

Date: 3 July 2024

Item: Places for London Delivery Portfolios

This paper will be considered in public

1 Summary

- 1.1 Places for London has two major capital portfolios of work: Property Development (creating new assets on our land) and Asset Management (renewing or enhancing our existing revenue-generating assets). Both portfolios generate revenues for the business either on a recurring income basis or through one-off receipts. In addition, there are some smaller projects delivered within Place for London's central functions.
- 1.2 This paper provides the Committee with an update on activity in these portfolios.

2 Recommendation

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

3 Background

- 3.1 The total Financial Authority for the capital expenditure of £145.3m was granted via the Places for London sections of the TfL Business Plan 2024. Land Authority is granted on a project-by-project basis by the Chief Executive of Places for London or other postholders in line with TfL Standing Orders. There is a review and endorsement process for Land Authority at the periodic Places for London Investment Group.
- 3.2 The majority of the Places for London projects are investments that have a long planning and delivery cycle spanning multiple years. The work done in this year will therefore create longer term commitments of spend. The 10-year Places for London Business Plan as presented to the Committee on 11 March 2024 provides both longer-term outlook. The TfL Business Plan approved by the Finance Committee on 22 December 2023 under delegated authority from the Board provides Financial Authority to 2026/27. Where longer term commitments have been made in individual projects separate papers have been presented to this Committee.
- 3.3 The Property Development portfolio delivers in two main areas:
- (a) residential property developments that deliver homes, including the commitment to deliver 20,000 homes started on site by 2031 and the Mayoral portfolio sites targeting 50 per cent affordable homes – these developments are generally delivered through a series of joint venture property companies in which Places has a minority interest and the capital

presented in this paper is the net cost to Places for London for these developments; and

- (b) commercial property developments including our major office development sites that delivered through our Platinum joint venture with Helical – in addition, there are a small number of early pipeline sites to build the future of the portfolio.

3.4 The Asset Management portfolio delivers in a number of designated sectors. It also contains a programme of renewals and enhancements of our existing assets to maintain the asset condition. Projects generally integrate activity to improve energy efficiency and deliver wider benefits to local economies including job and business creation. The sectors are:

- (a) retail: our retail assets are let out to third-party operators including many small and medium-sized enterprises (SMEs) and is split broadly evenly between units in stations and units on high streets and other non-transport settings;
- (b) arches: our arches are already home to hundreds of businesses with the majority being SMEs, we maintain and renew these assets to support the businesses and asset quality (and hence income) – and we are also developing a number of disused arches sites to create new workspaces and customer experiences;
- (c) offices: we manage a number of existing offices, with a current focus on refurbishment of key sites to improve income returns for the business;
- (d) residential: we manage a small number of sites, and are currently upgrading and retrofitting modernised systems, including investment into improved environmental performance; and
- (e) industrial and car parking: our assets include potential industrial sites and existing car parks on the transport estates – we manage these assets to maximise revenue and this includes improvements to the safety, security and environmental performance of these assets.

4 Key Delivery Successes in 2023/24

4.1 There have already been a number of successes in projects over the last year, including progress that will continue into 2024/5:

Property Development

- (a) practical completion was achieved in the year on 130 homes at Woodside Park (86 homes) in February 2024 and Kidbrooke Phase 1a (44 homes) in March 2024 contributing to our cumulative total of 946 homes delivered;
- (b) start on sites were achieved in the year of 208 homes at Barkingside Builders Yard (98 homes), Snaresbrook (74 homes), Hornchurch (27 homes) and Portree Street (nine homes) bringing our cumulative total to 4,349 homes started;

- (c) planning permission was obtained at South Kensington that unlocks new homes, workspace and retail in an around-station development, also enabling step-free access from ticket hall to street and subject to funding allow TfL to deliver a capacity improvement and step free access to the platforms – combined this will deliver an arrival experience befitting the internationally renowned local museums;
- (d) we completed and subsequently sold out our first joint venture at Blackhorse View, with 350 homes (50 per cent affordable) and delivered financial returns in excess of budget; and
- (e) we have a strategic collaboration with Network Rail to accelerate the delivery of regeneration, housing, including affordable housing, and infrastructure in London.

