

## Agenda

**Meeting: Land and Property Committee**

**Date: Thursday 30 June 2022**

**Time: 11:00am**

**Place: Paddington Room (11YC1) -  
Palestra, 197 Blackfriars Road,  
London, SE1 8NJ**

### Members

Prof Greg Clark CBE (Chair)

Dr Nina Skorupska CBE (Vice-Chair)

Heidi Alexander

Seb Dance

Anne McMeel

Ben Story

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public and webcast live on [TfL YouTube channel](#), except for where exempt information is being discussed as noted on the agenda.

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### Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat Email: [ShamusKenny@tfl.gov.uk](mailto:ShamusKenny@tfl.gov.uk).

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: [PressOffice@tfl.gov.uk](mailto:PressOffice@tfl.gov.uk)

Howard Carter, General Counsel  
Wednesday 22 June 2022

**Agenda  
Land and Property Committee  
Thursday 30 June 2022**

**1 Apologies for Absence and Chair's Announcements**

**2 Declarations of Interest**

General Counsel

**Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.**

**Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.**

**3 Evolution of TfL Property (Pages 1 - 6)**

Director of Commercial Development

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

**4 Assurance Framework for TTL Properties Limited (Pages 7 - 10)**

Director of Risk and Assurance

**The Committee is asked to note the paper and approve the assurance proposals.**

**5 Financial Framework for TTL Properties Limited (Pages 11 - 16)**

Director of Commercial Development

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

**6 Investment Strategy and Business Plan (Pages 17 - 34)**

Director of Commercial Development

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

**7 Purpose and Branding** (Pages 35 - 40)

Director of Commercial Development

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

**8 People Plan** (Pages 41 - 46)

Director of Commercial Development

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

**9 Members' Suggestions for Future Discussion Items**

General Counsel

**A forward plan will be developed for the Committee. Members are invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

**10 Any Other Business the Chair Considers Urgent**

**The Chair will state the reason for urgency of any item taken.**

**11 Date of Next Meeting**

**A forward programme of meetings will be set shortly.**

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## Land and Property Committee



**Date:** 30 June 2022

**Item:** Evolution of TfL Property

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

#### **1 Summary**

- 1.1 This paper sets out the evolution of Transport for London's (TfL's) approach to property since 2012, when activity was first brought together from across the organisation. A huge amount has been done since then and, in TTL Properties Limited (TTLP), TfL now has the opportunity to create a commercially focused property company that can build tens of thousands of homes and generate billions of pounds of additional asset value, alongside delivering a growing annual dividend that can be reinvested in the transport network.
- 1.2 This paper summarises the work done to date and acknowledges that more will be required to maximise the benefits of TTLP.

#### **2 Recommendation**

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

#### **3 Commercial Development**

- 3.1 The initial basis for what became TTLP was the decision in 2012 to bring all TfL's commercial activity, including its property portfolio, together in a new directorate called Commercial Development. The property portfolio had been considered non-core and hence had lacked investment and intensive management. There was limited data and no coherent plan for property assets in TfL, and the consequence was a history of sub-optimal decisions leading to leakage of value.
- 3.2 The first key property-related decision in Commercial Development was the choice to not dispose of TfL's interest in Earls Court. Instead, Commercial Development converted TfL's land interest into a 37 per cent stake in the Earls Court Partnership Limited (ECPL) joint venture developing the land occupied by the former Earls Court Conference Centres.
- 3.3 TTLP was established in 2014 to hold TfL's shareholding in TTL Earls Court Properties Limited which was the shareholder in ECPL, the joint venture then between TfL and Capital & Counties Properties PLC (Capco).
- 3.4 It was by then clear that complex partnering arrangements would be more common in TfL and so the Commercial Development Advisory Group (CDAG) was established later in 2014. CDAG was set up to provide scrutiny, assurance and expert advice on property strategies and plans, both in formulation and

during implementation. Since 2014, CDAG has been the main senior-level assurance forum on property matters in TfL.

- 3.5 Throughout its existence, the chair of CDAG has been Francis Salway, the former Chief Executive of Land Securities, one of the UK's largest listed property companies. Other current members are Richard Cotton (former Head of UK Real Estate at J.P. Morgan Cazenove), Stephen Howlett CBE (former Chief Executive of Peabody), Mike Jones (former Chairman of Drivers Jonas) and Richard Jones (former Managing Director, Aviva Global Asset Management).
- 3.6 Working closely with CDAG, in February 2016, TfL approved the appointment of 13 major property development companies and consortiums to a development framework, the Property Partnership Framework (PPF). The 13 organisations were selected following a competitive procurement process that saw over 50 companies register an interest in becoming a property partner with TfL.
- 3.7 In May 2016, Sadiq Khan became Mayor of London, following which, Commercial Development committed to delivering 50 per cent affordable housing on all its new development sites, in line with the Mayor's strategy for public sector land.
- 3.8 In March 2017, TfL announced the first of the sites brought forward using PPF. Triangle London Developments, led by Notting Hill Genesis, was confirmed as the preferred bidder for the joint venture to develop TfL's site in Kidbrooke. In line with the Mayor's commitment, Kidbrooke was brought forward at 50 per cent affordable housing. At that stage, Kidbrooke was expected to accommodate 400 homes, though 651 homes are now under construction.
- 3.9 In October 2017, TfL announced Barratt London and L&Q as the preferred bidder in a PPF joint venture to develop 350 homes (also 50 per cent affordable) on a 1.8-acre car park site opposite Blackhorse Road station in northeast London.
- 3.10 The next major step forward of TfL's approach to property saw it announce in April 2019 that Grainger plc was the preferred bidder to be TfL's Build to Rent partner. The first five sites are currently scheduled to come forward for development in the Build to Rent joint venture, now called Connected Living London.
- 3.11 The following month, the Finance Committee approved the consolidation of TfL's commercial property from across the TfL group into TTLP. This created a new balance sheet that could be used to attract new streams of funding. It also allowed greater commercial focus to help deliver improved management and financial returns.
- 3.12 In November 2020, TfL agreed to fund TTLP with £2.1bn of ordinary share capital to create the initial asset base and reflect the asset transfer transactions, with TTLP distributing, in due course, earnings to TfL in the form of dividends. This agreement cemented the utilisation of TTLP as TfL's property vehicle.

## **4 TTL Properties Limited**

- 4.1 The main obstacle to delivering housing in TfL has been access to capital. Prior to the coronavirus pandemic, property activity was effectively competing for funding with transport. The pandemic and associated reduction in ridership and revenue then removed TfL's ability to invest in commercial property.
- 4.2 In January 2021, in response to the financial pressures created by the pandemic, TfL raised with HM Government the option of utilising a commercial property subsidiary to deliver both new housing and increased long-term revenue for TfL. Initial discussions with Government officials were positive, and all parties subsequently agreed on the benefits of TfL operating a dedicated commercial property company. The 1 June 2021 Settlement Letter included a condition for TfL to agree a plan for housing delivery through the dedicated commercial property company. This and subsequent conditions on the commercial property company have all been met.
- 4.3 Substantial progress has been made since, such that as of 1 April 2022, TfL has established TTLP as a financially separate commercial property company. The initial cash balance of TTLP derived from retained proceeds from three recent property disposals. TTLP remains 100 per cent owned by TfL.
- 4.4 Subject to approvals, a £200m debt facility that is non-recourse to TfL is agreed. In addition to recycled receipts from the disposal of surplus property, this debt facility will ensure that TTLP has all the funding it requires for the next three years to embark on a major programme of investment in housing and commercial assets. This investment will unlock jobs and growth across the capital – and provide a growing annuity for TfL to invest in transport.
- 4.5 The other main recent challenge has been planning. Of the 35 schemes (equating to almost 9,000 homes) that have reached the recommendation stage of the planning process, only one (at Stanmore) was not recommended for approval by planning officers. Despite being recommended for approval, four further housing schemes (at Arnos Grove, Canons Park, Sudbury Town and Wembley Park) were refused at planning committee or have been called in, although two were subsequently approved on appeal (Arnos Gove and Wembley Park).
- 4.6 An important milestone in this regard was achieved in January 2021 when the London Borough of Ealing's Planning Committee approved TfL's application for 852 new homes at Bollo Lane in Acton. TfL had taken forward this planning application itself. This suggests that on least some sites, by de-risking the development and crystallising value before going to market, TTLP can accelerate activity and generate a higher land value. This approach will be considered on appropriate future development sites.
- 4.7 TTLP is continuing to accelerate its activity, including announcing in May 2022 that it is launching a search for a new joint venture partner for its commercial office portfolio. The new joint venture partner will be working with TTLP to bring forward three new commercial office developments at Bank, Paddington and Southwark. Together these sites comprise over 600,000 sq. ft. All three sites

have received planning consent or resolution to grant planning consent and meet the highest sustainability benchmarks.

- 4.8 Looking ahead, TTLP's transition from being a department in TfL to becoming a financially independent commercial property company should not be underestimated. Alongside a focus on asset management projects and property development schemes, the TTLP Executive will look forward to working with the Committee on the enabling activities that will allow TTLP to realise its ambitions.
- 4.9 As well as Risk & Assurance, Purpose & Branding and the People Plan covered later in this agenda, we will schedule future sessions to cover, amongst others, the work currently underway on Health & Safety, the Net Zero Carbon Pathway, Data & Technology, and Modern Methods of Construction and construction skills.
- 4.10 Alongside performance updates, the development projects and the enabling activities will form the basis of future Committee meetings.

