



## Barham Park Trust Committee Meeting

10 September 2024

### Strategic Property Matters Relating to Barham Park, 660 Harrow Road, Wembley HA0 2HB

<b>Wards Affected:</b>	Wembley Central
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1 Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices</b>	Two Appendix 1: Redevelopment options Appendix 2: Timeline
<b>Background papers:</b>	
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## 1.0 Executive Summary

- 1.1 The Barham Park Estate (Estate) faces significant operational and financial challenges that hinder its charitable purposes and viability. To address these issues, the Barham Park Trust Committee (Trust Committee) aims to develop a sustainable, long-term vision that moves beyond temporary fixes. Its goal is to transform the Estate into a dynamic centre that enhances the park's appeal and improves functionality for both visitors and tenants.
- 1.2 While ongoing repairs are essential, the Trust's limited finances, supplemented by the Council, are inadequate. Rental income of around £100,000 annually falls short of covering maintenance costs. The Trust has refrained from charging tenants service charges to support charitable organisations whose purposes align with the Trust's, further straining its finances. Additionally, the Estate's design, with underused outdoor spaces, poses security risks and attracts antisocial behaviour.

- 1.3 This report considers the strategic options for addressing the current challenges and improving the Estate to better deliver the Trust's charitable purposes.
- 1.4 This report should be read with the 'Operational Property Matters' report, which sets out the building and tenancies' operational requirements.

## 2.0 **Recommendations:**

That the Barham Park Trust Committee RESOLVES

- 2.1 To adopt development option 1 (bronze) with redevelopment and strategic investment beginning in 2031.
- 2.2 To authorise officers to develop proposals for expanding the Trust's charitable purposes to be submitted for approval to the Charity Commission to allow broader uses of the buildings and bring a report on the proposals to a future Trust Committee meeting.

## 3.0 **DETAIL**

### **Background**

- 3.1 To move beyond short-term infrastructure fixes, the Trust Committee authorised the appointment of an architect in January 2022 to comprehensively address the Estate's complex challenges. The goal was to develop redevelopment options that would meet the needs of current and future occupants while creating more welcoming, safe, accessible, and functional buildings and parks. Rider Levett Bucknall (RLB) was selected for this task. As a result, new leases and renewals have been put on hold, and significant capital expenditures for repairs have been delayed until the study is completed and presented to the Trust Committee.
- 3.2 The Estate's ageing infrastructure and restrictions on its use for 'recreational and leisure purposes' limit its ability to generate the funds needed for maintenance and operational efficiency. This report and 'Operational Property Matters' consolidate past evaluations, current needs, and prospects to help the Trust Committee make informed decisions. The aim is to ensure the building's longevity and utility while addressing tenants' concerns about security, maintenance, and future development plans.
- 3.3 The Barham Park building and the more expansive park are at a crucial crossroads. The Trust Committee must decide between making strategic improvements or maintaining the status quo. While strategic investment involves higher upfront costs, it offers the potential for improved long-term cash flow. Conversely, maintaining the current course of action will further deteriorate the already constrained cash flow. Additionally, post-pandemic shifts in organisational behaviour demand modern, flexible facilities to attract a broader range of tenants.

3.4 The architect's feasibility study (silver and gold options) was reported to the Committee at its meeting in September 2023. The report showed how the Estate could be re-visioned to create more modern rentable space that could generate better revenue and make the Estate more sustainable—with stronger links to the park and broader community. Subsequently, a bronze option has been added for consideration.

3.5 Therefore, the three options to consider are:

- 1) Bronze – minimum interventions to optimise space.
- 2) Silver – more significant internal interventions and additional space.
- 3) Gold – significant interventions, including external building extensions.

3.6 A transformational and strategic approach will be required to overcome the financial constraints of redevelopment and improve the Estate. The recommendation is that the Trust Committee defers the investment options proposed by RLB until vacant possession of the whole building can be acquired in 2031 (due to existing fixed-term leases with the longest one expiring in October 2031) at the latest and seeks to implement the vision in a phased approach, starting with regularising leases, carrying out urgent repairs and, subject to Charity Commission approval, expanding the permitted uses to attract a broader range of tenants to improve cash flow. This phased and incremental investment approach addresses immediate concerns and sets the stage for sustainable long-term growth and success. It is the most responsible, pragmatic and strategic path forward for the future vision of Barham Park.

### 3.7 **Strategic Review**

#### Options Appraisal

3.8 The Estate's current usage and existing lease terms significantly impact the feasibility of the redevelopment options. Moreover, the Trust's charitable purposes, primarily to serve public recreation, restrict broader activities that can generate revenue, limiting potential income.

3.9 The following options focus on enhancing Estate sustainability while navigating the constraints of the Trust's charitable purposes and the current market for recreational uses. Further exploration of potential revenue streams and capital investment needs will be critical for informed decision-making.

