

Agenda

Meeting: Land and Property Committee

Date: Thursday 23 March 2023

Time: 10:00am

**Place: Conference Rooms 1 & 2 -
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, 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.

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.

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

Howard Carter, General Counsel
Wednesday 15 March 2023

**Agenda
Land and Property Committee
Thursday 23 March 2023**

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 16 January 2023
(Pages 1 - 8)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 16 January 2023 and authorise the Chair to sign them.

**4 Matters Arising, Actions List and Use of Delegated Authority
(Pages 9 - 14)**

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 Corporate Strategy (Pages 15 - 22)

Director and Chief Executive, TTL Properties Limited

The Committee is asked to note the paper.

- 6 TTL Properties Limited Investment Strategy** (Pages 23 - 34)

Director and Chief Executive, TTL Properties Limited

The Committee is asked to note the paper.

- 7 TTL Properties Limited Environmental Social and Governance (ESG) Strategy** (Pages 35 - 46)

Director and Chief Executive, TTL Properties Limited

The Committee is asked to note the paper.

- 8 TTL Properties Limited People Strategy** (Pages 47 - 52)

Director and Chief Executive, TTL Properties Limited

The Committee is asked to note the paper.

- 9 TTL Properties Limited Quarterly Performance Report** (Pages 53 - 78)

Director and Chief Executive, TTL Properties Limited

The Committee is asked to note the paper.

- 10 TTL Properties Limited Assurance Update** (Pages 79 - 90)

Director of Risk and Assurance

The Committee is asked to note the paper and the exempt supplementary information in Part 2 of the agenda.

- 11 Members' Suggestions for Future Discussion Items** (Pages 91 - 94)

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.

12 Any Other Business the Chair Considers Urgent

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

13 Date of Next Meeting

Wednesday 28 June 2023 at 10.00am

14 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

15 TTL Properties Limited Quarterly Performance Report
(Pages 95 - 114)

Exempt supplementary information relating to the item on Part 1.

16 TTL Properties Limited Assurance Update (Pages 115 - 116)

Exempt supplementary information relating to the item on Part 1.

Transport for London

Minutes of the Land and Property Committee

Conference Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
1.00pm, Monday 16 January 2023

Members of the Committee

Professor Greg Clark CBE (Chair)
Dr Nina Skorupska CBE (Vice Chair) (from Minute 05/01/23)
Seb Dance (from Minute 06/01/23)
Anne McMeel
Ben Story (via Teams)

Executive Committee

Howard Carter General Counsel
Alex Williams Chief Customer and Strategy Officer

TTL Properties Limited (TTLP) Leadership Team

Graeme Craig Director and Chief Executive Officer, TTL Properties Limited
Mark Farrow Director of TTLP Strategy and Planning
Lester Hampson Property Development Director, Commercial Development
Joanna Hawkes Corporate Finance Director and Chief Finance Officer, TTLP
Daniel Lovatt Director of Asset Management
Lisa-Jane Risk Head of Operations, TTLP

Other staff

Scott Anderson Senior Property Development Manager, TTLP
Jonathan Cornelius Head of Property Development, TTLP
Matt Denham Commercial Director, TTLP
Matt Doman Senior Property Development Manager, TTLP
Lorraine Humphrey Director of Risk and Assurance
Puja Jain Senior Property Development Manager, TTLP
Shamus Kenny Head of Secretariat
Heather Renton Head of Governance and Compliance, TTLP
Ben Tate Head of Property Development, TTLP

Independent Investment Programme Advisory Group

Ray Christopher Chair, TTLP Sub-Group (via Teams)
Peter Cornforth Member, TTLP Sub-Group (via Teams)
Derek Williams Member, TTLP Sub-Group (via Teams)

01/01/23 Apologies for Absence and Chair's Announcements

An apology for absence had been received from Heidi Alexander. Ben Story was attending the meeting via Teams and was able to take part in the discussions but did not count toward the quorum.

As Dr Nina Skorupska CBE and Seb Dance had given apologies for lateness, the meeting was not quorate until Seb Dance joined the meeting in person, after which all decision items were considered.

Lyn Garner, the Greater London Authority observer, was also unable to attend the meeting.

The Chair welcomed everyone to the meeting of the Committee. 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 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.

02/01/23 Declarations of Interests

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

03/01/23 Minutes of the Meeting of the Committee held on 18 October 2022

The minutes of the meeting of the Committee held on 18 October 2022 were approved as a correct record and the Chair was authorised to sign them.

04/01/23 Matters Arising, Actions List and Use of Delegated Authority

The Committee noted that since the meeting of the Committee on 18 October 2022, there had been no use of Chair's Action, nor use of Procurement Authority by the Commissioner or the Chief Finance Officer. There were also no Mayoral Directions to TfL within the remit of the Committee.

Land Authority was exercised by the Chief Finance Officer in relation to the Build to Rent programme and Land Authority was also exercised to enter into two co-terminus leases at Buckingham Palace Road by the Chief Finance Officer and the Commissioner.

The two actions from the previous meeting had been addressed and there had been a lot of engagement with the TTL Properties Limited leadership team and Alex Williams.

The Committee noted the paper.

05/01/23 TTL Properties Limited Quarterly Performance Report

Graeme Craig, Joanna Hawkes, Daniel Lovatt, Lester Hampson and Mark Farrow introduced the item, which summarised the market context and the financial and business performance of TTL Properties Limited (TTLP).

The Committee welcomed the evolution of the performance report, which provided more information and greater clarity. TTLP benchmarking would include peer property development companies as well as TfL. Members requested that the next iteration include slides on health and safety performance, cash flow and a map showing the location of major projects. **[Action: Graeme Craig]**

The market context was currently challenging due to the impact of inflation and interest rates, though the leadership team believed it could still deliver its high-quality plans. The Committee would shortly be briefed on TTLP's Environmental, Social and Governance Strategy and its Investment Strategy. Members would receive a briefing on market context ahead of the Committee's meeting on 23 March 2023. **[Action: Graeme Craig]**

On finance, the operating performance was better than budget, though that was partly due to phasing and lower than expected headcount. TTLP's capital account was also healthy despite project movements. The impact of post-coronavirus pandemic behavioural change was being considered in the management of assets and the development of the Business Plan.

Members discussed how TTLP was addressing its void rate, which had risen and was slightly higher than the market. They noted TTLP's approach to improving its collections to reduce arrears with robust targets and the appropriate use of enforcement agents, while ensuring that viable businesses were able to survive.

The Committee noted the success of the vertically integrated Arches team and that this approach would be replicated in other parts of TTLP's operations. A site visit would be arranged to see the work of the Arches team in Kilburn and to see the work on the existing estate at Whitechapel and Victoria. **[Action: Graeme Craig]**

The Committee also noted business performance, covering homes, transport, project delivery and people. Housing delivery was focussed on three main areas: build to rent, the development around Bollo Lane (elsewhere on the agenda) and disposal of land to third parties.

The TTLP leadership team recognised its critical interface with TfL's operations. In addition to minimising the impact of work on developments to operations, it sought to support and enhance TfL's operational performance through a range of initiatives such as improving staff accommodation, supporting a green bus fleet and power generation.

The leadership team was also addressing staff vacancies and working with TfL's Human Resources and Change teams on the future structure. While the recent Viewpoint staff survey results had been disappointing, it was expected that filling vacancies at all levels and involving people on the branding and the development of the ambitious Business Plan would engage, inspire, and motivate staff.

The Committee noted the performance report.

06/01/23 TTL Properties Limited Procurement and Commercial Strategy

Graeme Craig and Matt Denham introduced the item, which summarised the joint activity and work undertaken to date by TfL and TTL Properties Limited (TTLP) on TTLP's Procurement and Commercial Strategy, to design and deliver a more efficient approach to procurement in TTLP. The aim was to work with a supply chain that shared TTLP's values and ambitions to see projects mobilised quicker and delivered effectively, while retaining all the controls and protections currently enjoyed across TfL's wider procurement and commercial activity.