**List of appendices to this report:**

Appendix 1: Property Timeline

**List of Background Papers:**

None

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## Appendix – Property Timeline

Year	Key Events
2012	<ul style="list-style-type: none"> <li>Commercial Development set up to consolidate commercial activity in TfL</li> </ul>
2013	<ul style="list-style-type: none"> <li>TfL and Capco announce they are in discussions to set up a joint venture to develop Earls Court</li> </ul>
2014	<ul style="list-style-type: none"> <li>TfL and Capco announce they have established Earls Court Partnership Limited</li> <li>TTL Properties established to hold TfL's shareholding in TTL Earls Court Properties Limited, TfL's shareholder in ECPL</li> <li>Commercial Development Advisory Group (CDAG) established to provide scrutiny, assurance and advice on property</li> <li>Working with Appear Here, TfL creates a pop-up destination in Old Street station</li> </ul>
2015	<ul style="list-style-type: none"> <li>TfL announces its Property Partnerships Framework (PPF)</li> </ul>
2016	<ul style="list-style-type: none"> <li>TfL secures planning permission for residential development above Nine Elms Tube station</li> <li>TfL approved the appointment of 13 major property development companies and consortiums on the PPF</li> <li>Sadiq Khan elected Mayor of London and TfL adopts portfolio target of 50 per cent affordable housing</li> <li>TfL unveils plans to open 31 railway arches near Wood Lane Tube station</li> </ul>
2017	<ul style="list-style-type: none"> <li>Notting Hill Genesis announced as preferred bidder for the joint venture to develop Kidbrooke</li> <li>Barratt London and L&amp;Q announced as the preferred bidder to develop Blackhorse Road</li> <li>U+I announced as preferred bidder for the joint venture to develop Landmark Court near Borough Market</li> <li>TfL granted planning permission to transform East London Line railway arches in Shoreditch</li> </ul>
2018	<ul style="list-style-type: none"> <li>Native Land announced as preferred bidder for the joint venture to develop South Kensington station</li> <li>Crossrail over station developments announced at Bond Street Station West (with Grosvenor), Hanover Square (with The GHS Limited Partnership), Farringdon East (with Helical Plc) and Farringdon West (with HB Reavis)</li> <li>London Community Land Trust announced as delivering community-led housing on two sites at Cable Street and Christchurch Road</li> <li>TfL releases a 'Statement of Support' for small businesses, including commitments around transparency</li> </ul>

Year	Key Events
2019	<ul style="list-style-type: none"> <li>• Grainger announced as preferred bidder to be TfL's Build to Rent partner</li> <li>• Finance Committee approves the consolidation of TfL's commercial property from across the TfL group into TTLP</li> <li>• TfL announces retail innovation competition</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Barratt London announced as preferred bidder for the joint venture to develop Wembley Park</li> <li>• A2Dominion announced as preferred bidder for the development at Hounslow West</li> <li>• TfL became the first major landlord to announce 100 per cent rent relief for all small businesses at the outbreak of the pandemic</li> <li>• TfL agreed to fund TTLP with £2.1bn of ordinary share capital to create the initial asset base</li> </ul>
2021	<ul style="list-style-type: none"> <li>• TfL secures planning for 852 new homes at Bollo Lane, Acton</li> <li>• TfL raises to HM government the potential of creating a commercial property vehicle to deliver new housing and create a growing dividend for transport</li> <li>• Government agrees to the commercial property vehicle</li> <li>• Discussions begin with potential lenders</li> </ul>
2022	<ul style="list-style-type: none"> <li>• TTLP becomes finally independent of TfL</li> <li>• Establishment of Land and Property Committee</li> <li>• New debt facility agreed (subject to approvals)</li> <li>• TfL launches a search for a new commercial office portfolio joint venture partner</li> </ul>

## Land and Property Committee



Date: 30 June 2022

Item: Assurance Framework for TTL Properties Limited

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### This paper will be considered in public

#### 1 Summary

1.1 This paper sets out proposals for assurance activity for TTL Properties Limited (TTLP) based on a Three Lines of Defence (3LoD) model to provide an Integrated Assurance Framework (IAF) for this subsidiary company.

#### 2 Recommendation

2.1 **The Committee is asked to note the paper and to approve the assurance proposals.**

#### 3 Background

3.1 To achieve its assurance objectives, TfL operates a 3LoD model as follows:

- (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks / controls;
- (b) Second line of defence (LoD2) – typically assurance reviews, audit and inspection regimes carried out by teams separate from those responsible for managing the risks / controls; and
- (c) Third line of defence (LoD3) – fully independent audit and assurance activities, typically with a strategic focus.

3.2 This paper sets out proposals for how the 3LoD model will be set up for TTLP for LoD2 and LoD3.

#### 4 Assurance Proposals

4.1 TTLP is evolving as an entity and is at an early stage of its development. Assurance proposals will reflect this and will be set up to ensure that the Directors of TTLP, TfL's Executive Committee and the Board's Committees and Panels can obtain the assurances needed that risk is being well managed, effective controls are in place, revenue is being maximised, value for money is being obtained and the right investment decisions are being made.

4.2 The key drivers are to ensure that assurance is delivered by the most appropriate party within the 3LoD model and that duplication is avoided.

4.3 The assurance proposals are set out below.

## **Enterprise Risk Management**

- 4.4 It is proposed that TTLP will have its own Enterprise Risk Framework and set its own risk appetite. This will be linked to TfL's Enterprise Risk Framework but will enable TTLP to manage its strategic risks effectively and make business decisions accordingly. This will also facilitate the mapping of assurance activities against risks so that evidence can be provided that the risks are being managed and mitigated, and that the necessary corrective actions are in place.
- 4.5 Papers for the Enterprise Risks that are developed for TTLP will be submitted to the relevant TTLP executive meetings and this Committee. This will be in line with an agreed schedule so that every risk is seen once a year.
- 4.6 Updates on general Enterprise Risk matters will be included in the assurance paper to this Committee and TTLP executive meetings. An overview will also be provided to the Audit and Assurance Committee.
- 4.7 This work will be supported by the current Enterprise Risk team from the TfL Risk and Assurance Directorate.

## **Integrated Assurance Framework (IAF)**

- 4.8 TTLP needs a robust IAF that avoids duplication of assurance work and where activities are undertaken on a risk-based approach. The intention therefore is for LoD2 and LoD3 activity to be aligned in order to minimise impacts on TTLP staff and management.
- 4.9 In practice this means that:
- (a) TTLP will have its own Integrated Assurance and Audit Schedule that will be updated quarterly and be presented to this Committee for approval and then it will be sent to the Audit and Assurance Committee for noting;
  - (b) management actions and recommendations will be made by LoD2 and LoD3, and the status of these and associated management responses will be monitored and reported as appropriate;
  - (c) the work of all the assurance providers will be co-ordinated to minimise overlap, and therefore assurance providers will meet regularly to discuss activities and identify issues and themes that need further consideration; and
  - (d) reports covering the work and outcomes of both LoD2 and LoD3 will be submitted to this Committee and TTLP executive meetings with an overview provided to the AAC.

## **LoD2 activities**

- 4.10 The intention is, as far as practicable, to use existing TfL teams to undertake LoD2 work so that there is consistency in the way TTLP is assured and so good practice from elsewhere in TfL can be shared and applied in this area.
- 4.11 The proposal is that the following teams from within TfL's Risk and Assurance Directorate will undertake LoD2 activities:

- (a) Project Assurance will support investment decisions and project delivery associated with projects that interface with TfL assets and operational environment; and
- (b) Quality, Safety and Security Assurance will provide assurance to TTLP risk owners that their engineering, safety and security requirements are being met.

4.12 In relation to second-line assurance for general investment decisions, independent second-line assurance is currently procured from leading commercial property advisors, who have up-to-date commercial experience of such investment appraisals. As such, the intention is for LoD2 to use these appraisals as part of its overview assessment of value for money and to consider if there are any concerns with the proposed investments.

4.13 Joint venture proposals will also be reviewed by external commercial property advisors to again LoD2's understanding of the risks and to ensure that the arrangements are not detrimental to TTLP or TfL.

### **LoD3 activities**

4.14 The Independent Investment Programme Advisory Group (IIPAG) carries out LoD3 assurance on the TfL Investment Programme. The intention is to set up a sub-group of IIPAG to cover TTLP's functions. It will have its own Chair and members who have experience in property development/housebuilding, retail management, joint ventures and investment appraisals.

4.15 This IIPAG sub-group will be overseen by the Chair of IIPAG and be supported by LoD2 in their activities. The sub-group will have its own Terms of Reference and the Chair will set out their areas of focus which will be included in the Integrated Assurance and Audit Schedule.

4.16 TfL Internal Audit will provide independent third-line assurance through risk based, objective, evidence-based audits of governance, internal control and risk management within TTLP.

## **5 Resources**

5.1 Whilst the level of assurance activity needed for TTLP is being assessed and the IAF is being set up, existing staff in Risk and Assurance are supporting this work. Once requirements are better understood assessments will be made about whether additional resources are needed to cover the work or if it can continue to be undertaken by existing staff.

5.2 We are in the process of recruiting IIPAG members for the TTLP sub-group.

## **6 Funding**

6.1 The costs of the assurance proposals set out in this paper will be covered by TTLP.

**List of Appendices:**

None

**List of Background Papers:**

None

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## Land and Property Committee



**Date:** 30 June 2022

**Item:** Financial Framework for TTL Properties Limited

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

#### **1 Summary**

1.1 This paper updates the Committee on the approvals received to allow TTL Properties Limited (TTLP) to operate as a financially independent company within Transport for London (TfL). Matters relating to the financing of TTLP are reserved to the Finance Committee, but it is appropriate that relevant aspects are reported to this Committee.

#### **2 Recommendation**

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

#### **3 Background**

- 3.1 From 1 April 2022, TTLP began operating on the basis that no further funding would be provided by TfL and that TTLP would operate purely from its own financial resources. TTLP was separated from the TfL cash pooling arrangements and now runs independent banking arrangements.
- 3.2 As a non-recourse facility, TfL will have no obligation to support TTLP and the lenders will have no claim on TfL. TfL is aware that the implication of this is that in extremis it would need to be prepared to let TTLP fail, and this could mean the loss to the TfL Group of some or all of the assets vested in TTLP, with all the reputational and wider impacts this would have.
- 3.3 Assurance has demonstrated through affordability analysis that TTLP can operate without financial support from TfL. TTLP is a viable and sustainable business with mitigating options that will ensure it will not fail even under multiple stress scenarios.
- 3.4 To facilitate the non-recourse nature of the funding, a number of existing guarantees needed to be removed or not renewed.
- 3.5 TTLP also needed approval for a bespoke TTLP Treasury Management Strategy and Policy, setting out how TfL will continue to manage the funding, liquidity and cash arrangements for TTLP, as it does now, albeit with cash managed on a segregated basis and within revised authority limits and tighter liquidity requirements.

- 3.6 TTLP also needed approval for a dividend policy that stated 100 per cent of all operating profit will be returned to TfL as a dividend, with funds from any capital disposal and joint venture dividends recycled into the TTLP business.

## **4 Affordability Analysis and Stress Testing**

- 4.1 The TTLP Business Plan was tested by TfL Corporate Finance for several specific and combined downside stress scenarios that include economic downturn, delayed market sales, extended inflation and interest rate rises, cost increases, delayed build, and lower income.
- 4.2 These scenarios were set against mitigating actions that could be reasonably deployed in any stressed scenario and the loan covenants that were negotiated into the term sheet (loan to value, net tangible worth and interest cover). The testing horizon was over five years.
- 4.3 The analysis concluded that in all stressed scenarios the loan covenants were either not breached or capable of being fully mitigated, and there was no call on TfL for further funding.
- 4.4 The work also identified recommendations for controls and processes that will be taken forward to support ongoing affordability and debt management.

