.
 - c. Invest and re-let – given the capex requirement and likely limited rental return this is not considered to represent value for money for the HRA.
 - d. Let with a rent-free period for tenant works – this would avoid the Council needing to resource managing the capex, however given the size of capital expenditure required, the rent free period would have to be substantial.
11. It is therefore recommended to dispose of the asset in line with the terms outlined in the exempt appendix.

Financial and Resource issues relating to all properties

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 2022-26 and budget.
13. There are several options available for use of any receipt which will be considered in future budget and MTFS papers; similarly any associated loss of rental income will need to be reflected within budget reports once the sale timelines are known.
14. 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.
15. A summary of the financial implications is provided in the exempt appendix.

Legal issues relating to all properties

16. 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.

17. All assets have been subject of red book valuation. 67 Rider Haggard Road has been subject to a marketing exercise to test the market. The Brook Hotel is a special purchaser arrangement and the capital sum being received exceeds market value of the Council's freehold interest.
18. Achieving best consideration will also ensure that the council is not caught by the subsidy control regime.
19. 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.
20. Land held for housing purposes under Part II of the Housing Act 1985 may be disposed of only under section 32 of that Act or in accordance with the right to buy provisions under Part V of that Act. The Secretary of State has issued the General Housing Consents 2013 (including The General Consent for the Disposal of Land held for the purposes of Part II of the Housing Act 1985 – 2013) by which consent is given (subject to certain exceptions) for the disposal of land at a consideration equal to its market value and for other specified disposals. In this case 67 Rider Haggard Road is being disposed of at market value and therefore satisfies this provision.

Statutory Considerations

| Consideration | Details of any implications and proposed measures to address: |
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| 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. | The two assets have purchasers lined up. |
| 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

21. For the reasons outlined in this report it is recommended to dispose of the assets listed to the purchasers already identified.

Background papers: None

Appendices:

Site Location Plans

Exempt Appendix

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