

# Agenda

**Meeting: Land and Property Committee**

**Date: Tuesday 18 October 2022**

**Time: 11:00am**

**Place: Conference Rooms 1 and 2,  
Ground Floor, 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://www.tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public and webcast live on [TfL YouTube channel](https://www.tfl.gov.uk/YouTube-channel), except for where exempt information is being discussed as noted on the agenda.

There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on [www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf](https://www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf).

## 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  
Monday 10 October 2022

**Agenda  
Land and Property Committee  
Tuesday 18 October 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 Minutes of the Meeting of the Committee held on 30 June 2022**

(Pages 1 - 8)

General Counsel

**The Committee is asked to approve the minutes of the meeting of the Committee held on 30 June 2022 and authorise the Chair to sign them.**

**4 Matters Arising, Actions List and Use of Delegated Authority**

(Pages 9 - 12)

General Counsel

**The Committee is asked to note the updated actions list and the use of authority delegated by the Board.**

**5 TTL Properties Limited Half-year Performance (Pages 13 - 24)**

Director and Chief Executive, TTLP

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

**6 Investment, Business and Corporate Planning 2023/24**

(Pages 25 - 30)

Director and Chief Executive, TTLP

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

**7 TTL Properties Limited Assurance Update** (Pages 31 - 38)

Director of Risk and Assurance

**The Committee is asked to note the paper and the exempt supplementary information in Part 2 of the agenda and approve the Integrated Audit and Assurance Schedule.**

**8 Members' Suggestions for Future Discussion Items** (Pages 39 - 42)

General Counsel

**The Committee is asked to note the forward plan and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

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

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

**10 Date of Next Meeting**

Wednesday 18 January 2023, at 10am.

**11 Exclusion of Press and Public**

**The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.**

## **Part 2 Agenda**

### **12 TTL Properties Limited Assurance Update (Pages 43 - 50)**

**Exempt supplementary information relating to the item on Part 1 of the agenda.**

## Transport for London

### Minutes of the Land and Property Committee

Paddington Room, 10<sup>th</sup> Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ

11.00am, Wednesday 30 June 2022

#### Members of the Committee

Professor Greg Clark CBE (Chair)  
Dr Nina Skorupska CBE (Vice Chair)  
Heidi Alexander (via Teams)  
Seb Dance  
Anne McMeel  
Ben Story

#### Greater London Authority (GLA) Observer

Lyn Garner                      Chief Executive London Legacy Development Corporation (via Teams)

#### Executive Committee

Howard Carter                General Counsel (via Teams)  
Gareth Powell                Chief Customer and Strategy Officer

#### Staff

Graeme Craig                Director, Commercial Development  
Justine Curry                Head of Commercial Law  
Lester Hampson             Property Development Director, Commercial Development (via Teams)  
  
Joanna Hawkes             Director of Corporate Finance  
Lorraine Humphrey        Director of Risk and Assurance  
Paul Hymers                Head of Business Partnering (via Teams)  
Shamus Kenny             Head of Secretariat  
Daniel Lovatt                Head of Property Management (via Teams)  
Helen Murphy               Director of Consulting and International Operations, Commercial Development (via Teams)  
  
Heather Renton             Head of Governance and Compliance, Commercial Development (via Teams)  
  
Heather McStay             Programme Manager, Commercial Development (via Teams)  
Amy Thompson             Public Affairs and External Relations Lead (via Teams)  
Ken Youngman               Divisional Finance Director, Commercial Development

#### Other attendees:

Tim Steer                     Director of Housing and Land, GLA (via Teams)  
Elliott Treharne             Assistant Director of Transport, Infrastructure and Connectivity, GLA

## **01/06/22 Apologies for Absence and Chair's Announcements**

The Chair welcomed everyone to the first meeting of the Committee, including Lyn Garner as the Greater London Authority observer. The meeting was being broadcast live on TfL's YouTube channel to ensure the public and press could observe the proceedings and decision-making.

The Committee had been established to provide the Board with oversight of the land and property development function within TfL, which was key to supporting TfL's future financial sustainability and the Mayor's housing policies. The terms of reference, agreed by the Board on 23 March 2022, had been recirculated to Committee Members and attendees. Several items on the agenda laid the ground for a launch meeting and had therefore previously been discussed by the Board and other Committees. The Chair thanked the authors for the quality of the papers. The Committee would meet quarterly and have regular site visits and briefings.

The Chair noted that Gareth Powell had announced that he would leave TfL in September 2022, after almost 19 years at TfL, to take on an exciting new opportunity. He commended Gareth for his service to TfL in a variety of roles in London Underground, then as Managing Director of Surface Transport and most recently as the Chief Customer and Strategy Officer and Deputy Commissioner. The Chair and Committee wished him every success for the future.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting. No matters were raised.

## **02/06/22 Declarations of Interests**

Ben Story had taken up a new role as Chief Operating Officer of Sustainable Development Capital LLP. There was unlikely to be any significant issues where conflicts of interest arose.

As reported at the meeting of the Board on 8 June 2022, the Chair of the Committee, Professor Greg Clark CBE, has stood down from his role at HSBC Group on 26 May 2022. This removed any potential issues on funding discussions, though decisions on those matters would continue to be made by the Finance Committee.

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](http://tfl.gov.uk), were up to date and there were no interests to declare that related specifically to items on the agenda.

## **03/06/22 Evolution of TfL Property**

Graeme Craig introduced the item, which set out the evolution of TfL's approach to commercial 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 had the opportunity to establish a commercially focused property company that could support delivery of the Mayor's housing policies and generate

significant additional asset value, alongside delivering an annual dividend that could be reinvested in the transport network.

The Committee commended the team for the work done to date, including securing the debt facility. Members acknowledged that more would be required to maximise the benefits of TTLP and noted that the team was looking to drive forward with plans to deliver what London required.

**The Committee noted the paper.**

## **04/06/22 Assurance Framework for TTL Properties Limited**

Lorraine Humphrey introduced the item, which set out the assurance proposals for TTLP. These were consistent with the overall assurance approach across other TfL functions but tailored, where appropriate, so that assurance was done by the right team, at the right time and avoided duplication.

TTLP would have its own Enterprise Risk Framework and risk appetite and its own Integrated Assurance Framework and Audit Schedule.

TfL's Three Lines of Defence model would include a new specialist sub-group of the Independent Investment Programme Advisory Group (IIPAG) to provide assurance, replacing the previous Commercial Development Advisory Group which provided advice. This model had worked effectively to provide assurance to the Crossrail project. The chair of the IIPAG sub-group would have experience in property development and house building and Board Members would be involved in the second round of interviews.

Expertise would also be drawn from staff across the Greater London Authority (GLA) Group, including the Mayoral Development Corporations, where this would add value. Discussions had been held with the Mayoral Development Corporations when considering the approach to audit and assurance. TfL and TTLP would continue to harness the knowledge and experience of the wider GLA Group.

A separate cost centre had been established so that the cost of assurance was clear and recharged to TTLP.

Regular briefings on the property market would be provided to Members. While many Members of the Board had property experience, any gaps in this knowledge would be considered for future Board appointments.

**The Committee noted the paper and approved the assurance proposals.**

## **05/06/22 Financial Framework for TTL Properties Limited**

Graeme Craig, Joanna Hawkes and Ken Youngman introduced the item, which provided information on TTLP financial framework to enable it to operate as a financially separate company within TfL.

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 ran independent banking arrangements.

Members noted that affordability analysis and stress testing exercises had been undertaken and that assurance had been sought on the ability of TTLP to borrow, given recent changes to the Chartered Institute of Public Finance and Accountancy Prudential Code, which TfL was obliged to have due regard to. Members also noted the non-recourse implications in relation to guarantees and directors.

On 22 June 2022, the Finance Committee had given approval in relation to securing a Revolving Credit Facility, which had subsequently been completed on 29 June 2022. The accounts of TTLP were being audited and would be approved by its directors, ahead of approval of the TfL Group accounts.

The Greater London Authority (GLA) and by HM Treasury have indicated they were content with the financial framework. While matters relating to the financing of TTLP were reserved to the Finance Committee, this Committee would be kept informed through papers and through the cross-over of Members on both Committees.