## **5 CIPFA Prudential Code**

- 5.1 Assurance was sought on the ability of TTLP to borrow, given recent changes to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which TfL is legally obliged to have due regard to.
- 5.2 The Prudential Code (updated in December 2021) now states that Local Authorities “must not borrow to invest primarily for financial return”. The Finance Committee had previously asked we confirm compliance to the code.
- 5.3 We believe that TTLP is not borrowing purely for financial return for reasons that include: a) it is investing in affordable housing delivery; b) its delivery is in line with the Mayor’s Transport Strategy; and c) development of TfL’s estate is specifically permitted under legislation – the GLA Act 1999 states that “Transport for London may develop its land in such a manner as it thinks fit.”
- 5.4 This assessment has been tested with counsel who confirmed it is reliable.

## **6 Non-recourse Implications for Guarantees**

- 6.1 The non-recourse nature of the proposed RCF has implications for the current TfL parent company guarantee structure and for the directors of TTLP, in that if the debt is truly non-recourse then all guaranteed support from TfL should be released.
- 6.2 Historically, as with other subsidiaries, TfL has provided a letter to TTLP’s directors providing comfort that the company will be funded to pay its debts as they fall due.



- 6.3 TTL has also provided a parent company guarantee to TTLP under section 479C of the Companies Act 2006, registered at Companies House, whose purpose is primarily to avoid the need for TTLP's accounts to be audited. These arrangements are replicated for TTLP's subsidiaries.
- 6.4 It was proposed that this parent support for TTLP and its subsidiaries is removed. In the case of TTLP's subsidiaries, that support is being replaced by a guarantee in substantially the same terms by TTLP.
- 6.5 In preparation, TTLP is already producing audited accounts for 2021/22.
- 6.6 Separately, there are guarantees from TTL to joint venture partners in respect of ongoing development projects. These guarantee the equity investment in the project. For several projects, the contractually committed equity investment has already been made so those guarantees will not be called upon. Of the remaining projects, some may be subject to contractual variations so opportunities may exist to substitute in TTLP as guarantor. On the rest, there are still contributions to be made so the guarantees still apply, and we are intending to leave these guarantees in place and allow them to fall away over time. For any new projects, TTLP will be offered as guarantor so there will be no further call on TfL.

## **7 Non-recourse implications for directors**

- 7.1 In the absence of recourse to TfL and in addition to the affordability analysis described above, TTLP's directors must be satisfied on an ongoing basis that the company remains solvent.
- 7.2 TTLP's directors have been engaged and assurance will be provided to them through quarterly briefings and regular updates of documents including: business performance; cash flow and liquidity forecast and headroom; affordability, stress testing and mitigation updates; strategic risk register; and financial accounts.
- 7.3 Based on the affordability and stress testing scenarios, we are confident in the financial viability of TTLP. A plan to mature the business processes, controls and assurance is in place and has been agreed by senior TfL Finance teams.

## **8 Treasury Management Strategy and Policy**

- 8.1 As a result of the change in funding arrangements and TTLP's financial independence, a new Treasury Management Strategy and Policy have been prepared for TTLP and approved by the Finance Committee.
- 8.2 They set out how TfL will continue to manage the funding, liquidity and cash arrangements for TTLP. Cash will be managed on a segregated basis within policy limits, required changes to authority limits and the need for tighter liquidity requirements.
- 8.3 The Liquidity Policy will require that there is sufficient undrawn borrowing commitment and cash in bank to meet financial commitments over the next 18 months and that a cash reserve of £10m is maintained.

## **9 Revolving Credit Facility**

- 9.1 Discussions have progressed positively with selected lenders in relation to the £200m non-recourse RCF. A detailed term sheet was agreed, and the prospective lenders achieved credit approval. Alongside this, work has progressed to agree a draft of the full facility agreement.
- 9.2 We expect to have the facility in place by the end of this month.

## **10 Dividend Policy**

- 10.1 The dividend policy forms an integral part of TTLP's overall corporate strategy by supporting TTLP's objectives of growing net operating profit that is returned to TfL whilst also building 20,000 new homes. To support these aims, the dividend is equal to profit after tax attributable to recurring income. Profit after tax attributable to non-recurring income, such as dividends from 'for sale' joint ventures and profits on disposal proceeds, will be recycled into the TTLP business plan to support further investment.
- 10.2 On 22 June 2022, the Finance Committee agreed the dividend policy and that it will be declared and paid out annually, post confirmation of the year-end position as a single 12-month trailing dividend payment.

## **11 Assurance**

- 11.1 TTLP will put in place a formal three lines of defence assurance model. TTLP will have its own Integrated Assurance Plan and Enterprise Risk Framework, both modelled on TfL's current arrangements. This will include a TTLP Independent Investment Programme Advisory Group (IIPAG) sub-group, with a chair and two members to cover TTLP's functions. The new roles will operate to a plan set by the Audit and Assurance Committee and this Committee, with reports also distributed to this Committee.
- 11.2 Working arrangements are being put in place to articulate the interface between TfL and TTLP. This considers similar models currently in use, including for the London Transport Museum, and will set out the principles for engagement.
- 11.3 With the new governance arrangements in place, it is not considered necessary to continue with the Commercial Development Advisory Group (CDAG) and it is therefore proposed to close that Group. TfL and TTLP remain grateful for the significant contribution that CDAG members have made in helping TfL develop its property portfolio and setting up TTLP as a commercial property company.

## **12 HM Government and the Greater London Authority**

- 12.1 TfL, HM Government and the Mayor are aligned on the objectives for TTLP. All want to see the 'double bottom line' focus on housing delivery and long-term income.
- 12.2 Government officials have supported the concept of TTLP from the time it was first set out to them in January 2021 as part of TfL's Financial Sustainability Plan. Government endorsement was confirmed in the TfL Settlement letter of 1 June 2021.

12.3 The Settlement Letter of 24 February 2022 included the following condition:

You agree to ensure the commercial property company to be established by TfL will have the required operational and financial independence to deliver housing in a high demand area and to provide an increased revenue stream. There will be no recourse to TfL parent company. TfL will provide a commercial operating structure and business plan for the property company by May 2022.

12.4 TfL provided a commercial operating structure and business plan, and officials have again confirmed their support for the venture to deliver both housing and a growing income stream to be reinvested in transport.

12.5 It is not yet clear if Government wishes to appoint an observer to join this Committee.

12.6 The Greater London Authority (GLA) has been similarly supportive of the approach from the outset. TTLP was reviewed by Lord Kerslake in his report 'Review of GLA Group Housing Delivery.' Lord Kerslake noted that 'The TTLP delivery model has the potential to accelerate housing development.' Whilst recognising challenges, including the initial short-term nature of funding, Lord Kerslake concluded that City Hall should work alongside TTLP to support mutual housing delivery objectives.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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## Land and Property Committee



**Date:** 30 June 2022

**Item:** Investment Strategy and Business Plan

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

## **1 Summary**

- 1.1 This paper summarises the TTL Properties Limited (TTLP) Investment Strategy and associated Business Plan. Together these provide a framework for TTLP's decision making in relation to all its investments by allowing the organisation to deliver on its objectives in a way that optimises returns and manages risk across the investment programme. Both have been prepared on behalf of TfL, TTLP's sole shareholder.
- 1.2 This is the first consolidated Investment Strategy created in relation to the TTLP portfolio and will be reviewed annually to reflect its evolution over time.
- 1.3 TTLP's Investment Strategy and Business Plan have underpinned the positive engagement with lenders and, as well as supporting a growing dividend for TfL, set out the commercial investment to deliver 20,000 homes by 2031 to meet a key Government and Mayoral target for TTLP.

## **2 Recommendation**

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

## **3 Investment Strategy**

### **Strategic Context**

- 3.1 TfL owns 5,475 acres of freehold land and a further 404 acres leasehold. In total this equates to 1.5 per cent of London's landmass. Whilst the vast majority of this land will always be required to support the operational transport network, TfL's landholdings have increasingly supported the Mayor's priorities to build homes and create jobs, while generating revenue to reinvest in London's transport network.
- 3.2 TfL plays a critical role in supporting London and the UK economy. To continue fulfilling this role, it is essential that TfL has stable, long-term investment to operate and maintain the London transport network. In this context, TfL published a Financial Sustainability Plan<sup>1</sup> that set out the impact of the pandemic on TfL's operating income and proposed how this impact could be mitigated. TTLP was and remains an integral part of TfL's Financial Sustainability Plan. The model being adopted by TfL for property follows the

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<sup>1</sup> <https://content.tfl.gov.uk/financial-sustainability-plan-11-january-2021.pdf>

leading international examples where the transport authority owns a property subsidiary.

- 3.3 The pandemic has impacted the national economy and real estate market in unprecedented ways. Across the UK, the return to pre-pandemic levels of activity has been slowest in London, requiring business to adapt rapidly. Whilst challenging, the pandemic has highlighted changes in the decisions that businesses and people are making about how they live, work and consume. It is essential that TTLP reflects these lessons in its strategy and continues to work closely with its customers to ensure that it remains flexible in its approach.
- 3.4 In London and elsewhere, several key themes are clear, including:
- (a) a flight to quality in commercial offices;
  - (b) the impact of legislation and social expectation on environmental, social, and corporate governance (ESG);
  - (c) a move from traditional to experiential retail;
  - (d) growth of last mile logistics and alternative uses;
  - (e) a housing shortage, with an affordability and quality crisis;
  - (f) business growth amongst small and medium enterprises (SMEs) and a transformation in the relationship between landlords and tenants;
  - (g) an emerging institutional purpose-built residential market (Built to Rent); and
  - (h) an emerging focus on multi-use campuses.
- 3.5 TTLP has a diverse portfolio, including well-positioned assets across London, making it well placed to adapt quickly to changing customer requirements and economic conditions. TTLP's portfolio comprises 4.68m square feet of real estate, the majority of which can be broken down into the following sectors: retail (current value £610.4m), arches (£175.1m), commercial office (£156.4m), car parks (£105.5m) and residential (£97.7m).
- 3.6 The estate also includes concentrations of mixed-use assets around central London transport nodes, such as Baker Street, Victoria and Liverpool Street. These provide examples of large-scale priority assets within the portfolio that offer substantial repositioning and redevelopment opportunities.
- 3.7 On development, there are two separate rationales underpinning TTLP's activity. The first is to create high-quality future investments and at a higher income yield by virtue of the development margin, including through the Build to Rent (BtR) joint venture with Grainger plc. The second rationale is linked to TTLP's aspiration to support the delivery of new homes. In most cases, TTLP invests and shares in the development profits from the delivery of homes on major sites through joint ventures with companies specialising in the delivery of 'for sale' residential units. TTLP currently has five committed BtR joint venture projects with Grainger delivering 1,591 homes. TTLP also has five committed 'for sale' joint venture projects for 4,844 homes, with the potential for a further 6,000 homes in future joint ventures.