The proposed approach was to build a small core team within TTLP by 1 April 2023, to deliver critical procurement and commercial activities, while TfL's team would continue to deliver generic category services. The approach would help to assure TTLP's delivery and build a centre of procurement and commercial excellence for the property sector within TTLP. Members stressed the importance of a clear link to TfL's head of service and the need to clearly define core and non-core services in the service level agreement with TfL and noted that this had been a key part of the work to date.

The Committee noted the paper.

07/01/23 TTL Properties Limited Assurance Update

Lorraine Humphrey introduced the item and the information on Part 2 of the agenda, which provided an update on progress with programme assurance activity across TTL Properties Limited (TTLP) during Quarter 3 of 2022/23 (18 September to 10 December 2022). Good progress had been made since the last report. Work was underway to develop strong assurance controls at project level as this was the first line of defence (LoD) and had already been identified as a priority.

The second LoD had started to provide assurance on an ongoing continuous basis as well as commencing three Targeted Assurance Reviews on key areas, with two more planned for Quarter 4 of 2022/23.

The Independent Investment Programme Advisory Group (IIPAG) TTLP sub-group, which was the third LoD, had held meetings with the TTLP leadership team and welcomed their engagement and openness, with the leadership team keen to see the IIPAG-TTLP sub-group as a valuable resource to help deliver its mission. The sub-group was initially focused on residential reviews and joint venture management and had also recommended the strengthening of how risks associated with investment decisions were presented in approval papers.

Members recommended that TTLP progress its thinking on a digital operating platform as used by diverse multi-portfolio property companies to drive productivity and decision making. The leadership team were looking at various options and recognised the value this would bring to productivity and reporting.

Members also discussed how TTLP would address risks around attracting the right staff, given remuneration constraints, and environment and climate adaption.

The Committee noted that as the IIPAG-TTLP sub-group obtained a more detailed understanding of the business, it would add additional workstreams to the Integrated Assurance and Audit Schedule.

The Committee noted the paper and the exempt supplementary information in Part 2 of the agenda and approved the IIPAG-TTLP sub-group Terms of Reference.

08/01/23 Commercial Office Investment Portfolio Joint Venture

Graeme Craig introduced the item and the exempt supplementary information on Part 2 of the agenda, which set out proposals for TTL Properties Limited (TTLP) to invest in a joint venture to create a growing long-term income stream from a portfolio of high-quality, commercial office assets with best-in-class environmental and wellbeing credentials located near central London transport interchanges. The joint venture proposal was a core element of TTLP's Investment Strategy. As well as long-term income and financial returns that could be reinvested across the portfolio, it would provide investment diversification and should enhance TTLP's environmental sustainability performance and credentials.

The Committee noted the proposal to form a joint venture with a culturally aligned, financially strong, proven office investor / developer to bring forward suitable opportunities on TTLP's land. The three development sites at Bank station, Southwark station and Paddington station were the initial sites for this joint venture.

Members discussed the progress of the tender exercise to select the joint venture partner, which was almost complete, but with current market conditions, the level of authority being sought was within a broad range. The Committee was supportive of the proposal but agreed that a further paper be circulated once the bids had been fully assessed and the level of Land Authority required was more certain. The decision would then be taken by Chair's Action. Members were particularly interested in understanding the experience of the joint venture partner in developments in London, the ownership and control of the joint venture company and the oversight the Committee would have on the progress of schemes and the company's finances.

The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda.

09/01/23 Bollo Lane and West London Development Joint Venture

Graeme Craig and Jonathan Cornelius introduced the item and the exempt supplementary information on Part 2 of the agenda. The Committee had previously received a detailed briefing on the proposals for a residential-led property development at Bollo Lane, Ealing and the procurement of a joint venture development partner to undertake development management and construction

works for sites within TTL Properties Limited's (TTLP) west London land portfolio, potentially comprising some 2,500 new homes with a value of £1bn. The Committee noted the progress to date and the request for Land Authority to enable the disposal of the first two phases at Bollo Lane and entry into contractual agreements with the preferred bidder, which would deliver 900 new homes, 50 per cent of which would be affordable, and new train crew accommodation.

The proposed formation of a company would be a wholly owned subsidiary of TTLP, itself a wholly owned subsidiary company of TfL. A briefing would be provided to Members on how joint venture companies operated, so that they understood how the Committee had oversight of investment decisions and performance and how operational assets were protected. **[Action: Graeme Craig]**

The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and approved:

- 1 Land Authority in the sum set out in the paper on Part 2 of the agenda for the transaction (the Transaction) as described in the paper and in the paper on Part 2 of the agenda; and**
- 2 the formation of a wholly owned subsidiary company of TTL Properties Limited, for the purposes of entering into the contractual agreements relating to the Transaction.**

10/01/23 Build to Rent Programme Update

Graeme Craig introduced the item and the exempt supplemental information on Part 2 of the agenda, which set out the progress made by TTL Properties Limited in its Connected Living London joint venture with Grainger plc to develop and manage a portfolio of Build to Rent homes. The joint venture was now ready to start construction at four sites at Arnos Grove, Montford Place, Nine Elms and Southall that would see 1,240 homes come forward. Members noted and welcomed the cultural alignment with Grainger plc on values as well as finance.

The investment partnership with Grainger plc was initially approved in 2019, with additional authority granted in July 2022, reflecting an increase in the estimated peak equity requirement resulting from increased construction cost inflation. As market conditions had worsened further, a further increase in Land Authority was sought, while it was acknowledged that there remained risk to the financial performance of these developments. Authority approval would mitigate the risks while allowing the developments to progress to help meet the need for housing, including affordable housing, in London.

The Committee note the paper and the exempt supplementary information on Part 2 of the agenda and approved additional Land Authority across four of the sites, as set out in the paper on Part 2 of the agenda.

11/01/23 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. Members noted the forward plan and that briefings scheduled for March 2023 would include market conditions and the operation and oversight of joint venture companies.

The Committee noted the forward plan.

12/01/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

13/01/23 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Thursday 23 March 2023 at 10.00am.

14/01/23 Exclusion of the Press and Public

The Committee agreed 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), when it considered the exempt information in relation to the items on: TTL Properties Limited Assurance Update; Commercial Office Investment Portfolio Joint Venture; Bollo Lane and West London Development Joint Venture; and Build to Rent Programme Update.

The meeting closed at 4.05pm.

Chair: _____

Date: _____

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Land and Property Committee



Date: 23 March 2023

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 16 January 2023, there has been: one use of Chair's Action in relation to the Commercial Office Investment Programme Joint Venture; and one use of Procurement Authority by the Commissioner in relation to the Bollo Lane development.
- 1.3 There have been no other uses of authority nor any Mayoral Directions to TfL within the remit of the Committee.
- 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.

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 has been one use of Chair's Action since the last meeting.

Commercial Office Investment Portfolio Joint Venture

- 4.3 On 16 January 2023, the Committee considered an item on the Commercial Office Investment Portfolio Joint Venture. A decision was deferred until the procurement process was further advanced and additional information was available.
- 4.4 On 9 March 2023, Members were asked to approve TTL Properties Limited (TTLP) investing in a joint venture to create a growing long-term income stream from a portfolio of high-quality, commercial office assets with best-in-class environmental and wellbeing credentials located near central London transport interchanges. This joint venture is a core element of TTLP's Investment Strategy. As well as long-term income and financial returns that can be reinvested across the portfolio, it will provide investment diversification and will enhance TTLP's environmental sustainability performance and credentials.
- 4.5 On 14 March 2023, the Chair, in consultation with Members, noted the paper and the exempt supplementary information provided in the exempt appendix and approved:
- (a) unbudgeted Financial Authority, and Land Authority, in the sums set out in the exempt appendix for the transaction as described in the paper (the Transaction); and
 - (b) the formation of a wholly owned subsidiary company or the use of an existing, unused subsidiary company for the purposes of entering into the contractual agreements relating to the Transaction.
- 4.6 The use of Chair's Action was considered appropriate as a decision was required ahead of this meeting. The public paper relating to this request has been published on tfl.gov.uk. The information in the appendix to that paper remains exempt from publication.