The Committee discussed and noted the need to balance the primary but competing objectives of meeting the Mayor's housing policies to build 20,000 homes in 10 years, while meeting his affordable housing targets, against the need to generate income to support TfL's financial sustainability. A deep dive was underway on the practicality of meeting the first 10,000 homes, particularly given the challenging market due to economic conditions. The Committee would receive more information on large development sites that were key to hitting early targets and would also be invited to site visits.

TTLP would focus on delivering against its Business Plan and take a very prudent approach to borrowing. Following advice, the proportion of its balance sheet that would be developing at any one time had been reduced from 33 per cent to 25 per cent. As each development moved to a set level of maturity and income generation, the next would begin. TTLP was looking at its disposal programme and investment in existing assets. TTLP's cash balance was also not included in TfL's cash forecasts.

Members discussed how the size and scale of TTLP's programme, in tandem with the wider GLA Group and other public sector bodies, was expected to help address systemic issues with the property development industry, such as the cyclical nature of development and lack of investment in off-site manufacturing.

A robust and transparent reporting mechanism was being developed to ensure that the Committee was kept up to date with progress against the Business Plan. Site visits to some of the larger development sites would be included on the forward plan.

**The Committee noted the paper.**



## **06/06/22 Investment Strategy and Business Plan**

Graeme Craig introduced the item on TTLP Investment Strategy and associated Business Plan. These reflected the experience of the lead transport authorities in the world and sought to bring operational as well as financial benefits where possible. Together they provided 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 optimised returns and managed risk across the investment programme.

The Investment Strategy for TTLP is the first consolidated Investment Strategy created in relation to the TTLP portfolio and would be reviewed annually to reflect its evolution over time. The Investment Strategy and Business Plan underpinned the positive engagement with lenders and, as well as supporting an annual 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. Members asked that the plan be explicit on its definition of affordable housing.

The Committee noted the asset mix and how TTLP activity could also support the transport network (for example through step-free access). One change had been made to the investment strategy measures where the equity metric for the maximum amount of TTLP's gross asset value to be invested as equity in development projects had been reduced from no more than 33 per cent to no more than 25 per cent.

The Committee supported the ambitions in the plan and strong controls. Members were keen that the long-term Investment Strategy be kept under review and a debt ceiling considered. A balanced scorecard was being developed so that the Committee could monitor progress against all objectives and an Environmental, Social and Governance framework. The metrics would be refined and submitted to the Committee for review.

**The Committee noted the paper.**

## **07/06/22 Purpose and Branding**

Graeme Craig introduced the item and summarised the work undertaken on the Purpose and Operating Principles of TTLP. The work on branding was at a much earlier stage. The aim was to build on the relationship with TfL, while recognising that TTLP, as a commercial property company with its own objectives, needed its own strategies and culture, albeit aligned with TfL's Vision and Values.

Members supported the ambition, particularly around environmental and sustainability leadership. It was recognised that this was a challenge and would require investment in and retro-fitting to TfL's existing estate as well as progress that could be implemented from the start with new development. It was agreed that TfL's heritage in relation to architecture and design and the impact this had on place making would be reflected in the purpose and branding.

The Committee would have a future deep dive briefing on the Purpose and Branding and an update on progress. This would be included in the forward plan.

**The Committee noted the paper.**

## **08/06/22 People Plan**

Graeme Craig and Paul Hymers introduced the item, which set out the work undertaken on a strategic People Plan for TTLP as it moved from a department of TfL to be a commercial property vehicle.

The People Plan work would begin with a review of the leadership team and subsequently encompass all elements of the TTLP's strategies, policies and culture in relation to its people.

Members fully supported the plan to create a diverse and inclusive team and the desire to utilise and retain talent across the Greater London Authority (GLA) Group. TTLP offered an opportunity to encourage a rounded career path and to develop leadership talent. While TTLP would need to benchmark against the industry, it would not be able to compete on remuneration. The 'Review of GLA Group Housing Delivery' report by Lord Kerslake had recommended that steps be taken to reduce fragmentation across the GLA Group and so the People Plan would be mindful of roles and salaries, as well as improved collaboration on induction, training and expertise sharing. It was expected that TTLP's ambition and social objectives would provide a compelling package to attract and retain talent.

The Committee would have a future deep dive briefing on the People Plan and an update on progress. This would be included in the forward plan.

**The Committee noted the paper.**

## **09/06/22 Members' Suggestions for Future Discussion Items**

Howard Carter introduced the item. The Committee would establish a programme of deep-dive briefings and site visits, particularly to some of the larger sites, to enhance its knowledge, in addition to quarterly meetings.

Future papers would include updates on Purpose and Branding and the People Plan, as discussed above and discussions on the refinancing strategy and how success was monitored and evaluated.

**The Committee noted the proposals for a forward plan of business items and for informal briefings.**

## **10/06/22 Any Other Business the Chair Considers Urgent**

Members welcomed the progress of the first meeting and the contributions from Members, the observer and staff.

There was no urgent business.

### **11/06/22 Date of Next Meeting**

The next scheduled meeting of the Committee would be set shortly and it would then meet quarterly. [Post meeting note: the date was subsequently set for 18 October 2022 at 11.00am]

The meeting closed at 1.05pm.

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

[page left intentionally blank]

## Land and Property Committee



**Date:** 18 October 2022

**Item:** Matters Arising, Actions List and Use of Delegated Authority

---

### This paper will be considered in public

#### 1 Summary

- 1.1 The use of delegated authority is a standing item on the agenda to inform the Committee of any use of delegated authority by the Committee, through Chair's Action or of Procurement or Land Authority (in respect of matters within the Committee's remit) granted by the Commissioner and the Chief Finance Officer in accordance with delegated authorities under TfL's Standing Orders since the last meeting of the Committee. The paper also provides information on Mayoral Directions to TfL within the Committee's remit. The paper also reports on progress against actions from previous meetings.
- 1.2 Since the meeting of the Committee on 30 June 2022, there have been: no uses of Chair's Action, nor uses of Procurement Authority by the Commissioner or the Chief Finance Officer; and no Mayoral Directions to TfL within the remit of the Committee.
- 1.3 Land Authority was exercised by the Chief Finance Officer in relation to the disposal of land at Aldgate High Street.
- 1.4 Similar papers are submitted to the Finance Committee and the Programmes and Investment Committee in respect of any use of Chair's Action or Procurement Authority, Programme and Project Authority and Land Authority granted by the Commissioner and the Chief Finance Officer in respect of matters within the remit of those Committees, together with relevant Mayoral Directions.
- 1.5 The only actions from the inaugural meeting of the Committee on 30 June 2022 related to setting up briefings and agreement to future agenda items. These are addressed in the forward plan elsewhere on the agenda.

#### 2 Recommendation

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

#### 3 Use of Authority Delegated by the Board

- 3.1 There has been no use of authority delegated by the Board since the last meeting.

## **4 Use of Chair's Action**

- 4.1 Under Standing Order 113, in situations of urgency, the Board delegates to each of the Chair and the Chairs of any Committee or Panel the exercise of any functions of TfL on its behalf, including the appointment of Members to Committees and Panels. Any use of Chair's Action is reported to the next ordinary meeting.
- 4.2 There have been no uses of Chair's Action since the last meeting.

## **5 Procurement and Land Authority Approvals**

- 5.1 Procurement Authority is the authority to make a binding or contractual commitment with a supplier for the purchase of goods, services, land or works or to receive income arising from TfL Group activities in the areas of goods, services, land or works.
- 5.2 Land Authority is the authority to engage in a Land Transaction or to dispose of any assets.
- 5.3 The Board had delegated to the Committee approval of unlimited Financial Authority, Procurement Authority and Land Authority in relation to Transactions and Commercial Development opportunities. The approvals delegated to the Commissioner and the Chief Finance Officer are set out in the Table of Authorities in Standing Order 170.
- 5.4 Since the last meeting, there has been no use of delegated authority to approve Procurement Authority nor Land Authority by the Commissioner. The Chief Finance Officer has approved Land Authority for Aldgate High Street – disposal.

## **6 Mayoral Directions to TfL**

- 6.1 The Greater London Authority (GLA) Act 1999 (as amended), permits the Mayor to issue to TfL general directions as to the manner in which TfL is to exercise its functions or specific directions as to the exercise of its functions (or not to exercise a power specified in the direction). Directions are also often made in relation to the implementation of matters in respect of which the Mayor delegates statutory powers to TfL.
- 6.2 The Mayor makes Mayoral Directions through Mayoral Decisions. Papers for Mayoral Directions set out the financial and other implications. If those implications change over time, that will be reported to the GLA.
- 6.3 All Mayoral Decisions are issued in writing, with the information that is not exempt from publication included on the GLA's Decisions Database on its website: <https://www.london.gov.uk/about-us/governance-and-spending/good-governance/decisions?order=DESC>.

