

**Date:** 18 March 2025

**Item:** Chief Executive's Report

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

### **1 Summary**

- 1.1 This report provides a review of major issues and developments since the previous meeting of the Committee.

### **2 Recommendation**

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

### **3 Health and Safety**

- 3.1 There have been no serious injuries this year across the Places for London estate. Since the last update, there has been one minor injury, bringing the total for the year to nine.
- 3.2 Since the previous meeting of the Committee, there have been three high-potential health and safety incidents, bringing the total for the year to date to seven.
- 3.3 With 88 per cent of our tenants having received at least one formal compliance inspection, only 3.6 per cent of the units visited received a risk rating of 'Severe' or 'High'. As before, we are working with tenants to resolve the outstanding issues, which generally relate to a lack of compliance documentation.
- 3.4 On 16 January 2025, we hosted our second Places for London Safety Standdown Day, with this event focused on psychological and personal safety. The day was very well received by teams from across the organisation, and we were joined by two Members of the Committee.
- 3.5 Details of the above are contained in the Performance Report elsewhere on the agenda.

### **4 Housing**

- 4.1 Good progress continues to be made on Places for London's housing programme, with progress across a number of sites.
- 4.2 So far, we have completed a total of 1,324 homes, of which 710 (54 per cent) are affordable. We forecast a series of completions by the end of this financial year that would enable us to meet our year-end target of 1,436 completions.

- 4.3 On 30 January 2025, Tom Copley, the Deputy Mayor for Housing and Residential Development, and Councillor Kam Rai, the Leader of Redbridge Council, attended a ceremony to mark the delivery of the first 23 of 98 new social rent homes being built on a Places for London site at Barkingside Yard. The one-, two-, and three-bedroom homes were built by housing association Peabody in partnership with regeneration specialist Vistry Group.
- 4.4 This transformation of a former builder's yard into much-needed affordable housing will provide homes for those on the council's waiting list. The development has been partly funded by the Greater London Authority's Affordable Housing Grant, which seeks to maximise the number of affordable homes across London.
- 4.5 Sustainability is a key focus of the project, with features such as air source heat pumps, green roofs, new allotments, and communal gardens that enhance local biodiversity. The development is car-free, except for Blue Badge parking, and includes ample cycle storage, promoting the use of sustainable transport.
- 4.6 As part of the planning agreement with Redbridge Council, the development will contribute towards improvements at nearby Fairlop Waters Country Park.
- 4.7 On 31 January 2025, we completed the land sale of Phase 2 of the Bollo Lane joint venture, generating a £24.4m receipt for Places for London. This was followed by the joint venture securing from Ealing Council's planning committee a resolution to grant planning permission for 455 homes on Phase 2 of the development.
- 4.8 On 22 February 2025, we and Barratt London launched Stephenson House, the first building in the second phase of our joint development at Wembley Park Gardens. This builds on a very successful first phase, which was over 90 per cent sold in just 10 months.
- 4.9 Rising to 16 storeys, Stephenson House will comprise 111 one- and two-bedroom apartments, with prices starting from £399,000. Residents will benefit from an on-site concierge and landscaped, communal podium gardens running through the site. When complete, the wider development will comprise 302 one- and two-bedroom apartments, helping first-time buyers and others get onto the property ladder. The first residents are expected to move into Stephenson House from spring 2028.
- 4.10 Housing association Metropolitan Thames Valley Housing will deliver a further 152 affordable homes (40 per cent affordable housing by habitable room) as a combination of intermediate housing, such as shared ownership, and London Affordable Rent.
- 4.11 Finally, on 24 February 2025, we and Barratt London began a second round of consultation for a development next to High Barnet station. This provided an opportunity for local people to view the plans for the site ahead of the submission of a planning application.

- 4.12 A first round of consultation was held in late November and early December 2024, and almost 400 members of the local community attended a drop-in session or the public online webinar.
- 4.13 Proposals include up to 300 high-quality new homes, including at least 40 per cent affordable housing, while enhancing the area around the station and creating a safer, more accessible public realm. Other benefits include:
- (a) improvements to the quality and safety of the station environment, encouraging increased use of public transport;
  - (b) new pedestrian and cycle routes with improved crossings, increasing permeability across the site and strengthening the interchange between the station and bus services;
  - (c) a focus on increasing biodiversity and a more welcoming environment for residents and visitors;
  - (d) new green spaces and public realm, with places to sit, stop, socialise and play;
  - (e) architecture inspired by the characteristics of local landmarks and historic buildings; and
  - (f) retaining the Blue Badge parking spaces.