3.10 Rider Levett Bucknall's feasibility study explored renovation and reconfiguration options for the Estate to enhance connectivity with the park and address security vulnerabilities. The study proposed three investment levels—bronze, silver, and gold—each varying in the degree of intervention and potential revenue. The potential maximum income for each option remains uncertain due to factors such as the requirement to adhere to current charitable purposes, fluctuations in demand, and the risk of vacancies, among other considerations. Consequently, this report emphasises the minimum income necessary to ensure the financial viability of each scheme based on net present value calculations over a 60-year financing period. Obtaining approval from the

Charity Commission to widen the building's uses will generate higher revenue and support future redevelopment.

3.11 Option 1: **Bronze**—Appendix 1:

- This option entails minor interventions, such as refurbishing and removing partition walls, to improve the space's attractiveness, accessibility, and functionality. The estimated cost for these enhancements is approximately £1,700,000<sup>1</sup> for 15,645 square feet of lettable space, similar to the currently available area. An income of £160,707 per annum would be required, translating to approximately £10.27 per square foot. The bronze option is unlikely to need planning permission.

3.12 Option 2: **Silver**—Appendix 1:

- This option involves moderate interventions, including structural alterations, removing most partition walls, and adding a floating central structure to create additional lettable floor space. The required investment is approximately £3,200,000 for about 19,195 square feet of lettable space. An income of £243,325 per annum would be necessary, which equates to approximately £12.68 per square foot. The silver option may require planning permission.

3.13 Option 3: **Gold**—Appendix 1:

- This option involves significant interventions, including structural alterations, extensive remodelling, and enhancements to the courtyard and connections to the park. The estimated cost for these improvements is £4,000,000 for approximately 19,572 square feet of lettable space. An income of £282,715 per annum would be required, which equates to approximately £14.44 per square foot. The gold option will likely require planning permission.

### Options Analysis

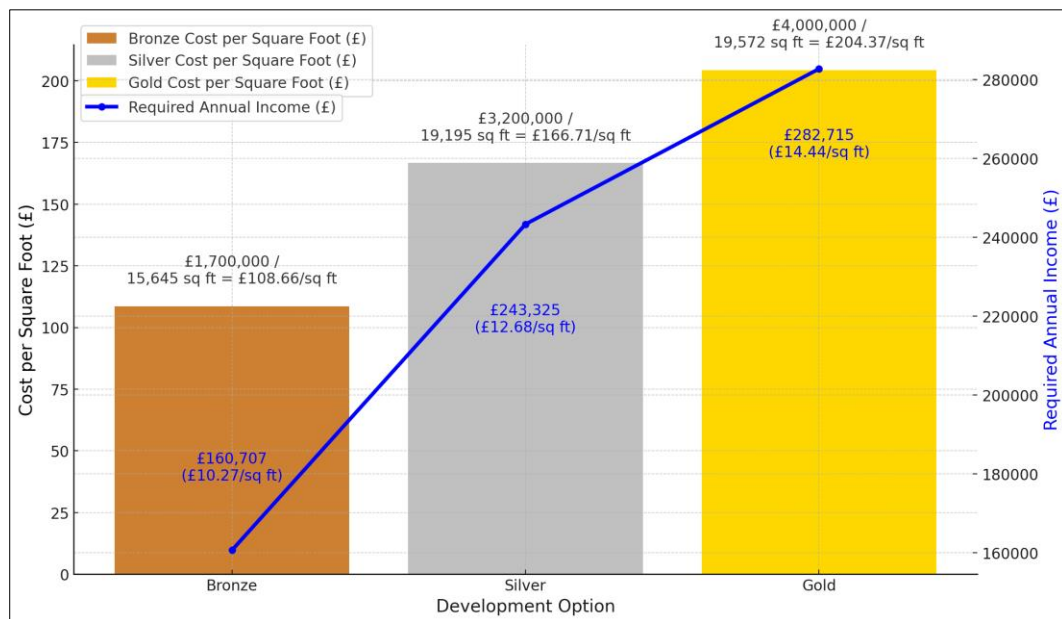
- 3.14 Each redevelopment option—bronze, silver, and gold—offers varying levels of enhancement to the Estate, with corresponding financial implications and potential for increased rental income. The Trust Committee must weigh these options against its economic strategies and the overarching goal of improving the Estate's sustainability and functionality while fulfilling its charitable purposes.

A key consideration is the financial efficiency of each option. As the lettable space increases with the silver and gold redevelopment options, the cost per square foot also rises—53.4% from bronze to silver and another 22.6% from silver to gold. This indicates that the investment required for each additional square foot of space becomes increasingly less efficient, as shown below:

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<sup>1</sup> The options' cost estimates are based on a preliminary scheme and do not represent a comprehensive, detailed cost plan. As the project advances, the costs will be continually reviewed and updated.