- 6.4 Mayoral Directions fall into three broad categories: those addressing technical issues relating to statutory powers; those related to commercial development activities; and those related to projects and programmes. Mayoral Directions relating to TfL are reported to the Board's Committees for discussion as soon as possible after they are received by TfL or published. Regular reports will list the relevant Directions for as long as they are applicable.
- 6.5 Annually the Audit and Assurance Committee considers the list as part of its consideration of the annual audit plan to ensure that appropriate audit resource is applied to assurance on TfL's work in implementing Mayoral Directions. This will also be kept under review at each quarterly meeting of that Committee.
- 6.6 A summary of current Mayoral Directions to TfL is maintained on the "How we are governed" page on our website, with links to the relevant Mayoral Decisions: <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-governed>. That page will be updated as and when further Directions are made.
- 6.7 Mayoral Directions to TfL addressing technical issues with our statutory powers are reported to this Committee.
- 6.8 There have been no Directions issued to TfL within the remit of the Committee since the last meeting.

**List of appendices to this report:**

None.

**List of Background Papers:**

Minutes from the previous meeting of the Committee.  
Greater London Authority Decision Making Database.

Contact Officer: Howard Carter, General Counsel  
Email: [HowardCarter@tfl.gov.uk](mailto:HowardCarter@tfl.gov.uk)

[page left intentionally blank]



## Land and Property Committee



**Date:** 18 October 2022

**Item:** TTL Properties Limited Half-Year Performance

### This paper will be considered in public

## 1 Summary

1.1 This paper summarises the financial and operational performance of TTL Properties Limited (TTLP) in the first half of 2022/23. It should be considered in conjunction with the paper on Investment, Business and Corporate Planning 2023/24, elsewhere on the agenda, which sets out the strategic activity TTLP is undertaking over the next six months to be ready for the financial year 2023/24.

## 2 Recommendation

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

## 3 Market Context

3.1 The economic outlook in the first half of 2022/23 has been increasingly challenging. For most of this year, the real estate market has remained resilient, however rising interest rates and inflationary pressures feeding through to a cost-of-living crisis are worsening the short-term outlook.

3.2 Property forecasts from Property Market Analysis LLP (PMA), a leading independent real estate research consultancy, indicate capital values falling substantially over the next three years as yields move out, with income driving positive total returns before values rise from 2025. London is forecast to perform more strongly than the rest of UK, with the residential sector expected to out-perform commercial property.

3.3 House prices are expected to fall over the next two years before recovering. Significant pricing pressures are being experienced in the residential lettings market, particularly in central London (see the tables below).

**Table 1 – House Price Projections (Source: Knight Frank)**

	2022	2023	2024	2025	2026	5-Year Change
UK	6%	(5%)	(5%)	2%	4%	1.5%
Greater London	3%	(6%)	(4%)	3%	5%	0.5%
Prime Central London	3.5%	(3%)	0%	3%	4%	7.5%
Prime Outer London	5%	(4%)	0%	2.5%	2.5%	5.9%

**Table 2 – Rent Level Projections (Source: Knight Frank)**

	2022	2023	2024	2025	2026	5-Year Change
UK	5%	4%	4%	3%	3%	20.5%
Greater London	7%	5%	3%	3%	3%	22.8%
Prime Central London	15%	6%	3.5%	3%	3%	33.9%
Prime Outer London	12%	6%	3.5%	3%	3%	30.4%

- 3.4 Despite the volatility being witnessed in the financial and capital markets, London’s office leasing markets continue to be relatively stable. Active demand for office space has increased, vacancy levels have fallen, and pre-letting remains healthy on new office space, demonstrating occupiers’ continued willingness to commit to the best located and most sustainable offices.
- 3.5 Retail is showing increasing signs of slowing demand, especially given the pressure on household budgets. For businesses, the impact of the cost-of-living crisis is twofold: a reduction in footfall and customer spend, and a higher cost of operating due to rising fuel, electricity and commodity prices.
- 3.6 There are continued shortages of labour and rising materials and construction costs as well as cost of funds. TTLP is closely monitoring the potential impact on its development programme given the intention to start construction on over 2,700 homes in the next six months (see paragraph 7.3 below).

## **4 Financial Performance**

### **Operating Profit and Margin**

- 4.1 The Investment Strategy and Business Plan paper, shared with the Committee at its meeting on 30 June 2022, set out the following Sustainable Net Income targets for TTLP: increase gross annual operating income from £69m in 2021/22 to £187m in 2030/31; and achieve a market-competitive operating margin.
- 4.2 Year-to-date net income is £9.9m, £3.0m (43 per cent) higher than budget and £3.1m (46 per cent) higher than the same period last year. The net income is driven by income of £37.6m exceeding budget by £1.5m (4 per cent) and costs of £27.6m being below budget by £1.5m (5 per cent) – see Table 3 below.

**Table 3 – TTLP Net Income**

	Mid-Year			Full-Year	
	Actual (£m)	Budget (£m)	Variance (£m)	Q1 Forecast (£m)	Budget (£m)
Total Income	37.6	36.0	1.5	98.1	95.5
Total Costs	(27.6)	(29.1)	1.5	(66.4)	(67.4)
Net Income	9.9	6.9	3.0	31.6	28.1
Operating Margin	26%	19%		32%	29%

- 4.3 TTLP's operating margin stands at 26 per cent against a mid-year budget of 19 per cent. While progress has been made, the improvement in operating margin will need to be maintained with TTLP targeting a 50 per cent operating margin by 2025/26. The plan to address property income and operating margin is outlined in the Investment, Business and Corporate Planning 2023/24 paper elsewhere on the agenda.

### Income

- 4.4 Year-to-date income is higher than budget by £1.5m. This is driven by increased income from both car parking and the arches estate. Car parking utilisation has increased as people have returned to work following the pandemic. The arches portfolio has benefited from an integrated and focused approach on lettings, rent reviews and lease renewals – and a similar model will now be rolled out to other sectors. Retail has performed less well in difficult trading conditions.
- 4.5 Reducing voids is key to driving income further in the short term. TTLP has a void rate of 9.4 per cent against a market level of 9.7 per cent as measured by the MSCI<sup>1</sup>. One key focus is empty units which are classified as 'project voids,' i.e. those needing major works to bring them back into usage. The budget did not adequately reflect the time taken to mobilise these projects (see 6.16 below). With additional resource and targeted procurement support, TTLP will accelerate its work in this area. Similarly, TTLP has properties that are under offer and the new TTLP Asset Management function will be working to improve the speed at which these move into contract.
- 4.6 While it is expected that income will hit the budget for the year, there is further opportunity for growth even over the short term.

### Costs

- 4.7 Year to date costs are below budget by £1.5m. Utilities, maintenance and rates costs from void properties are above budget by £1.2m. Utilities costs reflect the volatility in the market for energy; maintenance is impacted by the long-term

<sup>1</sup> MSCI Inc. is a leading global provider of tools and services for the global investment community, including real estate indexes.

under-investment in the estate driving reactive maintenance, which is harder to control and predict, and voids are a key contributor to rates costs recovery and, as noted above, a key management focus. These costs have been offset by lower than anticipated professional and management fees. Furthermore, some Property Development feasibility and TTLP programme costs have been rephased into next year.

- 4.8 The bad debt charge is £1.5m against a budget of £2.2m, due to improved collection performance. The overall bad debt provision is currently £18.8m. TTLP is applying a very prudent assumption of 100 per cent of overdue rents. This will be reviewed in the next business plan and budget.
- 4.9 Work is underway to get a much more granular view of costs, including being able to allocate cost by sector (e.g. retail) and by unit. The Investment, Business and Corporate Planning 2023/24 paper elsewhere on the agenda sets out key areas of focus to strategically review TTLP's cost base.

## 5 Capital

- 5.1 During the first half of this year, capital expenditure of (£18.5m) has been incurred on projects against a budget of (£71.5m). Capital income was £3.6m against a budget of £55.8m. The overall net capital position is (£14.8m) versus a budget of (£15.7m) – see Table 4 below.