## **5 Asset Management**

- 5.1 We recently received the customer satisfaction score from our tenants. The customer satisfaction score has increased by six per cent to 64 per cent. The increase exceeds our scorecard target of 60 per cent.
- 5.2 The increase in customer satisfaction has been driven by our people and the relationship we have with our customers. Key hires have helped to build our capacity to engage with our customers, including our Head of Retail and new members of staff in our Asset Management team. This year, we also held our first customer conference and 'We Make Places for London' awards, continued our customer advisory groups, and completed our fully funded responsible business skills pilot for our customers with the Heart of the City.
- 5.3 Customer trust also rose, underlining the importance and success of our partnership approach to our customers as we work together to meet our ambitions on financial, environmental, and social value creation.
- 5.4 We plan to continue improving the experience for our customers. We have recently appointed a new Lettings Lead and we are investing to improve our facilities management and credit control services, as well as continuing to develop the customer community that is a key part of our offer.
- 5.5 More broadly, in the year ahead we will increasingly see the impact of the investment that has been underway across London to improve the quality and value of our asset management portfolio. This investment will generate an

additional £8.8m a year, as well as reducing voids to generate sustainable savings of £2.3m a year.

5.6 Major asset management projects include:

- (a) Whitechapel – completion of the first phase, comprising a mix of retail, residential and offices;
- (b) 200 Buckingham Palace Road – completion and leasing to the British Transport Police;
- (c) Baker Street – extensive refurbishment works underway;
- (d) Liverpool Street Arcade – completion with the imminent opening of BOXHALL;
- (e) Kilburn Mews – refurbishment of 11 arches, bringing new commercial units to Kilburn High Road; and
- (f) Wood Lane – refurbishment of the arches due to complete and become income producing by the end of the year.

5.7 We stated at the previous Committee meeting that the Platinum joint venture had acquired the long leasehold interest in 10 King William Street (the Bank over station development).

5.8 Since then we have agreed a £125m funding package with HSBC UK. In its press release announcing the package, HSBC's spokesperson said, "We are delighted to build on our existing relationship with both Helical plc and Places for London with this development financing facility. In addition to their approach to sustainability, 10 King William Street will offer a fantastic occupier experience in the heart of the City of London."

5.9 The package offers a strong endorsement of the Helical plc and Places for London partnership, the quality of the development, and, more broadly, expresses continued confidence in the commercial office sector in the City of London.

5.10 Simultaneously with the announcement of the funding package, the joint venture signed a building contract with McLaren. With construction work already underway, the building is scheduled to complete in December 2026.

5.11 Finally, significant progress has been made since the appointment of Fastned as our joint venture partner in December 2024. The joint venture company and bank account have been set up, our first capital investment has been completed and, in January 2025, the joint venture submitted its first planning application for a 12-bay ultra-rapid electric vehicle charging hub at Hatton Cross in the London Borough of Hillingdon.

5.12 This spring, the joint venture intends to submit two further planning applications and expects a determination from the London Borough of

Hillingdon which, if positive, will support the planned opening of the Hatton Cross hub in less than 12 months.

