

## **Report to Leader of the Council**

**Subject:** Council Service Changes Due to COVID-19 – Rent Holidays on Council Commercial Property

**Date:** 2 April 2020

**Author:** Acting Chief Executive

### **Wards Affected**

All

### **Purpose**

For the Leader of the Council to delegate authority to the Assistant Director, responsible for Property Services during the Covid-19 pandemic:

To allow for a three month holiday from rental payments due to the Council under commercial leases, in line with this report.

### **Key Decision**

This is not a key decision.

### **Recommendations**

**That the Leader of the Council, during the Covid-19 pandemic:**

- 1) Delegates authority to the Assistant Director – Planning and Regeneration, to grant a three month holiday from rental payments due to the Council under commercial leases, in line with this report.
- 2) Delegates authority to the Assistant Director – Planning and Regeneration in consultation with the Leader of the Council to provide any further rent holidays or deferrals after the initial 3 month period, to commercial tenants of Council properties, in line with this report.

## **1 Background**

- 1.1 Many businesses in the Borough have been affected by the recent measures which have been introduced to combat the Covid -19 pandemic. Consequently, the Council has received various enquiries from tenants of commercial properties that it lets out about any financial support and assistance the Council may be able to provide
- 1.2 The government has already announced a raft of financial aid which businesses can access to assist them during the estimated period of social isolation which it is hoped will enable them to continue to operate once this has ended. In addition to this the law has been amended to prevent automatic forfeiture of leases on commercial properties up until 30 June 2020.
- 1.3 Although these measures will afford a great deal of protection to tenants, the Council recognises that in some circumstances tenants may not be able to immediately pick up where they left off and so, to aid with cash flow, it may be necessary to assist certain tenants by allowing a rent payment holiday for initially a 3 month period. Beyond this initial period, the situation will need to be kept under review, and potentially further decisions made to assist the Council's commercial tenants depending on government regulation and guidance changes.
- 1.4 Council Standing Orders currently allow for the Director:

*To approve the terms of leases, licences, easements, wayleaves, rights of way, agreements and rent reviews up to a £15,000 annual rental value.*

Many of the Council's leases have payment amounts in excess of £15,000 per annum. In order for decisions to be made without overburdening the Executive a delegation in respect of rental holidays to the Assistant Director responsible for Property Services could be made.

## **2 Proposal**

- 2.1 It is proposed that authority is given to the Assistant Director responsible for Property Services to authorise rental holidays, if appropriate, for the Council's tenants who experience cash flow difficulties due to the Covid -19 business closure and isolation measures e.g. shops selling non-essential items and businesses whose supply chain has been affected. It is proposed under this delegation that any rent holiday granted is initially for a three month period (to coincide with the estimated lockdown period) and there will be no requirement to repay this rent. As part of the grant decision the Assistant Director will consider any potential state aid issues in respect of each rental holiday.

- 2.2 If the lockdown period extends past three months this arrangement will need to be reviewed, it is therefore proposed that a further delegation be given to the Assistant Director responsible for property services in consultation with the Leader of the Council to grant further rental holidays or deferral of rent for those commercial Council tenants who experience cash flow difficulties as outlined in paragraph 2.1.
- 2.3 It is proposed that these delegations be kept under review.

### **3 Alternative Options**

- 3.1 An alternative option would be not to offer a rent holiday. This could present cash flow problems for certain tenants causing them to become insolvent. This would be contrary to the Council's economic growth principles and in addition, it may become apparent that the business case for allowing a rent holiday is more financially advantageous compared to seeking a new tenant.
- 3.2 Another alternative would be to offer a blanket holiday to all commercial tenants. This is not considered necessary at this time and a case by case determination ensures that support is being given to those businesses which need it the most.

### **4 Financial Implications**

- 4.1 If a rental holiday was given to tenants for a period of April to June this would have a significant adverse impact on the Council's cash flow over and above that which it is obliged to observe in respect of the new forfeiture rules.
- 4.2 The loss of income relating to a three month rental holiday would be in the region of £101,000. Any subsequent decision to extend this holiday would result in an additional income loss of c£34,000 each month.

### **5 Equality Impact**

- 5.1 The Equality impacts of this decision are considered to be neutral.

### **6 Appendices**

- 6.1 None

### **6 Background Papers**

- 6.1 No specific background papers have been identified but government guidance at <https://www.gov.uk/government/topical-events/coronavirus-covid-19-uk-government-response> has been relied on.

## **7 Reasons for Recommendations**

- 7.1 To take proportionate action in relation to the current COVID-19 pandemic.
- 7.2 To enable operational decisions in relation to this decision to be dealt with without overburdening the Executive.