**Table 4 – TTLP Net Capital**

	Actual (£m)	Budget (£m)	Variance (£m)	Q1 Forecast (£m)	Budget (£m)
Development Receipts	0.1	44.0	(43.9)	75.5	65.2
Disposals Receipts	3.5	11.8	(8.3)	31.5	39.2
<b>Total Capital Income</b>	<b>3.6</b>	<b>55.8</b>	<b>(52.2)</b>	<b>107.0</b>	<b>104.4</b>
Asset Management	(4.3)	(21.4)	17.1	(33.9)	(53.9)
Property Development	(13.8)	(49.1)	35.3	(101.0)	(99.7)
TTLP Corporate	(0.4)	(1.0)	0.7	(1.0)	(2.2)
<b>Total Capital Expenditure</b>	<b>(18.5)</b>	<b>(71.5)</b>	<b>53.1</b>	<b>(136.0)</b>	<b>(155.9)</b>
<b>Net Capital</b>	<b>(14.8)</b>	<b>(15.7)</b>	<b>0.9</b>	<b>(28.9)</b>	<b>(51.5)</b>

- 5.2 The main variance is due to movement in the timing of the Build to Rent sites at Montford Place, Nine Elms and Southall, all delayed by market factors but still expected to be delivered during the remainder of 2022/23 (see paragraph 7.6 below). It was anticipated that land receipts of £43.7m would have been achieved on these schemes, along with a corresponding £26.2m reinvestment as equity into Connected Living London (CLL), TTLP's Build to Rent joint venture with Grainger.
- 5.3 In addition, significant underspends occurred in Asset Management with delays in a number of projects including at Whitechapel and Liverpool Street (see Projects below).
- 5.4 Some reductions in capital expenditure were also experienced in In-Station Retail (ISR) as the ISR capital programme was reprioritised to support the letting of existing units rather than the development of new units, given wider challenges in the retail sector.
- 5.5 An improvement in the ability of TTLP to drive forward capital delivery is now a critical workstream for TTLP, and this is discussed below. Delays to projects have a direct impact on the income growth outlined in TTLP's Business Plan.
- 5.6 There was a shortfall on other capital receipts of £8.3m relating to disposals of land. Contracts have been exchanged with completion subject to planning consents being achieved – and these are still awaited from the relevant Local Planning Authorities. TTLP is forecasting disposal receipts of £39.2m by year end, and these are an important part of the funding of TTLP's investment plan.

### **Valuation Movement and Asset Transfers**

- 5.7 TTLP's gross asset value stands at £1.86bn, up from £1.76bn in March 2022. The growth has been achieved through the transfer of £95.7m of assets into the balance sheet since the year end, largely comprising Hackney Arches assets and the Wembley Park development site. By year end it is forecast that a further £80m of income-producing assets and £145m of development assets will be transferred from TfL into TTLP.
- 5.8 There is a clear expectation that year-end valuations will fall on a like-for-like basis as yields move out due to cost of debt and inflation. This will however have no material bearing on the long-term performance of TTLP, given the prudent assumptions and strong capital discipline targets maintained in TTLP's financing.

## **6 Operational Performance**

- 6.1 Alongside TTLP adopting a new organisational structure based on the TfL Value Chain, there is a plan to move to an operating model where asset classes or 'sectors' – such as retail, arches or commercial office – are effectively operated as businesses in their own right.
- 6.2 The profit and loss of each sector will be independently monitored, and each sector's results will be directly comparable with the external market. Critically each sector will have access to the resources and systems it requires to deliver

the targets in the TTLP Investment and Environmental, Social, and Governance (ESG) Strategies. This follows a successful pilot on the Arches estate, where the team has been increasingly integrated and operating as a single function under unified management.

### **Health and Safety**

- 6.3 Improving the monitoring of health and safety was an early priority of TTLP. In April 2022, a new compliance function was created. Since then, there have been 1,158 completed safety visits (72 per cent of the portfolio). The team has issued 20 severe non-compliance warning notices to tenants where there was evidence of imminent risk to life or the potential to cause serious harm to persons or requiring the closure of the station and / or unit.
- 6.4 Tenants have generally responded promptly to the notices raised. In two cases however the concerns were sufficiently serious and the responses wholly inadequate – and these tenancies at will are being terminated as a matter of last resort.
- 6.5 It is becoming evident that a proportion of the tenants have limited knowledge of their statutory responsibilities and / or hold only limited statutory compliance documents. There is a clear requirement to educate tenants on their responsibilities and to ensure they have all the information they need provided to them in an easy and understandable format. TTLP is also reviewing which elements of health and safety practice are best undertaken by TTLP rather than tenants, given TTLP's additional resources and experience.

### **Sectors – Arches**

- 6.6 Over the last six months the Arches operating margin and net operating income have improved as a result of active asset management. The Arches team is now targeting to exceed its budgeted income by £2m (22 per cent).
- 6.7 The team has been concentrating on the recovery of arrears of 90+ days debt, on time completion of rent reviews, completion of both legacy and due lease renewals prior to lease expiry date, and development schemes (including ensuring revenue is received up to the point of construction for sites that will be undergoing capital investment).

### **Sectors – Retail**

- 6.8 In the year to date, there have been 16 new retailer openings on the estate. However, there has been a softening of the market in new deals being agreed due to the prevailing market conditions. Collection rates across retail continue to improve; though there are localised areas that require additional support where improvement has been less marked.
- 6.9 There are currently three different teams undertaking retail work in Asset Management. Over the last six months the three retail teams have been coming together into a single unified retail team. Recruitment is underway to ensure the team is the right size for the scale of work needed to deliver capacity going forward.

## **Sectors – Car Parks**

- 6.10 A competitive tender process has now concluded with two new partners appointed to operate and manage TTLP's car park portfolio. Saba Parking will be responsible for the management and maintenance of the estate, while PayByPhone will provide a new digital cashless payment platform. This new contract, which goes live in January 2023, will provide lower operating costs, improved customer experience, and grow both parking and non-parking revenue.

## **Projects**

- 6.11 Significant projects are underway at Victoria, Liverpool Street, Whitechapel and Baker Street.
- 6.12 At Victoria, works to the arcade have been completed and these works secured a heritage award following the refurbishment of the listed structure. Five of the six units in the arcade are currently under offer to new occupiers for lease. The buildings at the east of the estate, previously impacted by the London Underground Victoria Station Upgrade, are now in delivery with terms agreed for a pre-let to Flat Iron restaurant on the main site. The remaining workstreams are at feasibility stage and include the upgrade of Victoria Street retail parade and an office refurbishment programme.
- 6.13 At Liverpool Street, the works include the refurbishment of the retail arcade along with an exterior maintenance and upgrade programme. A pre-let of the entire arcade to Boxpark has been secured on a base annual rent of £0.9m. Following a delay due to price re-negotiation, a contractor has been procured and the project will start on site in November 2022, with completion of the arcade works and lease commencement to Boxpark in June 2023.
- 6.14 At Whitechapel, activity includes critical health and safety works, external structural repairs and the refurbishment of the shopfronts and interiors. Working with the London Borough of Tower Hamlets, the project supports the regeneration of the High Street. It will bring empty units back into commercial use and provide space for new occupiers. The contract for works has been delayed but is now in the tender stage with appointment due in November 2022. The start on site is due in February 2023.
- 6.15 At Baker Street, significant structural issues have been identified due to water ingress impacting on the supporting steelwork that will need repair to maintain the long-term health and safety of the buildings. These works will require the phased closure of the shops that are part of the station along Baker Street over a 12-month period. A contractor has been appointed and start on site is due shortly once approvals for closure of the adjacent bus route have been formalised. The works will also include the refurbishment and upgrade of vacant units, with new shop fronts consistent with the heritage design approved by Westminster City Council. A second phase of the project to upgrade and install new shop fronts along Station Approach is currently subject to costing.

6.16 Additional resource and a more efficient approach to procurement is needed to accelerate TTLP's work in this area. There are seven posts currently being recruited which will increase TTLP's capacity to drive these projects forward. Also, joint activity is underway with TfL's Procurement and Commercial team to design and deliver a more efficient approach to procurement that will see projects mobilised more quickly while retaining all the controls and protections currently enjoyed across TfL's procurement activity.