## **6 Investment Strategy**

- 6.1 Places for London's first Investment Strategy was considered by the Committee in 2022. Since then, we have made significant progress in maturing as a real estate organisation to deliver a growing sustainable return to TfL to invest in transport.
- 6.2 We have committed to taking a balanced approach to our portfolio, maximising the delivery of affordable homes, while growing the value of our assets and generating long-term income. We now have a much better understanding of our existing asset base and are better equipped to make the investments required to improve our operating margin to align us with the commercial real estate market and fund our critical social value outcomes.
- 6.3 We are proactively transforming and repositioning the estate. In the future, Places for London will hold a smaller number of assets, providing sustainable mixed-use income and offering significant development and regeneration potential. These campuses will provide a more valuable and efficiently managed portfolio, benefitting from significant footfall and better protected from market risks.
- 6.4 Progress has been made in diversifying Places for London's income streams, de-risking the portfolio, reducing exposure in any one sector, and enabling a balanced blend of risk and return. Working closely with TfL, we are disposing of the 'tail' of lower-value assets that are less efficient to manage. We are continuing to identify additional properties that could transfer to Places for London, as well as undertaking a review of potential strategic land acquisitions to support the ambition to grow in both scale and value in London. The portfolio will remain focused on social and sustainable impact as well as financial performance.
- 6.5 Since the launch of the first Investment Strategy, there have been significant challenges in the macro-economic and political environment, with higher interest rates and inflation leading to an increased cost base and in some cases, schemes becoming unviable. As a result, capital and resource are being prioritised on the largest estates and future campuses.
- 6.6 To achieve our long-term growth portfolio composition and income targets, Places for London will focus on the Living Sector, shifting from commercial sectors (specifically Retail) to a more balanced portfolio. The Living Sector will encompass various types of residential real estate investments that cater to different segments of the London population.
- 6.7 The investment will focus on prime locations, near transport nodes and key amenities in London. Places for London will collaborate and partner with market-leading developers and investor operators in London. Importantly, Places for London will respond to one of London's greatest challenges, delivering high-quality, low carbon, accessible homes for all Londoners.

- 6.8 Places for London's significant investment programme is underpinned by modernising the business – optimising and accelerating improvements to legacy digital systems and tools, streamlining reporting and processes and creating a workforce based around what Places for London needs to do well.
- 6.9 The priorities therefore for the next three years are:
- (a) delivery of homes – meeting the needs of all Londoners;
  - (b) asset portfolio transformation – curating and delivering the target portfolio of the future; and
  - (c) modernising and transforming the business – creating a more efficient and investable business.
- 6.10 In the future , the business will have the following qualities:
- (a) an asset portfolio which is focused on strategically located, higher-value properties and is therefore more efficient to run and more attractive to potential investors;
  - (b) continued investment in the portfolio and the business to modernise and optimise, including through increased use of technology;
  - (c) optimisation of income growth, value growth and continued improvement in performance across the Places for London estate, while protecting TfL's operational interests;
  - (d) an organisation that is more efficient and cost effective;
  - (e) core workforce capability based around doing what Places for London needs to do itself, with a talent management, development and employee value proposition which supports and enables this; and
  - (f) partnerships with best-in-class organisations that augment core capability and provide additional capacity where it is needed.
- 6.11 Sitting under the Investment Strategy the sector strategies are being developed. Our Retail and Arches sectors are the most mature, and we are due to update the Committee on our Retail strategy in July 2025. Completed strategies for other portfolios – including Offices, Industrial and Living – will follow in due course.

## **7 Stress Testing**

- 7.1 Places for London's Business Plan utilises debt financing to support future investment and is regularly assessed for its ability to meet the associated debt covenants, specifically:
- (a) Interest Cover Ratio greater than 2.0×;
  - (b) Loan to Value less than 40 per cent; and

(c) Net Tangible Worth greater than £1bn.

- 7.2 In addition, we recently conducted a stress test to assess portfolio resilience under a severe downturn event. The test reflected a material economic downturn, impacting several macroeconomic factors – putting pressure on supply chains, financial markets, scheme deliverability and income robustness. It also included a deterioration in market conditions, investor confidence and consumer confidence, impacting both the delivery of our strategy and financial performance.
- 7.3 A suite of available mitigations was tested for its ability to absorb these pressures including, deferral of uncommitted expenditure, turning off flexible operational costs, divestment from selected joint ventures and adjustments to the development pipeline. Applying these mitigations had the ability to completely reduce the debt burden and any associate covenant pressures.
- 7.4 Overall, the analysis confirmed that Places for London remains financially resilient with the manageable mitigation available. We therefore consider our Business Plan to be affordable, robust and capable of withstanding significant challenges.
- 7.5 Places for London will continue to monitor the impact of downsides and the effectiveness of available mitigations as part of its annual financial planning cycle. In addition to ongoing monitoring, plans to accelerate the disposal of non-core assets within the portfolio are now in place, which is expected to boost cash reserves and therefore lessen reliance on debt with the associated covenant pressure.

## **8 Resourcing**

- 8.1 We recently started the process for finding a new Director of Property Development. We received 134 completed applications. Initial interviews have taken place and we hope to confirm the successful candidate in the weeks ahead.

### **List of appendices to this report:**

None

### **List of Background Papers:**

None

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