- 3.8 In virtually all instances, TTLP manages exposure of its own capital to such developments by establishing joint ventures that raise non-recourse development finance. Furthermore, as TTLP realises receipts for its land transferred into these joint ventures, its capital commitment beyond the land receipt is reduced.
- 3.9 Working closely with TfL, TTLP will continue to identify additional properties that can transfer to TTLP over time, and this is likely to result in the portfolio continuing to grow in both scale and value. Given the ability to plan decades in advance, including taking account of future extensions of the transport network, it is also likely that TTLP will undertake strategic land assembly, notwithstanding an initial focus of optimising value from the existing portfolio.
- 3.10 Linked to TTLP's Purpose and Operating Principles, TTLP has a number targets that are summarised below:
- (a) Generate Sustainable Net Income
    - Increase gross annual operating income from £69m in 2021/22 to £187m in 2030/31.
    - Achieve a market-competitive operating margin by 2025/26.
    - Create a balanced portfolio capable of delivering sustainable financial returns over the long-term.
  - (b) Deliver New Homes and Neighbourhoods
    - Start on the sites that will deliver 20,000 well-designed homes over the next 10 years, across a mixture of tenures and price points.
    - Deliver longer-term opportunities by working closely with TfL to unlock sites for development alongside operational improvements.
    - Target strategic acquisitions of land and buildings to unlock further opportunities and programmes.
  - (c) Environmental, Social and Corporate Governance (ESG)
    - Extend the Sustainable Development Framework, that led TTLP to be recognised by GRESB as the leading sustainable diversified developer in Europe, across the whole of TTLP's commercial estate.
    - In keeping with TTLP's commitment to Better Buildings Partnership's Climate Change Commitment, develop and deliver a net zero carbon pathway.
    - Actively pursue opportunities to adopt Modern Methods of Construction (MMC) and enhance construction industry skills within the development programme.
    - Advance social value, environmental sustainability, and improved transport and mobility across TTLP's estate.

### **Measuring Performance**

- 3.11 Effective measurement of returns and performance, at portfolio and asset level, is key to achieving TTLP's objectives. Clear visibility of potential returns across the portfolio (and the makeup from individual sectors) will allow effective decisions on capital allocation and ensure that risk is adequately priced.

3.12 Setting the right key performance indicators (KPIs) will enable TTLP to incentivise the right behaviours within its business. This, therefore, will be a key focus over the next 12 months to ensure that the measurement of performance is accurate. To better support this, new and robust data for TTLP’s portfolio is required. In the meantime, we have adopted a range of interim metrics. All of these metrics and their targets will be reviewed over time with the Committee.

3.13 TTLP’s key strategic objective is to generate long-term, sustainable net income. We have therefore identified the following financial KPIs to be monitored at a portfolio level:

<b>Metric</b>	<b>What it means</b>	<b>Target</b>
Increase Gross Rental Income Receivable	Aligned with the objective to grow long-term sustainable income Delivers higher dividend to the shareholder	>CPI <sup>2</sup>
Increase Net Property Profit from Recurring Income	Aligned with the objective to grow long-term sustainable income Delivers higher dividend to the shareholder Joint venture development profit is excluded for the dividends and therefore not included in this metric	£80m increase by 2030/31
Reduce Voids	Focuses business on increasing total revenue by improving occupancy levels across the portfolio	Vacancy level below comparable MSCI <sup>3</sup> market levels within three years
Improve Operating Margin	Improve efficiency of business, which in turn will enhance net recurring operating income and dividend to TfL	Operating margin minimum of 40-50% by 2026/27
Total Property Return	Ensures investment to grow short-term net income is not to the detriment of the long-term value of the estate	Outperform a tailored MSCI London Total Return benchmark on a rolling three-year basis

3.14 We will manage TTLP’s capital commitments with a cautious approach to reflect the self-funding nature of TTLP and to ensure resilience and liquidity through economic cycles. Below, we set out TTLP’s key financial management principles.

<sup>2</sup> Though CPI remains the long-term target, the short-term impact of the current high level of inflation is being assessed

<sup>3</sup> MSCI is the leading global provider of real estate indexes and analysis tools



<b>Metric</b>	<b>How it's measured</b>	<b>Target</b>
Loan to Value (LTV)	The ratio of principal value of gross debt less cash, short term deposits and liquid investments to the aggregate value of properties and investments	<40%
Interest Coverage Ratio (ICR)	Net operating income divided by the total interest costs	>2x
Liquidity	Cash and undrawn committed facilities assuming a risk reduction in disposal receipts	Sufficient undrawn borrowing commitment and cash in bank to meet financial commitments over the next 18 months and a cash reserve of £10m is maintained
Equity	Maximum amount of TTLP's gross asset value to be invested as equity in development projects	No more than 33%

3.15 In addition to the above, each individual Business Unit will be required to align with the following financial KPIs. This will ensure that capital is appropriately allocated within the TTLP business. Individual asset plans will be required to meet these hurdle rates to secure funding from the business.

<b>Metric</b>	<b>How it's measured</b>	<b>What it means for TTLP</b>	<b>Target</b>
Net Present Value (NPV)	Each project is assessed adopting an appropriate IRR hurdle rate	Ensures that we are allocating capital appropriately	>0
Unlevered Internal Rate of Return (IRR)	The average annual return, expressed as a percentage	Enables the average annual total return of each project to be assessed and ranked providing an additional metric to support the capital allocation within the Business Plan	7-15% Taking into account levels of risk and the non-financial benefits

<b>Metric</b>	<b>How it's measured</b>	<b>What it means for TTLP</b>	<b>Target</b>
Return on Capital Employed (ROCE) on development projects	Net operating profit (or earnings before interest and taxes (EBITDA) divided by capital employed	Enables the level of profit to be compared to the level of capital invested, which will support the prioritisation of projects within the Business Plan	20%
Incremental Yield on Expenditure	The new rent post-capital investment minus the former passing rent divided by capital expenditure plus associated void costs	Ensures we are allocating capital and generating a return on investment aligned to the objective of delivering net income growth.	>3.6% Taking into account levels of risk and the non-financial benefits

- 3.16 Additional KPIs will be monitored at individual site or asset level. These will collectively ensure that the portfolio-wide targets are met.
- 3.17 Over the course of the next 12 months, supported by its advisors, TTLP will look to develop new non-financial KPIs based on market benchmarks from comparable enterprises. This will ensure that TTLP can deliver on its objectives in a way that optimises returns and mitigates risk across the estate. This review will include taking the principles successfully adopted for Property Development in the Sustainable Development Framework as the approach is applied across the wider TTLP portfolio in a new Sustainable Estates Framework.

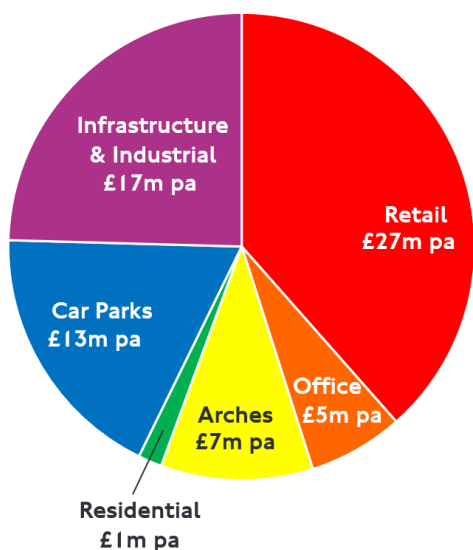
### **Delivery Approach**

- 3.18 In the short-term (one to three years), TTLP's focus will be on optimising its portfolio's performance through enhancing day-to-day operations and pursuing proactive asset management initiatives. Alongside this, TTLP will undertake feasibility work on the longer-term asset development pipeline. This will ensure that the existing revenue stream is sustainable and robust, allowing the organisation to move into the longer-term phase of targeting value-add opportunities.
- 3.19 This approach will be embedded within TTLP's governance and management strategies, as well as the underlying Asset Plans. This will ensure that all investment decisions and capital within the business are focused on achieving TTLP's primary objectives. Rooted in this approach is a continual focus on capital discipline. In line with its objectives, TTLP is focused on delivering a well-managed portfolio providing sustainable, robust long-term income.

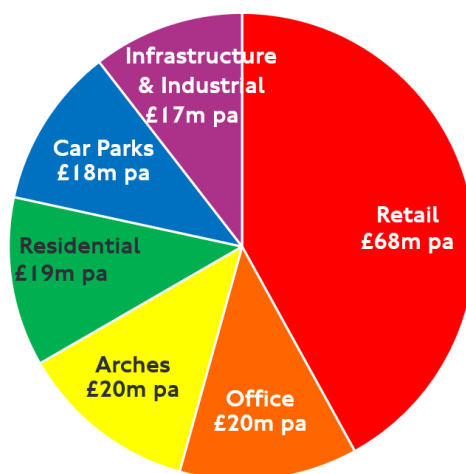
- 3.20 The TTLP Investment Strategy aligns with TTLP's Business Plan, which outlines how TTLP will deliver the objectives. Together, the Business Plan and Investment Strategy enable TTLP to prioritise capital investment.
- 3.21 The Business Plan will be supported by Sector Strategies and individual Asset Plans that set out the specific strategies for each project, including detailed KPIs and Asset Strategy Risk Registers.
- 3.22 The following provides an overview of the Sector Strategies prepared by the individual Business Units and used to inform TTLP's Business Plan. Where these assets are co-located, particularly around transport nodes, they will be considered not as individual sectors but collectively as multi-use hubs or campuses. These campuses, where space can flex over time to meet market demands, will be viewed at a premium by TTLP and will always be assessed as a priority for investment. Opportunities for land assembly around these hubs will also be reviewed.
- 3.23 **Retail** – TTLP's sites are located near transport nodes and offer the convenience favoured by consumers, resulting in an annual rent roll of over £27m, even in a coronavirus-impacted year. TTLP will capitalise on this by focusing on the relative resilience of local and essential retailing and convenience, 'Grab & Go' space and service sectors seeking larger units both inside and outside of stations. TTLP will also consider the opportunity for showrooming and experiential marketing within stations.
- 3.24 To enable the diversification of its portfolio, the near-term strategy is focused on the optimisation and rationalisation of the existing retail portfolio. This will enable the business to prioritise investment on core assets in Zones 1-3 (including the new Elizabeth line) and rationalise the out-of-station portfolio in Zones 4+ where appropriate. The detailed retail strategy will consider the distinct requirements of in-station and out-of-station, as well as opportunities for retail as a whole, including smaller interventions that deliver enhanced income and improved customer experience.
- 3.25 **Arches** – TTLP's significant arch portfolio in London generates over £7m a year across predominantly light industrial uses, with a limited number of retail and leisure uses. In the short-term, the focus will be the repurposing and redevelopment of identified key arch estates, alongside income protection and stabilisation. Investment in compliance and health and safety will also take place as required. In the medium-term, TTLP will review the opportunity to introduce logistics and distribution uses in appropriate locations across the portfolio. TTLP also proposes to explore the opportunity to deliver affordable workspace as part of its portfolio, whilst focusing on commercial returns elsewhere.
- 3.26 **Offices** – TTLP's portfolio includes over 100,000 square feet of existing offices generating £5m a year as well as a pipeline of office developments. Building on the continued 'flight to quality' among London office occupiers, in the short-term TTLP will focus investment on office development and the repurposing of existing office buildings that could support a flexible or co-working provision. Other assets will be reviewed for disposal, in line with TTLP's capital recycling plan.