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 one use of delegated authority to approve Procurement Authority by the Commissioner. Following approval by the Committee on 16 January 2023 in relation to the Bollo Lane and West London Development Joint Venture, the Commissioner approved Procurement Authority for the Bollo Lane Development Contract Award at £68.3m (£51.2m of this authority is for income, with £17.1m of expenditure).

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>

[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:

Appendix 1: Actions List.

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

Land and Property Committee Actions List (to be reported to the meeting on 23 March 2023)

Actions from the meeting held on 16 January 2023

Minute No.	Item/Description	Action By	Target Date	Status/Note
05/01/23 (1)	TTL Properties Limited Quarterly Performance Report: Map Members requested that the next iteration include slides on health and safety performance, cash flow and a map showing the location of major projects.	Graeme Craig	March 2023	Completed. A map has been included in the latest and future reports.
05/01/23 (2)	TTL Properties Limited Quarterly Performance Report: Market context Members would receive a briefing on market context ahead of the Committee's meeting on 23 March 2023.	Graeme Craig	March 2023	Completed. A briefing is scheduled to be held ahead of this meeting.
05/01/23 (3)	TTL Properties Limited Quarterly Performance Report: Site visit A site visit would be arranged to see the work of the Arches team in Kilburn and to see the work on the existing estate at Whitechapel and Victoria.	Graeme Craig	April/May 2023	Site visit to be scheduled.

09/01/23	<p>Bollo Lane and West London Development Joint Venture: Briefing on Joint Ventures A briefing would be provided to Members on how Joint Venture companies operated, so that they understood how the Committee had oversight of investment decisions and performance and how operational assets were protected.</p>	Graeme Craig	March 2023	Completed. A briefing is scheduled to be held ahead of this meeting.
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There are no outstanding actions from previous meetings.

Date: 23 March 2023

Item: TTL Properties Limited Corporate Strategy

This paper will be considered in public

1 Summary

- 1.1 This paper summarises TTL Properties Limited's (TTLP's) emerging Corporate Strategy, the first of a series of strategies that, when taken together, set the long-term direction for TTLP and define the role we aspire to play in creating the London of the future.
- 1.2 The draft strategy documents provide a framework for success that balances financial, economic, environmental and societal factors delivered by a talented, engaged and diverse workforce. They describe what TTLP is doing now and what it will do in the future, how it will measure its performance, and how it will anticipate and adapt to market conditions.
- 1.3 These strategies will be the basis for more detailed policies, standards and plans which will address the opportunities and challenges across our business.
- 1.4 We will be consolidating and condensing the contents of the strategies, and these will be used in a number of ways, including in the materials to accompany the launch as well as the future TTLP website. We will issue the finalised version to the Committee in due course.

2 Recommendation

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

3 Background

- 3.1 TfL owns 5,660 acres of freehold land and a further 362 acres leasehold. This equates to approximately 1.5 per cent of London's landmass. While most of this land is required to enable the operational transport network, TfL's landholdings have increasingly supported the Mayor's priorities to build affordable homes and create jobs for Londoners, while generating revenue to reinvest in London's transport network.
- 3.2 London's transport network has historically shaped how the city has grown and evolved and is an iconic part of the capital's identity. As the city's transport authority, TfL plays a critical role in supporting London and the UK economy, and stable, long-term investment is required for it to continue this role.

- 3.3 TfL's creation of TTLP follows leading international examples where the transport authority owns a property subsidiary. Occupying a privileged position between real estate and public transport, TTLP aspires to draw on perspectives and experience in both sectors to become a centre of excellence with a global reputation, delivering outcomes in the Mayor's Transport Strategy, the TfL Business Plan and its Corporate Environment Plan.
- 3.4 TTLP is uniquely well-placed to play a leading role in shaping the future of this great city as it evolves for the 21st century. Our work will help London prosper at the same time as addressing sustainability, affordability and decarbonisation. We can help meet the needs of the newly polycentric city, one in which mixed-use neighbourhood hubs are connected to a strong centre by convenient public transport links. Our adjacencies and interactions with other public sector landowners will help us in this quest – by working with them we will deliver more and better for London's present, and its future.
- 3.5 Above all, TTLP will build strategic partnerships to deliver safe, well-connected, sustainable neighbourhoods and provide long-term sustainable income for the benefit of the transport network and wider London. In this regard, TTLP's land and assets are effectively the newest of London's "great estates".
- 3.6 London faces multiple complex challenges, including:
- (a) climate change, and the urgent need for decarbonisation and climate adaptation;
 - (b) air pollution, its health impacts and the loss of biodiversity;
 - (c) an affordability crisis, driving inequality and a deterioration in the quality of life which is undermining the competitiveness of London;
 - (d) a housing crisis with a significant under-supply of new homes, particularly affordable housing;
 - (e) skills, material and labour shortages and construction cost instability;
 - (f) the decline of traditional retail and high streets, and changing living, working and movement patterns;
 - (g) increasing consumer expectations of the part the real estate industry, business and the public sector can play in rejuvenation; and
 - (h) economic headwinds in the wake of the pandemic, including higher interest rates and cost of debt, causing reduction in investor confidence.
- 3.7 TTLP aspires to play a role in addressing or mitigating the impact of these and other challenges. TTLP will drive change, create thriving places and develop vibrant and diverse communities, while supporting local economies. Critically, TTLP will deliver operational, environmental and civic enhancements in and around the transport network, including improving access and driving patronage to the public transport network.

4 Objectives

- 4.1 In recognition of TfL's status as ultimate parent of TTLP, we have developed a set of draft shareholder objectives that guide our future financial decision making and enable robust assessments of ongoing performance. The shareholder objectives will support our investment management processes, as well as underpin our business planning and risk management activities. They set out that TTLP will:
- (a) deliver an enhanced financial return to TfL in the form of cash return and capital appreciation, representative of TfL's funding contribution, risk and affordability requirements;
 - (b) develop and embed robust financial management practices appropriate for a real estate business of equivalent size, ensuring minimal financial risk back to TfL;
 - (c) deliver new housing stock in line with the TfL business plan, agreement with HM Government and support of wider Greater London Authority (GLA) objectives; and
 - (d) align with TfL's wider objectives: supporting delivery of operational transport enhancements where there are synergies between TfL and TTLP capital programmes, as well as full alignment with TfL's "Colleague", "Customer" and "Green" objectives.
- 4.2 The draft objectives support TTLP's alignment to TfL's values and overall objectives. In addition, they complement and enhance TTLP's wider organisational objectives to:
- (a) generate sustainable and growing net income;
 - (b) deliver new homes and net zero neighbourhoods and communities; and
 - (c) future-proof our portfolio to achieve Net Zero Carbon.
- 4.3 To deliver on these objectives, there are a number of important enabling activities that will set us up for success, building on the commitments in our Operating Principles. Delivering in each of these areas will take time but will create an organisation that is able to benefit London far into the future.
- 4.4 TTLP will respond to market trends and London's requirements. We are already delivering in more ways than just an end-year dividend and we will continue to fund and deliver operational co-benefits. These include prioritising step-free access, making a huge difference to the accessibility of London's transport network for so many. We are also exploring opportunities to improve lighting and ambiance on the network, from improved lighting in car parks to new walkways and facades. Our projects will improve the public realm and enhance the public's experience of our transport assets.

