

DECISION NO:	<i>For Member Services use only</i>
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Concurrence No:	066399
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Action under delegated authority of Chief Executive	
Action under delegated authority of Director of Finance and Cabinet Member for Finance	X
Action taken by Chief Executive in consultation with Cabinet Member(s)	

Subject: **EXTENDED REPAYMENT PERIOD FOR DEFERRED COMMERCIAL RENTS**

Signature and designation of officer(s) taking action:

	08/06/2020	27.05.2020	
Chief Executive	Date	Director of Finance	Date
		Head of Finance	Date

Name of Cabinet Member(s) Consulted:

I have been consulted and concur with the proposals set out below:

Councillor P Mason Cabinet Member for Finance and Business Services	<div style="text-align: right;">09.06.2020</div> Signature: _____ Date: _____
Councillor Cabinet Member for	Signature: _____ Date: _____

Name of any member who has declared a conflict of interest in relation to this decision: _____

THIS DOCUMENT WILL BE PUBLISHED ON THE COUNCIL'S WEBSITE

The report overleaf sets out the decision to be taken, the reasons for the decision, and the details of alternative options, if any, considered and rejected.

Officer decisions are available for public inspection, both at the Borough Offices and on the Council's website. Officer decisions are kept for a period of six years at the Borough Offices and for six months on the website after the decision is made. Background papers are available for four years.

RECOMMENDED that:

- (a) an extended repayment plan for deferred commercial property rent be agreed; and**
- (b) the Acting Head of Property Services be authorised to agree the specific terms of each individual repayment plan.**

Purpose

To approve an extended repayment plan for commercial property tenants who are in financial hardship and have requested a deferment of rent due to Covid-19. *For members information Appendix A relates to this item.*

Introduction

The Covid-19 safety restrictions have placed a financial burden on some commercial property tenants. The restrictions, introduced to prevent the spread of Covid-19 have resulted in many businesses temporarily closing or running a reduced service which has had a significant impact on their cash flow and profitability. Due to a reduction in income a number of tenants have requested some form of financial support from the Council as their landlord.

The only support the Council can currently offer is to allow their rent payment to be made at a later date and this is currently being deferred for three months. A rent deferral means that the rent that should have been paid during either April, May or June will now be spread over future months and there is currently a requirement for the tenant to have paid the whole amount by the end of this calendar year.

As at the 22 May the Council has received 89 requests for financial assistance from its commercial tenants. In total the Council has over 300 tenants so 89 represents approximately 30% of its portfolio. Each case has been considered on its own merits and has resulted in approximately 44 tenants (49%) being granted a rent deferment.

All the rental deferments have been considered and agreed by the Acting Head of Property Services and are in accordance with the established operational practices of the service. The majority of the rental deferments have been granted to those tenants who do not qualify for one of the government grants.

Proposal

Subsequent to granting these rent deferments many tenants have stated that the deferment of their rental payment is likely to lead to significant financial hardship over the coming months as their normal monthly costs will increase by the deferred rent amount from July onwards and there is unlikely to be a significant increase in their income at that time.

There is no guarantee that all businesses will be able to re-open or even partially re-open in July. Therefore, in some cases, it is unlikely that the business will re-open for the foreseeable future and when it does it will take some time to re-establish itself, for example children's indoor play areas and wholesalers to the hospitality industry. In addition it is unlikely that many of the businesses seeking support will be entitled to the new discretionary grant scheme as most of the businesses seeking a rent deferral do not meet the criteria of "a rateable value or annual rent or annual mortgage payments below £51,000".

These businesses have therefore requested that the Council takes a more lenient approach in requesting when the deferred rent is repaid. However, the Acting Head of Property Services is not authorised to grant an extension beyond the current deferment period.

It is therefore proposed to amend the current deferment scheme so that the rent only becomes payable after the business has resumed trading for at least three months following its initial closure due to Covid-19. At the end of that three month period a mutually agreeable repayment plan will be agreed between the Council and the tenant, with no requirement to have paid in full by the end of the calendar year. Each payment plan will be based on the tenant financial situation and will be regularly reviewed. However, no payment plan will extend beyond two years from the original payment date. An example of the letter tenants will receive confirming this is set out in Appendix A.

Financial, Legal and Risk Management Implications

The total value of the deferred rent for the 44 tenants is around £265,000. Therefore there is a risk that the income may not be received in the current financial year depending on when the Covid-19 restrictions are eased and businesses can resume trading. There is a risk that some businesses will fail. If a business does fail the Council will take responsibility for the empty property. In addition to rent that will be lost, until a new tenant is found, the Council will also be required to pay the business rates. There is the risk that some businesses will be unable to afford to repay the rent at any future date and the Council may need to ultimately write these amounts off after going through its normal collection processes.

Equalities Implications

There are no equalities implications arising from the recommendations as each case will be considered in the same way and on its own merits.

Alternative Options Considered

The Council could chose to not grant a rent deferment, this would not assist local businesses who are currently unable to operate and lead to some businesses failing. Rent free periods rather than rental deferments could be granted. This option would mean that the rental income would be lost to the Council forever, whereas the deferred rental scheme assists local businesses to be self-sufficient as well as supporting them at this very difficult time.

Contribution to the Council's Objectives and Environmental Sustainability Priorities

The recommendation contributes to the Council's objective of:

14 – Achieve financial self-sufficiency by 2020.

14.1 – Manage the Council's assets efficiently to maximise returns and contribute to Council priorities.

Conclusion

In view of the above it is recommended that a rental deferment of three months is granted to tenants suffering financial hardship due to Covid-19 which would be repayable on the basis outlined above and letter attached at Appendix A.

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**BOROUGH OF
BROXBOURNE**

www.broxbourne.gov.uk

Sandra Beck
Director of Finance

Your ref:
My ref: SB/VL
Direct dial: 01992 785547
Date:

Dear Sir/Mr Bloggs

Thank you for contacting the Council regarding rent payments during the Covid-19 social distancing measures. I am pleased to confirm that payment of this quarter's rent (insert details of the quarter e.g. April to June) has been deferred. This means that the Council will not expect you to pay the invoice you have been issued until you have resumed trading for at least three months following your initial closure due to Covid-19.

Once the measures have been lifted and you have been able to recommence trading for at least three months the Council will contact you and arrange a mutually agreeable payment plan for the deferred rent.

The Council is keen to support local business as much as it can through this difficult time and I would encourage you to check out the website for information which you may find useful.

www.broxbourne.gov.uk

Yours faithfully/sincerely

Sarah High
Acting Head of Property Services