

Officer Decision/Mayoral Decision No.: ODN	ODN184-2020
<b>DECISION TITLE:</b> <b>Lease: First Floor, Incubator 2, Alconbury Weald Enterprise Campus Surrender of Lease</b>	
<b>NAME OF OFFICER/MAYOR EXERCISING DELEGATED POWERS:</b>  <b>The Chief Executive (Constitution: para 4.13)</b>	
<b>DATE OF OFFICER/MAYORAL DECISION:</b> <b>24.04.20</b>	



Responsible Director/Mayor:	Kim Sawyer/John Hill (Chief Executives)
Report Author and contact details:	Robert Parkin, Chief Legal Officer robert.parkin@cambridgeshirepeterborough-ca.gov.uk
Is it a key decision?	NO
Is this a public report? If a key decision, it will be a public report and will be published on the CA website.	NO
<b>KEY DECISIONS ONLY</b>	<b>This section only needs to be completed if the decision is a key decision. Only the Mayor can make key decisions</b>
Insert forward plan ref number	
Date when Mayor intend to make decision.	
Date report published on the website	
Implementation Date	
Does the report have any annex that contains exempt information?	

Decision taken	<p><i>Please provide the exact details of the decision taken.</i></p> <p>The Chief Executives agree that the CPCA shall:</p> <ul style="list-style-type: none"> <li>(a) Negotiate detailed Heads of Terms for a surrender of its leasehold interest of First Floor, Incubator 2, Alconbury Weald, taken of Urban and Civic Alconbury Limited (dated 14 August 2018) (the Lease).</li> <li>(b) Prepare a report to be presented at the May meeting of the Combined Authority Board to seek authority to surrender the Lease, and the payment of a “reverse premium” sum to exit the Lease.</li> <li>(c) Continue work to consider alternative sites, and to present options to the Combined Authority Board.</li> </ul>
----------------	--

<p>Authorisation (<i>delete as appropriate</i>)</p>	<p>This decision has been taken under:  <b>General authorisation</b> (<i>those decisions delegated to officers as per the Constitution</i>):</p> <p><u>Chapter 17 – Officer Scheme of Delegation and Proper Officers</u></p> <p><u>Delegation to Chief Executive: Para 4.13</u></p>
<p>Background Information</p>	<p><b><u>Review of resources and operational costs</u></b></p> <p>The CPCA is under a duty to efficiently use its resources, and to keep under review the economy, efficiency, and effectiveness of arrangements in place for the support of its activities.</p> <p>The CPCA entered into the Lease for a term of 15 years, with a break option on the fifth, and tenth anniversary its commencement.</p> <p><b><u>Contractual obligation and negotiated alternative</u></b></p> <p>Without an agreed exit, the Lease terms specify that the landlord would be entitled the sum of three years, and four months in rent.</p> <p>There are a number of other operational costs, including service charges and business rates, which together with the annual rent, represent a significant amount. These are on an annual basis, <b>£307,651</b>. For the three-year period to the point of the next break (July 2023), these amount to <b>£922,952</b>.</p> <p>It is anticipated that the CPCA will be able to surrender the lease at a cost of £151,539 (exclusive of VAT) by way of a reverse premium.</p> <p>Accordingly, the negotiated sum represents a considerable margin of saved cost. £922,952 - £151,539 = £771,413.</p> <p><b><u>Interested third party</u></b></p> <p>It is significant that the market for commercial property is undergoing a slowdown, and it is expected that this will continue for a considerable period into the future. Despite this, a third party has actively engaged with CPCA and its landlord, and is committed to and interested in the site.</p> <p>Heads of Terms are being negotiated between the third-party, the landlord, and the CPCA, in which the CPCA would surrender its Lease, and pay the sum referred to above.</p>

	<p><b><u>Alternative sites</u></b></p> <p>Officers have been engaged in surveying the commercial property market for alternative suitable premises. Noting the CPCA's location, capacity, and flexible working needs, a number of sites have been investigated.</p> <p>A final proposal will be presented to the Combined Authority Board, however among those considered suitable, available, and under review is one of £15k rent p.a.</p> <p>While no approach has yet been made in respect of such sites, this would represent an annual saving of approximately £160k in rent alone over the Alconbury Site (£174k - £15k).</p>
<p>Alternative options considered.</p>	<p><i>List alternative options considered and rejected and the reasons for rejection. Do not leave this section blank or put 'None'. There is always an alternative even if it is to do nothing.</i></p> <p><u>Do nothing:</u></p> <p>It is open to the CPCA to do nothing: to relinquish the opportunity to enter into agreement with its landlord and the interested third party.</p> <p>By doing so, it would miss the opportunity to negotiate the exit of the Lease at a considerable discount, to know that the Alconbury site would be utilised by an active business, and to risk leaving an empty unit should it wish to leave at some point into the future.</p> <p>The CPCA would continue to commit resource to surveying the market for alternative sites, and opportunities to exit the Lease, and would do so in the context of a commercial property market in which less willing third party occupants were available.</p> <p><u>Commission other market surveys for alternative occupants:</u></p> <p>the CPCA could commission other consultants to seek alternative occupants.</p> <p>However, this opportunity appears to represent value for money to CPCA, and in a climate of economic uncertainty, may not be repeated for some time.</p>
<p>Financial Implications</p>	<p>Please include the total costs and how the project will be funded. Please include budget codes for your directorate</p> <p>It is proposed to pay, by way of settlement, the sum of £151,539 (exclusive of VAT) and meet any necessary costs (legal etc) in completing the surrender</p> <p>Noting that annual rent is, currently, £174,262.50 (exclusive of service charges and insurance). Without an agreed exit the landlord would be entitled to 3 years and 4 months rent, which totals £580,875. (£174,262.5 x 36m/12m). This represents an opportunity for a saving of around £430k to surrender the lease. (£580,875-£151,539).</p>

	<p>It is envisaged that, with alternative sites having lower service charges, further savings will be realised.</p> <p>A final proposal will be presented to the Combined Authority Board, however among those considered suitable, available, and under review carry rents including one of £15k p.a.</p> <p>While no approach has yet been made in respect of such sites, this would represent an annual rental saving of approximately £160k over the Alconbury Site, plus additional savings from reduced service charges and business rates.</p>	
Consultation	<p>List any relevant consultation undertaken in relation to the decision. For example portfolio holders, other Chief Officers.</p>	<p>Name and Date approved (or indicate if not applicable) – <b>N/A as this is expenditure of already approved sums for scope proposed.</b></p>
	Chief Executive	N/A
	Responsible Director/Chief Officer	N/A-
	Monitoring Officer	24.04.20
	S151	Jon Alsop
	Portfolio Holder	N/A
	Other	
Declarations / Conflicts of Interests (only if the decision falls under the 'Express Authorisation' category)	<p>List the names of any member who has been consulted on and declared an interest in relation to the decision.</p>	
Supporting documentation	<p>List any supporting documentation available in relation to this decision (all of this information must be retained for public inspection for a period of at least 4 years – there is no provision for the release of exempt/confidential information).</p> <ol style="list-style-type: none"> <li>1. Constitution of Cambridgeshire and Peterborough Combined Authority</li> <li>2. Lease</li> </ol>	

<b>Officer/Mayor signature</b>	Kim Sawyer	Chief Executive	<b>Date</b> 24/04/2020
			
	John Hill	Chief Executive	24/04/2020
			
<p><b>Once signed please file in the electronic file Documents/Governance/ office decision notice and enter details in the register.</b></p> <p><b>If a public report, pass to Democratic Services and we will arrange publication.</b></p>			