- 3.27 In the medium term, TTLP's portfolio presents opportunities to deliver market-leading office buildings via an Over Station Development programme, starting at Bank, Paddington and Southwark, which together will deliver 600,000 square feet of the highest quality office space in the capital, with world-leading sustainability and wellbeing credentials.
- 3.28 **Residential** – The strategy for the residential business unit is to become a market-leading delivery vehicle in London, starting on the sites that will provide 20,000 homes by 2031. This will include a mixture of tenures, locations and price points, with an increasing focus on Build to Rent, including through Connected Living London (CLL), TTLP's joint venture with Grainger plc.
- 3.29 Revenue from disposals and private for-sale homes will provide capital to be reinvested in more income-producing opportunities. This combined with the direct delivery of Build to Rent units via CLL will provide a long-term sustainable net income stream back to the business, as well as a growing residential asset base. This will enable TTLP to focus resource on delivering quality services to TTLP's customers where it is best placed to do so.
- 3.30 **Car Parks** – TTLP's short-term focus will be protecting the income from existing contracts, as well as reviewing appropriate interim strategies and meanwhile uses prior to any redevelopment. This will be supported by a review of potential green energy initiatives, such as Electric Vehicle (EV) charging hubs and the opportunity to generate long-term index-linked leases across the estate.
- 3.31 **Infrastructure and Industrial** – TTLP's portfolio currently includes several high-value, low-risk assets in the form of long leaseholds and long income streams, both of which are suitable for secured lending. The short-term focus is to review assets for value optimisation and produce detailed asset strategies. The medium-term strategy is to drive revenue and value-add opportunities from long-leaseholds and consider the scope for a larger industrial portfolio. TTLP recognises that its real estate portfolio weighting needs to change to enable it to focus on securing low-risk sustainable income with growth potential, supported by profits from new developments. The Sector Strategies outlined above have been prepared in accordance with this and are anticipated over the long-term to result in the following changes to the sector allocations in the portfolio.

**Current TTLP Portfolio  
by Gross Rental Income**  
£69m pa (2021/22)



**Future TTLP Portfolio  
by Gross Rental Income**  
£162m pa (2030/31)



- 3.32 As a wholly owned subsidiary of TfL, TTLP will operate as a financially self-sufficient business. An operating agreement will set out how TTLP and TfL will encourage housing and commercial return alongside operational delivery. TTLP also wishes to work closely with Government departments and agencies, the Greater London Authority (GLA) and other transport authorities to establish best practice in residential and commercial development above and around the transport network.
- 3.33 TTLP's Business Plan will (either directly or indirectly) expose TTLP and TfL to delivery and market risks. A risk register and mitigation strategy will therefore be implemented and reviewed on a regular basis. The Asset Strategy Risk Registers will provide a more detailed schedule of key risk items and their proposed mitigation strategies.

## 4 Business Plan

### Introduction

- 4.1 The Business Plan has been prepared using the following approach:
- prioritisation of capital projects across the portfolio based on Investment Strategy principles and consideration of resource and delivery requirements. This has been produced at a sector level;
  - assessment of the sources of capital income including primarily a review of the disposal portfolio and risk adjustment methodology;
  - review of operating costs, ensuring these are in line with the prioritised capital plan such that the plan reflects the costs of delivery (e.g. resource);
  - review of rental and other operating income by means of evaluation of:

- (i) existing rental income and expected changes to that (e.g. pandemic recovery assumptions, turnover rent assumptions, standard growth assumptions, voids improvement);
  - (ii) removal of income for activities such as lease renewals and rent-free periods and vacant possession requirements for projects as identified in the capital programme; and
  - (iii) growth from capital programmes e.g. delivery of Build to Rent and commercial schemes; and
- (e) the Business Plan is forward-looking, covering a nine-year period running from 1 April 2022 to 31 March 2031.

- 4.2 The Business Plan is made up of a combination of projects, disposals, management of income sources and management of costs. Each of these elements of the plan is described below with a focus on both the contents of the plan and the approach to delivery including how TTLP is managing resources to ensure delivery.
- 4.3 The Investment Strategy over the course of the plan changes the portfolio balance.
- 4.4 With regard to TTLP's existing estate, the Business Plan is split between priority assets, with accompanying detailed unit-level cashflows; and a sector-based delineation of the remainder of TTLP's portfolio (the 'tail' assets), with associated cashflows based on broader financial assumptions. Many of the priority assets are mixed-use and capital investment has been apportioned accordingly between asset classes. This reflects TTLP's management approach.
- 4.5 TTLP's Investment Strategy makes clear that the strategy is to hold assets that meet key criteria – located in core locations where TTLP has a critical mass, key growth sectors; and / or where assets are closely integrated with TfL's transport network (e.g. In-Station Retail and Arches). These assets can deliver future value, and TTLP is best placed to manage them.
- 4.6 To drive operating efficiencies across the portfolio, the Business Plan includes a strategic disposal programme. As well as providing capital receipts, this enables a more efficient management approach by rationalising disparate assets in low-growth sectors. A comprehensive review of the existing portfolio has been undertaken to identify disposal opportunities. In line with market evidence, disposals are focused on less-resilient sectors where there is a strong case to rationalise TTLP's asset base.
- 4.7 Asset management projects will typically be delivered directly by TTLP, utilising an in-house project management function and with TTLP funding 100 per cent of the capital investment. Asset management activities and works packages will typically be phased or incrementally committed and executed; disposal proceeds will typically be through unconditional sales.
- 4.8 Property Development projects will usually be delivered through joint ventures, with TTLP typically taking a 49 per cent shareholding. TTLP will sell land into the joint venture through granting a long leasehold interest, and then reinvest the required equity into the joint venture vehicle in line with its shareholding. The land receipt from the joint venture vehicle will typically be conditional on planning

permission (and other conditions precedent). TTLP shares risk capital with its partners in getting up to this point.

- 4.9 TTLP has a housing delivery plan agreed with the Mayor and Government. The London Plan requires TTLP to manage to an average of 50 per cent affordable housing across the portfolio. Some development projects are better delivered by third parties due to scale and or social housing expertise. In such cases, TTLP does not take a stake in the development vehicle, and following initial feasibility, due diligence and marketing costs, does not have any further capital investment requirement. Disposal proceeds will typically be conditional on planning permission.

## **Sectors**

- 4.10 The following section provides an overview by sector, including an explanation of the sector strategies and a range of significant projects.
- 4.11 **Priority Assets, including Multi-Use Hubs** – As was set out in the Investment Strategy section above, where assets are co-located, particularly around transport nodes, they will be considered not as individual sectors but collectively as multi-use hubs or campuses. These hubs, where space can flex over time to meet market demands, will be viewed at a premium by TTLP and will always be assessed as a priority for investment. These are key portfolio assets with significant opportunities to enhance local environments and capitalise on income potential.
- 4.12 The initial projects identified as having potential for this approach are Victoria, Whitechapel, Liverpool Street Arcade and Baker Street. A capital allowance has been included in the Business Plan for strategic acquisitions to strengthen TTLP's ownership at such locations.
- 4.13 **Retail** – The TTLP Retail portfolio comprises In-Station Retail, i.e. units within TfL stations requiring close coordination with operational teams, and Out-of-Station Retail units that are generally situated around stations but not within the operational footprint.
- 4.14 In-Station Retail is a unique element of TTLP's portfolio. The near-term strategy for this portfolio is focused on optimisation with most of the investment on smaller interventions that bring in income, better customer experience and improve the ambience for a wide range of stations and the communities they serve. Alongside these smaller interventions, these retail assets form an essential element of multi-use hubs – in the medium-term TTLP's investment priorities align to enhance and grow these significant multi-use nodes.
- 4.15 Out-of-Station retail the near-term strategy is focused on the optimisation and rationalisation of the existing retail portfolio with most of the investment focused on ensuring TTLP keeps assets to a high standard to both maintain and improve rental income and attract new tenants.
- 4.16 **Residential** – One of the two primary objectives of TTLP's Investment Strategy is to start on the sites that will deliver 20,000 homes over a ten-year period. Over 2,000 new homes have already been completed or are under construction. Sites delivering a further 2,400 homes are expected to begin construction in the

next 12 months. The Business Plan includes a mixture of tenures, locations and price points and various methods of delivery.

