



Department for
Science, Innovation
& Technology

Departmental Contingent Liability Notification (European Centre for Medium-Range Weather Forecasts HQ Project)

Presented to Parliament by the Secretary of State for Science,
Innovation and Technology, by Command of His Majesty.

September 2024



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1. It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental Minute to Parliament giving particulars of the liabilities created and explaining the circumstances; and to refrain from incurring the liabilities until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.
2. The UK has agreed to fully fund the construction of a new headquarters (HQ) for the European Centre for Medium-Range Weather Forecasts (ECMWF) on the University of Reading (UoR) campus. This was a political commitment made to Member States at the ECMWF Council Meeting in December 2021. To enable this, an Agreement for Lease (AfL) has been negotiated with UoR to secure land and rights to build.
3. ECMWF is an independent international and intergovernmental organisation supported by 35 States, including the UK. ECMWF are considered experts in their field and attract talented scientists and engineers from across the world. The provision of the new ECMWF HQ will ensure approximately 270-300 skilled roles remain in the UK along with significant investment in the UK economy over the life of the building, generating a net present value of £97m. The continued hosting of ECMWF will help to maintain the UK's reputation as a world leader in weather and climate science.
4. To facilitate delivery of the new HQ, UK government is negotiating a 50-year ground lease at the UoR to accommodate the new HQ. The agreement with UoR which will enable the grant of the ground lease and construction of the new HQ Building involves conditions on both parties including two which constitute contingent liabilities as noted below.
 - 4.1. Indemnity 1 – Covers the costs incurred by UoR in carrying out enabling works that would be wasted if the project is not taken forward. UoR will not move forward with the project without this protection. This indemnity would be triggered should DSIT not achieve specific planning and/or construction milestones by specified deadlines.
 - 4.2. Indemnity 2 – Covers the costs of legal fees, other professional costs and expenses associated with UoR enforcement of the Lease in the event ECMWF do not vacate the premises at the end of the 50-year term (or on any earlier determination of it).

Indemnity 1 Background

5. The detailed planning consent application was made in October 2023, with the grant of planning received on 24 July 2024. A six-week period following grant of planning permission during which the decision to grant planning permission could be judicially reviewed will expire in early September 2024. In the event that period expires without an application for judicial review being made, this indemnity will fall away entirely. This is considered to be likely given the planning application was not contentious.

6. This indemnity is required by the university because they have incurred costs in carrying out enabling works on the basis that DSIT will complete the project. The costs will cover relocating their Art department to make space for the HQ and carrying out significant works in clearing the site by (amongst other things) demolishing existing buildings, removing asbestos/other contaminants and decommissioning services so that the site will be ready for development. The university are seeking an indemnity to ensure they would be reimbursed, should the project not be progressed. They will not move forward with the project without this protection so the indemnities are required to secure the site.
7. This indemnity will help to maintain UoR's support and buy in, mitigating the risk of a loss of a location for the new HQ. If the UK cannot deliver on its commitment to provide a new HQ on UoR's Campus, the HQ would likely move to Germany (alongside the EU activities of ECMWF), who have already designed a building of sufficient size to host both EU activities and the HQ.

Indemnity 2 Background

8. Indemnity 2 relates to vacation and handover of the HQ at the expiry of the contractual term of the 50-year lease (or earlier if the Lease is otherwise determined). If ECMWF do not vacate the premises at the end of the lease and UK Government cannot return the building to UoR with vacant possession, UK Government would be liable for UoR's associated costs. Given ECMWF's privileges and immunities, the inviolable status of its premises and the uncertain basis of its occupation of the property under domestic landlord and tenant law, UoR are concerned about their ability to recover vacant possession after the end of the Lease if ECMWF were to remain in occupation This risk is being held by UK government as part of the lease agreement.
9. The probability of this liability crystallising is considered very low for the following reasons:
 - 9.1. The UK would be under an obligation as host nation to provide alternative accommodation to allow ECMWF to move before the end of the tenancy (unless they depart the UK)
 - 9.2. There is a strong possibility that the university would agree to extend the lease or agree a new lease.
 - 9.3. UK Government and ECMWF are obliged to work together to avoid this kind of situation.
10. Costs in the event of this occurring are uncapped but property and legal costs are estimated by the Government Property Agency to be around £500k (£600k incl. VAT) at current prices. Other costs cannot be estimated at this stage due to the uncertainties involved. Costs comprise liabilities, expenses (including solicitors' and other professional costs), claims and damages. Losses (including any diminution in UoR's interest in the Property arising as a result of the breach of covenant to provide vacant possession at the end of the Lease would also have to be covered). DSIT would be responsible for such costs.
11. These indemnities will flow from the Agreement for Lease (AfL), to be signed in September 2024. DSIT will provide contractual indemnities to the University (in

any case contracting as the SoSLUHC). DSIT are seeking approval of the indemnity as ultimate sponsor and funder of the project.

12. The contingent liability checklist has been completed and approved by the Treasury Balance Sheet Analysis team, and the indemnities have been approved by the relevant DSIT officials.
13. If the liability is called, provision for any payment will be sought through the normal supply procedure.
14. HM Treasury has approved the proposal in principle. If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid before parliament, a member signifies an objection by giving notice of a Parliamentary Question or by otherwise raising the matter in parliament, final approval to proceed with incurring the liability will be withheld pending an examination of the objection.

Rt Hon Peter Kyle MP

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