## 7 Property Development

### Homes

7.1 TTLP's ambitious housing programme continues to progress. Construction is almost complete on 350 homes at Blackhorse View. Good progress is also being made on TTLP's site of 619 homes at Kidbrooke and on 46 affordable homes at Fenwick, whilst the car park at Wembley Park closed on 4 September 2022, ahead of the main construction work for 454 homes on that site.

7.2 TTLP continues to evaluate and prioritise the investment programme to deliver the target of 20,000 homes. The programme currently includes:

- (a) 2,034 homes on 12 projects already completed or started on site, including those listed above;
- (b) 2,738 homes on 12 projects (including two small sites) due to start during the remainder of 2022/23;
- (c) 11,713 homes on 33 projects (including 17 small sites) in delivery with partners contracted, identified and / or planning significantly progressed; and
- (d) 7,000 homes on 19 projects in feasibility with work underway to progress design, strategic planning, policy, land assembly or operational interface.

7.3 The full list of the 12 sites planned to start this financial year is set out below.

Scheme	Partner	Homes	Affordable
Bollo Lane	TBC – being procured	852	50%
Nine Elms	Grainger	479	40%
Southall	Grainger	460	40%
Hounslow West	A2Dominion	360	100%
Barking London Road	Be First	196	36%
Arnos Grove	Grainger	162	40%
Montford Place	Grainger	139	40%



The Liberty	U+I	36	50%
Southwark Over Station	Southwark Council	21	100%
Brentmead Place	Metro Properties	2	0%
Upper Richmond Road	London Realty	4	0%
Hornchurch	Caerus	27	11
Total		2,738	51%

- 7.4 The procurement for a partner to deliver Bollo Lane is well underway with TTLP aiming to announce the preferred party in January 2023.
- 7.5 Key programme risks are rising interest rates and gilt yields, and the impact of the falling pound on imports of construction materials which are affecting the wider industry, and which may present viability challenges on some of the schemes. TTLP is working through what this means for its projects with partners and the GLA.
- 7.6 While there were delays as projects were reviewed, CLL remains committed to delivering all the projects in the current business plan. Tenders have been received for enabling works at Southall, Montford Place, Nine Elms and Arnos Grove. A preferred main contractor for Nine Elms has been identified and progress is being made with the Stage 3 design works. Even with market pressures, these projects still meet the required commercial returns.
- 7.7 TTLP is also dealing with project-specific risks, in particular the capacity issues with the electricity grid in west London. This could potentially delay several schemes, including 460 homes at Southall and 360 homes at Hounslow West. TTLP is working closely with its partners Grainger and A2Dominion to mitigate the grid capacity issues including examining the feasibility of a temporary supply that could still allow construction to start this financial year.
- 7.8 Key to TTLP achieving its 20,000-homes target will be progress on its major sites, including Earls Court and Edgware.
- 7.9 At Earls Court, good progress is being made on the sale of the land occupied by the adjoining Lillie Bridge Depot (LBD) to Earls Court Partnership Limited (ECPL), TTLP's joint venture with Delancey and APG, the Dutch pension fund. The terms for the sale were approved by the Finance Committee on 23 June 2021, with the authority to enter the contracts delegated to the TfL Chief Finance Officer.
- 7.10 The proposed agreement with ECPL provides a mechanism whereby the cost of releasing LBD for development is funded from land value. The arrangements to plan for and bring LBD into the wider Earls Court site do not require any expenditure by TfL. Furthermore, the relocation of activities and assets away

from LBD provides the opportunity for substantial investment in a re-planned and more efficient operational footprint.

- 7.11 Alongside the LBD agreement, ECPL will acquire land from Delancey and APG. Together, these transactions provide a means to consolidate land ownership in the Earls Court area under ECPL to create a strategic mixed-use development opportunity of over 40 acres located between three stations at Earls Court, West Brompton and West Kensington.
- 7.12 At Edgware, TTLP announced its partnership with Ballymore on 1 September, marking the culmination of months of detailed work between the organisations. The 7.5-acre Broadwalk Shopping Centre was acquired by Ballymore in 2020. By combining this with TfL's neighbouring land, including the bus station and bus garages, it is possible to unlock a major regeneration scheme that would revitalise Edgware town centre. As well as delivering thousands of high-quality new homes and improved retail space, the programme would provide improved transport facilities, public realm, and community and leisure amenities.

### **Commercial Office**

- 7.13 As well as delivering housing, the TTLP Property Development team has several significant commercial office projects. TTLP is well underway in a search for a joint venture partner to deliver our commercial office development and investment portfolio.
- 7.14 Initial bids have been received from prospective partners for the commercial office portfolio. These bids demonstrate a strong response from market-leading organisations. This leaves TTLP in a strong position to deliver the planned development programme, although market movements and commercial return rates will be regularly monitored. Subject to approval in due course from the Committee, TTLP expects to announce the joint venture partner early in 2023.
- 7.15 The initial seed sites for the commercial office joint venture are Bank, Paddington and Southwark over station developments, with a combined gross asset value of around £1bn. TTLP would have the option of adding further assets into the joint venture.
- 7.16 The joint venture will create high-quality, long-term investments generating annual income to TTLP from each of the three seed assets. In addition, these assets will help diversify the TTLP portfolio by creating high-quality, new-build office space at central London locations.
- 7.17 ESG performance will be a key design consideration. TTLP will ensure each asset is embedded with leading sustainability and wellbeing credentials, thereby helping attract a strong tenant base and positioning the portfolio in the top tier of central London office market investments.

## **8 Conclusion**

- 8.1 The uncertain economic outlook provides challenges for TTLP and its tenants, many of whom are only now recovering from the pandemic. Despite these headwinds, TTLP's increasingly diverse asset base helps protect revenue at the

business level. The long-term approach of investment and steady asset growth also creates a more resilient business that can better withstand short-term economic downturn.

- 8.2 The papers shared with the Committee on 30 June 2022 set out that TTLP's capital commitments will be taken forward cautiously – reflecting the public ownership of the assets and the self-funding nature of TTLP – and to ensure resilience and liquidity through economic cycles. It was also stated that 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. Nothing that has happened since is challenging those principles. While we will continue to review market conditions, in bringing forward medium-density, high-amenity, high-accessibility, low-carbon places that support vibrant life and commerce, we are confident that we will remain well placed to meet TTLP's long-term targets.
- 8.3 In the shorter-term, results from the first six months of this year show both income, costs and operating margin performing better than budget. In addition, the best performing sector, Arches, is the one that has recently piloted an integrated operating model that will now be rolled out to other sectors.
- 8.4 More, however, needs to be done to drive forward capital project delivery to unlock future revenue growth, and this will include investment in resource and a new, more efficient approach to procurement.
- 8.5 Housing delivery remains challenging in the current market, though TTLP is now starting to operate at or above the pace required to deliver 20,000 homes over the next ten years. The housing programme along with commercial office developments and investment in the existing estate will transform not only TTLP's finances but the city itself in the years ahead.

**List of appendices to this report:**

None

**List of Background Papers:**

None

Contact Officer: Graeme Craig, Director & Chief Executive, TTLP  
Email: [graemecraig@tfl.gov.uk](mailto:graemecraig@tfl.gov.uk)

[page left intentionally blank]

## Land and Property Committee



**Date:** 18 October 2022

**Item:** Investment, Business and Corporate Planning 2023/24

---

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

#### **1 Summary**

1.1 This paper outlines the strategic activity TTL Properties (TTLP) is undertaking over the next six months in preparation for financial year 2023/24. This activity builds on the current TTLP Investment Strategy and Business Plan, as set out in the Committee paper of 30 June 2022, and reflects also TTLP's half-year performance and the wider market conditions.

#### **2 Recommendation**

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

#### **3 Corporate Strategy**

3.1 Significant work has been undertaken on the development of the TTLP Purpose, which has included the creation of a vision statement and nine operating principles. This work was consciously aligned with TfL's Vision and Values. By April 2023, this work will be extended through the creation of a new document that will outline:

- (a) TTLP's purpose and vision;
- (b) TTLP's corporate objectives; and
- (c) measurement criteria for achievement of the objectives.

3.2 This document will be developed jointly with the Committee and will be supported by the TTLP Investment Strategy, the TTLP Environmental, Social, and Governance (ESG) Strategy and the TTLP Business Plan. Together, these will set out how TTLP will deliver its Corporate Strategy.