5 Corporate Strategy

- 5.1 TTLP has an opportunity to play a part in shaping the future of London, re-shaping places for the benefit of the people who live, work and visit our wonderful city. Our work to do this will be based around five central themes:
- (a) Place – making the best use of our property assets by curating well-connected, thriving and smart neighbourhoods that deliver maximum impact for their communities.
 - (b) Planet – respecting the environment and combating climate change is a pre-requisite for TTLP and those with whom we work. Decarbonisation will be a core part of how we do business.
 - (c) Partnerships – TTLP will act as a leader, convenor and partner, harnessing the scale and breadth of our influence. We will work closely with our shareholders to deliver co-benefits for TfL and for London.
 - (d) People – TTLP will value, respect and listen to local communities, taking a customer-led approach in putting people first. This will be enabled by a motivated, highly skilled team that reflects the diversity of London.
 - (e) Productivity – TTLP will encourage innovation and the exchange of ideas across its activities and work to support the growth of small businesses on our estate. We will invest in technology and use data to inform our decisions.
- 5.2 As a part of TfL, TTLP can manage its property portfolio putting the needs of TfL and London to the fore. It can act as an exemplar by considering and embedding public benefit in everything it does. Taking this opportunity will be central to how TTLP manages its properties, developments, places and customers.
- 5.3 With over 2,000 tenants, 93 per cent of whom are small and medium enterprises, TTLP can play a leading role in improving the health of London’s small business ecosystem. TTLP can support its customers to grow and scale their businesses and build the communities in which they can thrive. This will strengthen local economies, create jobs and stimulate sustainable growth – which will encourage spending to benefit local communities.
- 5.4 There are significant opportunities for TTLP to work with other organisations to deliver more than could be achieved using only TfL land. These will include public sector partners such as Network Rail, the National Health Service and London boroughs. Working together, we can deliver homes, accelerate sustainable development and drive growth.
- 5.5 TTLP is also working with private sector landowners to bring forward landmark schemes, such as the joint venture with Ballymore at Edgware. This will deliver a major new town centre regeneration, adaptive and activating meanwhile uses, community participation and a significant investment in

public transport infrastructure. At Edgware and elsewhere, TTLP will support London's decarbonisation through development.

5.6 To meet London's challenges, TTLP needs a clear Purpose and sound Operating Principles. As well as setting out the role of TTLP, they emphasise the relationship between TTLP and TfL. They were developed with input from our Leadership team, over 200 TTLP staff, as well as senior TfL managers, including the Commissioner, Chief Customer and Strategy Officer, Chief Operating Officer and Chief Finance Officer.

5.7 Our purpose defines why we exist and what we are here to achieve:

To move London forward with thriving, connected places

5.8 We will lead in shaping connected places that help London evolve safely, inclusively and sustainably, thereby generating funds to improve transport.

5.9 Our Operating Principles were developed to guide our decision-making and approach to shaping places. They enable TTLP to be open and transparent about where improvements need to be made or where it should strengthen its capabilities. The Operating Principles are:

- (a) We put safety above all. We prioritise the safety of customers, workers and the transport network. We never behave as if safety is someone else's responsibility. We invest to make properties safe and compliant. We require our partners to uphold our safety standards at all times.
- (b) 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 future rather than taking decisions for short-term gain. In doing so, we preserve flexibility for spaces to evolve and always consider long-term community and transport needs.
- (c) We place customers and communities at the centre. We invest in London's diverse local communities. 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 open, responsible and easy to do business with, without allowing process to hinder our responsiveness. We strive to connect residents and business with opportunities across our footprint. We ensure our scheme designs reflect the needs of our customers and communities.
- (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. We give everyone who works for us opportunity for development.
- (e) We are commercially disciplined. Achieving our purpose and providing a growing return to TfL requires rigorous discipline. That includes investing

where we can have the greatest impact and making decisions at a competitive pace. We invest in long-term relationships with partners who share our values.

- (f) We are socially inclusive. We are proud that London is the most diverse city in the world. We provide affordable and inclusive options. 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. We look to the future, building for long-term climate resilience.
- (h) We improve transport and mobility. We recognise the role our spaces play for people travelling on our network. We do this through transport improvements, increasing ridership on public transport, and encouraging the use of other forms of sustainable mobility, including walking and cycling.
- (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.

- 5.10 The Purpose and Operating Principles will be the foundation of the new TTLP brand and its values – making clear how TTLP positions and differentiates itself for new and existing customers, stakeholders and industry, and the wider world.
- 5.11 In conjunction with TfL’s Customer and Design team, TTLP is running a programme to define and establish the brand identity for the new property organisation. This work will establish TTLP with a distinct name, presence and position within London’s crowded property market, while also ensuring proximity to the wider TfL brand given its position as the sole shareholder.
- 5.12 Market research with industry partners, existing and prospective customers, the general public, and TTLP staff has already taken place to help establish the key elements of any new brand. Work on brand strategy and positioning is underway with a view to launch in the coming months.

6 Financial Context and Discipline

- 6.1 Decisions will be taken in the context of long-term financial targets, risk appetite and financial control. These will be considered each autumn in the development of TTLP’s Long-Term Business Plan, which will be produced as part of TfL’s business planning process and as a model that can be dynamically tested in year and shared with external stakeholders as appropriate. As TTLP

does not benefit from financial underpinning by TfL and will borrow on a non-recourse basis, continuously monitoring overall business performance will be key.

- 6.2 TTLP has developed a set of long-term financial targets, benchmarked against comparator organisations, against which to manage its business.

Metric	How Measured	Target
Increase Gross Rental Income Receivable	Gross Rental Income, adjusted for acquisitions, disposals and capex (excluding joint venture revenue and development profit)	>CPI – to be updated
Increase Gross Revenue Receivable	Gross Revenue, including revenue from new joint venture assets held, excluding joint venture development profit	£80m increase by FY31, subject to the planned investment being made
Reduce Voids	Total rent lost to vacancies as a percentage of Estimated Rental Value (ERV) excluding assets subject to capital investment projects	Reduce to 5-10% or below by FY27
Improve Operating Margin	Increase Operating Margin, i.e. Operating Surplus divided by Total Revenue, including joint venture development profit	Operating margin minimum of 40-50% by FY27 (specific targets to be identified for each business unit).
Total Property Return	The change in capital value, less any capital expenditure incurred, plus net income accrual, expressed as a percentage of capital employed over the period, as calculated by MSCI ¹ , including revenue from new joint venture assets held, excluding joint venture development profit	Commercial properties to outperform tailored MSCI Index on a rolling three-year basis

- 6.3 TTLP will rigorously manage its capital commitments to reflect and ensure resilience and liquidity through economic cycles. Its Capital Discipline and Liquidity policies can be summarised as:

- (a) Corporate Net Debt to Assets (excluding equity invested) not to exceed 35 per cent;

¹ MSCI is a leading provider of critical decision support tools and services for the global investment and real estate community

- (b) Consolidated Debt (Combined corporate and TTLP share of project level debt) against TTLP's Gross Asset Value (including joint venture development value) not to exceed 40 per cent;
- (c) Development Equity Exposure not to exceed 33 per cent of TTLP's net asset value;
- (d) Interest Cover – not to be below 2 x Net Debt to EBITDA; and
- (e) Cash and undrawn committed facilities to be not less than the committed expenditure on development projects for the next 18 months.

6.4 Within TTLP, effective measurement of returns and performance at portfolio and asset level are key to achieving its objectives. Target project returns have been set out in high level within the financial section of the Investment Strategy. Decision making on capital investments will take account of those investment metrics as well as the wider corporate metrics set out above.

List of appendices to this report:

None

List of Background Papers:

None

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Land and Property Committee

Date: 23 March 2023

Item: TTL Properties Limited Investment Strategy

This paper will be considered in public

1 Summary

- 1.1 This paper summarises the updated Investment Strategy which reflects the significant economic headwinds experienced over the past year and also looks ahead to potential new sectors and opportunities.
- 1.2 The strategy continues to build on a sector-led approach, which will increasingly be reflected in TTLP's organisational structure and performance reporting.
- 1.3 The Investment Strategy should be considered in conjunction with TTLP's other strategy documents, particularly the Corporate and Environmental, Social and Governance (ESG) Strategies, elsewhere on the agenda for this meeting.
- 1.4 We will be consolidating and condensing the contents of the strategies, and these will be used in a number of ways, including in the materials to accompany the launch as well as the future TTLP website. We will issue the finalised version to the Committee in due course.

2 Recommendation

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

3 Strategic Context

- 3.1 TTLP created its first consolidated Investment Strategy last year to enable consistent investment decisions to be made across the organisation. The committee reviewed the previous investment strategy in their meeting on 30 June 2022. The Investment Strategy was drafted on the basis that it would be reviewed, and where necessary, updated annually. This year's review has focused on the following:
 - (a) investment and objectives by sector;
 - (b) new market sectors – including industrial and logistics and Electric Vehicle (EV) charging; and
 - (c) target returns and investment metrics.

