TRANSPORT FOR LONDON

CORPORATE PANEL

SUBJECT: TFL ACCOMMODATION STRATEGY

DATE: 23 FEBRUARY 2010

1   PURPOSE AND DECISION REQUIRED

1.1   The purpose of this paper is to provide an update to the Panel on the progress of the TfL Accommodation Strategy since it was approved.

2   BACKGROUND

2.1   The purpose of this paper is to inform the Panel of the work done to date on the first two phases of the three-phase TfL office accommodation strategy.

2.2   At the time of its Board approval in June 2006, the TfL Head Office portfolio comprised 10,000 desks in 50 buildings (37 freehold, 13 leasehold), all of which are located within Zones 1 and 2. This portfolio comprised both operational and non-operational office-based activities, but excluded direct operational property such as driver accommodation.

2.3   This portfolio had grown from 7,300 desks in 2004, and its growth included occupants such as the PPP InfraCos, British Transport Police and the Metropolitan Police.

2.4   In 2006, these 10,000 'office desks' were spread across a portfolio whose quality and cost varied widely. Much of this portfolio had been historically acquired on an ad hoc basis, in response to evolving business requirements, and was inefficient and fragmented. The combination of increasing demand, and ongoing changes in business structure resulted not only in business units being split between sites, but also in constant costly churn between buildings.

2.5   The portfolio performed adequately "on paper" in terms of simple property metrics, such as cost and space per workstation, and energy consumption. However, this masked the fact that the portfolio's fragmented nature was frequently an obstacle to business operation, the quality of workspace varied widely, and business facilities such as meeting spaces were often inadequate.

3   OBJECTIVES OF THE STRATEGY

3.1   Established in 2004/05 by TfL Group Property and Facilities (GP&F), the stated objectives of the TfL office accommodation strategy are to:

(a) deliver accommodation that enhances TfL as an organisation;

(b) create integrated "hubs", with over 2,000 staff per building;

(c) create a modern workplace which reflects TfL's aims as a world-class employer, and which incorporates best workplace practices;

(d) accommodation becomes an organisational "enabler", not an obstacle; and

(e) procure higher quality space at no higher cost, with minimum change cost. (Note – in 2004/05 the original objective was "at no higher cost", whereas a target of reducing accommodation costs by £160m by 2018 was adopted in the 2009 Business Plan.)

3.2 The Strategy's purpose is to improve a substantial proportion of the portfolio. By doing so, TfL would contribute directly to front-line service by delivering benefits in the following areas:

(a) accessibility;

(b) increased quality of service (internally and externally);

(c) staff attraction, motivation and retention;

(d) staff satisfaction with their workplace environment;

(e) knowledge sharing and innovation;

(f) savings in travel time;

(g) enhanced environmental performance;

(h) improved utilisation of both property and the facilities therein; and

(i) efficiency gains associated with the consolidation of support functions.

3.3 The strategy was presented as a three-phase programme. Each of the three phases had different characteristics, and each was intended to make a different contribution to the overall outcome. The three phases were broken down into:

(a) Phase Zero (Enabling) was the 2004 Interim Accommodation Strategy (IAS), effectively a holding position while the long-term strategy was defined. This control phase was to ensure that, if TfL continued to grow, any further space would be taken on short, flexible terms. This action would build a critical mass of property which could then be simultaneously vacated, thereby enabling major step change while minimising the costs of that change.

(b) Phase One was structured to deliver the first three major new "hub" buildings, and would relocate TfL away from higher cost Victoria and onto the South Bank and beyond. Each new "hub" was to provide space for over 2,000 staff. Phase One focused predominantly on replacing the substantial leasehold portfolio, whose leases expired between 2006 and 2015.

(c) Phase Two was intended to identify suitable commercial solutions for the long leasehold sites with leases extending beyond 2020, and to achieve capital receipts from occupied freehold properties, where viable.