#### **4 Investment Strategy**

4.1 The Investment Strategy is a framework for investment decisions that allows the organisation to deliver on its objectives in a way that maximises returns and mitigates risk across the estate. The strategy sets two primary objectives:

- (a) generate sustainable and growing net income; and
- (b) deliver new homes and communities.

- 4.2 The 2022/23 TTLP Investment Strategy was the first such consolidated strategy created for Tfl's commercial property portfolio. It provides a clear long-term direction, though requires an annual review to ensure it stays relevant. The strategy sets out objectives for the portfolio and project delivery including commercial performance metrics.
- 4.3 The Investment Strategy will be reviewed and updated for 2023/24. The review of the strategy will build on previous work and continue the long-term direction and aspiration of the business. The Investment Strategy will be supplemented by relevant other strategies. This work will be carried out over the coming months and focus on:
- (a) ESG Strategy – the existing Investment Strategy sets out a series of commitments that support TTLP's ESG aspirations. Work is underway to build on this with a consolidated TTLP ESG Strategy that will provide more detail to supplement the Investment Strategy and include supporting objectives. This workstream is critical to the resilience, future proofing and growth of TTLP. Further information is provided below;
  - (b) Commercial Performance Metrics Review – as set out in the TTLP Half-Year Performance paper, inflationary pressures and rises in the cost of debt are leading to changes in investor appetite and return targets. The Commercial Performance Metrics Review will consider the appropriateness of the commercial performance metrics (by sector and / or by project) set out in the existing strategy;
  - (c) Capital Allocation and Expenditure – as noted in the TTLP Half-Year Performance paper, there has been an underspend in capital across the programme over this half year. This is in part due to market forces but also TTLP's ability to mobilise capital at the pace required. Further detail is provided later in this paper; and
  - (d) New Market Sectors – two additional sectors offering investment scope and strong synergies with the business have been identified:
    - (i) Industrial and Logistics – this sector has seen significant value growth in recent years as a result of growing ecommerce and a move to a stronger delivery culture, combined with a loss of industrial land in the capital. TTLP has significant, though disparate, industrial landholdings, with further opportunities across the estate. A defined strategy for this sector would create strong investment opportunities and help support businesses and job creation across the capital; and
    - (ii) Electric Vehicle (EV) Charging – TTLP has an opportunity to position itself within the emerging EV charging market. This is driven by several strategic advantages, most notably as a landowner in high charging value locations. Investment in green energy infrastructure will also support TTLP's ESG Strategy. TTLP's EV Charging team is currently working up a commercial proposal to take to market. This will be further developed over the next six months.

## 5 ESG Strategy

- 5.1 Over the next six months, TTLP will develop its first consolidated TTLP ESG Strategy, enhancing the alignment between TTLP's purpose and operating principles with the Investment Strategy. It is recognised that a robust and credible ESG Strategy will be key to the financial sustainability of TTLP's portfolio, including any future refinancing exercise. The ESG Strategy will also demonstrate the significant potential of TTLP's business to deliver environmental and social benefits to London.
- 5.2 The ESG Strategy will build upon existing sustainability activities and success, especially the Sustainable Development Framework (SDF). The SDF is a bespoke framework that was developed in Commercial Development to monitor and drive sustainability performance across TTLP's development portfolio. The rigour of the performance-focused methodology established by the SDF will be used to inform the approach for measuring and improving the impact of TTLP's existing estate, which will be a key priority of the ESG Strategy. Adopting and enhancing a customer-led approach will also be crucial.
- 5.3 As with the Investment Strategy, the ESG Strategy will be underpinned by the two elements of the TTLP Purpose: creating thriving places and generating sustainable income. The first step has been the establishment of a core TTLP ESG team, which brings together expertise from across property development and the existing estate and elevates ESG to a central strategic function running across the business.
- 5.4 Work will be carried out over the coming months to compile the ESG Strategy. It will focus on understanding and responding to the ESG market and regulatory opportunities and the risks to our property portfolio. The strategy will include short-term priorities, including:
- (a) environmental impact – baselining and forming a robust roadmap to drive activity across our existing estate to support our commitment to Net Zero Carbon by 2030. This work will be integral to the annual portfolio valuation. The rolling programme of undertaking Energy Performance Certificates (EPCs) across our existing assets will also be accelerated;
  - (b) social value – measuring TTLP's existing and potential social impact and instigating strategies to enhance this – will include TTLP's approach to both affordable housing and affordable workspace;
  - (c) customer experience – TTLP will continue to evolve its partnership-led approach, working closely with occupiers, and focused on unlocking local prosperity. TTLP will continue to build on and develop regular metrics to measure its customer-led approach – building on a pilot undertaken for the Arches portfolio. This will provide a comprehensive, end-to-end map of our customers' property interactions with TTLP; and
  - (d) unlocking value – enhancing TTLP's operating margin and contributing to local prosperity and place-making through prioritisation of filling vacant properties and a rolling refurbishment and compliance programme; and, where appropriate, utilising meanwhile strategies.

5.5 Work will also be undertaken on how TTLP measures ESG performance and impact, looking across the existing estate and future development pipeline, with metrics cascading from the corporate level to individual sectors and assets. This will ensure that TTLP can comply with existing and emerging governance requirements, commitments and expectations. This will build on TTLP's existing GRESB accreditation, which currently applies to property development only. TTLP will also consider the benefits of adopting other accreditation systems.

## **6 Business Plan Update**

6.1 The emerging Investment Strategy for 2023/24 will directly inform the Business Plan update for April 2023. The updated Business Plan will focus in detail on the short-term including known and committed projects, with a high-level update on the medium and long-term elements of the plan.

6.2 The focus of the Business Plan work will be:

- (a) a detailed short-term plan – this will be focused on known and committed projects and will prioritise the 'Focus' and 'Optimise' elements of the current Investment Strategy, with particular attention on compliance and essential activity;
- (b) sector-led Profit and Loss accounts (P&Ls) – producing sector-led P&Ls (combining to a TTLP-level P&L) will establish greater clarity on sector performance and help reinforce the Investment Strategy. It will also drive accountability into the business, empowering performance. As noted in the Half-Year Performance paper, TTLP has a challenge to significantly improve its operating margin by 2025/26. The ability to measure and drive P&Ls at sector level will help meet this target;
- (c) operating costs – a detailed review of TTLP's operating costs (by sector and ultimately by unit) will provide a greater understanding of true efficiency levels within the business and help improve the operating margin. This work will lead to an action plan to mitigate the cost base and feed through to the new TTLP operating model;
- (d) income and capital investment – as set out in the Half-Year Performance paper, there is a significant underspend on the capital account in the first six months of this year. Long-term income growth and the realisation of wider social and environmental benefits for London are dependent on capital investment in the portfolio. The next iteration of the Business Plan will set out the steps to improve the mobilisation of capital spend; and

6.3 A key next step will be the development of a design and implementation plan for TTLP's planning and performance cycle, to be delivered over the next 12 months. This plan will outline how TTLP will deliver its objectives at a corporate, portfolio and sector level. TTLP's new Strategy and Planning function will work closely with TfL and the Committee to develop and agree the optimal performance cycle for the organisation.