Asset management

- (a) we have started onsite at Whitechapel High Street on retail and commercial works following asset handover from Crossrail (28 properties);
- (b) we have commenced the Residential Retrofit Programme designed to improve asset condition and improve energy efficiency;
- (c) we have commenced the Net Zero Carbon Demonstrator concept design to shape the future sustainability plans;
- (d) we have commenced onsite health and safety works at Northwood retail units;
- (e) we have completed Royal Institute of British Architects (RIBA) Stage 4 (Technical Design) for Kilburn, Lockton Street and Wood Lane arches; and
- (f) progress onsite with major works at Liverpool Street, Baker Street and Victoria Island retail units.

5 Key Portfolio Achievements Planned for 2024/25

- 5.1 A full list of scope that will be delivered in 2024/25 is contained in Appendix 1. Major milestones are also set out below.

Property Development

- (a) 490 homes will reach practical completion including at Wembley Park Phase 1 in late 2024, delivering 63 homes as part of a three-phase scheme that will eventually deliver 580 homes;
- (b) we will also achieve practical completion of Kidbrooke Phase 1 delivering 369 homes out of 500; Fenwick, Aylesbury Street and Albany Road delivering 59 homes in total;
- (c) planning applications for both Earls Court (4,000 homes) and Edgware (3,365 homes) will be made, marking significant progress in the development of these major London sites; and
- (d) we will start on site for our Bank over station in partnership with Helical, the first site delivered under our new commercial joint venture.

Asset Management

- (a) we will complete the refurbishment of the Liverpool Street Arcade;
- (b) we will complete the refurbishment of 22 properties at Whitechapel (78 per cent of total scope complete);
- (c) we will complete the refurbishment of Victoria Island properties;
- (d) we will complete works to the Baker Street estate to deliver new lettings and income;
- (e) works will commence onsite at Kilburn, Lockton Street and Wood Lane arches;
- (f) works will commence onsite at former Baker Street Lost Property Office;
- (g) we will commence public realm design at Baker Street (Station Approach);
- (h) we will move into delivery on the Residential Retrofit Programme; and
- (i) the Net Zero Carbon Demonstrator sites will complete RIBA 2 Stage (Concept Design).

6 Performance Against Milestones

6.1 The table below shows the 10 Property Development milestones on the 2024/25 Scorecard.

Scorecard Milestone	Target Date
Edgware (3,500 homes, 35 per cent affordable housing) – planning application submission	September 2024
Earls Court (4,018 homes, 35 per cent affordable housing) – planning application submission	September 2024
Fenwick Development handover of development to Lambeth	January 2025
High Barnet (284 homes, 40 per cent affordable housing) – contracts exchanged with Barratt London	October 2024
Connected Living London (CLL) Programme (1,540 homes, 40 per cent affordable housing) – planning applications submitted for second staircases	December 2024
Limmo Peninsula (1,200 homes, 40 per cent affordable housing) – receipt of final tender.	March 2025
Kidbrooke Phase 1b (369 homes, 50 per cent affordable housing) – practical completion	November 2024
Bank station – land acquired by joint venture and construction to commence to deliver 142,000 sq ft of office and retail space.	December 2024

Scorecard Milestone	Target Date
Southwark station intervention start-on-site to separate underutilised back of house areas within the station for the over station development	November 2024
Network Rail completion of Gate 0 assessments for first selection of sites	March 2025