3.4   The strategy adopted this progressive phased approach because it recognised the following factors, and therefore needed to mitigate risk:

(a)   supply and demand: property change programmes can often lead to periods of exposure to market risk during changeover periods (i.e. vacancy leads to sub-letting costs). The strategy's phasing optimised the match between supply and demand over time, thereby minimising costs of change;

(b)   internal demand planning: the need to ensure that TfL made its new property commitments in progressively managed increments, allowing the strategy to flex as TfL's organisation continued to develop; and

(c)   external factors: the scope for the unforeseen external influences beyond TfL's control to affect demand, and to cater for this as far as possible with flexible implementation planning.

3.5   In addition to the above considerations, the strategy was also intended to deliver additional further benefits, by exploring the scope to:

(a)   co-locate control rooms, which were previously spread across multiple buildings. Co-location would directly contribute to the integration of front-line operational services; and

(b)   co-locate service and support ("back office") groups into a location which not only provided low-cost space, but was also in an Opportunity Area of the London Plan. This would create an employment hub, and contribute to regeneration, as well as increasing TfL's operating efficiency.

3.6   This paper reviews the progress of the accommodation strategy against the June 2006 Board approval and considers this progress against three criteria:

(a)   performance against the stated objectives in 3.1 above;

(b)   delivery of the additional wider benefits cited in paragraph 3.5 above; and

(c)   how the strategy has responded to subsequent major changes.

4 TfL OFFICE ACCOMMODATION STRATEGY PROGRESS

4.1 This section reviews progress against the criteria articulated in paragraph 3.6.

Performance against objectives:

Deliver accommodation that enhances TfL

4.2 The chart below shows the quantified progress which has been made under the three phases identified in Section 3.3, including completed elements:

Phase	Timing	Content
Phase Zero (Enabling)	*2004 – 2006*	• *Over 1,600 new desks were acquired complying with strict IAS cost and flexibility criteria.*
Phase One (leases expiring between 2006 and 2015)	*By 31 March 2010*	• *13 buildings / 6,000 workstations have been progressively released, including IAS space.* • *2008 - Surface Transport has co-located its control rooms and over 2,000 staff from 10 old buildings into one new building, Palestra SE1.* • *2009 - TfL "service" functions were co-located into the new North Greenwich "hub" building.*
	By 2012	• Further nine buildings / 2,000 workstations will be progressively released. • TfL will occupy new space in the Shard at London Bridge.
	By 2015	• Further two buildings / 500 desks will be released. • Total of 24 leases released (8,500 desks).
Phase Two (longer leases and freeholds)	*By 31 March 2010*	• *Solutions developed for the two longer leasehold properties (Windsor House and Albany House).*
	2012	• The first freeholds are due to be vacated (three buildings, 1,800 desks). Redevelopment to provide capital receipt to Business Plan.
	Long term	• Continue to develop solutions for the remaining major freehold properties.

Create integrated "hubs"

4.3   This objective required there to be over 2,000 staff in each new "hub" building. When complete, the new buildings will be home to the following number of occupants:

	Palestra	**North Greenwich**	**Shard**
TfL staff	2,400	2,000	2,000
Desks per floor (average)	285	300	275

Buildings have also been selected which offer large floor-plates, such that the maximum number of staff can be physically co-located in continuous areas. This further supports the integration objective.

Create a modern workplace

4.4   The strategy sets out key characteristics of TfL's new workspace, and these are demonstrated by the new workspace at Palestra and Greenwich:

(a)   Layouts are open-plan and flexible, improving communication and maximising daylight for the greatest number of staff;

(b)   Flexible design provides a full range of workspace facilities, for both formal and informal interaction and engagement. New breakout areas provide space for small meetings;

(c)   With new working practices, some desks are shared by groups of staff;

(d)   Each floor has a social heart, an area of interchange, where people get drinks, meet for business and mix throughout the day;

(e)   Each building has a social heart, the ground floor cafeteria, where people go for both business and social purposes;

(f)   All the infrastructure necessary for flexible location working has been incorporated in the new workspace (see Section 4.9 under "Delivery of further benefits");

(g)   Desk-top technology has been radically improved, providing far greater flexibility and functionality, with access via a wide range of both media and locations. This is described in greater detail in Section 4.11;

(h)   All desks and chairs in new buildings are suitable for desk-sharing;

(i)   New chairs are adjustable via numbered settings, enabling rapid adaptation per user, and desks in new buildings are height-adjustable over a wide range; and

(j)   Clusters of desks are pre-equipped with mobile storage and locker facilities.

