

Report title

Heathrow Fire Station - Lease Renewal

Report to	Date
Corporate Services Directorate Board	19 January 2021
Commissioner's Board	27 January 2021
Deputy Mayor's Fire and Resilience Board	16 February 2021
London Fire Commissioner	

Report by	Report number
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If redacting, give reason: In accordance with S43 of the FOI Act 2000, disclosure of the redacted information would prejudice the commercial interests of the London Fire Commissioner.

Executive Summary

This report seeks approval for the taking of a new ten year lease with Heathrow Airport Limited (HAL) in respect of the existing Heathrow fire station (G56), at an agreed annual rental of not more than £115,000 per annum. The figure represents a nil uplift on the annual rent payable as part of the current lease and has been confirmed as the market rent for these premises. The proposed lease agreement is an improvement on the current terms, extending the break clause to two years and providing London Fire Brigade (LFB) with enough capacity to plan and implement contingency arrangements in the event HAL request LFB to vacate. The two year break clause is mutual to provide LFB with flexibility to accommodate any changes in the future to risk and resource planning.

This report is presented to secure the uninterrupted provision of emergency response fire cover in this area. In the event the proposed lease is in place for the full ten year term, the whole life costs are estimated at £2,203,696. Total costs are inclusive of rent at £1,207,500 (annual rent of £115,000 rising to £126,500 after five years assuming a 10% uplift to reflect a 2% per annum increase), anticipated rates and maintenance costs of £341,843 and £654,353 respectively, also assuming a 2% inflation increase over the term.

Recommended decisions

For the London Fire Commissioner

That the London Fire Commissioner (LFC) delegates full authority to the Assistant Director of Property to:

1. Progress the taking of a new ten year lease with Heathrow Airport Limited in respect of the current Heathrow fire station at a whole lift cost of £2,203,606. Costs include a rental value of not more than £115,000 per annum, rising to £126,500 per annum after five years to reflect a 2% per annum inflation increase. Also included are business rates and anticipated maintenance costs which reflect 2% inflation over the term.
2. Consult with respective departments to ensure that a corporate risk is identified, assessed and mitigated with an agreed contingency plan should Heathrow Airport Limited activate the break clause to vacate Heathrow fire station.

Background

1. At their meeting on 10 July 1997 the London Fire and Civil Defence Authority Policy and Resources Committee agreed to establish a one appliance fire station at Heathrow Airport. This was necessary in order to improve the level of fire cover following the upgrading of the airport's Central Terminal to "A" risk categorisation a standard that could not be met due to the fact that appliances from Hayes fire station were not able to arrive within the required attendance time.
2. Accordingly, it was agreed that part of an ambulance station site (the building was originally built as a purpose built fire station) near the Northern Perimeter road at Heathrow was leased. As there has been a continuing need for fire cover, subsequent leases mainly of 5 years duration have been agreed with the most recent granted in August 2016. This lease is due to expire on 31 July 2021. For the purposes of the current LFB Integrated Risk Management Plan, Assistant Commissioner Fire Stations has confirmed that there is a continued operational requirement for Heathrow Fire Station.
3. The provision of fire and rescue services for the airport site (airside and landside) is underpinned by a Memorandum of Understanding (MoU) between LFB and the Heathrow Airport Fire Service (HAFS). On 20 November 2020, the MoU was replaced by an interim Section 15 agreement pending the agreement of a permanent Section 15 agreement. As a result of pressures caused by the Covid 19 pandemic, HAFS responsibility to provide an emergency response to domestic incidents has been withdrawn. LFB now respond to all domestic incidents across the airport site and at this time it is not expected that this situation will revert after Covid-19 pressures are reduced.

Present Position

4. It should be noted that HAL have confirmed that any lease granted to LFC will be outside the protection of the Landlord and Tenant Act 1954. HAL have confirmed they are not prepared to grant LFC a lease with the rights/security provided by the Act. This has been the case with all but one of the previous lease grants as HAL always need to retain site flexibility to deal with potential airport expansion or third runway proposals.
5. Officers from Property department have liaised with officers from Operational Resilience and Control and Strategy and Risk to ensure awareness of LFC's strategic position to support

lease renewal discussions with HAL. Negotiations have been ongoing between LFC property consultants Dron & Wright and HAL for some time. The outcome is that HAL have agreed to grant the Authority a further lease beginning 1 August 2021. The key terms and how they support LFB are highlighted below.

Lease Term and Break Clause

6. Following extensive negotiations LFB Property have achieved an extended lease term of ten years as opposed to historic 5 year lease renewal periods. This extended term provides LFB with some reassurance and commitment from HAL on their support for LFB to continue to provide an operational response service to both Heathrow airport and the borough, with the potential to allow LFB to plan on a longer term basis.
7. Successful negotiations have increased the 12 month break clause proposed by HAL to finally agree a 24 month mutual break clause. This agreement will retain the LFC's flexibility if LFB requirements at Heathrow change, whilst securing sufficient time to ensure a revised plan can be implemented should HAL provide notice to vacate.
8. Whilst the expansion plans for Heathrow remain protracted and unresolved, the expectation is they will impact on Heathrow Fire Station should they be move forward. A two year break clause for HAL still places uncertainty for LFB at this site, and a tenant only break clause to guarantee long term security has been refused.
9. Previous risk mitigation activities included conducting searches for an alternative site for Heathrow fire station, however this did not present any suitable locations. The opportunity to mitigate risk and the location of Heathrow fire station remains under close review by officers in Strategy and Risk and Operational Resilience and Control, and will be informed by the forthcoming review of LFB's operational risk model.