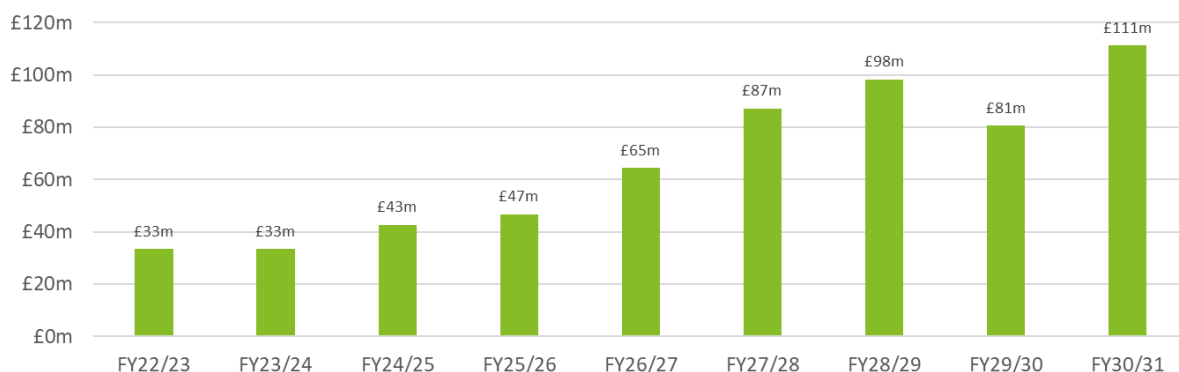
- 4.17 Earls Court Partnership Limited (ECPL) is a joint venture between TfL and Delancey investors, DV4 and APG. TfL holds a minority share of 37 per cent. ECPL is the owner and developer of Earls Court, a site of approximately 25 acres in Zone 1 between Earls Court and West Brompton stations. The site benefits from an extant, implemented planning permission for primarily residential development. ECPL is now working on a new fully mixed-use masterplan.
- 4.18 Build to Rent is TTLP's most important new investment category, largely delivered through Connected Living London (CLL), a joint venture with Grainger plc. The programme will provide a long-term sustainable income stream back to the business, as well as a growing residential asset base. There are five active sites in the programme delivering 1,591 homes with 40 per cent affordable homes. The Business Plan also includes forward-fund opportunities for TTLP to purchase completed units within development projects to enhance the residential investment portfolio. The wider programme is being reviewed to understand further opportunities for this programme (these will all be subject to further approvals and consents).
- 4.19 The For-Sale Residential programme sees TTLP working with partners to generate capital to reinvest in income producing opportunities. Homes are currently delivered via TfL's Property Partnership Framework, by direct development and through disposals. Joint ventures are currently in place with Barratt London and Notting Hill Genesis via the TfL Property Partnership framework, and these sites are delivering 1,423 homes. TTLP is also working with the London Borough of Lambeth to build 46 affordable homes in Fenwick.
- 4.20 Alongside the short-term residential programme, TTLP has a longer-term Major Projects & Pipeline programme to allow it to deliver the remainder of the 20,000 homes. This Major Projects and Pipeline programme includes a number of major town centre regeneration opportunities. In the short-term these projects require feasibility, due diligence and planning workstreams.
- 4.21 The disposals programme includes sites with up to 100 per cent affordable homes to ensure TTLP achieves an average of 50 per cent affordable across the portfolio. The disposals programme also includes TTLP's smaller sites which are released via the GLA's Small Sites Small Builders programme which allows small developers, housing associations and community-led organisations to work with TTLP on nearly 500 homes over 19 sites.
- 4.22 The existing residential portfolio is geographically spread across London with varying degrees of connection to the transport network. Some of the portfolio is required for development and operational requirements, with the rest being retained from an asset management perspective. Properties that are not required for a development or operational reason and do not align with TTLP's Investment Strategy principles are considered surplus to requirements and will be disposed. Typically, these assets are disconnected from the transport network or were once acquired for a transport-related project that has subsequently been concluded.



- 4.23 **Commercial Offices** – TTLP’s portfolio includes 100,000 square feet of commercial offices generating a revenue stream of £2.5m a year, as well as a pipeline of significant office developments. Building on the continued flight to quality among London office occupiers, in the short-term TTLP will focus investment on core-plus office through the repurposing of existing office buildings that can support a flexible / co-working provision.
- 4.24 Longer term, the land portfolio presents opportunities to deliver market-leading office buildings initially via a programme of over 600,000 square feet at Bank, Paddington and Southwark that will generate significant annual revenue for TTLP.
- 4.25 TTLP will also undertake a review of TfL’s 1.57m square feet existing Head Office estate to assess opportunities for rationalisation. Some existing TfL Head Office buildings are included within the Victoria and Baker Street priority asset plans, as these offices are integral to the long-term aspirations for these campuses.
- 4.26 **Arches** – In the short-term, working with local communities, TTLP’s focus will be the repurposing and redevelopment of key arches, income protection and stabilisation, and investment in compliance and Health and Safety as necessary.
- 4.27 In the medium-term, TTLP will review the opportunity to introduce logistics and distribution uses in appropriate locations across the portfolio, and other uses suitable and relevant to specific locations. The Business Plan contains assumptions about future projected expenditure based on this comprehensive strategy. It is anticipated that over the next one to three years identified projects will be developed through the continual review of asset plans.
- 4.28 Given the intrinsic nature of the Arches portfolio to the operational TfL transport network, and the unique opportunity these assets provide to the TTLP portfolio, no disposals are proposed over the Business Plan period.
- 4.29 **Car Parks** – In the short-term, TTLP will focus on protecting the income from existing management contracts, as well as review appropriate interim strategies and meanwhile uses prior to any redevelopment. This will be supported by a review of potential green energy initiatives, including electric vehicle (EV) charging hubs, and the opportunity to generate long-term index-linked leases across the estate. Long-term redevelopment or disposal of the car park portfolio will be assessed to support TTLP’s wider objectives, including in relation to ESG.

## Overall Financial Performance

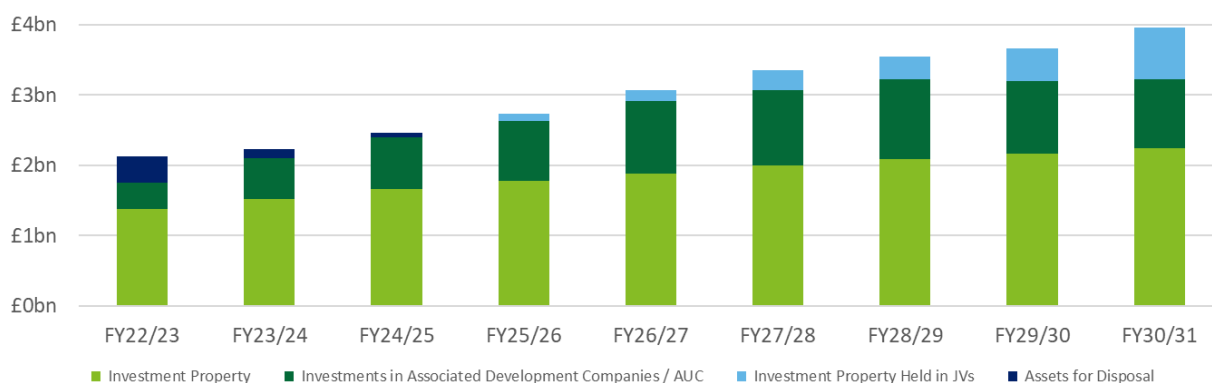
### TTLP Operating Profit



4.30 TTLP's operating profit rose from (£7m) in the coronavirus-impacted year of 2020/21 to £16m in 2021/22. It is forecast to rise further to £33m this year. Thereafter the profitability of TTLP rises through the remaining years of the plan to hit £111m by 2030/31.

4.31 The position in terms of asset value growth is even more marked, with TTLP's asset value rising from £1.7bn in 2021/22 to £2.1bn this year. Thereafter it rises to almost £4bn by the end of the Business Plan period, making TTLP a major property company in its own right. The asset value, especially of revenue-producing assets, is important as it underpins the availability of debt.

### TTLP Asset Value Growth



## 5 Housing Programme

5.1 Like all major public bodies in London, TfL is an owner of land that is derived from its wider role. This TfL land includes bus depots, station precincts, car parks, railway sidings, engineering yards and more. As needs for such land change with the development of transport technologies, TfL can deploy them to achieve positive transport-aligned policy goals, if these can be done in ways that do not disrupt transport operations and maintenance. Evidence shows that the development of such sites for housing and mixed-use development is best done through a partnership mechanism operated as a business within the TfL Group, i.e. the plan for TTLP.

- 5.2 TfL's land ownership typically includes sites surrounding the transport hubs, as well as air rights above stations and depots – space that is not needed for the provision of the transport hub itself but can be made available for alternative development which would benefit from, and encourage, regeneration in the location. Such hubs are the primary value 'hot spots' across the capital because of their connectivity and accessibility. They are typically the focus of a residential neighbourhood or employment area and so are natural clusters for housing and associated development. Without the mechanism proposed through TTLP these sites are potentially undevelopable due to the complex transport interdependencies that they require.
- 5.3 This land bank is a valuable endowed legacy for London – something most property companies do not have, requiring them to continuously buy land in the market. With a combination of appropriate planning consents, smart partnership delivery and environmental stewardship, the portfolio's value can be significantly enhanced over time, whilst delivering a stronger pipeline of new homes, a generation of new transport users, and a regular flow of capital receipts and revenues for TfL. At the same time, it will contribute to the continuous improvement of the community amenities, the urban fabric, and the economic and lifestyle competitiveness of the city.
- 5.4 TfL and its predecessor organisations have for many years promoted development around its transport hubs. But now there is new motivation to do more. This is due to multiple factors: housing supply need, town centre regeneration, hybrid working encouraging more activity within local centres, and climate imperatives and ESG aspirations.
- 5.5 TfL has built up a significant body of expertise and capability in land promotion, development and asset management, as well as many project and programme partnerships with private sector developers able to bring considerable capital and additional expertise into the arrangements. These elements have combined to build a strong track record and reputation for responsible development, including being identified as the leading sustainable diversified developer in Europe.
- 5.6 Several overseas transit authorities already have their own in-house property companies which have worked very well. Experience shows that if the land is transferred out of TfL, development will be delayed because it takes longer for the operational constraints to be addressed. In some cases, the transport interdependencies are so significant that the site is effectively undevelopable without TfL directly engaged.
- 5.7 With TTLP totally focused on unlocking the potential of the land, and with the benefit of delegated decision-making and access to capital, TTLP can increase the pace, scale and diversity of delivery, as well as the quantum of external investment attracted. The ability of TTLP to access non-recourse debt without a parent company guarantee will provide a fresh strand of unsecured capital at the corporate level, and this will enable TTLP to retain a larger share of returns at the project level, and so stretch its own capital further, without taking unmanageable additional risk.