Accommodation becomes an organisational "enabler"

4.5 Palestra was the first of TfL's new "hubs" to be delivered under GP&F's Accommodation Strategy. As such, Palestra was a crucial qualitative test for the strategy's workplace design concepts. The achievement of this objective is borne out by the 2008 post occupancy evaluation, which was an on-line staff survey conducted by a third party on behalf of TfL.

(a) 562 staff responded (out of 1447 invited), a 39 per cent response rate. This survey showed that:

  (i) satisfaction rates for the performance of facilities and amenities (88 per cent) and the working environment (81 per cent) are at the higher end of sector and cross-sector comparisons;

  (ii) 41 per cent of respondents felt that the quality of the facilities and amenities at Palestra had helped to increase their productivity (49 per cent neutral); and

  (iii) 45 per cent of respondents agreed that the new facilities and environment had enhanced their ability to carry out their work activities (42 per cent neutral); and

(b) The same survey showed TfL staff satisfaction with the workplace environment ranked third out of 18 major comparable private and public sector organisations, including banks, building societies, IT companies and government departments.

Procure higher quality space at no higher cost

4.6 This objective has been surpassed. The quality of the workspace has demonstrably improved, while the annual unit cost per desk has also measurably fallen. This reduction in unit rate contributes directly to meeting Efficiency targets.

(a) The Investment Property Databank (IPD) provides the industry standard benchmark for the annual "unit cost" of providing a workstation, and the survey data includes both public and private sector occupiers. This benchmark uses a defined subset of operating costs, which are independently verified. This is not the full operating cost, but provides a reliable like-for-like comparator;

(b) The figures show the current value of the unit costs, compared to the pre-strategy data for the estate. The TfL estate average was already below the London benchmark, and the new buildings continue the downward trend; and

£ / annum	IPD benchmark 2007/8	TfL 2007/8 estate	Shard	Palestra	North Greenwich
Annual cost per workstation	£7,000	£6,500	£5,700	£5,500	£5,100

(c) The disposal programme has already disposed of buildings with high unit costs per workstation, such as SW1 space at Southside and Portland House, where unit costs were over £7,000.

Costs avoided

4.7 The TfL 2008/09 estate unit cost shown above is from the old fragmented portfolio, and is shown alongside the lower unit costs in the new "hub" buildings. However, this is not a like-for-like comparison in terms of the quality of functionality of the workspace itself.

4.8 If TfL had sought to achieve the quality and functionality of the new "hub" buildings, yet to stay in Victoria, the unit cost would have exceeded £8,000 per desk per year on the above measurement basis. Based on the first three buildings in the strategy alone, the decision to relocate out of Victoria represents a theoretical annual cost avoided of £20m.

Delivery of further benefits

Co-location of Control Rooms

4.9 The strategy included the scope to co-locate Surface Transport's multiple control rooms into Palestra, and this objective was delivered in 2009. The following extract is from the Mayor's Report of December 2009, regarding the newly opened facilities:

"The new operations centre combines London Buses Command and Control Centre (CentreComm), London Streets Traffic Control Centre (LSTCC) and the Metropolitan Police Traffic Operation Control Centre (MetroComm) into a single co-located facility that will enable them to work more closely together in their monitoring, controlling and policing of the Capital's surface transport networks.

London has one of the most complex and unique road transport works in the world and the team work hard to oversee and ensure it runs smoothly. There are approximately 1,000 unplanned incidents per month which includes traffic accidents and emergency roadworks as well as around 750 major events per year in London such as Notting Hill Carnival and the London Marathon which all require special planning, diversions and road closures which need to be communicated to motorists and other road users.

Bringing the three control centres under one roof is a terrific boost to my efforts to improve the flow of traffic in the Capital. The new centre puts us in a good position to move forward with managing major events, including the Olympics".