Rental valuation and review period

10. As part of rent negotiations HAL proposed an increase to the annal rent level from £115,000 per annum to £130,000 per annum with a rent review every three years. HAL were requested to provide evidence to justify the rental increase whilst LFC property consultants Dron and Wright undertook a robust benchmarking exercise on comparable sites to support negotiations and assure LFC on value for money considerations.
11. Dron & Wright are of the view that the rental should be at a lower level than that proposed by HAL based on research of comparable evidence. They consider that that for the purpose of the lease renewal in July 2021 the rental value should remain at £115,000 per annum. This figure reflects the age and specification of the building, its proximity to the airport and the value of the car parking spaces.
12. As a result of extensive negotiations, HAL have agreed that the rent under the new lease will remain at £115,000 per annum, subject to a Retail Price Index (RPI) increase after the fifth year. Should the ten year lease run for the full term, the total value is estimated at £1,207,500 assuming a 10% uplift to reflect a 2% per annum RPI increase.

13. An LFC decision to agree the renewal of Heathrow fire station lease is ideally required prior to the end of March 2021 to facilitate arrangements for a timely renewal of the lease. As a result of the lease being outside the provisions of the Landlord and Tenant Act, the LFC is in a compromised negotiating position whereby the landlord can adopt a “take it or leave it” stance and could require vacant possession be given on 31 July 2021.
14. HAL property officers have advised there remains considerable uncertainty on longer term planning with specific reference to the third runway and expansion plans alongside the ability to assess the significance of the ongoing impacts of Covid-19 on airline provision, delivery and ongoing passenger capacity. HAL were also unable to support any new proposals which committed their support to discussing the relocation of Heathrow fire station and its inclusion (within operational parameters) as part of any redevelopment of the current site.

Equality Impact

15. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.
16. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
17. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.
18. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), to have due regard to the need to:
 - (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
19. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 20. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 21. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:-
 - (a) tackle prejudice, and
 - (b) promote understanding.
- 22. An Equality Impact Assessment (EIA) has been undertaken, the outcome of which showed that the proposal to renew lease terms with HAL as set out in this report had a neutral impact. Comments received from Cultural Change team agree that the proposals in this report are likely to have limited to no disproportionate adverse effects on any persons with a particular characteristic.

Procurement and Sustainability

- 23. The subject matter expertise to acquire a new lease in respect of this Heathrow Fire Station on behalf of LFC is through the contractual provisions of the current LFC estates management contract with Dron & Wright.
- 24. Planning with regard to the installation of an Electric Vehicle Charging Point (EVCP) had previously been placed on hold as Heathrow fire station was within the area which would be affected by the third runway. Uncertainty around expansion plans and the third runway are still present, however Property officers will progress discussion with HAL on a future commitment to approve the installation of an ECVP to support LFB's sustainability priorities.

Strategic Drivers

- 25. The agreement to a new lease for Heathrow Fire station will assist the LFC to maintain standards of fire cover across London, and provide flexibility for a change in future emergency response provision. The London Ambulance Service also currently occupies part of the building where Heathrow fire station is located and would have to vacate their premises should a redevelopment of Heathrow proceed. LFB's Head of Property continues to engage with LAS to explore collaborative opportunities and alignment of efficient operating models.

Workforce Impact

- 26. This report refers to the taking of a new lease for a current LFC facility. No workforce implications have been identified; therefore, no staff side consultations have taken place. Staff side will be provided with this report as part of the pack for the Deputy Mayor's Fire and Resilience Board meeting.

Finance Comments

27. This report recommends that a ten year lease is agreed for the current Heathrow fire station site at a total cost over the ten years of £1,207,500, which includes an increase linked to RPI at five years. The cost of this will be contained within the existing budget for rent, and any inflationary increases will be included as part of the budget process for future years.
28. The report also notes that the estimated total cost of business rates and maintenance costs of £341,843 and £654,353 respectively, assuming a 2% inflation increase over the term, which will also be contained within the existing budgets.

Legal comments

28. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
29. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
30. Paragraphs (a) and (b) of Part 2 of the said direction requires the Commissioner to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices..." and before "the acquisition or disposal of any freehold interest or leasehold interest in land where the lease is for a term of seven years or more".
31. The Deputy Mayor's approval is accordingly required for the Commissioner to enter into the lease of Heathrow fire station duly detailed in this report
32. The statutory basis for the actions proposed in this report is provided by section 7 (2)(a) of the Fire and Rescue Services Act 2004, under which the Commissioner must secure the provision of personnel, services and equipment necessary to efficiently meet all normal requirements for firefighting.

List of Appendices

Appendix	Title	Protective Marking
None	None	