- 3.2 In addition, this revision reflects lessons learnt and is updated in response to current market conditions.
- 3.3 The principles of the Investment Strategy focus on activity over the next five years and consider a longer-term view to drive long-term value.
- 3.4 The global and UK economies have seen seismic shifts over the past 12 months. Still recovering from a global pandemic, the UK has also experienced the impacts from the war in Ukraine, a cost-of-living crisis, political instability and double-digit inflation. All of this has led to market uncertainty and volatility. Specifically for real estate, there has been a change in sentiment from investors as they seek higher returns to mitigate inflation and to offset scope for higher returns in the bond market.
- 3.5 TTLP's diverse portfolio, with well-positioned assets across London, has demonstrated resilience in its recovery from the pandemic. Despite the uncertain landscape, there is still significant opportunity for TTLP to deliver value and create thriving, connected places in London.
- 3.6 The core principles of the existing Investment Strategy still hold in the current challenging macro environment. The resulting impact on investor appetite and property returns do, however, highlight areas where TTLP needs to evolve, and areas of the emerging strategy that need careful consideration. Work has begun on much of this but will continue to iterate over the next six months, as the scope of activities is clarified, and the Business Plan is finalised.
- 3.7 TTLP's portfolio comprises over 4m square feet of real estate and has a Total Investment Portfolio Value of £1.44 bn¹ (excluding Head Office assets and Development land). The portfolio is unique in nature due to its organic growth and intrinsic interface with the transport network. This results in the enviable benefits of having an estate with significant footfall and historic legacy, providing a unique brand and aesthetic.
- 3.8 TTLP has over 2,000 commercial tenancies, with a gross rent roll of more than £65m per annum (c. £80m per annum including car parking income). The portfolio includes Retail (current asset value £675m¹), Arches (£155m¹), Commercial Office (£115m¹), Car Parks (£170m¹) and legacy Residential (£90m¹) portfolios. Our Industrial and Infrastructure portfolios account for the remaining c. £240m¹ in value.
- 3.9 The portfolio consists of a diverse range of non-operational land and property across London. This has now been consolidated and transferred from the relevant TfL ownership into TTLP. This process and the setting up of TTLP as a well-capitalised, self-financing entity, enable us (working with TfL) to structure and operate in a way to best manage and invest in the assets. Our shareholder objectives (explained further in our Corporate Strategy,

¹ Draft March 2023 Valuation figures – a more detailed update will be provided once the valuations are formally finalised

elsewhere on the agenda, will help us to ensure we are working with TfL to deliver returns.

- 3.10 Working closely with TfL, TTLP will continue to identify additional properties that can transfer to TTLP, driving growth in the portfolio and returns to TfL. This requires us to work together with TfL to identify commercial real estate opportunities within the TfL operational estate, including as part of TfL-led and / or commercial-led projects.
- 3.11 Given the ability to plan decades in advance, including taking account of future extensions of the transport network, TTLP will seek to undertake strategic land assembly, notwithstanding an initial focus of optimising value from the existing portfolio.

4 Investment by sector

- 4.1 Over the past 12 months the business has worked towards a sector-led structure to better compartmentalise the portfolio and set out relevant sector strategies responding to the overarching Investment Strategy.
- 4.2 A sectoral structure enables focus on a strategic-led target portfolio weighting. The table below illustrates the long-term (10-year) aspiration of diversifying and improving the quality of TTLP’s income:

	TTLP Portfolio Mix by Gross Property Income	
	Current (per cent)	Year Ten (per cent)
Retail	48	35-45
Office	3	10-15
Arches	14	10-15
Residential	1	20-25
Car Parks	22	5-10
Infrastructure (including industrial)	11	10-20

- 4.3 In addition to the above target portfolio weighting, the Investment Strategy sets out a high-level, sector-level investment focus:

Sector	Invest / Retain	Rationalise / Divest
Retail	<ul style="list-style-type: none"> • In-station retail Zones 1 to 3 (incl. Elizabeth line) • Out-of-station retail close to transport hubs and in central locations 	<ul style="list-style-type: none"> • Out-of-station retail Zones 4+ not near transport hubs
Residential	<ul style="list-style-type: none"> • Delivery of housing target (20k homes) • Build-to-Rent purpose-built assets • Build for Sale residential joint ventures to generate capital 	<ul style="list-style-type: none"> • Existing secondary residential portfolio with high vacancy rates and significant capex requirement
Arches	<ul style="list-style-type: none"> • Priority assets and arch runs • Compliance and ESG • Place-making enhancements 	<ul style="list-style-type: none"> • Review outer London arch portfolio (potential significant capex to meet ESG requirements)
Offices	<ul style="list-style-type: none"> • Joint venture development portfolio of purpose-built market leading assets • Core central London existing office stock 	<ul style="list-style-type: none"> • Secondary existing office portfolio with high vacancy rates and significant capex requirement
Car Parks	<ul style="list-style-type: none"> • Green energy initiatives • Diversify income - meanwhile uses and environmental enhancements 	<ul style="list-style-type: none"> • Redevelopment or disposal of sites with limited value and high operational costs
Infrastructure	<ul style="list-style-type: none"> • Bus garages • Review value engineering opportunities in existing long leases 	<ul style="list-style-type: none"> • Large number of low value non-core assets to be reviewed • Review commercially poor performing assets to consider transfer back to TfL as operational assets

4.4 A key next step in moving to a mature sector-led business is to produce sector level profit and loss accounts (P&Ls). This is a significant move from TTLP's current financial reporting and requires infrastructure updates. These have now been mapped with a plan to deliver them over the next 6-12 months. The P&Ls will help TTLP set sector-level target returns, which in turn will improve capital allocation and risk diversification. The principle will be that the overall

portfolio targets will take precedent but will be delivered by a range of sector level targets.

- 4.5 The estate includes concentrations of mixed-use assets around central London transport nodes, providing opportunities for substantial repositioning and redevelopment. Examples include Baker Street, Victoria and Liverpool Street, and key development opportunities such as Earl's Court and Edgware. Where this is the case, these assets will be considered as a whole and not primarily from a sector-led approach.
- 4.6 The TTLP portfolio also supports a significant residential and mixed-use development programme and pipeline. There are three principal Investment Strategy rationales underpinning TTLP's development activity:
- (a) the first is to deliver against TTLP's commitment to provide new homes for Londoners, including a target of 50 per cent affordable housing across the programme. In most cases (where in line with strategy), TTLP will invest and share in the development risk and profits from the delivery of homes on major sites through joint ventures with carefully selected market leading companies specialising in the delivery of residential homes. The profits from these projects are reinvested back into TTLP to unlock future development schemes, delivering more homes, and much needed upgrades and maintenance projects across the existing estate;
 - (b) the second is to create high-quality revenue-generating assets to enhance and diversify TTLP's investment portfolio (in line with the long-term portfolio weighting targets) to deliver long-term sustainable income and asset value growth to TfL. Two examples are Connected Living London, TTLP's joint venture with Grainger plc delivering 1,591 Built to Rent homes across five sites; and the recent selection of Helical plc as TTLP's preferred commercial office joint venture partner to deliver a pipeline of 600,000 sq. ft of exemplar office space across three sites in central London locations, subject to contract negotiations and a ten-day standstill period; and
 - (c) the third is unlocking or facilitating operational improvements across the estate through commercially led development. Demonstrated at projects such as Edgware, which includes plans to re-provide a modern, fit-for-purpose bus garage supporting the decarbonisation of London.
- 4.7 As outlined above, one area of continued focus is sector level strategies. In the short-term, these will prioritise stabilising our Asset Management portfolio. We will then drive towards improving our operating margin and net operating income through proactive asset management and the embedding of a research-led approach to selection, prioritisation and delivery of projects.

Multi-Use Hubs

- 4.8 Where assets are co-located, particularly around transport nodes, they will be considered not as individual sectors but collectively as multi-use hubs. 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.

- 4.9 The initial projects identified as having potential for this approach are Victoria, Whitechapel, Liverpool Street and Baker Street. A capital allowance has been included in the Business Plan for strategic acquisitions to strengthen our ownership at such locations.
- 4.10 TTLP will seek targeted acquisitions at these hubs to ensure consolidated ownership unlocking additional value and optionality to develop and manage these assets. This approach will also enable the assets to better support operational requirements at these locations.