Graph 1: Cost psf and required annual income across options



This analysis demonstrates that the bronze option is the most financially efficient choice. It offers meaningful enhancements to the Estate at a significantly lower cost per square foot. It requires the least income, imposing the lowest financial burden on the Trust. The income-generation capacity of the space is sufficient to meet this requirement without straining the Trust's financial resources. In contrast, while providing additional lettable space, the silver and gold options introduce a greater risk of vacancies, which could undermine the Trust's financial stability. Consequently, the bronze option emerges as the Trust's most prudent and sustainable choice.

### 3.15 Risks

3.16 The redevelopment proposal faces several significant risks that must be considered and mitigated.

3.17 **Revenue Risk:** The project faces a high likelihood of revenue risk across all options, including the option of taking no action, which could severely impact its financial sustainability. To mitigate this risk, it is recommended that the Trust Committee seeks approval from the Charity Commission to expand the charity's purposes and diversify the Estate's use (such as commercial uses in part of the building). This expansion could generate additional revenue streams, thereby reducing reliance on existing sources and supporting the Trust's charitable purposes more sustainably.

- 3.18 **Development Costs:** The cost of remodelling the Estate in 2031, when vacant possession becomes possible as the longest lease expires, is likely to exceed initial estimates, presenting a significant risk to the project's budget. Obtaining updated and accurate cost estimates is crucial to manage this risk before moving forward with the project. This should be done at the right stage to avoid potential financial shortfalls.
- 3.19 **Charity Commission Approval:** The current charitable purpose of the Barham Park Trust, focused on public recreation, limits the range of permissible activities and tenants within the Estate. An amendment to the charitable purpose is required to engage in activities outside the Trust's existing objectives. Officers will seek Charity Commission approval to expand the building's permitted uses, which is essential to improving cash flow, attracting a broader range of tenants, and ensuring the optimal use of the Estate to meet its charitable objectives. Currently, the average rent from existing tenants is approximately £5 per square foot, below average market rates, which jeopardises the financial sustainability of the Estate.
- 3.20 Obtaining approval from the Charity Commission is crucial for any changes to the charitable purpose, i.e., leasing parts of the Estate for commercial use. A robust business case must be developed to secure this approval, demonstrating that all other potential avenues—such as maximising rents, applying service charges, and letting out vacant properties—have been thoroughly explored and exhausted. This will strengthen the case for the necessary changes. Officers will prepare a business case detailing the types of uses and the proportion of the building to be allocated for broader purposes to support the Estate's financial viability. While it is difficult to estimate the exact timeframe for a decision from the Charity Commission, such decisions typically take between 8 to 12 months.
- 3.21 Expanding the permitted uses, including commercialising parts of the building, is vital to improving cash flow, attracting a more comprehensive range of tenants, and ensuring the Estate's optimal use aligns with its charitable objectives. Without this expansion, the Estate's future viability and ability to serve Barham Park and its community are at risk. Approval from the Charity Commission to amend the Trust's charitable objectives is essential for these changes.
- 3.22 **Risk Management:** Each risk requires proactive management to achieve the project's objectives without compromising financial viability or regulatory compliance.
- 3.23 **Consultation with Tenants and Building Users**
- 3.24 Officers will engage tenants and users of the building in a focused consultation on the bronze option. The primary purpose of this consultation is to gather feedback on how the bronze option can be improved to serve the charitable purposes of the Estate better. This process will include discussing the potential

impacts, identifying areas for enhancement, and exploring collaborative solutions to optimise the benefits for all stakeholders. The indicative timeline for this is set out in Appendix 2.

3.25 A series of meetings will be held with existing tenants to understand their perspectives on the bronze option, acknowledging that other options are not being considered. The consultation will allow tenants to influence the final plans, particularly in areas directly affecting their building use.

3.26 Although tenants have not firmly pushed for broader strategic changes due to cost concerns and the potential impact on their tenancies, they have requested specific improvements, such as addressing the building's exterior and thermal performance. Early engagement with tenants will be essential to gathering their input and ensuring the bronze option is refined to align with the charitable objectives. The consultation process may involve presentations, questionnaires, and meetings to collect feedback.

3.27 The public will be consulted separately when developing proposals to expand the Trust's charitable purposes.

### 3.28 **Discounted Options**

3.29 It is noted that the silver and gold options would be challenging to achieve given the income levels that could realistically be generated, even if the uses were broadened with Charity Commission approval. While the silver option may generate sufficient income to make the scheme viable, there is considerable uncertainty in the market for the foreseeable future due to post-pandemic shifts in demand for rental space. This uncertainty significantly undermines the financial reliability of the silver option. The higher costs and risks associated with the silver and gold options make them less feasible. Therefore, it is proposed that these options be ruled out in favour of the bronze option, which appropriately balances risk and reward in line with the Trustee's fiduciary duties.