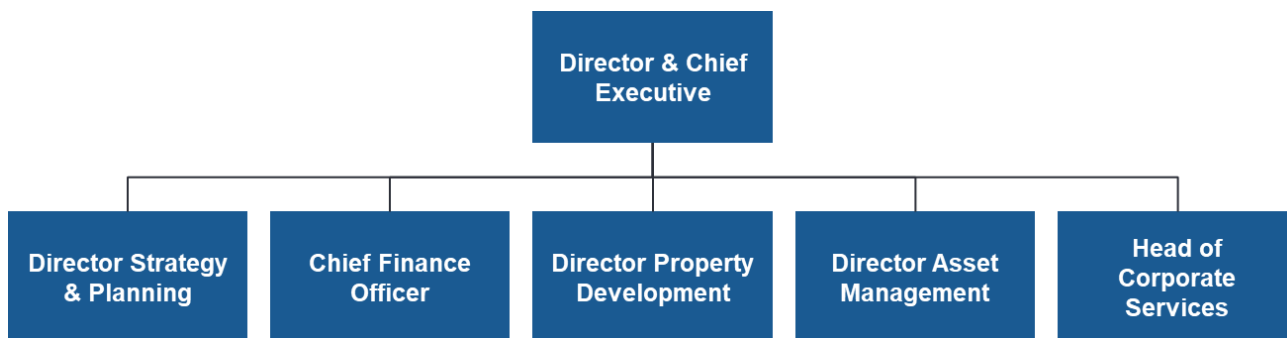


## **7 Digital**

- 7.1 Given the scale of TTLP's assets, effective use of digital is essential to both efficiently running the existing estate and enhancing the portfolio. TTLP is currently reviewing its digital and data capabilities with the overall goal of creating processes, systems and data that reflect a commercial property business rather than a department in an operational transport organisation.
- 7.2 'Digitally Connected' is one of TTLP's nine Operating Principles and is pivotal to achieving TTLP's Vision. TTLP Digital will deliver technology, data and innovation capabilities that maximise the value and return of TTLP's assets through enabling data-driven decision making and driving transformation across the organisation.
- 7.3 The Digital review will initially focus on:
- (a) setting up digital foundations by bringing in new skills and ways of working, including leveraging TfL's existing digital services; and
  - (b) supporting ongoing data improvement to enable the business to take data-informed decision.
- 7.4 Throughout the Digital workstream, the team will review the current systems, data and processes in order to transform to a robust digitally connected organisation. The goal is for TTLP to:
- (a) rely on a robust single source of data for decision making;
  - (b) provide great digital customer service;
  - (c) be digitally connecting individuals with businesses, homes and opportunities; and
  - (d) utilise technology that improves social mobility, drives economic performance and tackles environmental challenges.

## **8 People Plan and Operating Model**

- 8.1 People are the single most important element in the success of TTLP. By the end of 2022, TTLP will have set out the core principles of its new People Plan that establishes TTLP as an employer of choice, one that is capable of attracting, recruiting, rewarding and retaining a diverse, high-performing workforce that reflects the city it serves. The plan will draw on the views of TTLP's own people, gleaned through engagement this autumn, as well as benchmarking within the Greater London Authority Group and externally, where appropriate. The plan will be in place by April 2023.
- 8.2 As set out in the papers for the Committee on 30 June, TTLP is adopting a simple, flat structure that reflects both TfL's own value chain and commercial best practice (see diagram below).



8.3 Recruitment to the vacant Director posts has taken place. The next stage will be to establish a target operating model for TTLP that will support the delivery of the organisation’s objectives. This will be followed by the design and delivery of the detailed organisational structures within each of the teams.

8.4 Critical to the delivery of the Investment Strategy will be a fully resourced team. The 2023/24 Business Plan will therefore clearly set out the required resource at all levels in TTLP for the Committee’s endorsement.

## 9 Conclusion

9.1 It was only 12 months ago that TTLP created its first Investment Strategy to inform and drive individual investment decisions across the organisation. The value of the Investment Strategy is already clear. The next iteration will take on board the lessons from this year’s performance and be updated to reflect the current market conditions.

9.2 Crucially, an ESG Strategy will sit alongside the Investment Strategy to clearly set out the basis for all investment in TTLP. These strategies will be produced in conjunction with the Committee. The Business Plan that flows from these documents will also reference the need to invest in both digital infrastructure and people.

9.3 Together, these documents will set out how TTLP will deliver its Corporate Strategy and allow TTLP to move forward with rigour and confidence in realising the opportunities ahead.

### List of appendices to this report:

None

### List of Background Papers:

None

Contact Officer: Graeme Craig, Director & Chief Executive, TTLP  
 Email: [graemecraig@tfl.gov.uk](mailto:graemecraig@tfl.gov.uk)

## Land and Property Committee



Date: 18 October 2022

Item: TTL Properties Limited Assurance Update

---

### This paper will be considered in public

#### 1 Summary

- 1.1 This paper reports on progress with programme assurance activity across TTL Properties Limited (TTLP) during Quarter 2 of 2022/23 (26 June to 17 September 2022) (Q2).
- 1.2 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

#### 2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information in Part 2 of the agenda and approve the Integrated Audit and Assurance Schedule at Appendix 1.**

#### 3 Background

- 3.1 The TTLP Integrated Assurance Framework is based on a Three Lines of Defence model comprising:
  - (a) Line 1 – Management functions of TTLP and key interfaces;
  - (b) Line 2 – Project and Programme Assurance (PPA) and Quality, Safety and Security Assurance; and
  - (c) Line 3 – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-TTLP).
- 3.2 This paper reports specifically on Line 2 (PPA), Line 3 (Internal Audit) and Line 3 (IIPAG-TTLP) assurance progress. Priorities for Lines 2 and 3 assurance are set out in Appendix 1. This plan will be updated quarterly. Updates on development of TTLP Enterprise Risks will also be provided.

#### 4 Line 2 (PPA) Assurance

- 4.1 Briefings have taken place with the TTLP senior leadership team to identify key issues.

- 4.2 Continuous assurance will be undertaken for development projects which interface with the operational business.

## **5 Enterprise Risk Management**

- 5.1 A risk workshop has been held with seven Level 0 (L0) Enterprise Risks identified:
- (a) TTLP-L0-1 – Inability to deliver safety and legal obligations;
  - (b) TTLP-L0-2 – Attraction, retention, health, wellbeing and capability of our employees;
  - (c) TTLP-L0-3 – Financial sustainability;
  - (d) TTLP-L0-4 – Stakeholders and partnerships;
  - (e) TTLP-L0-5 – Environment including climate adaptation;
  - (f) TTLP-L0-6 – Inability to react to external market forces; and
  - (g) TTLP-L0-7 – Procurement including supply chain.
- 5.2 Further work will be undertaken to develop each of the risks identified at the workshop. The Committee will receive an update on each risk once a year.

## **6 Line 3 (Internal Audit) Assurance**

- 6.1 In Q2 we have one audit in progress and we have one audit due to start in Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023), these are detailed in Appendix 1.

### **Audit Delivery**

- 6.2 No audits were completed in Q2.

### **Management Actions**

- 6.3 The team will monitor the implementation of all Internal Audit management actions and confirm whether they have been adequately addressed. There are currently no overdue actions from previous audits.

## **7 Line 3 (IIPAG-TTLP) Assurance**

- 7.1 It is proposed that IIPAG-TTLP will focus on the key areas identified as part of the Integrated Audit and Assurance Schedule set out at Appendix 1 and support continuous assurance; the Committee's approval of that schedule of activity is, therefore, sought. Recruitment has been completed for the IIPAG sub-group with a start date of 3 October 2022.
- 7.2 A member of IIPAG has been involved in the leadership team briefings and new members of the TTLP sub-group will be briefed on key issues and participate in

the appropriate assurance reviews set out in the Integrated Audit and Assurance Schedule.

**List of Appendices:**

Appendix 1: Integrated Audit and Assurance Schedule

Exempt supplementary information is contained in a paper on Part 2 of the agenda.

**List of Background Papers:**

None

Contact Officer: Lorraine Humphrey, Director of Risk and Assurance  
Email: [lorraine.humphrey@tube.tfl.gov.uk](mailto:lorraine.humphrey@tube.tfl.gov.uk)

[page left intentionally blank]

# **Integrated Audit and Assurance Schedule TTL Properties Limited**

## **October 2022**

---

## Audit and Assurance – Areas to be covered

Priority	Topic	Evidence of Need	Targeted Review / Continuous Assurance	Who	When	Objectives
1	Property transfer accounting	<ul style="list-style-type: none"> <li>New financial processes and controls have been implemented.</li> </ul>	Targeted	Internal Audit (IA)	Underway (Q2 2022/23)	<ul style="list-style-type: none"> <li>To assess the maturity and understand financial reporting requirements.</li> </ul>
2	Resourcing	<ul style="list-style-type: none"> <li>Reported staff shortages across multiple teams at all levels and reliance on secondments/non-permanent labour.</li> <li>People Plan still in development.</li> <li>Internal audit review of the Financial Sustainability Plan recommended a resource review and establishment of Programme Management Office.</li> </ul>	Targeted	Project Assurance(PA ) /Independent Investment Programme Advisory Group (IIPAG)	Q3 2022/23	<ul style="list-style-type: none"> <li>To understand how resourcing risks are identified and managed and to assess the impact on the delivery plan.</li> <li>To consider whether there is an understanding of the skills required and whether the right skills currently exist?</li> <li>To understand challenges in filling vacancies and make recommendations to help improve recruitment and retention.</li> </ul>
3	Retail`	<ul style="list-style-type: none"> <li>Considerable uplift in retail income assumed in Business Plan.</li> <li>Resource shortages impacting ability to deliver new retail opportunities.</li> <li>Responsibilities split across a number of teams and roles and responsibilities/handover points may be unclear.</li> <li>Wider economic factors are likely to impact viability of existing tenants resulting in more unoccupied units/rising levels of debt.</li> </ul>	Targeted	IIPAG	Q3 2022/23	<ul style="list-style-type: none"> <li>To assess the likelihood that the retail strategy can deliver the required uplift in income.</li> <li>To identify challenges in securing additional retail income and make recommendations which will improve delivery confidence.</li> </ul>



