



<b>CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD</b>	<b>AGENDA ITEM No: 3.6</b>
<b>3 June 2020</b>	<b>PUBLIC REPORT</b>

**SURRENDER OF LEASE: ALCONBURY**

**1.0 PURPOSE**

- 1.1. This report seeks to advise the Combined Authority Board of, an opportunity to realise a significant revenue budget saving by surrendering the lease of the Alconbury Weald Enterprise Campus, Incubator 2, office site (the Alconbury site), the work undertaken by officers to realise that opportunity and the initial work to examine future premises need including agile working arrangements.
- 1.2. The report further seeks to obtain authority for the surrender of the lease on the terms described in this report, and to terminate agreements which apply specifically to the Alconbury site, which are no longer necessary.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Mayor James Palmer</b>
<b>Lead Officers:</b>	<b>Kim Sawyer and John Hill, Chief Executive Officers</b>
<b>Report Author:</b>	<b>Robert Parkin, Chief Legal Officer and Monitoring Officer</b>
<b>Forward Plan Ref: KD2020/048</b>	<b>Key Decision: Yes</b>
<p>The Combined Authority Board is recommended to:</p> <ol style="list-style-type: none"> <li>(a) Agree to the surrender of the Lease of the Alconbury site, and to approve the payment of £151,537.50 in respect of the cost of the surrender.</li> <li>(b) Note the updates provided in this report relating to the work to engage with staff on approaches to agile working, and to identify possible alternative sites,</li> </ol>	<p><b>Voting arrangements</b></p> <p>Simple majority of all Members</p>

(c) Note that a further report will be brought back to the Combined Authority Board proposing a shortlist of locations for a permanent HQ for the Cambridgeshire and Peterborough Combined Authority.	
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## 2.0 BACKGROUND

- 2.1. The CPCA took a lease of the Alconbury site on 14 August 2018 for a term of 15 years. The annual rent is £174,262.50 (exclusive of VAT, service charges, and insurance, and subject to indexation).
- 2.2. The CPCA is under a duty to continually secure the economic, efficient, and effective use of resources in support of its functions and activities, and following negotiations with Urban and Civic, an opportunity has arisen to realise a significant saving by a negotiated release from the lease.
- 2.3. This report sets out that opportunity, and describes related activities taking place for agile working and to look at alternative accommodation solutions for the CPCA.

### **Contractual obligation and negotiated alternative**

- 2.4. The CPCA entered into the Lease for a term of 15 years, with a break option on the fifth, and tenth anniversary of its commencement. Without a negotiated exit, the Lease terms specify that the landlord would be entitled to a sum equivalent to three years, and four months of rent.
- 2.5. There are a number of other costs, including service charges and business rates, which together with the annual rent, represent a significant sum. These are on an annual basis, £307,651.
- 2.6. For the three-year period to the point of the next break (July 2023), these amount to £922,952.

### **Negotiated exit**

- 2.7. The CPCA will be able to surrender the lease at a cost of £151,537.50 (exclusive of VAT) by way of a reverse premium, with a surrender date of 31 July 2020.
- 2.8. Accordingly, the negotiated sum represents a considerable margin of saved cost: £922,952 - £151,537.50 = £771,414.50.

### **Interested third party**

- 2.9. 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 negotiated sum.

### **Alternative sites**

- 2.12 Work has started to consider requirements for an accessible permanent accommodation within the area, with the aim of presenting a shortlist for future Board consideration. It is expected that an alternative site will be significantly lower in cost than the Alconbury site.

### **Agile working and future need**

- 2.14 Responding to COVID 19, the CPCA has asked officers to work remotely, and has not used the Alconbury site, which has stood empty since the commencement of the lockdown period. The agile working arrangements and remote meetings have been successfully implemented. Work is underway, led by the CPCA's HR team to develop a comprehensive understanding of how to best work in an agile way and to explore options relating to the possible use of shared meeting spaces.
- 2.15 To provide temporary accommodation and facilitate a phased return to work, after the lease surrender, options for flexible office-space across existing local authority buildings are being identified.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1. It is proposed to pay, by way of settlement, the sum of £151,537.50 (exclusive of VAT) and meet any necessary costs (legal etc) in completing the surrender.
- 3.2. 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).
- 3.3. Accordingly, the proposed exit represents an opportunity for a saving of around £430k. (£580,875-£151,537.50).
- 3.4. However, as the total cost to CPCA includes service charges and business rates, the annual sum due is £307,651. Accordingly, the saving would be £922,952 over the negotiated three-year period.
- 3.5. The negotiation therefore represents a total potential cost saving of £771,414.50. (£922,952 - £151,537.50).

#### **4.0 LEGAL IMPLICATIONS**

4.1. The terms of the surrender will be captured in an agreement in the form as that at Appendix 1.

#### **5.0 APPENDICES**

5.1. Appendix 1 – Draft Agreement (to follow)

<b><u>Background Papers</u></b>	<b><u>Location</u></b>
None	