Retail

- 4.11 TTLP's retail portfolio consists of units within TfL stations, which require close coordination with operational teams, and out-of-station units. In-station retail is a unique element of our investment portfolio. These encourage targeted interventions that generate income, deliver an enhanced customer experience, and improve the ambience and safety of TfL's transport network.
- 4.12 As the market begins to recover from the pandemic and consumers change their spending patterns, retail now enters the unknown. With inflationary pressures, the evolution of the retail sector is more important than ever. The structural change from traditional shops to online retailing and experiential retail continues to intensify. Our traditional approach to convenience and "grab & go" retail serviced by commuters is no longer appropriate.
- 4.13 Over the next 12 months, we will carefully consider the retail landscape for the future by reviewing our tenant mix, engaging with our customers, and building partnerships to provide convenient services to the communities we serve by repurposing and investing in our existing retail spaces.

Residential

- 4.14 Currently only a small part of our existing investment portfolio, residential is a major focus of our development programme, in line with our wider Mayoral commitments. There remains a significant undersupply of new homes across a variety of tenures and price points in the capital. There are increasing design and sustainability requirements in the planning process which require successful schemes to deliver healthier and greener, resilient, and better-connected buildings. TTLP have a design guide, based on the London Plan, which is regularly reviewed to reflect new requirements and our own strategic objectives, and this is used as part of the governance of all our projects to ensure we deliver good quality design.
- 4.15 TTLP's Property Development team is responsible for one of our primary Investment Strategy objectives: to deliver 20,000 homes over the next ten years with a target of 50 per cent affordable housing.

- 4.16 As part of this housing target, Build to Rent is a key delivery component. It represents TTLP's single most important investment category delivering both high-quality homes (across tenures and price points) and sustainable long-term income that, importantly, is defensible in volatile markets.
- 4.17 Build to Rent is currently delivered through Connected Living London, with five active sites delivering 1,591 homes. There are numerous opportunities across the housing delivery programme to increase our investment in Build to Rent. A residential strategy to enable TTLP to select the best of these opportunities and deliver on them will be developed over the next 12 months.
- 4.18 TTLP's existing disparate residential portfolio, comprising some 200 units, is geographically spread across London with varying degrees of connection to the transport network. The portfolio requires significant investment and provides poor returns, with significant void rates and high operational costs. Where these assets are not required for future development or are not part of a multi-use hub, they will be disposed of, with receipts reinvested into core assets.

Arches

- 4.19 TTLP's arches portfolio is worth £155m¹ and generates over £11m per annum. The Arches Strategy will provide and future-proof the right spaces for London's small business entrepreneurs.
- 4.20 TTLP's arches portfolio offers unique commercial spaces, home to restaurants, cafés, gyms and maker spaces – and has the potential to do much more to enhance local communities.
- 4.21 With very high levels of small and medium enterprise occupants, from music studios to mechanics, the portfolio is agile and can react to market conditions. This has been evident through the recent market turmoil, with the arch portfolio demonstrating resilience through rent collection and void rates.
- 4.22 The portfolio will generate and grow sustainable net income through partnership and mutual growth plans. As with much of the estate, however, there has been a historic underspend on maintenance works. Given the intrinsic operational interface and nature and condition of arches, this needs rectifying with significant capital investment and will be a short-term focus.
- 4.23 In the medium-term, TTLP will review the opportunity to introduce alternative uses in appropriate locations. The strategy will take a proactive approach to understanding demographics and local needs to help ensure we encourage a tenant mix that creates diverse and connected spaces.

Offices

- 4.24 As part of TfL's head office rationalisation strategy, a number of secondary office buildings have or will potentially be transferred to TTLP. These buildings represent the majority of TTLP's existing moderately sized office portfolio. These offices are largely located around transport hubs.

- 4.25 Agile working is here to stay, which will continue to have a dampening effect on the growth in demand for secondary office space. Less desirable offices in less accessible locations are increasingly becoming harder to let. Market sentiment sees a clear 'flight to quality' among London office occupiers, driving demand for prime Grade A office space.
- 4.26 In the short-term, we will review our Office Strategy and focus investment on core office development and the repurposing of existing office buildings that could support a flexible or co-working provision in core locations. Other assets will be reviewed for disposal, in line with our capital recycling plan.
- 4.27 In the medium-term, the portfolio presents opportunities to deliver market-leading office buildings, including Bank, Paddington and Southwark, which will deliver 600,000 sq. ft (Net Internal Area) of the highest quality office space in the capital, with world-leading sustainability and wellbeing credentials.

Car Parks

- 4.28 TTLP's Car Park portfolio is worth £170m1, consisting of 78 car parks and over 10,000 bays. TTLP typically benefits from a monopolistic position of station parking in key locations adjacent to London Underground stations and therefore generates a steady income stream. The portfolio is diverse with sites ranging from less than ten spaces to over 500 spaces at sites such as North Greenwich, Epping, and Chalfont and Latimer. Overtime, however, this portfolio will decrease in size as we repurpose assets for alternative uses including residential development.
- 4.29 Following a recent procurement process there are now two strategic partnerships in TTLP's Car Park sector. Saba Parking is responsible for the management and maintenance of the estate, while PayByPhone provides a new digital cashless payment platform. We will work with our new partners over the next six months to review the performance of our car parking assets and seek revenue generating and efficiency opportunities.
- 4.30 The portfolio also offers multiple opportunities for diversification. An assessment will be completed to look at non-parking revenue and potential green initiatives, such as EV charging and last-mile logistics.

Infrastructure

- 4.31 The TTLP portfolio includes a number of income-generating infrastructure assets (including bus garages, utilities, antennae, surplus operational land, air rights and long leases). Although this sector contains numerous assets, the majority of value (and income) is held within a small number of long leasehold interests and bus garages.
- 4.32 The short-term focus is to review assets of significant value for value optimisation. The medium-term strategy is to drive revenue and value-add opportunities, both commercial and operational, from these assets.

Emerging Sectors

- 4.33 An area of focus is reviewing scope for investment into emerging sectors. To date a series of sectors have been identified following initial market research and emerging opportunities across our estate.
- 4.34 In response to market conditions, TTLP is reviewing its appetite to invest and enter the following sectors to support its long-term aspirations and wider objectives:
- (a) industrial and logistics;
 - (b) energy – including EV charging and solar;
 - (c) serviced office;
 - (d) student living; and
 - (e) health, later living and care.
- 4.35 Although there is market sentiment to support investment into the life science and data centre sectors, we are not currently considering these. This is based on an initial evaluation considering existing strategy, market position and ESG credentials.
- 4.36 Over the next 6-12 months, further work to review TTLP's investment appetite in these sectors will be led by the relevant experts in the business, leveraging market leading external support.

5 Measuring Investment Performance

- 5.1 Commercial performance metrics have been a recent focus and will continue to be reviewed. A material step forward is the agreement of Shareholder Objectives (see Corporate Strategy paper). The project level hurdle rates below are not materially impacted by the Shareholder Objectives:

Metric	How Measured	Our Target
Net Present Value (NPV)	Each project is assessed against an IRR hurdle rate equivalent to the market risk rate of return relevant to the asset class, risk and complexity of the project	> £0
Ungearred Internal Rate of Return (IRR)	The average annual return, expressed as a percentage	> 7.0% Will vary according to the project, taking into account levels of risk and the non-financial benefits, e.g. step-free access

Metric	How Measured	Our Target
Return on Capital Employed (ROCE) on development projects	Net operating profit or earnings before interest and taxes (EBITDA) divided by capital employed (all equity, excluding debt, invested in the delivery phase of a project including TTLP direct costs)	> 20%
Incremental Yield on Expenditure	<p>The new rent post-capital investment minus the former passing rent divided by capital expenditure plus associated void costs (related to revenue-generating assets)</p> <p>Where there is no passing rent, or projects materially change the income type (by use or risk profile) then the metric will not reflect the passing rent and will be a Yield on Expenditure only</p>	<p>> 3.6%</p> <p>Taking into account levels of risk and the non-financial benefits</p>

5.2 In the first instance, all projects are tested against the above financial targets to secure investment from the business. However, in certain cases projects will be progressed even in the event they do not meet the target returns. Specific reasons to progress projects include:

- (a) health and safety related investment – due to the historic lack of investment across the estate, there is sometimes a need to invest in making assets safe such that the project will not meet the investment targets listed above (albeit this will protect long-term income);
- (b) key projects aligned to the wider business objectives and strategy, such as delivering housing throughout the property cycle; and
- (c) projects that deliver wider Sustainability and Non-Financial benefits – as highlighted in the ESG Strategy paper, elsewhere on the agenda for this meeting, the approach to identifying and measuring these benefits will be assessed over the next 12 months.

