


King George’s Field Trust Board Meeting 22 November 2023	 TOWER HAMLETS
Report of: Raj Mistry, Corporate Director, Communities	Classification: Partially restricted (exempt Appendix 1 and Appendix 3)
Leases Update, King George’s Field Trust (KGFT)	

Lead Member	Cllr Iqbal Hossain, Cabinet Member for Culture and Recreation
Originating Officer(s)	Catherine Boyd, Head of Arts Parks and Events
Wards affected	Mile End and Bow West
Key Decision?	No
Reason for Key Decision	This report has been reviewed as not meeting the Key Decision criteria.
Forward Plan Notice Published	N/A
Strategic Plan Priority / Outcome	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 also provides an update in respect of lease renewal discussions and service charge arrears.

The report outlines requirements for management arrangements and recommends that a new management agent contract is tendered.

Recommendations:

The Board is recommended to:

1. Note the status of payments received and arrears for Green Bridge retail units.
2. Note the actions being taken to recover outstanding arrears from “Tenant A”.

3. Note the ongoing discussions in respect of the rent review for “Tenant B” and the valuation provided.
4. Grant permission for officers to enter into negotiation to settle a new rental agreement with “Tenant C” based on the valuation provided.
5. Authorise the Corporate Director of Communities to act against tenants listed in Table 1 (Exempt Appendix 1) to recover costs of unpaid service rent.
6. Take a decision regarding the management of leases including whether to procure external services to manage lettings.

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 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. A decision from the Board on “Tenant C’s” lease is therefore requested in order for the Council’s Asset Management team to be able to instruct lawyers and the external agents to enter into negotiation to settle a new rental agreement with “Tenant C”.
- 1.5 Tenants listed in Table 1 of Exempt Appendix 1 have historical service charge areas. Service charges are payable by all tenants for services provided including cleaning, agents’ fees and general repairs and maintenance to common areas.
- 1.6 The tenants have been contacted regarding their arrears but those outlined below are still outstanding. It is recommended that a final reminder is given to the tenants in breach of their payment with proposed further actions taken if they do not cover their arrears. Permission is required from the Board to take any necessary enforcement and legal action to recover the outstanding arrears.
- 1.7 The current external letting management agent is contracted by the Council’s Asset Management team to oversee management arrangements for retail units on behalf of KGFT and the Housing Revenue team. The current contract ends in December 2023 and therefore a decision is required by the board whether to authorise officers to procure a new contract for these services.

- 1.8 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 The Charity needed to recover the utility arrears from “Tenant A” so that the Charity is not deprived of funds to undertake its remit.
- 2.2 In respect of the overdue rent review of “Tenant C’s” lease, it is not considered there is an alternative option. Under the Landlord and Tenant Act 1954 they have a protected lease and therefore have a statutory right for a rent review.
- 2.3 Tenants detailed in Table 1 (exempt Appendix 1), are liable under the lease to pay service charges. The tenants listed are in arrears with their service charge payments, which cover the cost of maintaining communal areas. 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 act 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.
- 2.4 Not appoint an external agent to manage the properties and instead manage the arrangements inhouse. The Council does not currently have adequate inhouse resources to effectively manage the tenants, in accordance with government legislation. As it would be difficult to recruit to this post it is likely that an interim surveyor would need to be employed. Both an employee and/or an interim surveyor would cost more to engage than an external lettings agent. Therefore, the appointment of an external agent is recommended.

3 DETAILS OF THE REPORT

- 3.1 All tenants with the exception of "Tenant C" are up to date with their rent demands. "Tenant C" rent for June quarter is outstanding. Reminder letters have been sent by the management agent to collect the outstanding rent. Tenant have failed to make payment to settle the debt. Further action is required to recover the outstanding arrears.
- 3.2 "Tenant A's" outstanding utility charges are being pursued by Legal.
- 3.3 The final arrangements for the lease renewals with "Tenant B" are now with legal and will result in an increase in income.
- 3.4 Asset Management have had specialist external agents undertaking negotiations with "Tenant C" and their recommendation, for noting by the Board, is contained within exempt Appendix 2. The valuation provides a possibility of an increase in rent, thereby meeting the fiduciary duties as it is at a level recommended by the external agent.
- 3.5 There are historic service arrears on a number of the Green Bridge retail units, which are being actively pursued by the management agent. A list of the tenants and their arrears is provided in exempt Appendix 1. Permission is required from the Board to undertake necessary legal and enforcement action in order to recover these arrears.
- 3.6 A number of years ago, the Council decided to tender out the management of these estates to an external management agent in order to minimise the staffing resources required from the Council and associated costs of inhouse management.
- 3.7 The current Contractor was awarded, through a tender process, a management services contract for Mile End Road Shops and Ben Jonson Road North Shops, also known as Retail Units 1-16, 41-73 Ben Jonson Road, London, E1 4SA. An extension of 12 months was approved by the Board on 26 October 2022. This extension expires in December 2023.
- 3.8 The current Contractor was appointed due to a lack of adequate resources and appropriate facilities required to carry out the functions of services charges in accordance with government legislation.
- 3.9 The current contract covers two areas under separate administrative ownership. Mile End Road Shops under the ownership of the King George's Field Trust and Ben Jonson Road North under the ownership of Housing Revenue Account.
- 3.10 It is recommended that a new contract for 36 months with the option for a 12-month extension is procured by a tender for both the Charity and the Council work. In the interim we will be putting in place a short-term contract to ensure a continuity through RFQ process. This will be for up to a year pending the completion of the tender process.
- 3.11 The costs for the services provided by an external Contractor are largely off-set by the service charges that are applied to each of the leases, which is standard

practice. The costs for their services are included in exempt Appendix 1. It is likely that the Council would need to charge a higher service charge to cover internal staffing resources than those levied by a management agency who have economies of scale. Given the current cost of living and energy crisis, which will impact on commercial lettings, it is unlikely that the market would sustain higher service charges. At present each lease is charged based on their square meterage to ensure equity and transparency.

- 3.12 The outsource also provides additional accountability, with regular meetings arranged with the agent. This also enables them to provide additional tactical advice gleaned from other portfolios they are managing.
- 3.13 On the basis that a full-time member of staff can be identified, it is likely they would need to be at Grade M level at a cost of £54,513 plus add ons. However, there has been difficulty in filling a permanent role, and an interim surveyor would likely need to be employed, with the costs to the Council being closer to £90,000.
- 3.14 Given the potential costs of bringing any management inhouse and the current market conditions, it is recommended that a procurement is undertaken to secure a contract for an external management agent to manage King George's Fields Trust and the Council sites at Ben Jonson Road North.

1 EQUALITIES IMPLICATIONS

- 1.1 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.

2 OTHER STATUTORY IMPLICATIONS

- 2.1 The lease rent review for "Tenant C" is a statutory matter under the Landlord and Tenant Act 1954, with the tenant entitled to a rent review.

3 COMMENTS OF THE CHIEF FINANCE OFFICER

- 3.1 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.

4 COMMENTS OF LEGAL SERVICES

- 4.1 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.

- 4.2 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.
- 4.3 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

- [Tower Hamlets Council - Agenda for King George's Field Charity Board on Wednesday, 26th October, 2022, 7.00 p.m.](#)
- [Tower Hamlets Council - Agenda for King George's Field Charity Board on Wednesday, 12th April, 2023, 5.30 p.m.](#)

Appendices

- Appendix 1 (exempt) – Commercial Property Recommendations and Updates
- Appendix 2 – Public Benefit Guidance
- Appendix 3 - (exempt) SFP Rent Review Report – 554 Mile End Road

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