- 5.8 By remaining part of TfL, TTLP will more easily be able to access land where transport interdependencies are high, and which might otherwise have been harder to develop independently. A harmonious continuing relationship with TfL will enable greater leverage between transport planning and property planning for mutual benefit.
- 5.9 The additional value being created can be measured through a variety of outcomes, including:
- (a) increased housing numbers;
  - (b) reduced carbon footprint;
  - (c) positive social impact;
  - (d) enhanced financial returns; and
  - (e) economic value – and TfL’s projects, particularly those which are accompanied by transport improvements, will act as catalysts for nearby beneficial cluster development.
- 5.10 Planning remains one of the biggest challenges to the pace of delivery. Going forward, TTLP will aim to take the lead in more planning applications directly itself, such as at Bollo Lane where it secured consent for 852 homes. TTLP will also work with the development companies that have a track record of delivery at scale and pace across London. TTLP will foster a joined-up approach to planning that takes more account of the view of outer London boroughs.
- 5.11 In the shorter-term, TTLP will be selective on the locations where it focuses its management time and investment. In the longer-term, working with the GLA and Government, it is hoped that a wider net of opportunity can be unlocked. The proposed TTLP Business Plan reflects this constraint.
- 5.12 TTLP has already established a land transfer methodology from TfL, and there is a good and improving rapport in co-ordinating property planning with transport planning and identifying priorities. It has been demonstrated that property development and asset management activity can bring transport benefits hand in hand, not least in step-free access and the triggering of surrounding community regeneration, and a generation of new riders.
- 5.13 There are many locations where TfL’s landholding adjoins other public sector landowners. By establishing good working relationships with the organisations concerned, establish the opportunities for mutual benefit.
- 5.14 All of the above recognises the new realities of urban living – including hybrid working, climate change, lifestyle needs and wellness, characteristics which will be fundamental to TTLP’s activities. TTLP will be recognised as TfL and London’s ‘public interest’ developer of places and homes. It will aim to develop a reputation for long term stewardship of public assets.
- 5.15 TTLP will aim to deliver throughout the property cycle, accepting that its returns will not always be as high as would otherwise have been the case. As a long-term investment endowment, and whilst still hitting the agreed financial metrics, TTLP can and should take a long-term view which many other commercial companies cannot.

5.16 TTLP's scale of activity, the longevity of its programme and its delivery through the property cycle opens the opportunity for TTLP to pioneer the role of MMC, which offers substantial benefits in speed of delivery, sustainability, health and safety and quality.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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## Land and Property Committee



**Date:** 30 June 2022

**Item:** Purpose and Branding

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

#### **1 Summary**

- 1.1 This paper summarises the work which has been done on the Purpose and Operating Principles of TTL Properties Limited (TTLP). The work on Branding is at an earlier stage.
- 1.2 In all cases, the aim has been to build on the relationship with Transport for London (TfL), while recognising that, as a commercial property company, TTLP has its own objectives and should have its own strategies and culture that are nevertheless aligned with TfL's Vision and Values.
- 1.3 With the commercial funding of TTLP in the process of being finalised, it is suggested that we now seek to conclude this work, which will return to the Committee for further consideration.

#### **2 Recommendation**

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

#### **3 Background**

- 3.1 London faces challenges that TTLP is well positioned to help meet. There is sub-optimal use of land and property across London, from both a social and economic perspective, including in the capital's town centres. There is a well-documented housing crisis, with a significant under-supply of new homes, particularly affordable homes. There is a pressing need to decarbonise London, with rising demand for environmentally sustainable spaces that enable and encourage the use of public transport, walking and cycling. There is also a requirement for steady long-term income to support TfL's financial sustainability and future investment in the transport network.
- 3.2 TTLP provides a way forward in the form of medium-density, high-amenity, high-accessibility, low-carbon places that support vibrant life and commerce, connected by public transport and active travel.
- 3.3 In order to meet these challenges, TTLP needs to have a clear Purpose and sound Operating Principles. As well as setting out the role of TTLP, they should emphasise the relationship between TTLP and TfL. The Purpose and Operating Principles should also flow through to the branding of TTLP – setting out how TTLP is positioned to its customers, the industry and stakeholders.

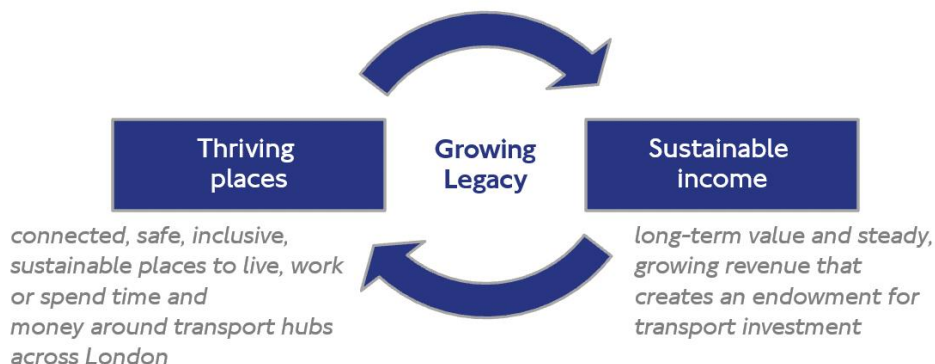
## 4 Purpose

- 4.1 In autumn 2021, in anticipation of the creation of TTLP as a commercial property company, initial work on Purpose and Operating Principles was undertaken with input from the same team who supported TfL on its successful Vision and Values work.
- 4.2 The process of developing TTLP's Purpose and Operating Principles began with interviews and workshops with the Commercial Development leadership team followed by the input of over 200 Commercial Development staff in a series of discussion groups. The initial output from these sessions was also informed by interviews with senior TfL managers, including the Commissioner, Chief Customer and Strategy Officer, Chief Operating Officer and Chief Finance Officer.
- 4.3 The outputs were reviewed through external stakeholder interviews, including with Centre for London, the London Chamber of Commerce and Industry, London First and New London Architecture, before further meetings with a number of Chief Officers, including the Commissioner.
- 4.4 TTLP's Purpose defines why it exists and what it is here to achieve. The work to date has identified a proposed TTLP Purpose of:

### **To move London forward with thriving, connected places**

We will lead in shaping connected places that help London evolve safely, inclusively and sustainably, which will generate a growing endowment for future transport investment.

- 4.5 TTLP's 'To move London forward with thriving, connected places' is closely aligned to TfL's own purpose, 'To advance London safely, inclusively and sustainably.' This reflects the fact that TTLP has a special role to play as part of TfL, at the intersection of real estate, housing, commerce and transport in London.
- 4.6 To help explain the Purpose, a graphic was produced that explains how TTLP will lead in shaping connected places that help London evolve. In essence, the more successful TTLP is in creating thriving places, the greater the sustainable income it generates, which in turn enables further investment in its spaces across London.





- 4.7 Subject to the view of the Committee, further work will be undertaken on the Purpose, including feedback from the Committee, to finalise the Purpose alongside the confirmation of commercial funding.

## 5 Operating Principles

- 5.1 As a commercially focused, financially self-sufficient business, TTLP will bring a disciplined approach to generating sustainable net income to be reinvested into TfL. In doing so, TTLP will help London evolve for the 21st century and generate a growing endowment for future transport investment. This will enable TTLP to create a property holding comparable with the landed estates of London.
- 5.2 To help TTLP meet these goals, it was proposed that TTLP adopts a series of Operating Principles. These would guide TTLP's decision-making and approach to shaping places. While these Operating Principles inform day-to-day decision-making, they also enable TTLP to be open and transparent about where improvements need to be made or where it should strengthen its capabilities.
- 5.3 The proposed Operating Principles are:
- (a) **We take the long view** – We are here to create long-term value for both TfL and London. As a result, we plan for the far future rather than taking decisions such as disposing of property for short-term gain. We preserve flexibility for spaces to evolve, rather than designing spaces only for narrowly defined current uses. And we never fail to consider long-term community or transport needs, always contributing positively to TfL's heritage.
  - (b) **We put safety above all** – We prioritise the safety of customers, workers and the transport network as part of our licence to operate. We never behave as if safety is someone else's responsibility. We invest to make properties safe and compliant, and we don't leave our tenants to manage compliance themselves. We require our partners to uphold our safety standards at all times.
  - (c) **We place customers and communities at the centre** – We invest in London's diverse local communities, and that includes ensuring we engage stakeholders and / or the community before applying for planning consent. We stay in close touch with the needs of those who use our spaces, taking feedback and customer insight seriously and ensuring our customers have support. We work to be responsive, responsible and easy to do business with, without allowing process to hinder our responsiveness or taking a one-size-fits-all approach. We strive to connect residents and business with opportunities across our footprint.
  - (d) **We are people driven** – Our people and their expertise, skill and talent are key to our success. We are respectful and inclusive, and do not tolerate behaviour that violates our values. We will build a team that reflects the diversity of London. We empower our people and encourage innovation and creative problem-solving, avoiding unnecessary additional layers of bureaucracy and approvals. We give everyone who works for us opportunity for development.

- (e) **We are commercially disciplined** – Achieving our purpose and providing a growing endowment to TfL requires rigorous discipline. That includes investing where we can have the greatest impact and making decisions at a competitive pace. If we are to make efficient use of resources, we cannot afford to ignore commercial issues, and that may mean taking difficult decisions. We must also invest in long-term relationships with partners who share our values.
- (f) **We are socially inclusive** – Thriving places welcome all kinds of people and businesses, and we are proud that London is the most diverse city in the world. That is why we provide affordable and inclusive options rather than simply building for or renting to whoever can pay the most. We make spaces accessible and stimulate inclusive employment, while helping businesses of all sizes succeed. We take pride in providing opportunities in our portfolio for residents and businesses at every stage of their growth.
- (g) **We lead on environmental sustainability** – Given our unique role at the intersection of housing, commerce and transport in London, we embrace our responsibility to lead on the environment, creating healthy places for people and the planet. That includes never simply focusing on what is inside buildings, but always considering, and investing in, the environment around them. We look to the future, building for long-term climate resilience.
- (h) **We improve transport and mobility** – We recognise the role our spaces play in improving the experience for people who are travelling, increasing ridership on public transport, and encouraging the use of other forms of sustainable mobility, including walking and cycling. As a result, we collaborate closely with TfL throughout our projects and proactively seek opportunities to make transport improvements, including step-free access.
- (i) **We are digitally connected** – Our approach to connected places is underpinned by a strong data and a digital-first orientation. This includes investing in integrated systems and robust single-source data for decision-making. Our aim is to continuously improve to provide a high standard of digital customer service, while constantly seeking ways to digitally connect individuals with businesses, homes and opportunities.’

5.4 As with the Purpose, now that TTLP is being fully stood up it would be appropriate to review the work undertaken to date on the Operating Principles, including feedback from the Committee.

## 6 Branding

6.1 As well as confirming TTLP’s Purpose and Operating Principles, there is a need to consider the external branding of TTLP. The aim is to create a name and external presence that allows TTLP to exist alongside TfL and the Greater London Authority, but also enables TTLP to have a presence, in its own right, in the external property market.