### 3.30 **Do nothing**

3.31 Essential repairs and maintenance must be undertaken to achieve minimal functionality and compliance. These are also necessary to improve long-term financial sustainability and to fully address infrastructural deficiencies as part of a broader strategic plan. Short-term investment complements longer-term redevelopment and may reduce future redevelopment costs by creating synergies between immediate repairs and subsequent enhancements. Therefore, undertaking essential repairs and maintenance as a foundation for pursuing the bronze option is recommended as the strategic direction.

### 3.32 **Timeline**

3.33 An indicative timeline has been developed that weaves the strategic and operational elements from both property-related reports presented to the Trust Committee at this meeting. This timeline is set out in Appendix 2.

## **4.0 Financial Considerations**

- 4.1 The Trustees of Barham Park Trust have a fiduciary duty to ensure the Trust's long-term financial stability. When acting as Trustees, they must put the trust's financial interests ahead of the Council.
- 4.2 As noted in the risks section, generating sufficient rental income from any redevelopment so the Trust can repay the redevelopment costs is a significant risk. As the proposals are developed further, the Trust must consider how to maximise the potential future income whilst minimising the risks of vacant units and non-payment.
- 4.3 Given the long payback period, the Trust will be unlikely to secure commercial funding for any such redevelopment, so any loan provided for this will likely have to come from the Council unless another source of non-commercial finance can be identified. If the Trust requires a loan from the Council, then this will require formal approval by the Cabinet.
- 4.4 The financial assessment of the investment options is subject to the Trust's securing the Charity Commission's approval to undertake more commercial lettings. Given the challenging commercial marketing space, additional work is also required to assess the commercial rental potential following the investments. The paper notes that these investment plans will occur after vacant possession has been secured on the Estate, which is estimated to be achieved in 2031. Another assessment would be required after these conditions have been completed to confirm the viability.

## **5.0 Legal Considerations**

- 5.1 The land (which includes various buildings) known as Barham Park was given by George Titus Barham on trust to the Council in 1938. The terms of the Trust are 'to preserve the same for the recreation of the public in such manner and subject to such regulations in all respects as the Council may occasionally think proper'. It was registered with the Charity Commission in June 1963 and is regulated by that body.
- 5.2 The terms of the Trust are extremely wide, and it is difficult to summarise the uses allowed in general terms. Section 5 of the 2011 Act states that it is charitable to "provide or assist in the provision of facilities for recreation or other leisure time occupation if the facilities are provided for social welfare." Commercial office space, retail, surgeries, etc., would not fall under the scope of recreational or leisure use for social purposes (though a park café would be in scope).
- 5.3 To comply with the procedural terms of the Charities Act 2011, any letting that falls outside of the terms of the Trust would require an application to be made to the Charity Commission. It is considered that there are prospects of success in obtaining approval for such an application, given that without such a change, the charitable purposes are at significant risk.



- 5.4 The Trust's ability to obtain vacant possession to enable the works depends on the existing contractual terms of the leases.
- 5.5 To comply with the procedural terms of the Charities Act 2011, any letting that falls outside of the terms of the Trust would require an application to be made to the Charity Commission. It is considered that there are limited prospects of obtaining approval for such an application.
- 5.6 An amendment to the purposes of the Trust set out in 5.1 to enable a broader range of uses of the Estate will require the approval of the Charity Commission. Any new purposes must be charitable and in the Trust's best interests. The Charity Commission will consider whether the new purposes are similar to the current purposes and whether they are suitable and effective in current social and economic circumstances.

## **6.0 Equity Diversity and Inclusion Considerations**

- 6.1 Any proposals that come forward in due course must be assessed in compliance with the Trust's equality duties. The proposed options mentioned in this report will be subject to screening for equalities impacts, and where the potential for adverse impacts is identified, a full equalities impact assessment will be carried out, and any requisite mitigating action will be taken.

## **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 Officers meet regularly with Ward Members.

## **8.0 Human Resources/Property Implications (if appropriate)**

- 8.1 When undertaking remodelling works proposed by RLB for the Barham Park Building, ensure the procurement process aligns with the requirements under the Charities Act 2011, ensuring that the Trust acts in the best interests of its beneficiaries.

## **9.0 Climate Change and Environmental Considerations**

- 9.1 None other than those identified within the main report.

## **10.0 Communication Considerations**

- 10.1 None other than those identified within the main report.

### **Related document(s) for reference:**

Reports to Barham Park Trust Committee (27 January 2022 & 5 September 2023) - Strategic Property Matters Relating to Barham Park, 660 Harrow Road, Wembley HA0 2HB

**Report Sign Off:**

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