

Date: 20 December 2023

Item: Chief Executive's Report

This paper will be considered in public

1 Summary

- 1.1 This report provides key updates and developments since the meeting of the Committee on 21 September 2023.

2 Recommendation

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

3 Introduction

- 3.1 The three months since the Committee meeting on 21 September 2023 have been some of the most important for Places for London. We successfully launched our new brand at the London Real Estate Forum and then successfully launched our tender for a partner to deliver electric vehicle (EV) ultra-rapid charging hubs at the London EV Show. The former clearly sets out our ambition as an organisation focused on place-making not simply within London but for London. The latter takes us beyond the traditional remit of property and points to a future in which we utilise infrastructure to help make London more sustainable and inclusive for everyone.
- 3.2 We are also now increasingly seeing the benefits of Places for London's unique funding regime. With no funding support from Transport for London (TfL) or Government – and notwithstanding the impacts of higher inflation and interest rates and the delays caused by ongoing uncertainty over new building regulations – Places for London is able to plan for the long term. That allows us to acquire new assets, such as at Buck Street Market (see Section 6) and invest in planning that will unlock long term commercial and social value, such as at Kilburn and Earls Court (see Section 7).
- 3.3 The financial performance of the company remains positive with Gross Property Income £3.5m (eight per cent) up on Budget and Net Property Income £11.1m (33 per cent) up on Budget. We will seek to maintain this performance through the remainder of the year.
- 3.4 As set out in the Mid-Year Valuation Results paper elsewhere on the agenda for this meeting, we have undertaken our first mid-year valuation, which has shown that the total value of Places for London's investment portfolio is £1.467bn, a decrease of £38m (2.5 per cent) since the valuation on 31 March 2023. This decrease is entirely in line with wider market movements. The

valuation provides data that will help us drive future value, in particular in the 12 per cent of the estate that holds 66 per cent of our investment value and generates 62 per cent of our rental income.

- 3.5 Housing continues to face significant headwinds. We have seen slippage across a number of projects (see Section 7), that will mean we will miss housing targets set for this year by a small percentage. We remain very positive about the longer-term prospects, with good progress being made on the major projects at Earls Court and Edgware that between them will provide 8,000 homes and create two new town centres in London.
- 3.6 We are finalising the Places for London Business Plan, a longer-term financial view out to 2033 to account for the nature of the development cycle in property. The plan is aligned to our strategic objectives and it has been incorporated into the draft TfL Business Plan for 2024. The plan includes £262m investment to support delivery of 20,000 new homes for London; £190m investment in our existing estate to deliver quality assets with improved environmental performance; and over £200m invested to deliver transport benefits on our network. It will double our recurring income to £170m by 2033 and diversify our income across market sectors as well as delivering a 50 per cent operating margin. The property market still faces challenging economic conditions affecting scheme viability, and we also face risks in balancing the level of investment with the required financial returns to TfL. The final Places for London Business Plan will be submitted to the next meeting of the Committee.

4 Brand launch

- 4.1 At the London Real Estate Forum on 27 September 2023, we briefed our new name and brand to the industry. A clear identity is important, not least in helping us attract the people who will drive the organisation forward.
- 4.2 At the forum, we set out the clear principles that will help guide the organisation. Places for London is helping to solve some of the capital's biggest challenges and meeting its wider needs, including building new affordable housing, delivering new workspaces, and becoming more sustainable, with operating profits from recurring revenues returned to TfL as a dividend to reinvest into the transport network.
- 4.3 The Chair of the Committee and I were joined at the briefing by Anjna Farmah, a Senior Property Development Manager in Places for London, and Helen Gordon, the Chief Executive Officer at Grainger plc. The media and industry response were universally positive. Particular credit should go to the marketing and communications team at Places for London and their colleagues at TfL who managed the work on brand design.
- 4.4 We took the opportunity at the launch to confirm our two new Senior Advisors: Sherin Aminossehe and Peter Vernon.