Regeneration

4.10 The search for the new building for the service functions ("back office") was focused on Opportunity Areas across London as a whole. As can be seen from the cost data in paragraph 4.6 (b), the new TfL building at North Greenwich has achieved its cost objectives. In terms of its regeneration objective, the Mayor said at the opening ceremony of 14 Pier Walk, on 22 June 2009:
"Some might say the Greenwich Peninsula is already a resounding success with the awesome popularity of The O2. Today signals the next phase of development that will cement the broader regeneration plans for the whole area. It will act as a much needed catalyst to deliver the new businesses and jobs that are so important to make this a vibrant and thriving new district, by day and night. It's not just good news for Greenwich but for London as a whole."

A step change in Technology

4.11 Technology is crucial to delivering the new accommodation for TfL, and the implementation of the strategy has leveraged the collaboration between YourIM and Group Property & Facilities. The new technology has enabled not only the delivery of major new buildings, but will also enable further efficiencies such as flexible location working. The two teams continue their work further to improve efficiency at every opportunity.

4.12 The IM Strategic Investment Programme (IMSIP) was established in 2007 with the stated objectives to:

(a) consolidate the 66 plus data centres/rooms across the TfL estate into a small number of Tier 3 (highly resilient) data centres, plus improve the resilience of the corporate server infrastructure;

(b) provide a flexible and resilient end user computing environment utilising thin client technologies, offering flexible desktop IT for TfL users (One London);

(c) upgrade the TfL Metropolitan Area Network and associated network links significantly to improve the performance and resilience of the IT network; and

(d) deliver up-to-date technology and services e.g Office 2007, email storage and virus protection.

Creation of a modern IT environment

4.13 The 2007 IMSIP Strategy set out key characteristics for TfL's new IT operating model to enable flexibility in access, while increasing data security and resilience. Flexibility is now being delivered through the following keystone technologies:

(a) One London – Thin Client End User Computing (EUC), providing access to a desktop from any PC on the TfL estate, improved speed and resilience, plus increasing standardisation of Software and Software versions. Alongside the EUC deployments at Palestra and Greenwich, IM has also delivered WiFi for both internal and external access;

(b) Voice Over Internet Protocol (VOIP) – latest generation telephony allowing access to individual telephone services in any VOIP enabled building;

(c) Managed Print Services – integrated fax, print and copy machines linked to intelligent print services allowing people to print in 'mini hubs' through card or PIN identification in all enabled buildings;

(d) Remote Access via TfL's Secure Network Access Portal (T-SNAP) – access to the TfL estate from any PC supporting access to the Internet; and

(e) Blackberry – introduction of a standard for mobile email services plus real-time information.

Flexible Location Working

4.14 The introduction of the new office environment and its new technology has meant that TfL is now able to use its office accommodation far more flexibly. Above all, this new environment allows staff to work efficiently from a broad variety of locations. This is termed Flexible Location Working (FLW).

(a) the introduction of FLW does not automatically impact either on employees' terms and conditions, or on established TfL HR policies and procedures, but it enables employees to work from a variety of locations, while retaining access to all their normal electronic media. FLW provides different levels of options for staff:

(i) working in their "usual" building – the combination of new workspace and new technology means that a member of staff can desk-share i.e. they can work from any desk within their "neighbourhood" in their usual building and still have access to personal filing etc, in addition to One London and VOIP;

(ii) working in any TfL building – the new technology means that a member of staff can readily work from any desk within any One London and VOIP building; and

(iii) working in any building anywhere – T-SNAP technology means that staff can work remotely from any Internet-connected location, whether in a TfL building or, for example, an employee's home.

(b) collectively, these differing levels of FLW give scope for significant efficiencies within the occupied estate. This is because once a member of staff no longer "owns" a named desk in their normal building, they can simply use any desk within a "neighbourhood", and it becomes possible to reduce the overall numbers of desks provided. Utilisation statistics for office occupiers rarely rise above 60 per cent average use, and savings can be extracted from this surplus by the introduction of desk-sharing. Category (i) above is therefore the key contributor to this.

(c) in addition, the FLW programme will ultimately reduce staff travel demand, thereby further reducing the carbon impact of TfL and also show TfL as a leader in flexible working.

