



CABINET – 13TH APRIL 2022

SUBJECT: WITHDRAWAL FROM CRUMLIN INSTITUTE

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to update Cabinet on the current position regarding dilapidation costs linked to the termination of the lease for Crumlin Institute, and to seek approval to settle with the landlord with additional costs being funded from the projected underspend in the 2021/22 Education & Lifelong Learning revenue budget.

2. SUMMARY

- 2.1 On the 9th of June 2021 Cabinet supported a recommendation to progress withdrawal from the lease agreement relating to the Crumlin Institute building. This approval supported the necessary lease withdrawal deadline of 25th June 2021. To support this exit, funding of £195k was earmarked (Cabinet 7th July 2021 / Council 13th July 2021 as part of the Outturn Report 2020/21), as due to the terms of the lease the Authority would be liable to undertake dilapidation works or secure a cash settlement arrangement in lieu of the dilapidation work.
- 2.2 A surveyor has been engaged to assess the value of the settlement to be agreed with the Landlord to enable Caerphilly CBC to exit the lease agreement and return the building to the Landlord. Following assessment and negotiation between the parties, a sum of £300k is proposed. This is an additional cost of £105k to the initial estimate.

3. RECOMMENDATIONS

- 3.1 That Cabinet approves the settlement sum of £300k with the additional cost of £105k being funded from the Education & Lifelong Learning revenue budget projected underspend for 2021/22.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Service has considered its requirements for service delivery and concluded that the building is no longer required and a decision to withdraw from the lease was approved by Cabinet in June 2021. Following the departure of the service, the building management transferred to the non-operational portfolio as an interim measure. The on-going rent, building management and repair liabilities remain the responsibility of the Service. CCBC is still contractually bound by the terms of the lease until a surrender is agreed and executed by our solicitors.
- 4.2 Having considered the proposed settlement sum, the acceptance of the offer will enable the Authority to return the building to the landlord, removing the on-going rent, building management and repair liabilities.

5. THE REPORT

- 5.1 Crumlin Institute is occupied via a 25-year lease which commenced on 25th December 2011. The terms of the lease allow Caerphilly CBC, as tenant, to determine the lease at the end of the 10th, 15th, and 20th year with at least 6 months' notice as long as the terms of the lease are met. The terms of the lease place responsibility for repairs and maintenance on CCBC.
- 5.2 Cabinet, on 9th June 2021, resolved the following: that the proposed withdrawal from the lease arrangement be approved, a notice issued to the landlord to exercise our opportunity to surrender and that the dilapidations costs be funded from the Education and Lifelong Learning reserves (estimated at between £185k and £195k when reporting to Cabinet in June 2021). To support this exit, funding of £195k was earmarked (Cabinet 7th July 2021 / Council 13th July 2021 as part of the Outturn Report 2020/21).
- 5.3 Notice was issued to the Landlord and the Service vacated the building prior to the surrender date. The Landlord challenged the validity of the break notice on the basis that the property has not been kept in repair in accordance with the terms of the lease. However, they advised that they are prepared to negotiate a settlement to allow CCBC to surrender by agreement.
- 5.4 A surveyor has been appointed to negotiate the terms of the settlement and following the review of the condition schedules and negotiation between the relevant parties, the sum of £300,000 has been proposed. This settlement offer relates to the Tenants failure to comply with the full repairing obligations of the lease.
- 5.5 **Conclusion**
- 5.5.1 Having considered the proposed settlement sum, acceptance of the offer will enable the Authority to return the building to the landlord, removing the on-going rent, building management and repair liabilities.
- 5.5.2 Full details are contained in the body of this Report.

6. ASSUMPTIONS

6.1 Financial details contained in the body of this report represent the proposed settlement figure for the withdrawal from the lease arrangement.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 An IIA is not necessary for this Report. An IIA was included as part of the Report to Cabinet 9th June 2021.

8. FINANCIAL IMPLICATIONS

8.1 To support the withdrawal from the existing lease agreement, an additional sum of £105k is required. This will take the Authority's total withdrawal cost to £300k. The Authority has already ear-marked £195k to support the costs associated with this withdrawal. It is proposed that the additional cost of £105k is funded from the Education & Lifelong Learning revenue budget projected underspend for 2021/22.

9. PERSONNEL IMPLICATIONS

9.1 None specifically related to this report.

10. CONSULTATIONS

10.1 There are no consultation responses that have not been reflected in this report.

11. STATUTORY POWER

11.1 Local Government Act 1972 and 2000.

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Cllr Eluned Stenner, Cabinet Member Performance, Economy and Enterprise
Cllr Teresa Parry, Chair of Education Scrutiny Committee
Cllr Carol Andrews, Vice Chair of Education Scrutiny Committee
Steve Harris, Head of Financial Services & S151 Officer
Lynne Donovan, Head of People Services
Rob Tranter, Head of Legal Services and Monitoring Officer

Background Papers:

Cabinet 9th June 2021
Institute

Cabinet 7th July 2021
Council 13th July 2021

Youth Service Removal from Lease and Use of Crumlin

Provisional Revenue Outturn Budget 2020/21

Provisional Revenue Outturn Budget 2020/21