## Audit and Assurance – Areas to be covered

Priority	Topic	Evidence of Need	Targeted Review / Continuous Assurance	Who	When	Objectives
3	First line assurance /project controls / information and data management	<ul style="list-style-type: none"> <li>No evidence of effective first line assurance or effective project controls or reporting.</li> <li>Minimum reporting requirements are not understood and there are no consistent data sources/data storage arrangements.</li> <li>Roles and responsibilities are not always clear, particularly where there is an interface with the operational business.</li> <li>IIPAG review of August 2020 recommended first line assurance improvements, assurance training, standard reporting on Joint Venture projects and creation of management dashboards.</li> </ul>	Continuous	PA	Q3 2022/23	<ul style="list-style-type: none"> <li>To assess the effectiveness of existing first line assurance/project controls/project reporting.</li> <li>To consider potential risks resulting from existing arrangements and the suitability of any improvement plans.</li> <li>To consider requirements for data management and storage.</li> </ul>
4	Lillie Bridge depot - vacant possession of site for development	<ul style="list-style-type: none"> <li>High value/complex project with significant operational interfaces and a large number of stakeholders.</li> <li>Governance arrangements developing but not yet finalised.</li> <li>Opportunities to deliver operational efficiencies have been identified but funding for anything above the basic vacant possession scope is unclear.</li> </ul>	Targeted	PA/IIPAG	Q3 2022/23	<ul style="list-style-type: none"> <li>To establish whether requirements are clear and reflect the needs of the development and the operational business?</li> <li>To consider whether the proposed governance structure and delivery model is appropriate?</li> </ul>
5	Risk management (projects)	<ul style="list-style-type: none"> <li>Lack of specialist risk managers to support project teams.</li> <li>Risk reporting/escalation routes are unclear.</li> </ul>	Continuous	PA	Q3 2022/23	<ul style="list-style-type: none"> <li>To assess the effectiveness of existing risk management process and the suitability of any proposed changes.</li> </ul>

## Audit and Assurance – Areas to be covered

Priority	Topic	Evidence of Need	Targeted Review / Continuous Assurance	Who	When	Objectives
7	Procurement and commercial	<ul style="list-style-type: none"> <li>Traditionally used existing TFL frameworks but new specialist frameworks are being considered.</li> <li>Resourcing issues have impacted on procurement and contract/supplier management activities.</li> <li>IIPAG report from August 2020 recommended commercial team involvement in the development of project execution strategies.</li> </ul>	Targeted	PA/IIPAG	Q3 2022/23	<ul style="list-style-type: none"> <li>To assess the appropriateness of proposed commercial strategy and any interim arrangements.</li> <li>To consider any risks to the successful implementation of new frameworks and commercial strategy and make recommendations to minimise any risk.</li> </ul>
8	Health and safety	<ul style="list-style-type: none"> <li>Currently no Head of Health and Safety within TTLP although intention is to have one.</li> <li>TfL Safety Health and Environment provide support for TTLP.</li> <li>Work ongoing to improve tenant compliance and compliance monitoring.</li> </ul>	Continuous	PA/Quality Safety and Security Assurance	Q3 2022/23	<ul style="list-style-type: none"> <li>To consider whether the emerging strategy is appropriate.</li> <li>To assess whether the balance of responsibilities between TfL and JV partners is appropriate.</li> <li>Assess the appropriateness of processes and actions taken to achieve tenant compliance.</li> </ul>
9	Project management	<ul style="list-style-type: none"> <li>Significant resourcing issues.</li> <li>IIPAG review of August 2020 identified the need to develop project management strategies, practices and processes, the development of project management tools and process and the recruitment of experienced staff.</li> </ul>	Continuous	PA	Q4 2022/23	<ul style="list-style-type: none"> <li>To establish where gaps exist in existing project management processes.</li> <li>To assess the effectiveness of proposals and challenges to successful implementation.</li> </ul>
10	Accounting and Cash Management processes	<ul style="list-style-type: none"> <li>Considerable work to be done to set up the new financial structure but work is not complete.</li> <li>Leadership and resourcing concerns.</li> </ul>	Targeted	IA	Q4 2022/23	<ul style="list-style-type: none"> <li>To assess financial readiness maturity.</li> <li>To gain an understanding of financial reporting including cash flow and financial commitments.</li> </ul>
11	Property disposal	<ul style="list-style-type: none"> <li>Significant source of income.</li> <li>Resource shortages are impacting on this activity - particularly where operational assets need to be moved.</li> <li>Operational interface can be complex.</li> </ul>	Targeted	IIPAG/PA	Q4 2022/23	<ul style="list-style-type: none"> <li>To identify challenges to successful disposal of assets and make recommendations to improve business confidence.</li> <li>To understand internal stakeholder management process.</li> </ul>
12	Pipeline development and delivery strategy	<ul style="list-style-type: none"> <li>Development pipeline has not been seen.</li> </ul>	Targeted	PA/IIPAG	Q4 2022/23	<ul style="list-style-type: none"> <li>To consider the appropriateness of pipeline development and delivery strategy.</li> <li>To understand the prioritisation and appraisal process.</li> </ul>

## Land and Property Committee



**Date:** 18 October 2022

**Item:** Members' Suggestions for Future Discussion Items

---

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

#### **1 Summary**

- 1.1 This paper presents the current forward plan for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items for the forward plan. Members are also invited to suggest items for future informal briefings.

#### **2 Recommendations**

- 2.1 **The Committee is asked to note the forward plan and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

#### **3 Forward Plan Development**

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plan arises from a number of sources:
- (a) Standing items for each meeting: Minutes; Matters Arising and Actions List; and any regular quarterly or periodic reports. For this Committee, these are the performance report and the assurance update.
  - (b) Land and property schemes that require Committee approval.
  - (c) Items requested by Members: The Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item. For this Committee, these will include regular informal deep dive briefings and site visits.

#### **4 Current Plan**

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

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

Appendix 1: Land and Property Committee Forward Plan 2022/23

**List of Background Papers:**

None

Contact Officer: Howard Carter, General Counsel  
Email: [HowardCarter@tfl.gov.uk](mailto:HowardCarter@tfl.gov.uk)

## Land and Property Committee Forward Plan 2022/23

**Membership:** Professor Greg Clark CBE (Chair), Dr Nina Skorupska CBE (Vice Chair), Heidi Alexander, Seb Dance, Anne McMeel and Ben Story. GLA Observer: Lyn Garner

**Abbreviations:** TTLP (TTL Properties Limited); DCE TTLP (Director and Chief Executive of TTLP)

<b>Standing Items</b>		
Matters Arising and Use of Delegated Authority	General Counsel	Update of actions from previous meetings and any use of delegated authority or receipt of Mayoral Directions within the remit of the Committee.
TTL Properties Limited Assurance Update	Director of Risk and Assurance	Update on assurance matters.
Performance Report	DCE TTLP	Update on TTLP performance.

<b>18 January 2023</b>		
Update on TTLP Commercial Strategy	DCE TTLP	Update on the TTLP Commercial Strategy.
Platinum Portfolio	DCE TTLP	Approval request.
Bollo Lane	DCE TTLP	Approval request.

<b>23 March 2023</b>		
Investment Strategy	DCE TTLP	Approval request.
ESG Strategy	DCE TTLP	Approval request.
People Plan	DCE TTLP	Approval request.
Business Plan 2023/24	DCE TTLP	Approval request.

[page left intentionally blank]

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

[page left intentionally blank]



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

[page left intentionally blank]

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

[page left intentionally blank]