6.2 The table below shows the Asset Management milestones used for internal tracking in 2024/25.

Scorecard Milestone	Target Date
Liverpool Street Arcade Refurbishment and asset enhancement of retail arcade including new substation – completion of works	August 2024
Whitechapel Project – major refurbishment of 28 mixed-use properties – completion of 22 of 28 properties	March 2025
Victoria Island – major refurbishment & structural works of eight properties – completion of works	September 2024
Baker Street – major structural works along the Baker Street estate to deliver improved safety and enable new retail lettings – completion of works	December 2024
Seven Sisters – opening of the temporary market with London Borough of Haringey	December 2024
Kilburn arches – major refurbishment of 11 arches and creation of public realm – start onsite	July 2024
Lockton Street arches – major refurbishment of 11 arches – start onsite	November 2024
Wood Lane arches – upgrade of 10 retail arches and creation of two new retail arches – start onsite	July 2024
Office portfolio feasibility studies at 40 Long Acre, Oxford Circus House, 172 Buckingham Palace Road and South Molton Street – commence design	October 2024
Residential Retrofit Programme – retrofitting 28 residential properties – complete design	November 2024
Residential Retrofit Programme – retrofitting 28 residential properties – commence works	March 2025

Scorecard Milestone	Target Date
Net Zero Carbon (NZC) Demonstrator – four trial sites to develop deliverability of NZC across the estate – Completion of RIBA 2 (Concept Design)	November 2025

7 Equalities Implications

7.1 TfL has an obligation under the Equality Act 2010 to:

- (a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.2 The portfolios are delivered in accordance with the Equality Act 2010. Each project undertakes Equality Impact Assessments on the impacts of proposals on each of the groups with protected characteristics. Schemes may have a temporary impact during delivery, but in the long term our projects have positive impacts on addressing equality issues.

8 Financial Implications

8.1 The authorities in this paper are approved Financial Authorities that are granted through the TfL Budget and Business Plan approvals. There is no change in the Financial Authority requested since those approvals.

Capital Expenditure	Full Year Budget (£m)
Total Asset Management Projects	(43,822)
Total Property Development Projects	(100,774)
Total Central Places' Projects	(719)
Total Capital Expenditure	(145,313)

8.2 As schemes progress through planning future year, commitments will be made including joint ventures moving into unconditional phases. This will incur future year capital requirements, and these are provided for within the 10-year Places for London Business Plan.

8.3 In some cases, major schemes such as Earls Court which delivers into the 2040s will have long-term requirements. These will all seek individual approval for commitments outside the business plan period as they arise.

9 Risks and Opportunities

- 9.1 Approvals are not sought on a project-by-project basis. Places must be responsive to opportunities and to changing market conditions. It would therefore be expected both that some assumed projects are no longer appropriate investments and that new, unplanned projects are identified and pursued.
- 9.2 The top risks associated with delivery across the portfolios are shown in the table below. There are more detailed risk registers held within the delivery teams that address portfolio and site-specific risks.
- 9.3 No specific risk provision is held against the capital costs in the budget. As risks emerge the portfolios would need to be re-prioritised to balance the capital requirements. These are multi-year projects and the impacts of the risks will also be to schedule impacting both in year milestone dates and planned completion points in subsequent years.

Risk No	Risk Description	Mitigation Actions
1	Current economic market affecting land values across the portfolio.	Maintaining a pipeline of projects with the potential to deliver over and above targets to allow for delays or limited delivery. Remaining flexible to change in the market and assessing the correct land use and building purpose through the development process.
2	The condition of existing assets in the portfolio including those transferred into Places for London can be significantly below expectations and required additional time and cost to bring to standard.	Carrying out effective surveys of all assets on transfer. Developing a cost-effective supplier market to deliver renewals and refurbishments.
3	The extended length of the planning process and continued uncertainties can significantly extend the length of development projects and unexpected costs can emerge from onerous planning conditions.	Continued progress monitoring of all projects through the planning stage. Engagement of external experts to support the planning process. Maintaining a balanced portfolio at different stages of development allowing us to balance resources to projects ready to progress.

List of appendices to this report:

Appendix 1: 2024/25 portfolio delivery plans

List of Background papers

None.

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