

Committee: Barbican Residential Committee - For information	Dated: 27 January 2022
Subject: Barbican Commercial Arrears	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N
Report of: Director of Community & Children's Services	For Information
Report author: Rebecca Bello House Officer Barbican Estate Department of Community and Children's Services	

Summary

This report, which is presented annually, is for information and to advise Members of the current arrears in respect of commercial property tenants on the Barbican Estate and the action being taken with these arrears.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. Commercial tenants are billed quarterly in advance in June, September, December and March.
2. A further analysis of the arrears is contained in Appendix 1 which is Non-Public.

Current Position

3. Debt £172,951.60

Number of commercial tenants

Charges raised for period £1,989,054 23

Target level of gross arrears: 2%

This is the target set previously when reporting commercial arrears.

Actual level of gross arrears: 8.7%

Age Analysis of Debt:

Value of debts

3-6 months	£	79,271.87	6
6-12 months	£	45,175.83	8
12-24 months	£	42,505.38	3
Over 24 months	£	5,998.52	1
Total		£ 172,951.60	

Action taken

Amounts referred to Comptroller for recovery action	£		
Amounts in dispute	£		
Amounts to be written off	£	5,998.52	1

Net debt outstanding **£ 166,953.08**

4. Nine of the 23 commercial tenants have arrears and unpaid invoices varying between three and over 24 months old.
5. Of the amount owing for over 24 months, £5,998.52, this tenant was previously referred to the Comptroller for recovery action. Despite substantial correspondence on this matter, the tenant still disputes the arrears, and the Comptroller has advised that as the debt is over six years old it is statute barred which means it can no longer be recovered through court action. The Barbican Estate Office (BEO) will contact the tenant again to attempt to recover these arrears, but it is likely that this amount of £5998.52 will have to be written off.

Previous reported arrears:

2018 level of arrears 1.2% with arrears at £21,798.06

2019 level of arrears 0.7% with arrears at £11,514.12

6. This 2021 report reflects the continued impact of COVID-19 on tenant's payment of rent and other charges. Rent deferrals and rent free periods were offered to qualifying tenants. Four of the nine tenants with arrears had previously agreed either a full or partial rent deferral in recognition of the effect of the pandemic and some tenants have also benefitted from a rent free period. The BEO are agreeing rent repayment plans with tenants where applicable and chasing payment of unpaid invoices.

7. £57,152.87 of the debt is owed by other City of London Departments and the BEO are liaising with Officers in these Departments to arrange payment.
8. The Government have further extended measures in place to protect commercial tenants from eviction until 25 March 2022 and new laws and a Code of Practice are being introduced to resolve the remaining commercial rent debts accrued because of the pandemic. This will establish a legally-binding arbitration process for commercial landlords and tenants who have not already reached an agreement. Subject to Parliamentary agreement, this will come into force later in 2022. The Bill will apply to commercial rent debts related to the mandated closure of certain businesses such as pubs, gyms and restaurants during the pandemic. Debts accrued at other times will not be in scope.
9. The BEO will continue to progress agreeing repayment plans and to obtain payment from the nine tenants who have arrears. To date, no tenants have referred to the proposed Code of Practice and it is the intention of Officers to try and reach agreement as soon as possible.
10. If in some cases the tenant seeks arbitration this may have resource implications in meeting the requirements of the arbitration process. A request for any additional resource will be submitted once the strategy is agreed in principle. In the meantime, Officers will continue to press for agreement on repayment plans.

Appendices

- Non-Public Appendix 1 – Commercial Arrears

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