- 4.5 A qualified architect, Sherin is currently Director of Infrastructure, Senior Responsible Officer of Defence Estate Optimisation Portfolio at the Ministry of Defence. She was previously Executive Director of the Government Property Unit and Head of the Government Property Profession. Sherin is a passionate and successful advocate for improving diversity in the real estate industry.
- 4.6 Peter was Chief Executive of Grosvenor Properties UK and Group Executive Director of Grosvenor's international real estate business. He led a review of Grosvenor's global strategy for real estate investing, designing and delivering a programme to drive social and environmental benefits alongside strong commercial returns. Among other roles, Peter also sat on the board of The Berkeley Group plc and was a board member of the Peabody Trust.
- 4.7 We are delighted to have attracted people as capable and experienced as Sherin and Peter. They will offer valuable support and challenge to me and my executive team.

5 New Ventures

Electric Vehicle Ultra-Rapid Charging Hubs

- 5.1 On 28 November 2023 at the London EV Show, the Deputy Mayor for Transport announced our procurement process to identify a joint venture partner to help us bring forward new EV ultra-rapid charging hubs across our estate. This will become our eighth joint venture, and the first launched under the brand Places for London.
- 5.2 The partnership, which will help support the Mayor's commitment to achieve Net Zero Carbon by 2030, will deliver new off-street charging hubs that will be able to simultaneously charge multiple vehicles. We are looking for a partner with relevant experience in the EV charging sector, for example, experience designing and building EV charging hubs elsewhere and operating a portfolio of industry-leading charging points.
- 5.3 Five locations have been identified as initial seed sites, with the potential to increase the number of sites available to the joint venture over time. Each site will deliver a minimum of six publicly accessible ultra-rapid charging bays that will allow drivers to charge their vehicles in up to half an hour.
- 5.4 The five initial locations are as follows:
- (a) Hanger Lane – a vacant site off the North Circular (20 bays);
 - (b) Canning Town – a roadside location off the A13 (eight bays);
 - (c) car park next to Hatton Cross Tube station (six bays);
 - (d) Tottenham Hale – currently a worksite (six bays);
 - (e) Hillingdon Circus – an area next to Hillingdon Tube station (nine bays).

Buck Street Market

- 5.5 On 29 September 2023, we acquired Buck Street Market from LabTech, the property investment company that owns Camden Market. LabTech will continue to manage the asset on behalf of Places for London, minimising disruption to existing traders and customers.
- 5.6 Comprising 88 recycled shipping containers, Buck Street Market opened in 2020 and covers more than 12,000 sq. ft. Offering multiple street-food and retail concepts across two floors and a rooftop, Buck Street is one of the key components of the successful Camden Market site.
- 5.7 The asset was acquired in a an open-market transaction. The value offered was underpinned by Places for London's financial metrics. Crucial to the decision to acquire was the recognised need to safeguard our long-term vision to upgrade Camden Town station. In acquiring this site, Places for London enjoys an ongoing commercial income stream and de-risks any future works by TfL.

6 Planning

Kilburn Mews

- 6.1 On 26 October 2023, working with architect DK-CM, we secured planning permission to improve 11 arches along Kilburn Mews, which will help transform the commercial units and open them up to the Kilburn High Road and the local community.
- 6.2 The work will enhance the infrastructure of the historic and characterful arches, bridges and surrounding external space between Kilburn High Road and Loveridge Road to create a new public realm off the busy high street. The arch units will have new frontages and improved energy efficiency by utilising air source heat pumps to provide heating and cooling. The proposals also include urban greening initiatives that support sustainability and add to the location's ambience.
- 6.3 Throughout the development of the designs, the team collaborated closely with the local community, hosting online and in-person sessions and providing a variety of times and methods for people to join and give their feedback. This led to almost 60 per cent of the survey responses coming from women and most engagement workshops or exhibitions having at least 50 per cent representation from women.
- 6.4 Having high levels of representation from women is vital. The project is part of 'Safety in Public Space|Women, Girls and Gender Diverse People', focusing on how the area could be shaped and designed to feel safer, particularly for those with unheard voices. Taking the feedback on board, the scheme will improve the general lighting and security along the mews and has also considered how to mitigate potential hotspots for anti-social behaviour.

- 6.5 Community participation also involved local students from Hampstead School. Feedback gathered from the sessions with students was integrated into proposals, for example, informing how we could pedestrianise the area and include seating, cycle parking and welcoming spaces.

