

Written Question

"3. Councillor Owers to the Executive Councillor for Community Wellbeing

What is the opportunity cost to the Council of charging the current operator of the Junction a peppercorn rent and giving them business rate relief? In other words, how much revenue would the Council raise, on reasonable commercial assumptions, if a commercial rent and normal business rate was charged to the tenants of the Junction?"

The Junction is leased to Junction CDC Ltd from 2005 until 2030 at a peppercorn rent with the tenant responsible for all repair and maintenance. The Council cannot do anything in relation to rent or alternative use of the property until that time. The lease was agreed as a condition to secure Arts Council funding to refurbish and extend the venue. In that respect, in strict terms it could be said that there is no opportunity cost until that time as there is no alternative use for the Council while the lease is in place.

In 2012/13 the Council entered into a 3 year tapering revenue grant agreement with Cambridge Junction*. In addition it grants discretionary rate relief (DDR) of approximately £7,500 pa. This grant agreement seeks to support The Junction primarily because of its ability to provide a range of arts services for the city in the performing arts, including music, theatre, dance and comedy, appropriate to the scale and nature of its performance spaces with a particular emphasis on accessibility for young people.

In the Council accounts, the cost to the Council of its relationship with the Junction includes the revenue grant plus £294,740 in capital depreciation in relation to the property asset.

If the Junction ceased to operate, the Council's agreement with the Arts Council sets out strict conditions on what the building can be used for i.e., 'as a centre for music, drama, dance, digital arts, artistic, cultural or community activities and associated events'. There are some specific restrictions on use primarily to prevent competition with the wider Cambridge Leisure development such as residential, cinema, bowling alley, pizza restaurant, health and fitness club and hotel.

Without a tenant, the Council also has the property depreciation cost as well as a potential liability for the Leisure Park landlord's service charge.

The Cambridge Junction has a refreshed board and programme, and is in the middle of a new three year transitional business plan. Therefore, the Council has an interest in the venture from both a business and cultural perspective, and closely monitors performance and outcomes.

*City Council revenue funding:

2012/13 - The Council is providing revenue support in the form of a grant of £97,400 plus £7,500 in discretionary rate relief

2013/14 - Revenue support drops 10% to £87,660 plus £7,500 in domestic rate relief.

2014/15 The revenue grant will drop a further 10% to £78,894, plus DRR