



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET - 7 DECEMBER 2020
Report Number	AGENDA ITEM 15
Subject	COVID-19 RENT DEFERRAL POLICY FOR COUNCIL COMMERCIAL TENANTS
Wards affected	All
Accountable member	Cllr Mike Every Cabinet Member for Finance and Deputy Leader of the Council Email: mike.every@cotswold.gov.uk
Accountable officer	Jasmine McWilliams - Asset Manager Tel: 01285 623255 Email: jasmine.mcwilliams@publicagroup.uk
Summary/Purpose	To seek Cabinet agreement to the proposed criteria for further Covid-19 commercial tenant support
Annexes	Annex A - Covid Business Support Terms March 2020 Annex B - Criteria for Further Commercial Tenant Support
Recommendation/s	<i>That Cabinet approves the criteria for further support for commercial tenants as a result of Covid-19 as set out at Annex B.</i>
Corporate priorities	<ul style="list-style-type: none">● Ensure that all services delivered by the Council are delivered to the highest standard● Help residents, businesses and communities access the support they need to achieve their ambitions
Key Decision	No
Exempt	No
Consultees/ Consultation	Interim Chief Executive, Monitoring Officer

1. BACKGROUND

- 1.1 In response to the Covid-19 crisis, in March 2020, the Council issued Business Support Terms to its commercial tenants. The Terms, attached at Annex A, allowed all commercial tenants (except those able to continue to trade, headlessees and Government organisations) a 3 month rent deferral.
- 1.2 In August 2020 the Council decided to extend the rent deferral for a further 3 months for only those tenants that were still unable to trade. The decision included the offer to tenants to enter into a monthly payment plan for the deferred rent. The aim being to bring their rent accounts up to date by the end of March 2022, or the end of lease, whichever occurs first.
- 1.3 The CIPFA Asset Management Team monitored English and Welsh authority responses to the Covid-19 pandemic in respect of their commercial tenants. The Team have advised the following:
1. Most Councils have given a 3 months' deferment with some offering longer periods;
 2. Most Councils have refused rent free period requests except where the tenants are within buildings owned by the Council that have had to be closed e.g. leisure centres;
 3. Most Councils did not proactively offer support to tenants (they waited for tenants to contact them);
 4. Most Councils have dealt with tenants on a case by case basis or by sector;
 5. Most Councils have suspended debt recovery with the timing of reinstatement to be determined;
 6. Some Councils are offering rent free periods to specific types of tenants or on a case by case basis.

2. MAIN POINTS

- 2.1 Some commercial tenants have contacted the Council, as a result of the deferred rent and payment plan discussions requesting further support by the way of a rent free period. The Council is not obligated to grant a rent free period and requests for rent free periods will be declined
- 2.2 With further Government restrictions to trade being implemented in November 2020, it is appropriate for the Council to consider requests for deferral of rent payments. The draft Policy at Annex B, is intended to provide a policy for both the November 2020 trading restrictions and any further trading restrictions implemented by Government as a result of the response to Covid-19.
- 2.3 It is proposed that tenants will enter into a payment plan for any rent arrears arising from approved rent deferrals.

3. FINANCIAL IMPLICATIONS

- 3.1 Rent deferrals will not impact the Council's revenue budget as the rent will remain due from tenants and will be recognised as a debtor in the financial year-end statements. There will be a small impact upon the Council's cash flow and a reduction in investment income. However, with interest rates on cash deposits of less than 0.1%, the financial impact of rent deferrals will be insignificant.

4. LEGAL IMPLICATIONS

- 4.1 The Council has no obligation to take any action and under leases, it is the tenants responsibility to ensure they have any appropriate business continuity insurance. However the Council may wish to assist its commercial tenants to support them through these unprecedented times, whilst seeking to preserve its future rental income and support the local economy.
- 4.2 The government has recently updated its legislation to remove the landlord's right of forfeiture and debt recovery in respect of unpaid rent now until 31st December 2020 which effectively prevents landlords taking any action until then.it is likely that the above legislation will be extended to 31st March 2021.
- 4.3 A Code of Conduct has been provided which advises that where the tenant is able to it should pay full rent. The Code puts the onus on the tenant to contact the Landlord with sufficient information to show that their business has been affected in such a way that the Landlord should provide support. The Council is under no obligation to provide any rent free periods or further deferment but is encouraged by the Code to enter discussions with its tenants.
- 4.4 The Council will enter into the necessary formal agreements with tenants reflecting the rent deferral and will ensure no permanent changes to lease terms are effected.

5. RISK ASSESSMENT

- 5.1 There is a general economic risk to the Council's income from commercial tenants. By approving the rent deferral policy, the Council will be acting as a responsible landlord and supporting local businesses cash flow in difficult trading times.
- 5.2 Due to current market uncertainty, should any of the Council's commercial premises become vacant due to business tenants going into administration, it is anticipated that the premises could remain vacant for a significant period of time. During this period, the Council would be responsible for any costs of void properties including business rates, repairs and maintenance, insurance and security.

6. ALTERNATIVE OPTIONS

- 6.1 The Council could provide no further support over and above the previously agreed rent deferrals.
- 6.2 The risk of the alternative option is the increased potential for reduced future income if the tenants are unable to make rent payments.

7. BACKGROUND PAPERS

- 7.1. None.

(END)