List of appendices to this report:

None

List of Background Papers:

Land and Property Committee paper, Investment, Business and Corporate Planning 2023/24, 18 October 2022

Corporate and Environmental, Social and Governance (ESG) Strategies elsewhere on the agenda for this meeting.

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Date: 23 March 2023

Item: **TTL Properties Limited Environmental, Social and Corporate Governance (ESG) Strategy**

This paper will be considered in public

1 Summary

- 1.1 This paper summarises TTL Properties Limited's (TTLP) Environmental, Social and Corporate Governance (ESG) Strategy. It provides a framework for success that balances financial, economic, environmental and societal factors.
- 1.2 This strategy will be the basis for more detailed policies, standards and plans which will address the opportunities and challenges across our business.
- 1.3 We will continue to refine and improve the contents of the strategy with a view to sharing a finalised version with the Committee ahead of the official launch of TTLP under its new name later this year.

2 Recommendation

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

3 Background

- 3.1 For TTLP, ESG encapsulates 'how' we go about operating our organisation and delivering our business plan, working in tandem with our shareholder, TfL, to realise great outcomes for London. This includes:
 - (a) taking a customer-first approach, building deep relationships with our occupiers and local communities;
 - (b) measuring, managing and improving our environmental and social impact;
 - (c) significant investment in public transport enhancements, new homes and affordable places to live and work;
 - (d) coordinating between our sectors to drive multi-dimensional approaches which put people at the heart of place-making, rather than built assets;
 - (e) demonstrating targeted innovation, digital connectivity and thought leadership to drive change, within and beyond our organisation;
 - (f) investing in skills, partnerships and emerging sustainable asset classes; and

- (g) growing a TTLP team that is truly reflective of the diversity of London.
- 3.2 The aspiration and intention of our ESG Strategy responds to the multiple complex challenges faced by London, and the shifts that are starting to happen, or need to happen, to address these. As articulated in our Corporate Strategy, these challenges and changes include the urgent need for decarbonisation and climate adaptation; growing inequality and deterioration of quality of life; changing occupier, consumer and passenger expectations and requirements; and skills and labour shortages.
- 3.3 Key themes are emerging in aspirations, policies, and practices for a transition to a more diverse, equitable, innovative, and productive city, and the real estate industry is starting to adapt in response. TTLP can and will be an enabler to these. For example, supporting sustainable population growth through the provision of affordable housing and promoting a diverse community of Small-Medium Enterprise (SME) businesses to flourish through our workspaces, investing in green energy, and working with an enterprising supplier base,
- 3.4 The ESG Strategy will be as applicable to our existing property portfolio, our property development programme, our own TTLP teams, and our customer, supplier and partner networks.
- 3.5 Given the nature, extent and diversity of TTLP's portfolio, our aspirations are considerable. Across all our activity there are opportunities to support and enhance movement and mobility, whether restoring the vitality of shops on High Streets, uncovering new walking routes by transforming runs of railway arches into bustling public spaces, creating a network of future-proofed and diverse offices within transport hubs, or delivering thousands of affordable homes through the creation of dynamic, multi-use, zero-carbon neighbourhoods.
- 3.6 We recognise that to realise the opportunities available to us, we will not always achieve the highest possible short-term financial returns, but we can act as a leader in the industry to deliver long-term value, delivering outcomes that are good for TTLP and good for London.
- 3.7 TTLP's ESG Strategy informs and reflects the opportunity to deliver a holistic total return for our shareholder, TfL, subject to its legal obligation to obtain best financial value from its property assets. This will include a financial dividend that is reinvested in public transport infrastructure, asset value growth, and direct investment in operational improvements that enhance mobility, inclusivity and accessibility. These all contribute to TTLP's role in creating public value for London.
- 3.8 Whilst this is our first over-arching TTLP ESG strategy, TTLP is taking a lead in building a better London through many of our existing initiatives and delivering tangible benefits through our existing projects.
- 3.9 We have demonstrated our partnership approach in our support for occupiers on our existing estate, and their support for their communities,

during the coronavirus pandemic. We have also become public sector leaders in development joint ventures, which has enabled us to deliver thousands of affordable homes.

- 3.10 TTLP's Sustainable Development Framework (SDF) has guided the organisation to already become one of the most sustainable property developers in the world. This has been recognised for the second year running through TTLP securing a five-star GRESB rating, being ranked first in the UK for a diversified developer and third globally, thus demonstrating industry-wide leadership on transparent and rigorous impact measurement.
- 3.11 TTLP's construction skills programme has trained over 3,000 Londoners and supported more than a 1,000 people into long-term work in the built environment. 65 per cent of trainees were from ethnic minority communities, and 20 per cent were young people not in education, employment, or training.
- 3.12 TTLP's approach to design, engagement and innovation has demonstrated an ability to set standards and expectations, and to take a lead in testing new concepts and technology. TTLP has, for example, published Design Principles and developed an Arches Design Guide. TTLP also utilises a Community Engagement Handbook and Customer Handbooks.
- 3.13 TTLP is also delivering tangible benefits through existing projects, for example:
 - (a) facilitating improvements to Edgware bus garage, including supporting bus electrification works, as part of the delivery of thousands of new homes within a mixed-use community;
 - (b) partnering to build three well-connected, sustainable and inclusive workspaces at Southwark, Bank and Paddington which will be constructed on the basis of Net Zero Carbon and through collaboration with future tenants target BREEAM Outstanding and Platinum WELL v2 Core ratings;
 - (c) providing space to the Camden Collective at Buck Street on a meanwhile basis, enabling the provision of affordable workspace for young businesses and innovators;
 - (d) funding a new public square as part of the Connected Living London Build to Rent project at Arnos Grove; and
 - (e) through a retrofit demonstrator, TTLP is installing light-emitting diode lighting in car parks supporting TfL's operational decarbonisation objectives and reducing operating costs.
- 3.14 From this foundation TTLP is now able to expand the scope, remit and reach of its sustainability ambition. This will require a shift towards a systems thinking approach – cross-team working, open dialogue, strategic thinking and a recognition of the importance of research, learning and development. These are increasingly part of TTLP's culture – and will be further embedded through the People Plan. The establishment of the TTLP Strategy and

Planning function has been the first step towards this – ensuring clear leadership of pan-TTLP priorities, including ESG, and championing cross-departmental working and collaboration. As an organisation we have the energy, ambition and talent to achieve the outcomes of our ESG Strategy and will continue to build our capability and capacity to do more.

- 3.15 We have taken inspiration from an array of sources, including some of the most exciting and innovative projects and communities in London to global examples. We are also inspired by our established industry partners, and cross-industry bodies that we work with. These include, but are not limited to, the UK Green Buildings Council, the Better Buildings Partnership, the Institute for Customer Service, New London Architecture, the Urban Land Institute, Property X-Change, Cross River Partnership, Public Practice and the Mayor’s Design Advocates. We will continue to build these partnerships, including with other members of the Greater London Authority Group and public sector, infrastructure providers – reviewing our property holdings to find opportunities to realise synergistic value.

