

## PART TWO

### Confidential facts and advice

## **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 Governance Team for advice.

This information is not for publication because:

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 LFC's negotiating position to enable agreement on Heads of Terms and deliver a reversionary lease agreement.

Legal recommendation on the grounds of keeping the information confidential:

In the event the information contained in this Part Two 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:

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

The recommended period for non-publication of Part 2 will be determined by progress on the new lease negotiations.

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 Section 43(2) of the Act on the basis that the information in this report includes information which 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 London Fire Commissioner would be likely to have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred for the purposes 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: Karen Booher	Date: 17 September 2024
--------------------	-------------------------

# Confidential decision and/or advice

## Introduction and background

As outlined in Part One, this report seeks approval to negotiate and agree a reversionary lease with Galliard (Southwark) UK Ltd to protect continuity of parking provision in respect of senior operational officers undertaking the Flexible Duty System (FDS) rota working from LFB HQ. The current lease is due to expire in April 2025. The current lease does not provide security of tenure under the provisions of the Landlord and Tenant Act 1954. There is a risk LFC would be required to vacate if a new lease agreement is not in place. Senior operational officer parking enables LFB's operational capacity and capability to respond as part of LFB's service delivery commitment in the Community Risk Management Plan (CRMP) in support of the Mayor of London's priorities.

## Objectives and expected outcomes

The key objectives of this report are to:-

- Ensure a lease agreement is in place on the expiry of the current lease with Galliard (Southwark) UK Ltd to provide continuity of parking provision for senior operational officers using LFB HQ;
- Secure an agreed budget to support successful negotiation and agreement on Heads of Terms for a reversionary lease;
- Ensure revised lease terms have the flexibility to support the longer-term planning for a new LFB HQ.

## Approach on lease renewal and budget requirement

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

Rent:	between £42,000 - £60,000 per annum (exclusive)
Service Charge:	between £14,000 to £18,000 per annum.
Term:	Four year term from April 2025 to include the ability for LFC to serve a break option at expiry of the second year.
Repairs:	Landlord to be responsible for all repairs, compliance and insurance costs as covered by the service charge.
Security of Tenure:	LFC do not require the ability to renew the lease at expiry, therefore security of tenure is not required.
Demised Premises:	28 car parking spaces located in the two-storey basement known as Southwark Bridge Road (SBR) car park.

An initial approach has determined the landlord has agreed to commencing discussion on lease renewal terms subject to negotiation, terms, and contract. Sanderson Weatherall, acting as managing agents for 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 p.a. to £38,000 p.a. (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 and will be reflected in the rents payable forecast outturn for 24/25.

Sanderson Weatherall have reviewed all available comparable evidence based on current availability within one mile of LFB HQ and this is provided in Appendix 1 to this Part 2 report. The majority of availability, and therefore comparable evidence, is for the letting of single spaces only and should be assessed in context. Parking for multiple spaces is available within a National Car Parks (NCP) car park, at a cost of circa £99,750 per annum (all-inclusive) for the 28 spaces LFB require. The NCP is situated one mile from LFB HQ, further away from the current provision and would have a detrimental impact on operational senior officer response to incidents.

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

LFC approval is being sought to agree revenue expenditure of up to a maximum lease value of £312,000 over 4 years (April 2025 – 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 LFC. Table 1 below shows the total budget impact for 2 years (should LFB vacate US at current March 2027 lease expiry), as well as a full 4 year lease term.

**Table 1 – Reversionary lease impact on current budget**

	Year 1 2025/26	Year 2 2026/27	Total 2 years 2025-27	Year 3 2027/28	Year 4 2028/29	Total 4 years 2025-29
<b>Reversionary lease cost (see iii below)</b>						
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
<b>Total</b>	<b>£78,000</b>	<b>£78,000</b>	<b>£156,000</b>	<b>£78,000</b>	<b>£78,000</b>	<b>£312,000</b>
<b>Current Budget provision</b>						
Rent (see ii below)	£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
<b>Total</b>	<b>£45,000</b>	<b>£45,000</b>	<b>£90,000</b>	<b>£45,000</b>	<b>£45,000</b>	<b>£180,000</b>
<b>Potential uplift req'd</b>	<b>£33,000</b>	<b>£33,000</b>	<b>£66,000</b>	<b>£33,000</b>	<b>£33,000</b>	<b>£132,000</b>

- i) Figures provided are Net of VAT
- ii) Current budget figures assumes April 2023 rent review activated.
- iii) Assumes highest rent and service charge figures for reversionary lease.
- iv) 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 p.a. to £38,000 p.a. (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 and will be reflected in the rents payable forecast outturn for 2024/25.

The LFC decision requests delegated authority is provided to the Assistant Director of Property and TSS to agree Heads of Terms and sign a reversionary lease with Galliard (Southwark) UK Ltd within the proposed terms of this report.

## 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 of up to a maximum value of £312,000 (over a four-year period) 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.

## Legal comments

General Counsel's comments are built into the body of this report across Parts I and II.

## Confidential appendices and supporting papers

Please refer to attached – Part 2 Appendix A Comparable Evidence