Earls Court

- 6.6 On 15 November 2023, The Earls Court Development Company published an updated masterplan for the ambitious redevelopment of Earls Court.
- 6.7 Delivering 4,000 homes with a target of 35 per cent affordable across all tenures, the development will create an inclusive neighbourhood designed for all stages of life. The homes will be set within a landscape which is 60 per cent unbuilt, maximising open space and allowing nature to flourish.
- 6.8 The proposals include new cultural venues, including production and recording studios, fixed and pop-up venues to host performance, and outdoor spaces that will host creative events and arts.
- 6.9 With 2.5m sq. ft of workspace, Earls Court will deliver 12,000 new jobs and provide a new home to the UK's 'cleantech' industry. Sustainability is at the heart of the plans. The site will be home to one of the UK's largest zero carbon energy sharing networks, innovative water management, and over 1,000 new trees. Streets that prioritise walking and cycling will connect to stations, cycle highways and bus routes, encouraging sustainable travel.
- 6.10 A hybrid planning application will be submitted in mid-2024. The first phase of development, comprising over 1,000 homes, the first cultural and commercial buildings, and a park and vital east-west connections will commence in 2026.

7 Housing

- 7.1 We have developed a programme to deliver 29,000 homes that, when risk adjusted, will still allow us to start on the sites that will deliver 20,000 homes by 2031. We have, however, seen slippage this year caused by the combined challenges of higher interest rates and inflation leading to a materially higher cost base; delays in clarity over second staircase regulation; and a variety of local engineering and resource issues, as set out in the Quarterly Performance Report elsewhere on the agenda for this meeting.
- 7.2 Starts on the following projects have been delayed to next financial year: 12-22 Finchley Road, Western Avenue and Upper Richmond Road. Together these projects comprise 116 homes. To mitigate these delays, Snaresbrook (74 homes) has been brought forward. We are now therefore forecasting 4,363 cumulative starts on site against a target of 4,407.
- 7.3 In addition, there are delays at three sites totalling 99 homes at Woodside Park, Aylesbury Street and Albany Road. Also, Kidbrooke may now deliver only 145 out of the 343 homes planned for March 2024. This would result in 1,060 cumulative housing completions against a target of 1,258.

7.4 Notwithstanding the economic headwinds, we remain determined to deliver the housing that London urgently needs. Progress remains positive on planning, including on our major sites at Earls Court and Edgware, and a professional team has been assembled to begin detailed feasibility on the sites with adjoining Network Rail interests, and these have the potential to deliver thousands more homes.

8 Resourcing

8.1 Good progress is being made on recruitment into key posts. We have recently progressed with permanent recruitment, including the Head of Arches, Head of Environmental, Social and Corporate Governance and Head of Investment, Acquisitions and Disposals. Critically, we have also appointed a new Governance, Risk and Assurance Lead. The recruitment for Head of Retail is underway. Recruiting someone with commercial and place-making skills for our £600m retail estate will be central to our ability to grow income and social value in stations and on High Streets across London.

8.2 In parallel with recruiting into key positions, we have continued to progress with the work on appointing a Strategic Property Partner and a Delivery Partner. The procurement of the former will be launched in January 2024 following a successful soft market testing exercise.

8.3 We believe that these and other partnerships will help us become a more efficient organisation – one with the capability to manage strategic alliances with leading organisations that will allow us to meet our financial and housing targets. Such a model is well established across the property industry, including our joint venture partners Helical and Delancey.

8.4 To accelerate this activity, we will undertake a review of Places for London's existing operating model and organisational structure. This review will ensure that we are configured to handle the increased scale of opportunity – including work arising from our collaboration agreements with Network Rail, London boroughs and others.

8.5 This work will be carried out in close collaboration with TfL and Greater London Authority colleagues, and it will be governed by the central Our TfL Programme.

8.6 The proposed scope of work includes: evaluating how the operating model and organisational structure support Places for London's strategic objectives; reviewing the most appropriate governance and ways of working; benchmarking operating models and organisational structures; investigating the optimal service model; and confirming the required organisational culture and how this will be delivered.

8.7 The expected timeframe for the review is six months. We believe it will allow Places for London to become a commercially efficient organisation that is optimally set up to deliver its clear social purpose objectives alongside delivering a growing return to TfL.

List of appendices to this report:

None

List of Background Papers:

None

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