

King George's Field Trust Board Meeting 22 March 2023	 <b>TOWER HAMLETS</b>
<b>Report of:</b> James Thomas, Corporate Director Children and Culture	<b>Classification:</b> Partially restricted (exempt Appendix 1)
<b>Leases Update, King George's Field Trust (KGFT)</b>	

<b>Lead Member</b>	Cllr Iqbal Hossain, Cabinet Member for Culture and Recreation
<b>Originating Officer(s)</b>	Catherine Boyd, Head of Arts Parks and Events
<b>Wards affected</b>	Mile End and Bow West
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Forward Plan Notice Published</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	N/A

### Executive Summary

This report provides an update on the lease arrangements for the King George's Field Trust (KGFT) retail and rental units, income from which supports the Charity to maintain park land and amenities for the benefit of Tower Hamlets residents.

This report seeks a decision from the KGFT Board to authorise officers to undertake action against a Green Bridge unit that has arrears against utility charges, which is in breach of the lease.

This Report also provides an update in respect of lease renewal discussions.

### Recommendations:

The Board is recommended to:

1. Authorise the Corporate Director of Children and Culture and the Corporate Director for Place to take action against "Tenant A" to recover costs of unpaid utilities.
2. Note the ongoing discussions in respect of the lease renewal of "Tenant B".
3. Note the ongoing discussions in respect of "Tenant C" and to authorise the Corporate Director of Children and Culture and the Corporate Director for Place to undertake and complete a review of "Tenant C's" rent.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The King George's Fields charity is registered with the Charity Commission as King Georges Field, Mile End Charity, registered number 1077859.
- 1.2 The Council is the trustee of the Charity, and the Council is the freehold owner of the land which is subject to this report.
- 1.3 King George's Fields Trust (KGFT) Board should consider its charity's responsibilities as landlord of the Green Bridge retail and other commercial units. This includes ensuring that all statutory requirements are met.
- 1.4 The Board is requested to give Council officers authority to take action against "Tenant A" to recover the non-payment of utilities. All tenants are liable for the cost of their utilities in accordance with their lease.
- 1.5 The Board is asked to note the negotiations regarding the renewal of the leases of "Tenant B" based on options provided in Appendix 1. The Board is asked to review options for the renewal of the leases.
- 1.6 The Board is required to act in the best interest of the Charity and to consider Public Benefit when taking a decision. A guide to Public Benefit has been provided to Board members (Appendix 2).

## **2 ALTERNATIVE OPTIONS**

- 2.1 "Tenant A" detailed in Appendix 1, is liable under the lease to pay all outgoing, including utilities. They are in arrears with their utility payments for electricity. To date instructions have been given to the management agents to try and resolve this issue. Discussions are ongoing, however should a suitable resolution not be reached then officers will need authority from the Board to take action at the appropriate time. Should this not occur then it is considered the Trust will be in breach of its obligations under its charity responsibilities.
- 2.2 External agents have been in discussion with the agents acting on behalf of "Tenant B" and have obtained a potential settlement that they are willing to recommend. This provides an increase in rent, thereby meeting the fiduciary duties as it is at a level recommended by the external agent. It also enables investment by the lessee which they believe will enhance their business.
- 2.3 Further to the KGFT Board meeting on 26 October 2022 action was taken against "Tenant C". Prior to the issues raised at the October Board the rent review dated 7 June 2022 was not instigated as they could have prejudiced the actions being sought as a tacit waiving of the breaches. Authority is now sought to undertake this rent review and charge the market rent from the review date.

### **3 DETAILS OF THE REPORT**

- 3.1 Asset Management's external management agent has been liaising with "Tenant A" to try and resolve non-payment of the utilities. See Appendix 1 for further details.
- 3.2 The arrears deprive the Charity of funds to undertake its remit.
- 3.3 Should matters continue, then officers would advise drawing down from the Rent Deposit Deed. Should the tenant not then comply with the obligation under the Deed, then the landlord would retain the right of Forfeiture. Should this occur it is considered to be a good location and would readily re-let.
- 3.4 Asset Management have had specialist external agents undertaking negotiations with "Tenant B" and their recommendation, for noting by the Board, is contained within Appendix 1.
- 3.5 In order to ensure the Charity is in receipt of the funds owing to it, it is incumbent upon the Council to ensure the rent being received reflects market values in line with the lease provisions. It is proposed the external managing agent undertake this rent review.

### **4 EQUALITIES IMPLICATIONS**

- 4.1 The King George's Field Trust manages lands and facilities which are open to all. Where charges have to be made, such as artificial football pitches, charges are kept at affordable levels for the local community.

### **5 OTHER STATUTORY IMPLICATIONS**

- 5.1 The lease renewal is a statutory matter under the Landlord and Tenant Act 1954, with the tenant entitled to a new lease on market terms.
- 5.2 The Section 146 Notice is served under the Law and Property Act 1925.

### **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 King Georges Fields Trust is a self-financing Charity with no direct contributions from the Council general fund. To ensure sustainability it is important that the Charity maximises the income from the available sources through negotiation of longer-term leases and pursues any non-payment of monies owed.

### **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The London Borough of Tower Hamlets is the corporate trustee of the King George's Field Trust ("the Charity"). Decisions of the Council as trustee are made by the King George Trust Board. When Councillors are sitting as Board members they must act in the Charity's best interests and manage the Charity's resources responsibly and ensure that the Charity complies with its

legal obligations.

- 7.2 Before granting a lease for 7 years or more, the charity trustee must obtain and consider a written report on the proposed lease from a qualified person. A surveyor who is a member of the RICS and has experience in the relevant area is such a person
- 7.3 The trustees must then decide if they are satisfied (having considered the written report) that the terms of the lease are the best that can be reasonably obtained

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- [26 October 2022 King George's Fields Trust Board Meeting](#)

### **Appendices**

- Appendix 1 (exempt) – Commercial Property Recommendations and Updates
- Appendix 2 – Public Benefit Guidance

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None.

### **Officer contact details for documents:**

Catherine Boyd, Head of Arts Parks and Events