

RESOURCE ALLOCATION SUB (POLICY AND RESOURCES) COMMITTEE

TUESDAY, 29 JUNE 2021

NOT FOR PUBLICATION

By virtue of paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972.

8. CITY OF LONDON OPERATIONAL TENANTS - RENTAL SUPPORT REPAYMENT PLANS FROM JUNE 2021

The Sub Committee received a report of the City Surveyor regarding rental support repayment plans from June 2021 for City of London Operational Tenants. The City Surveyor introduced the report and drew Members' attention to the key points. The Sub Committee noted that since the publication of the report, the Government had announced that it would be extending protective measures for commercial tenants. The City Surveyor advised that it was not expected that this should change the previously agreed strategy. The recommended way forward was for no further support in terms of further deferrals or rent-free periods, with further analysis and repayment plan support on a case by case basis. The City Surveyor added that some tenants would be less likely to engage under continuing protections, but officers were keen to work with all tenants and recover funds where possible.

The Sub Committee then proceeded to discuss the report. Members recognised that sensitivity and balance with all tenants was important to the approach, but that as restrictions were lifted, repayment plans should also be focussed on recovering as much as possible given the circumstances. However, whilst taking reasonable steps to ensure that tenants, particularly SMEs, survive where they have the potential to do so, Members agreed that support should not extend so far as to prop up unsustainable businesses.

A Member commented that there were currently a number of empty premises at Leadenhall Market, and that an excessive number of empty premises once footfall had increased would be problematic. The Chair added that whilst there were still uncertainties, there was an expectation that there would still be plenty of office working following the pandemic, although not at pre-COVID levels. The Chair added that applying a careful and reasonable balance would be key to the approach.

The City Surveyor responded that the balance was difficult, and that a case-by-case strategy was right given the variety of experiences amongst the tenants. The City Surveyor advised that Leadenhall Market premises fell under investment property tenants, rather than operational tenants, and were therefore not affected by the plans set out in the report. The City Surveyor added that businesses may fail even with the City of London Corporation's support.

A Member commented that the total outstanding net debt could be separated into categories, one of which being debt arising from support provided to businesses that would not repay it, and queried how much of the total net debt was of this type. The Chamberlain advised that whilst a precise figure was not known, a sum was being held as a bad debt provision. The City Surveyor added that there was a strong risk that not all outstanding debt would be recovered.

The City Surveyor advised that the Government had announced a requirement to ringfence debts where they could not be paid due to closure, and this would form part of the working with tenants on longer-term planning, as tenants had closed to varying degrees over the course of the last 18 months. The foremost risk was tenants refusing to engage due to protections, which were likely to run until at least the end of 2022, as this meant no action would be possible. A clearer picture of the situation would be reported to Members following engagement with tenants. The Chair asked that a wider update be included with this report as it would be beneficial for the Sub Committee.

The Deputy Chairman commented that the risk of bad debt had increased as a result of the latest announcements, and this provision would be considered carefully. The Deputy Chairman added that a personal approach towards engaging with tenants had received full support previously and was useful for understanding individual businesses.

The Chair thanked Members for their comments and asked that these be considered in taking the matter forward.

RESOLVED – That the report be noted.

9. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE

In response to a question from a Member regarding the Museum of London Relocation project, the Chair advised that following recent mediation between the relevant parties in respect of Smithfield Market, an agreement had not yet been reached but all parties were open to further discussions.

10. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

The Chair advised that Item 11 – Target Operating Model: Institutions had been withdrawn by the Town Clerk and deferred for discussion at the Resource Allocation Sub Committee's Away Day, and therefore the Sub Committee would not need to move into confidential session.

The Chair then thanked Members and officers for their attendance and contributions before closing the meeting.

11. TARGET OPERATING MODEL: INSTITUTIONS

The item was withdrawn.

The meeting ended at 3.30 pm

Chairman

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