Reducing Carbon Impact

4.15 The sustainability aims of the Accommodation strategy are to improve not only the long-term environmental performance of TfL's buildings, but also to include lean design such that procurement, construction, delivery, usage and disposal minimise the consumption of resources.

(a) the core focus of the environmental measures remains on reductions in energy consumption and carbon emissions, through both passive and active measures. As well as directly reducing current operating costs, these measures also mitigate the impact of future energy price fluctuations, and thereby, they reduce any financial exposure under new measures such as the Carbon Reduction Commitment (CRC);

(b) the industry standard metric for measuring a building's environmental performance is its "BREEAM" rating (Building Research Establishment Environmental Assessment Methodology). Both of the completed buildings at Palestra and North Greenwich achieve BREEAM 'Excellent' status;

(c) There are various types of energy conservation measures delivered under the strategy, and these include:

(i) decentralised energy – all three new buildings include decentralised energy, Palestra and the Shard have in-building combined heat and power (CHP) units, and North Greenwich will be connected to the peninsula scheme. CHP generates low-carbon power, and uses the waste heat from the process to provide heat and hot water. In various ways, these schemes demonstrate the commercial viability of Combined Heat and Power (CHP) and decentralised energy in a sector still short of exemplar installations;

(ii) the investments made at Palestra will see carbon emissions reduced by over 30 per cent compared with the standards in the 2006 Building Regulations, with pay back in around 10 years on the commercial measures;

(iii) the Palestra fuel cell CHP produces low carbon power, giving extra resilience to onsite control rooms, and was funded by TfL's Climate Change Fund;

(iv) the building at 14 Pier Walk is designed to perform 42 per cent better than the Building Regulations requirements. It has an Energy Performance certificate (EPC) rating of 'B', putting it in the top 10 per cent of scores nationwide;

(v) new office equipment such as multi-functional devices and thin client desk-top hardware have reduced direct energy consumption, and in turn less power is consumed to cool the office environment. Palestra and 14 Pier Walk power consumption is at 33 per cent of Building Regulation levels for office equipment and lighting; and

(vi) low-carbon technologies are incorporated, such as ground-source heat pumps at Greenwich.

(d) water consumption is at Industry best practice levels – 5.6 cubic metres per person per year (TfL average is 7.1, and DEFRA "Typical" is 9.3);

(e) recycling is at 86 per cent against the Mayoral target set for 2010 at 73 per cent; and

(f) in terms of modal shift, both Palestra and North Greenwich provide cycle facilities for over eight per cent of occupants.

Subsequent changes, and how the strategy has reacted

4.16 The key objective of the Strategy was to improve the quality of TfL's workspace, yet simultaneously manage its unit costs. The analysis in 2006 assumed that volumes would remain the same, and that the savings would be realised through reduced unit rates, but not necessarily through changes in demand volume.

(a) In reality the portfolio was affected by various factors over time:

(i) as a developing organisation, TfL continued its period of growth into 2008;

(ii) extra demand came from business areas as diverse as Crossrail and British Transport Police;

(iii) the integration of Metronet substantially increased the size of the overall portfolio. This increased the risk of vacant property costs, when staff levels, and therefore demand, reduced during the integration process;

(iv) the organisational changes resulting from TfL's operating cost review have also reduced demand for office accommodation, and new working practices are further reducing this demand; and

(v) the staffing profile of Crossrail creates a significant medium-term increase to the demand profile, which then falls away.

(b) The combined effect of these changes is to increase the number of events within the programme, and to extend its duration. However, the strategy is inherently flexible as a result of the phased and progressive approach described in Section 3.4, and it remains on track to meet its objectives in spite of these significant changes in both profile and volume of demand.

