

**Date: 21 September 2023**

**Item: Commercial Partnerships**

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## **This paper will be considered in public**

### **1 Summary**

- 1.1 To deliver Places for London Limited's programme, the company will need to grow its capacity to deliver, and over the past year has put in place an organisational structure which has improved our capacity to deliver what London needs. However, neither the scale of the opportunity nor the required pace of response can be achieved by growing the organisation by conventional means.
- 1.2 Instead, building on the established practice of partnership working in the real estate sector and our own experience, we are seeking to form long-term partnerships with best-in-class organisations to augment and improve delivery capacity and capability. This paper updates the Committee on work to date on both Strategy Partner and Delivery Partner.

### **2 Recommendation**

- 2.1 **The committee is asked to note the paper.**

### **3 Background**

- 3.1 The TTLP Procurement and Commercial Strategy presented to the Committee at its meeting on 18 January 2023 sets out an ambition to broaden the delivery routes available to the organisation, as well as a desire to move towards long-term, portfolio-wide partnerships based around the alignment of objectives and shared values.
- 3.2 In addition, Places for London has the opportunity to do more than was envisaged when TTLP was established. Opportunities emerging from the Collaboration Agreement with Network Rail, the potential for development above and around some of London's bus garages in support of the decarbonisation of the bus fleet, and wider opportunities for land assembly and infrastructure delivery all point to a need to approach resourcing differently.
- 3.3 A partnering approach (which will not involve forming a formal partnership in the legal sense of the term) will enable us to alleviate these sorts of capacity concerns in the short term and give us space to continue to strengthen our core business. Other benefits will include:
  - (a) enabling internal teams to better focus on core business;
  - (b) introduction of world class, expert capability where and when it is most needed, supporting better outcomes;

- (c) improved scalability unlocking rate and cost reductions;
  - (d) shorter times to market supporting greater pace in delivery;
  - (e) greater flexibility and efficiency in the deployment of resources; and
  - (f) mutual benefits from joint working and employee interchange possibilities.
- 3.4 While partnering arrangements have the potential to add enormous value to the business, there are certain functions core to our business that in-house capability will always exist to do and will need no augmentation from a partner. These include corporate strategy and direction setting, management of our relationship with and accountability to our shareholder, and the delivery of any function or service which involves direct contact with our tenants and customers.
- 3.5 Conversely, there are many other activities important to the company's success that will benefit from leveraging external perspective and expertise in support of improvements in how the business operates. These include elements of portfolio strategy and management, certain investment and divestment activities and how best we can monitor and manage the performance of the business, including with Key Performance Indicators.
- 3.6 In considering our approach in this area, we have completed early research into some existing public and private sector partnering arrangements. We have taken much from how other organisations have approached framing their arrangements but aim to put in place something that is unique to us. We expect them to be based on a shared commitment to shaping the London of the future with sustainability, diversity and inclusion and a commitment to people and communities at their heart.

## **4 Strategy Partner**

- 4.1 Places for London currently works with a number of strategic consultants and as our business develops our need for world-class external advice and expertise will become more pronounced. Spend is currently spread across the organisation and is incurred through multiple arrangements with a range of companies. The level of in-house effort expended on coordinating and managing consultants' outputs is therefore disproportionate to the overall benefit to our business – although many of the individual arrangements do support and enhance delivery capability.
- 4.2 We are seeking a single organisation to engage as the Places for London strategy partner for an initial period of three years through an existing Crown Commercial Services framework. They will provide strategic minds and real estate expertise and be expected to apply their knowledge and skills flexibly in a range of contexts across the breadth of the business. The arrangement will support and augment teams across the company in the ongoing development of strategy and plans and the delivery of strategic projects at corporate, portfolio and property levels.
- 4.3 We plan to begin formal market engagement in early October with a view to having the partner in place later in the autumn. While the bulk of strategic support will be provided by the partner, the arrangement will be non-exclusive and give us the option to appoint specialists where business need requires it.