- 6.2 The first step of branding will be to assemble a longlist of names connected to TTLP's purpose and its activities. Other names will also be identified that relate to TfL's rich design legacy and heritage.
- 6.3 Consideration will be given to whether there is a single brand for all TTLP's activities or whether there should instead be a collection of related brands that reflect the range of activity in TTLP, including retail, commercial offices and residential.
- 6.4 Internal and external workshops will then follow, alongside stakeholder engagement. The choice will also be informed by market research and interviews with Londoners and TTLP customers. This activity will be led by internal resource and commissioned jointly by TTLP and TfL.
- 6.5 As we develop a shortlist, we will work with TfL colleagues, the Intellectual Property Office and European Union Intellectual Property Office to ensure we can register and use the name, as well as secure appropriate protection for it.
- 6.6 The final work will be to develop the brand and visual guidelines, and then launch the brand in the later part of the year.
- 6.7 Work on how we bring the company purpose to life, including messaging, external positioning and brand, will be developed over the course of the next few months, and the Committee will be involved throughout this time.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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## Land and Property Committee



**Date:** 30 June 2022

**Item:** People Plan

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

#### **1 Summary**

- 1.1 This paper summarises the initial work to be undertaken on a TTL Properties Limited (TTLP) People Plan, which will return to the Committee for further consideration.
- 1.2 The plan will be strategic, beginning with a review of the leadership team but subsequently encompassing all elements of the organisation's strategies, policies and culture in relation to its people.
- 1.3 The People Plan will reflect the importance of this opportunity. TTLP needs to balance its ongoing role within TfL while, in effect, being a £1.7bn start-up that has the opportunity to deliver substantially growing value back to TfL while transforming the real estate industry in its ambitious approach to sustainability and social value. The chance to create a diverse and inclusive team is at least as important in terms of legacy as what will be delivered on the streets of London.

#### **2 Recommendation**

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

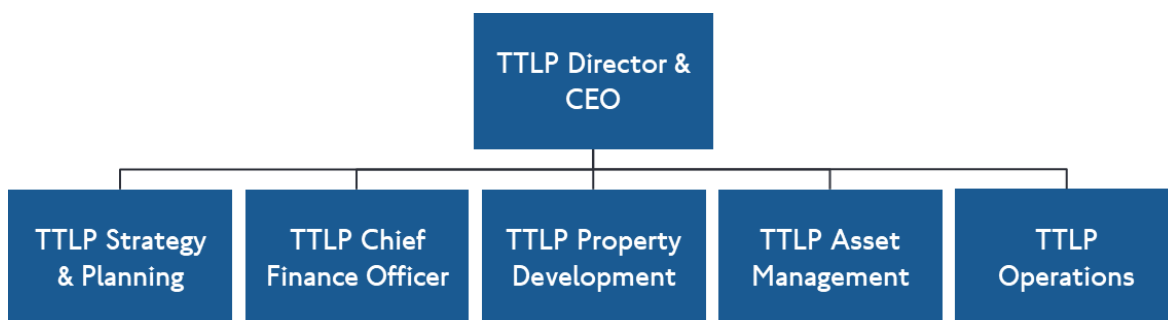
#### **3 Background**

- 3.1 TTLP owns and manages some of the best real estate assets in London, and it has the twin objectives of delivering a long-term return to TfL and creating social value across the capital, including building tens of thousands of new, low-carbon homes with high levels of affordable housing. Critical to TTLP's success – and closely aligned with its Purpose and Branding – is TTLP's People Plan.
- 3.2 The financial pressures caused by the pandemic have, as in so many organisations, led to people challenges, including frozen pay, less internal movement between roles and a fall in employee engagement.
- 3.3 More resource will be required to deliver the TTLP Business Plan, but it is important that TTLP does not simply recruit into the existing structure. TTLP must first ensure that it has the organisational structure, leadership and employee value proposition to attract and develop the people who will become the future leaders of London's newest great estate.

- 3.4 With commercial funding of TTLP in the process of being agreed, now is the time to create an organisational structure and People Plan for TTLP that reflects a commercial property company rather than a department in an operational transport business.
- 3.5 In addition, and with a programme that will take decades to fully deliver, there is an opportunity for TTLP to build and develop an in-house team that reflects the communities of London, helping address a long-standing lack of diversity across the property industry.

## 4 Operating Model

- 4.1 TTLP’s current organisational structure reflects its history as a department within TfL, including a dependency on TfL for delivery of shared services. With commercial funding, TTLP’s operating model now needs to evolve, and TTLP is working with the TfL People and Change team to produce a fit-for-purpose structure. This includes benchmarking target organisations, including The Crown Estate, Grosvenor and Land Securities Group plc. While moving to a new structure, all existing TfL policies and controls will continue to apply.
- 4.2 TTLP will report into TfL’s Chief Customer and Strategy Officer who will also be the chair of the TTLP company board. TTLP will adopt a simple, flat structure that reflects both TfL’s own value chain and commercial best practice. This structure will see TTLP focus exclusively on commercial property matters.



- 4.3 As well as reviewing the structure and scale of the commercial property functions, an assessment is being undertaken on TTLP’s professional support activities. Procurement will be particularly important as TTLP will need to move away from transactional interactions based on pre-existing TfL frameworks to long-term, flexible relationships across multiple sites with the leading commercial organisations who are capable of adding value to TTLP’s extensive portfolio.
- 4.4 Work has also begun on the development of the detailed operating model for TTLP. As part of the operating model exercise, activity analysis and value chain development are underway. These will leverage the work being undertaken across TfL. The activity analysis and value chain work will be used to assess where changes could be made to the future model to ensure the Investment Strategy and Business Plan are delivered in the most effective and efficient way.

- 4.5 It is further proposed that TTLP now works with TfL and external organisations to create a market-facing People Plan that reflects TTLP's purpose, aspirations and financial obligations. This work on the People Plan will align with the development of the new TTLP Operating Model, enabling us to set out the skills and experience required to progress in TTLP, informing TTLP's approach to learning and development, progression, succession planning, and reward.

## 5 People Plan

- 5.1 To build the team to take the organisation forward will require TTLP to deliver an end-to-end People Plan that encompasses how it attracts, recruits, onboards, develops, performance manages and rewards its people. Such a plan will therefore effectively define TTLP's approach to reward, benefits, career development, work environment and culture.
- 5.2 The people plan will contain the following elements:
- (a) **People vision and strategy** – setting out the organisation we want to be and how will we get there – this will be a clear, simple vision and strategy understood by the entire business and driving all people-based decisions;
  - (b) **Organisational culture** – from the outset, we need to set out the culture we want to drive the changes in behaviours and ways working; articulating what TTLP will feel like to work in and how we want our people to feel;
  - (c) **Organisational behaviours** – articulating how we want people to behave, taking the TfL behaviours but setting out how those apply in TTLP, so that people are clear about how they should act and behave;
  - (d) **Ways of working** – we will need our people to do things differently, being efficient and effective in everything we do, and challenging ourselves every day to drive a positive change;
  - (e) **People development** – we have an opportunity to revisit our approach to people development, and an obligation to do so if we want to cost-effectively create a high-performing organisation that reflects the diversity of London;
  - (f) **Talent management** – as well as developing our people, we should be actively identifying talent and high potential, and assisting those individuals' career journeys in order that we retain the best people to deliver for TTLP;
  - (g) **Recruitment strategy and talent acquisition** – a targeted bespoke approach to ensure we recruit diverse candidates with the skills and culture we are seeking to build in TTLP, aligned to the organisation's vision and capabilities;
  - (h) **Reward strategy** – develop a market-facing total remuneration strategy and fairly rewarding our people; and
  - (i) **Retention strategy** – developing a strategy that aims to keep the best people within the business.

- 5.3 The first step in the People Plan will be a review of the existing leadership of TTLP, to ensure that has all the capabilities required to transform the organisation from a department in a public body to one of the largest commercial property companies in London.
- 5.4 We therefore propose to procure an independent review of the future requirements of the TTLP leadership team. This will ensure that the structure and associated job descriptions are aligned – and that we will be able to stand up the right team with the right skills. Identified gaps will be addressed through recruitment and / or development to ensure that TTLP can take forward this exciting and ambitious agenda. The approach will subsequently be rolled out to the wider management team.
- 5.5 Retention of existing talent will be key to the early success of TTLP. To help with this and improve engagement with and ownership of the new organisation, we plan to make the existing wider team central to the creation of the TTLP People Plan.
- 5.6 The existing team will also be asked to support recruitment more directly. TTLP's People Plan will recognise that TTLP's best marketing tool is its own people. Reflecting TTLP's principle of being a digital-first organisation, we will propose using video, audio and social media to engage prospective candidates by promoting the stories of our own people, some of whom are amongst the best in the industry. These would sit alongside traditional job advertising portals, events and careers days. Across all channels, we will particularly highlight the strides that TTLP has made on diversity – while recognising that more needs to be done.
- 5.7 To support diversity in recruitment, we will emphasise the benefits of working in TTLP, including policies such as flexible working, and opportunities for development. To fully address the issue of inclusivity will require us to engage with groups rarely connected with real estate.
- 5.8 We will take a long-term view, building on our existing apprenticeship routes as well as identifying and attracting candidates who may have a non-property background but relevant skills and capability.
- 5.9 For too many communities in London, a career in real estate is not considered a realistic prospect. TTLP has had success both in its schools outreach programme, and its construction skills programme where over 1,000 people have been helped into long-term employment, with 65 per cent of trainees from black and minority ethnic backgrounds and 10 per cent with a disability or learning difficulty.
- 5.10 It is not a viable long-term strategy for TTLP to compete with the top end of the commercial market in terms of reward. TTLP will need to consciously align its reward offering to the market, benchmarking for each role, but it will also need to propose an offering based on the opportunity to work on world-class projects, to be part of an organisation that is leading on sustainability and social value, and to receive ongoing, high-quality development. Together, these will allow us to recruit the talent we need while avoiding the need to out-perform the market in total rewards.



- 5.11 TTLP's approach will be mindful of the recommendation of the Kerlake Report that there should be oversight of roles and salaries across GLA Group organisations as well as improved collaboration on induction, training, and expertise sharing to reduce fragmentation across the group.
- 5.12 In the TTLP People Plan, the approach to onboarding and induction will need to demonstrate that the promises made in the marketing and recruitment are seen through from raising a contract, to onboarding, career development, training, financial rewards, flexible working and team culture.
- 5.13 The People Plan is also likely to suggest a structure that encourages the ability for people to move seamlessly from one department to another, providing a more balanced approach to career development and progression.
- 5.14 The Plan will also emphasise that TTLP's people will be expected to understand the full breadth of London. One of the specific components of TTLP's People Plan will therefore be a volunteering strategy to encourage its people to work with and support communities across the capital.
- 5.15 Finally, while an intensive attraction and recruitment strategy will inevitably form a key part of the initial People Plan, the cost and management of such an exercise should not be underestimated. In future, a greater role for succession planning is expected to reduce the need for large recruitment campaigns and this will also be reflected in the Plan.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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