

**TAVISTOCK TOWN COUNCIL  
BUDGET AND POLICY COMMITTEE  
TUESDAY 2<sup>nd</sup> JUNE 2020**

**BRIEFING NOTE  
COMMERCIAL TENANCY MATTERS**

**1. BACKGROUND**

- 1.1 The Committee will be aware from the Schedule of Delegated Decisions of measures undertaken to support commercial tenants of the Council in the current difficult times.
- 1.2 This report provides an update in connection with the present position, including the extent of measures offered to support tenants during the Coronavirus Emergency and prospective next steps.

**2. THE CURRENT POSITION**

- 2.1 With the exception of essential services the 'high street' retail/hospitality sector has been subject to 'lock down' since the end of March. Resultantly most of the Councils commercial tenants have not been in a position to trade with consequential loss of income.
- 2.2 By way of support Government has introduced a range of measures to assist, most notably:
  - a) The Job Retention (furlough) Scheme (JRS), meeting 80% staff costs subject to a £2,500pm threshold;
  - b) Business Rates Holiday<sup>1</sup> for retail, hospitality and leisure sectors for the current year (100%);
  - c) Cash grants for retail, hospitality<sup>2</sup> and leisure (insofar as Tavistock TC tenants are concerned equating to a cash grant of either £10,000 or £25,000 each);
  - d) Cash grant for small businesses (picking up businesses which, because they pay little or no rates, are ineligible for (c)

---

<sup>1</sup> Note this does not apply to Council run premises eg Town/Butchers Hall

<sup>2</sup> Ibid

above) – a grant of £10,000<sup>3</sup>. The Council has been in consultation with WDBC to support dissemination of/access to this scheme for market traders;

- e) Self Employment Income Support Scheme meeting 80% monthly trading profits subject to a £2,500 threshold;
- f) An expectation that no commercial tenant will be forced to forfeit for failure to pay the first quarter rent within that quarter (ie March-June).

2.3 Not all these measures came into play at the same time, indeed (d) is very recent. Likewise, the impact of coronavirus has not been universally adverse. Some (admittedly limited in number) providers of essential services have reported an uplift in sales as customers look to shop more locally and take advantage of locally based delivery networks. However, for the majority of the Councils commercial tenant base this has been, and continues to be, a difficult and uncertain time during which they have been unable to trade.

2.4 In the circumstances, and to supplement those brought in by Government, the Council has introduced a range of measures to assist its own traders, it has:

- a) Substantially exceeded Government recommended good practice regarding deferred rental payments for commercial tenants (3+3<sup>4</sup>) by offering 6 months rent deferred for 9-12 months<sup>5</sup>);
- b) Waived concession fees during the lockdown period;
- c) Waived market licence fees and equivalent during the lockdown period.

2.5 These arrangements are intended to give relief to traders and, alongside the Government measures, provide the best platform possible, (albeit in very difficult conditions), for sustainable trading to resume in the future. Concurrently they acknowledge that:

- i) The Council is a public and tax funded body, any grant to a business would be a taxpayer subsidy that would need to meet the tests of public opinion, audit and state aid rules (and would likely necessitate an increase in Council Tax)

---

<sup>3</sup> At the time of writing WDBC were still working up details. It is very much hoped this scheme will pick up Market tenancies who are otherwise ineligible for (c) as they do not pay business rates.

<sup>4</sup> Ie 3 month rent deferred for 3 months

<sup>5</sup> Ie quarter 1 deferred for 12 months, quarter 2 deferred for 9 months.

- ii) Government has introduced an evolving<sup>6</sup> suite of measures to support businesses

- 2.6 As such the measures the Council has taken, informed by the advice of its professional advisors as to what represent good practice, are intended to do two things:
- o Provide immediate relief to tenants around cashflow and thereby alleviate hardship and distress;
  - o 'buy time' in order to be able to assess the impact of coronavirus in an informed way ie its depth and duration, the nature and extent of Government intervention and regulation and distinguish between Coronavirus issues and other issues<sup>7</sup>.
- 2.7 As (hopefully) lockdown recedes there will be an opportunity to then reassess the position and identify whether further measures are required and/or appropriate, most likely in the Autumn when the Council sets its Budget for the following financial year. In the meantime the rent deferral scheme gives substantial relief (for up to a year) as regards cash flow and leaves no tenant worse off overall.
- 2.8 To date 20 tenants have taken up the rent deferral scheme and accordingly those who have not taken it up will now be invoiced in the normal way.

### **3. OTHER MATTERS**

- 3.1 It is reasonable to expect that commercial estate management impacts consequential on the Coronavirus pandemic could include, amongst others:

- Increased exercise of break clauses (already the case with one tenant) or giving up the tenancy at the end of a lease;
- Increased requests assign or (more likely) to surrender (a request has been received in connection with a premise);
- Current or future problems with meeting payment obligations and potential defaults;
- Suppression of future rent levels;

---

<sup>6</sup> For example two weeks before this report was drafted the JRS was scheduled to end in June (now October) and the cash grant for small businesses (d above) was not in existence.

<sup>7</sup> For example where businesses were already encountering trading difficulties prior to the pandemic.

- Potential for increased void terms and associated costs;
- Increased estate management costs;
- Consequential impacts on the vitality of the high street offer.

3.2 There will also be some businesses which because of the nature of the product/service, and/or the configuration of their premises (or health status of staff), may have particular challenges in reopening. Others for whom the timing of the lockdown may have created business specific problems<sup>8</sup>.

3.3 The issue for the Council is to ensure that, alongside the points set out in para 2.5, any further measures (if appropriate) it might consider in the future are justified on business and public policy grounds, are proportionate and accord with good public sector estate management practice.

#### **4. CONCLUSION**

4.1 To date the policy of the Council (ie granting substantial concessions exceeding those recommended by Government, but not acceding to calls to grant a taxpayer subsidy in the form of a rent waiver<sup>9</sup>) has proven robust and fair. Not least as Government has developed its offer to the retail/hospitality/leisure sectors and filled some of those 'gaps' which caused specific concerns<sup>10</sup>.

4.2 Looking forward the critical challenge remains how best local businesses occupying council premises can be supported including as part of a wider vision of community cohesion and local economic resilience. For the Council that includes balancing on the one hand its formal obligations to secure best value from its assets<sup>11</sup>, on the other how best (working with others in the local government 'family' and beyond) to discharge its role as a 'place shaper' for the parished area as a whole.

4.3 Notwithstanding a dynamic and unpredictable environment the situation is being kept under review by your officers and advisors

---

<sup>8</sup> A separate piece of work is being partnered by the Town Council with the BID Co looking at how to 're-open' the Town

<sup>9</sup> Or in reality a public subsidy or grant to private businesses

<sup>10</sup> If had the Council made awards at that time it would now find itself having to seek to either recover them, or justify to the taxpayer an unjustified 'gift' of public monies to third parties.

<sup>11</sup> As landlord

and will, at the latest (earlier if circumstances materially change), be brought back before this Committee for further consideration during the Budget setting process.

## **5. RECOMMENDATIONS**

- 5.1 That the course of action as set out above be endorsed and the matter be further considered by the Committee by not later than the Budget setting process.

**CARL HEARN  
TOWN CLERK  
MAY/JUNE 2020  
TAVISTOCK TOWN COUNCIL**

