

Date: 13 May 2014

Item 3: TfL Office Accommodation

This paper will be considered in public

1 Summary

- 1.1 As part of the ongoing Transport for London (TfL) Head Office Accommodation Strategy (the 'Strategy'), as approved by the Board in June 2006, TfL has been consolidating its office based portfolio into 'accommodation hubs' of 2,000 staff or more, as evident in the initial phases with the introduction of Palestra at Southwark (2008) and Pier Walk at North Greenwich (2009).
- 1.2 On 12 March 2014, the Committee recommended that the Board approve the acquisition of a new third accommodation hub (the 'Hub') and the preferred location. On 26 March 2014, the Board considered the recommendation but requested that TfL reconsider options for the location of the Hub. The Board noted that a decision was required before its next scheduled meeting.
- 1.3 On 26 March 2014, the Board also delegated to the Committee authority to approve any matter reserved to the Board from 27 March to 2 July 2014.
- 1.4 The purpose of this paper is to seek approval for the acquisition of a new Hub, having completed a further evaluation considering the request of the Board. The approved principle of acquiring a new Hub remains in place, however, the location and property selection has been amended to reflect the output of the most recent assessment.
- 1.5 The funding for this acquisition has been provided for within TfL's 2013 Business Plan, although the vast majority of the expenditure will be paid for from the capital contribution being received from the landlord as a part of the transaction.
- 1.6 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from any public meeting.

2 Recommendations

2.1 The Committee is asked to note the paper and the supplemental information on Part 2 of the agenda and in accordance with the authority delegated from the Board:

- (a) approve the proposal for the next accommodation hub (the 'Hub') at the location stated in the related paper on Part 2 of the agenda;**
- (b) approve the acquisition by TfL and/or any Subsidiaries (as described in paragraph 2.2 below) of a lease for the Hub property on the terms outlined in the related paper on Part 2 of the agenda;**
- (c) approve the expenditure relating to the office fit-out, IM infrastructure, office furniture, Stamp Duty Land Tax (SDLT) and professional fees relating to the acquisition and subsequent occupation of the Hub property, as described in the related paper on Part 2 of the agenda;**
- (d) delegate to the TfL Officers and Subsidiaries (as described in paragraph 2.2 below) the authority to approve and finalise the terms (including but not limited to the financial terms outlined in the related paper on Part 2 of the agenda) of all documentation required in relation to the acquisition and fit out of and the relocation to the Hub property and authorise the agreement and execution (whether by deed or otherwise) on behalf of TfL or any Subsidiary (as appropriate) of any documentation to be entered into in connection with the acquisition and fit out of the Hub property (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- (e) authorise the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the acquisition and fit out of the Hub property and relocation utilising existing TfL accommodation procedures to the Hub.**

2.2 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: The Commissioner and/or Managing Director Finance.**
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited (TTL) and any other subsidiary (whether existing or presently or to be formed) of TTL and of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

3 Background

TfL Head Office Accommodation Strategy

- 3.1 The background and history to the TfL Head Office Accommodation Strategy is set out in the previous paper to the meeting of the Board on 26 March 2014 entitled 'TfL Office Accommodation'.
- 3.2 The Strategy seeks to procure higher quality space at no higher cost, with minimal change cost. The move to accommodation hubs helps to create a modern workplace that reflects TfL's aims as a world-class employer and incorporates best workplace practices. In addition to delivering the 'accommodation hub' buildings, TfL has also successfully introduced new workplace practices such as neighbourhood working (desk sharing), time utilisation surveys and bench furniture systems, all of which have significantly improved both the spatial and cost efficiency of the portfolio. This is evidenced through independent external benchmarking by the Investment Property Database (IPD) Ltd, where TfL's latest 'Cost Per Workstation' result was identified as being 20 per cent below the central London benchmark for its leasehold premises, equating to notional saving of £1,584 per desk or the equivalent of £17.5m per annum.
- 3.3 The future intentions remain that TfL is to continue to maintain the current disposal strategy and to further consolidate into larger, more efficient hub buildings, along with the ongoing adoption of best workplace practices such as neighbourhood working.

4 New Accommodation Selection

Hub Selection

- 4.1 The search for a new Hub commenced in early 2013 and from an initial 'long - list' of 50 potential buildings, a short-list was determined and comprehensively analysed by February 2014. Using consistent commercial and qualitative criteria, a preferred option was identified and considered by the Committee in March 2014.
- 4.2 The recommended option was then presented to the meeting of the Board on 26 March 2014, which recognised the evaluation undertaken to date, but requested that TfL reconsider options for the location of the Hub.
- 4.3 A best and final offer in the form of proposed Heads of Terms (HoT) was received in relation to an alternative option on 26 April 2014. The proposed HoT were evaluated, along with a comprehensive commercial and qualitative assessment, on a consistent basis as before using external professional advice as appropriate.
- 4.4 The output of the evaluation and assessment is that the alternative option provides a better solution than the initial proposal, having the most favourable bid overall when considering both the qualitative and commercial elements.

- 4.5 The recommended new Hub solution provides, inter alia:
- (a) a new development;
 - (b) around of 258,000 sq.ft which will accommodate up to 2,800 desks at a density of 92 sq.ft per desk, being the most spatially efficient of the options and providing the highest overall capacity;
 - (c) occupancy will be in a single phase with building handover in August 2017, ready for occupation in September 2017, still meeting TfL's capacity needs. This is a delay to the original occupancy programme, but can be facilitated by flexible lease breaks of existing space and amending the timing of property disposals; and
 - (d) as part of the transaction, the landlord will carry out the required fit-out works to TfL's specification as part of the initial base build, providing a cost effective and programmatic efficient delivery solution.

5 Financial Implications

- 5.1 The financial implications are discussed in the related paper on Part 2 of the agenda.

List of Appendices to this Report:

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

1. Board paper entitled TfL Accommodation, dated 26 March 2014
2. Staff Summary to the TfL Board Paper entitled 'TfL Head Office Accommodation Strategy', dated 28 June 2006

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