(c) This overall rise and fall is shown in the chart below, which outlines the scale of the changes in the portfolio managed by TfL's Property & Facilities team over the 12 year period from 2006 to 2018. In simple terms, the portfolio is being managed back down to its 2006 capacity level, but with better buildings and utilisation, alongside lower unit operating costs and lower total costs.
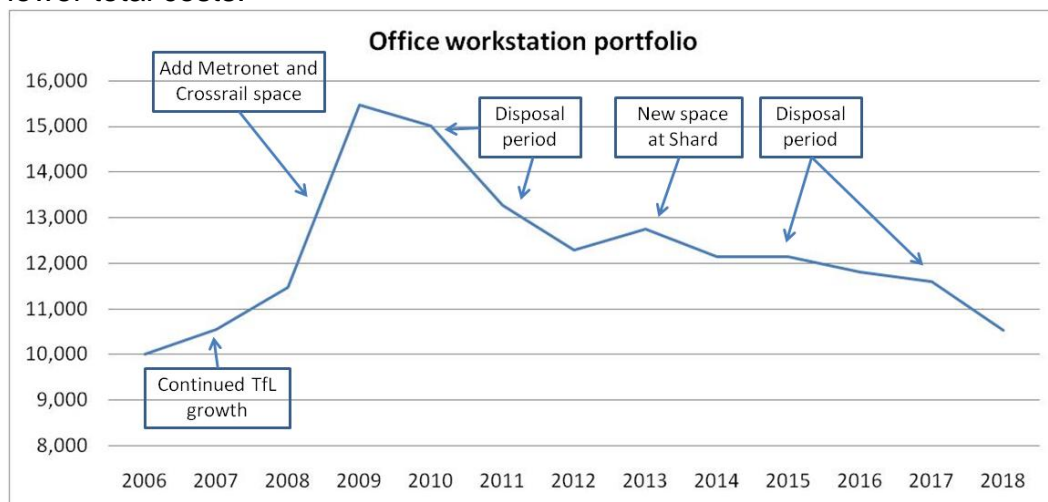
The closeness of the match between supply and demand is also an important measure of cost efficiency in delivering the programme. In 2007, the strategy expected to achieve the replacement of the portfolio while maintaining a vacancy level never exceeding +/- four per cent throughout implementation. In early 2010, and in a wholly different environment, the strategy still expects to limit vacancy to less than +/- four per cent throughout implementation.

5 CRIME AND DISORDER/EQUALITY AND INCLUSION IMPLICATIONS

Crime and Disorder

5.1 Staff safety is a scoring criteria in the property selection process, and these sites provide appropriate levels of security for staff, particularly where shift-working is involved. These proposals have no other implications.

Equalities and Inclusion

5.2 The accommodation strategy has provided greater access to fully accessible buildings for a wider number of staff. Of the 4,000 existing desks involved in Palestra and North Greenwich, 2,000 were previously inaccessible (as defined within the Disability Discrimination Act) and a further 1,000 are only partially accessible. This has been rectified in Phase One with both buildings delivering primary and secondary accessibility for all users whatever their mobility status.

6 FINANCIAL/CROSS-MODAL/REPUTATIONAL

Financial

6.1 In the June 2006 strategy paper, the paper identified £35m of net savings to be made from implementing this strategy. These savings were on 25-year Net Present Cost (NPC) basis from 1 April 2006, assuming TfL's office portfolio remained stable at 10,000 workstations.

6.2 As explained earlier in section 4.14, the scenario used for financial modelling in 2006 never materialised, because TfL's office accommodation did not remain stable. Instead, it continued to grow, and then entered a period of contraction.

6.3 This meant that the assumptions used to derive the assumed savings in the original paper are very different to the actual outturn. It is, however, a useful benchmark to compare the savings assumed in 2006 to the current anticipated savings.

6.4 In the period until 31 March 2018, it is currently forecast that TfL will save £160m gross in accommodation costs when compared to the Business Plan of 2008/09.

6.5 The practical reality of this is that TfL plans to save three times as much in less than half the time, when compared to the original business case. The flexibility of the strategy has been key to this outcome, through both choice of buildings, and also through a progressive implementation rather than a big-bang one.

Cross-Modal

6.6 This programme is likely to bring about greater cross-modal sharing of space, and therefore supports overall integration.

Reputational

6.7 This programme will enhance TfL's reputation through various means such as demonstrating cost efficiency, lean working practices, commitment to low carbon operation, modal shift and equality. TfL will be seen as a modern efficient organisation, as reflected by its new buildings.

7   RECOMMENDATION

7.1 The Corporate Panel is asked to NOTE the report.

8   CONTACT

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