

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD251

Headquarters Parking Provision – Lease Renewal for 98-118 Southwark Bridge Road

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

It is commercially sensitive. Negotiation of lease-renewal terms with Galliard (Southwark) UK Ltd is due to commence. Publication of this report would be detrimental to the London Fire Commissioner's (LFC's) negotiating position to enable agreement on Heads of Terms and deliver a reversionary lease agreement.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:
30 April 2025

Legal adviser recommendation on the grounds for not publishing information at this time:

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered that access can be denied on the basis that such information constitutes exempt information under the following:

This paper and the appendices attached include information that could be commercially sensitive, in that they provide information on the expected cost of rents both here and in nearby alternative premises. This could be prejudicial to the effective conduct of lease negotiations with this landlord, or alternative site landlords.

It is recommended that Part 2 should not be published before 30 April 2025.

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Act, it is considered that access can be denied on the basis that it constitutes exempt information under section 43(2) of the Act, on the basis that the information in this report includes information that is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Public interest assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by the LFC would likely have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred for the purposes of securing parking.

The eligibility of these exemptions should be reassessed in the event of a request under the Act for this information, as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

Legal Adviser – I make the above recommendations that this information should be considered confidential at this time.

Name: TfL Legal

Date: December 2024

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

This report seeks the authority of the Deputy Mayor for Planning, Regeneration and the Fire Service, for the London Fire Commissioner (LFC) to commit revenue expenditure, up to a maximum lease value of £312,000 over four years (April 2025 to April 2029), to renew the lease with Galliard (Southwark) UK Ltd (the landlord) for 98-118 Southwark Bridge Road. This is to protect the continuity of the parking provision in respect of London Fire Brigade (LFB) senior operational officers, working at LFB headquarters (HQ) and undertaking the flexible duty system rota.

Approach on lease renewal and budget requirement

The lease terms to be sought as part of negotiation are summarised below:

- rent: between £42,000 and £60,000 per annum (exclusive of VAT, Business Rates and Service Charge)
- service charge: between £14,000 and £18,000 per annum (variable)
- term: four years from April 2025, to include the LFC's ability to serve a break option when the second year expires
- repairs: landlord to be responsible for all repairs, compliance and insurance costs as covered by, and subject to payment of the service charge
- security of tenure: LFC does not require the ability to renew the lease at expiry; therefore security of tenure is not required
- demised premises: 28 car parking spaces in the two-storey basement known as Southwark Bridge Road car park.

An initial approach has determined that the landlord has agreed to discuss the lease renewal, subject to negotiation, terms and contract. Sanderson Weatherall, acting as managing agents for the LFC, would seek to achieve the most favourable terms, including final costs, to align with the above objectives and parameters.

It should be noted that the landlord has confirmed the activation of the retail price index (RPI) rent review, as defined within the current lease, which had not been activated to date. This will increase LFC's annual rental liability for these premises from £30,800 to £38,000 (annual uplift of £7,200) from the rent review date of April 2023. LFB estate management officers have been accruing and reporting this risk as part of monthly budget-monitoring activity with LFB finance business partners. The accrued rent uplift from April 2023 to April 2025 is confirmed as £15,041. This will be reflected in the rents payable forecast outturn for 2024-25.

Sanderson Weatherall has reviewed all available comparable evidence based on current availability within one mile of LFB HQ. This is provided in Appendix 1 of this Part 2 report. Most availability, and therefore comparable evidence, is for single spaces only; this should be assessed in context. Parking for multiple spaces is available within a National Car Parks (NCP) car park, at a cost of approximately £99,750 per annum (all-inclusive) for the 28 spaces LFB requires. The NCP is one mile from LFB HQ, considerably further than the current Southwark Bridge Road location which would have a detrimental impact on operational senior officers' response to incidents.

Sanderson Weatherall has assessed that the landlord would be seeking a new rental value in the region of £42,000 to £60,000 per annum. In addition, current service charge costs have been reviewed and are expected to settle between £14,000 and £18,000 per annum. The increase in service charge is due to inflationary factors, and increased cost in utilities and insurance over recent years.

The LFC's approval is sought to agree revenue expenditure, up to a maximum lease value of £312,000 over four years (April 2025 to April 2029). This represents an uplift of up to £33,000 per annum, in addition to the current budget of £45,000 per annum. As part of negotiating revised Heads of Terms, sustained effort will be made to secure best value at a reduced cost in respect of future rent and service charge liability for the LFC. Table 1, below, shows the total budget impact for two years (should LFB

vacate Union Street when its current lease expires in March 2027), as well as a full four-year lease term.

Table 1 – Reversionary lease impact on current budget

	Year 1 2025-26	Year 2 2026-27	Total for 2025-27	Year 3 2027-28	Year 4 2028-29	Total for 2025-29
Reversionary lease cost*						
Rent	£60,000	£60,000	£120,000	£60,000	£60,000	£240,000
Service charge	£18,000	£18,000	£36,000	£18,000	£18,000	£72,000
Total	£78,000	£78,000	£156,000	£78,000	£78,000	£312,000
Current budget provision						
Rent**	£38,000	£38,000	£76,000	£38,000	£38,000	£152,000
Service charge	£7,000	£7,000	£14,000	£7,000	£7,000	£28,000
Total	£45,000	£45,000	£90,000	£45,000	£45,000	£180,000
Potential uplift required	£33,000	£33,000	£66,000	£33,000	£33,000	£132,000

Figures provided are net of VAT.

* Assumes highest rent and service charge figures for reversionary lease.

**Current budget figures assume that the April 2023 rent review is activated.

Provision should be made for an annual uplift to the maximum value of £33,000, in respect of LFB rents payable budget from 2025-26. This uplift has been accepted as an inflationary pressure for Property Services; and will be included as part of the annual budget submission process to the Mayor in November 2024.

Financial comments

This report requests approval to progress negotiations, and agree the terms of a new lease, with Galliard (Southwark) UK to ensure continuity of senior officer parking provision for LFC officers using Union Street HQ.

This report requests approval to commit revenue expenditure, up to a maximum value of £312,000 (over four years) from 2025-26 to 2028-29. This is based on an annual cost of £78,000 to be funded by the existing annual budget for this service of £45,000, with an annual ongoing pressure of £33,000.

This additional ongoing financial pressure of £33,000 will be included in the LFB's 2025-26 budget submission to the Mayor, as part of its review of inflationary pressures in its medium-term forecast.

Appendix

Part 2 of report LFC-24-096 Headquarters Parking Provision – Lease Renewal for 98-118 Southwark Bridge Road to the London Fire Commissioner.