4.4 The partner will be expected to contribute to the achievement of the following outcomes:

- (a) a best-in-class strategic framework, building on our existing purpose, objective and strategies which ensures line of sight for everyone in the company;
- (b) market-leading insight to inform portfolio and sector strategies and supporting our ability to translate strategy into delivery across the business – identifying best practice across sectors and drive innovative thinking and ways of working across the company;
- (c) advisory support across the business, advising on strategic data-led decision-making alongside the Places for London senior leadership group – supporting initiatives to drive value within the investment portfolio and help drive business performance and income;
- (d) facilitate our Environment, Social and Governance (ESG) ambitions by supporting the ongoing development and operation of our ESG strategy and its associated roadmaps and delivery plans – enabling the delivery of specific environmental and social initiatives in conjunction with existing teams; and
- (e) capability and capacity to enable the development of a digital roadmap, drawing together in-flight initiatives and proposing new work in support of our ambition to become a digital and data-led organisation.

4.5 The specification which will guide the partner’s focus and activities also includes a series of specific deliverables we will expect them to achieve in the first months of the arrangement. We will also work with the partner to shape the longer-term future of the arrangement. Central to its success will be a “one team” ethos, a commitment to teams working in an integrated way towards shared goals in the short and longer term.

## **5 Delivery Partner**

5.1 In parallel with our work to identify a strategy partner, we are also progressing our thinking on a separate delivery partner arrangement. Many organisations, including Bristol City Council, The Crown Estate and the Government Property Agency, have for some time contracted out the provision of technical support to their projects, both to single partners and consortiums. Our research into these arrangements has indicated that they can both speed up delivery and drive efficiencies in how projects are delivered.

5.2 Places for London currently uses a number of organisations for technical advice and services to support the delivery of projects within its Asset Management and Property Development functions. This figure is forecast to double in line with our ambitious capital plans.

5.3 We currently use a range of existing frameworks to provide the services this proposed partnership will cover. While there are many examples of these legacy arrangements supporting successful delivery, it is also the case that they do not give adequate control over the pace and quality of work, nor confidence that our

requirements can be met in all cases. Our initial calculations suggest that a bespoke partnering arrangement could realise significant financial benefits.

- 5.4 We are currently developing a strategic business case which will provide the basis for work to identify a delivery partner or partners to provide a “one stop shop” for most technical support needed in the business. We expect to begin the formal commercial process and market engagement shortly, with a view to having the partnership in place by spring 2024.
- 5.5 As with the strategy partner, this arrangement will complement in-house capability and add capacity to enable the delivery of our Business Plan. The arrangement will cover multiple services and resource needs, to include:
- (a) property management: including building information management and market appraisals;
  - (b) professional building services: including architectural design, engineering design, building surveying;
  - (c) engineering assurance: including the provision of property engineer resource as needed;
  - (d) project and cost management: including providing project managers, surveyors and commercial managers;
  - (e) elements of health, safety and environmental compliance: including expertise in Construction and Design Management Regulations; and
  - (f) wider professional building services.
- 5.6 The partnering arrangement will be designed and managed in a way which optimises efficiency and productivity for our business and for London. Work under it will be commissioned on a work package or project deliverable basis, as well as through day resource allocation. In common with the approach to Strategy partner, the arrangement will operate on a “one team” basis, with an expectation that Partner resource will be embedded with teams throughout the partnership.
- 5.7 To maximise the benefit to us and the partner, our working assumption is that the arrangement will be a lengthy one. This will also enable us to be confident of securing the partner resources we need. A longer arrangement will mean that the total contract value will be significant and will be of great interest to the market. We are currently developing a comprehensive financial case to form part of the final business case.

## **6 Managing the Partnering Arrangements**

- 6.1 We will put in place comprehensive governance to ensure that the anticipated benefits of the partnerships are realised for both our business and our partners, to monitor delivery against shared objectives and to ensure value for money. Each partnership will have a Partnership Group, chaired by a Places for London Executive Leadership Group member and including senior representatives from both the partner organisation and relevant internal business areas. The Group will:

- (a) own the overall strategy for the partnering arrangement and monitor progress against agreed objectives and outcomes;
- (b) have oversight of all new work instigated within the partnership; and
- (c) ensure the relevant commercial approvals processes are always followed.

6.2 The Places for London Commercial team will act as the primary intelligent client, as well as delivering day to day supplier and contract management, project commissioning and value for money assurance for each partnering arrangement. In support of this, we will appoint a partner manager who will have primary responsibility for managing and monitoring the delivery of business outcomes under the arrangement, as well as acting as a working level contact for the partners. This role will also take oversight of both partnering arrangements, manage the links between them and ensure alignment in the work they deliver.

**List of Appendices to this Report:**

None.

**List of Background Papers:**

None.

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