4 ESG Strategic Themes and Principles

- 4.1 TTLP’s vision is to move London forward with thriving, connected places. We recognise the societal, environmental, and economic challenges that we face however, and the need to work differently. The ESG Strategy is underpinned by the hypothesis that better places for people will deliver better commercial returns, while respecting the planet is a prerequisite for us, our partners and our future customers.
- 4.2 TTLP’s ESG ambition is to deliver positive social and environmental change for London and Londoners, playing a proactive role in delivery against Mayoral objectives for good growth. Becoming recognised as an important leader and partner across London, TTLP can set the standard for how other public authorities, developers and asset managers act and deliver in the city.
- 4.3 TTLP’s ESG themes build upon the work done to date:
- (a) Partnerships: Utilise TTLP’s partnership skills to expand our influence over our supplier, customer, contractor and partner network to convene collective action towards a more sustainable and inclusive London.
 - (b) People: Embed customer-first across the value chain to become sought out as a purpose-driven landlord – embrace customer partnerships to facilitate local prosperity, provide enterprise support, and in turn grow our sustainable, resilient revenue-stream.
 - (c) Planet: Supporting the decarbonisation of London by taking a lead in net zero carbon in transport-oriented development and retrofit for ‘hard-to-tackle’ buildings – building an efficient, collaborative, and innovative supply chain.

- (d) Place: Embed a holistic approach to place design, experience, and management, maximising the benefits we can have on sustainability, housing, public value, safety and customer experience exemplified at our multi-use hubs (see 5.4 below).
 - (e) Productivity: reflecting, responding to and anticipating the changing nature of consumption, production and services, we will align the opportunities of rapid digitisation with the physical qualities of our portfolio and transport connections to support more entrepreneurial and agile forms of productivity.
- 4.4 The ESG Strategy will guide our business activities in line with the following principles. Continuing to forge effective, trusting and innovative partnerships will be one of our key mechanisms to deliver on our commitments.
- 4.5 On People, we will seek to improve the health and wellbeing of occupants and local communities, with a focus on enhancing the quality of the public realm to improve customer and local experience, health and wellbeing, unlocking co-benefit with TfL. We will also continue our partnership approach with our tenants, understanding and supporting their needs and expectations so that they feel a greater sense of local pride and belonging, while contributing fully to making vibrant places where communities can flourish. We will also develop and support local economies to drive fair and inclusive prosperity – through our management of high-quality places, fostering long-term job creation and support the growth of the array of SME occupiers across our estate. We will continue to use our network to celebrate, encourage and promote these businesses, helping them and the communities around them to prosper.
- 4.6 On Planet, we will be supporting London’s transition to net zero carbon, reducing built environment emissions in line with a science-based trajectory, and decreasing reliance on offsets over time – delivered through both retention and retrofit of existing buildings, and multi-modal decarbonisation unlocked by development. We will also mitigate the effects of the climate and ecological emergency by integrating nature into our built environment to deliver environmental net gain within and beyond the red line of our property boundaries to create healthy, climate resilient neighbourhoods. We will also make the environmental performance of our buildings fit-for-the-future – optimising and improving building energy, carbon, water and waste performance, and embracing circular economy principles throughout development, construction and for the entirety of the building lifecycle. We now use our Sustainable Development Framework as a tool to set and measure our progress against development project targets which seek to align with and where possible exceed policies and standards.
- 4.7 On Place, we will create well-connected, smart neighbourhoods which deliver maximum impact for London and its communities. We will create dynamic inclusive and accessible places that make a positive contribution to neighbourhoods – acting as convenor of our partners and like-minded organisations to ensure joined up, focused action to drive better outcomes. We will also foster inclusivity and improve the liveability of London’s

neighbourhood, creating and contributing to places that are physically and financially accessible to all.

- 4.8 On Productivity, our well-connected, smart neighbourhoods will champion and facilitate the activities which are best conducted in person, whilst harnessing digital connections to exchange ideas and innovation, across London and beyond. In this way we can better support the growth of small businesses across our estate, and we will invest in data and technology, which is accessible to our partners, to enable this. Our unique relationship to London's public transport network provides opportunities for us to respond differently to hybrid working for example, across the growing variety of working and living sectors.
- 4.9 Will translate the themes above into policies, standards and guidance. These will be embedded within our sector strategies and asset plans.
- 4.10 We are transitioning from delivering sustainable projects to enshrining sustainability in our operational DNA and identifying strategic opportunities to support the future of London. TTLP can unlock and deliver substantial benefits for TfL and London – and we will achieve this ambition through a coordinated and systematic approach.
- 4.11 We have a targeted set of priority objectives for the coming year, to which we have aligned current workstreams, and we will expand these commitments, particularly in respect to our existing estate:
- (a) achieve net zero carbon by 2030 across all developments as outlined in our net zero carbon pathway and Better Buildings Partnership Climate Commitment;
 - (b) maintain our development portfolio's current five-Star Rating and status as European Sector Leader in GRESB;
 - (c) complete and publish a comprehensive Taskforce for Climate Related Financial Disclosures (TCFD) report;
 - (d) enhance construction industry skills within our development programme; and
 - (e) advance social value, environmental sustainability, and improved transport and mobility across our existing estate.

5 Delivery of the Strategy

- 5.1 TTLP has a diverse portfolio of town centre hubs; mixed-use, commercial and residential developments; and station, High Street and local retail and arch locations. TTLP also has access to a wealth of data, networks, and insights to inform activities and investments. Through our insights and engagement, we will more deeply understand the places in which we work, recognising the challenges and opportunities of a diverse, expansive property portfolio within a polycentric city.
- 5.2 This knowledge will enable us to put together a blend of activities and uses that best respond to each place and its people. This need to design for the experience, led by knowing the people, is at the heart of the ‘always meanwhile’, ‘placemaking’ or ‘connected’ approach that we take and that is also adopted by our leading peers.
- 5.3 Whilst further work is needed to develop our approach, this will be framed around:
- (a) Engagement: ensuring we access the hardest to reach voices;
 - (b) Local context: understanding and reflecting the economic context and inequality challenges, the existing local delivery infrastructure and capacity, and target our actions to address the greatest need;
 - (c) Collaboration: alignment with Mayoral and borough policies and approaches, measuring cumulative impact of wider regeneration;
 - (d) Scope: looking beyond TTLP’s ownerships, driving wider value and complementing not duplicating local resource; and
 - (e) Tracking impact: understanding values, priorities and benefits.
- 5.4 The ESG Strategy will be exemplified at multi-use hubs. These are mixed-use assets of significant scale that offer long-term sustainable revenue for TTLP in net zero neighbourhoods, while maximising customer impact and enhancing the transport network.
- 5.5 Sites of scale with immediate proximity to public transport offer a significant opportunity to deliver urban renewal that has a lasting positive impact on life in London. By investing in these locations and where appropriate increasing densities of urban living, we can spur design innovations and new ways of sharing urban space in a way that enhances social value and unlocks decarbonisation. If established in a way that maximises social value, rejuvenation, redevelopment and development will ensure social mobility, safe, healthy and pleasant streetscapes and environs, good, locally based services, and a range of work and leisure opportunities.

- 5.6 At a city-wide scale, taking an ecosystems approach, we can bring together real estate and infrastructure, with development proceeds supporting the decarbonisation of the public transport network, and taking a connected view of green energy, intelligently shared between a mix of uses.
- 5.7 Our multi-use hubs are an opportunity to bring together expertise from across TTLP and TfL. Through collaboration we will embed a holistic approach to designing, delivering and managing our places. Customer experience, social value and design of our places around people is at the heart of that approach.
- 5.8 For this strategy to be successful it must be embedded within our financial planning, decision making and governance regimes. Our latest GRESB score of 97 per cent reflects the strong environmental, social and governance performance of our property development programme. In the future our intention is to expand our submission to include our existing estate.
- 5.9 Corporately, as TTLP is fully established operationally, we are prioritising completion of our first TCFD report to inform how we manage climate risks and opportunities from the outset, reflecting the urgent drive to net zero. Beyond reporting, undertaking this exercise will require us to plan more broadly for how we incorporate a governance structure for sustainability-related risk and opportunities. The TTLP TCFD will be incorporated within the TfL disclosure for 2023.
- 5.10 TTLP's approach to sustainability risk-management is aligned with TfL where relevant, and TTLP has direct representation within the TfL Sustainability Executive Committee Sub-Group.
- 5.11 Work is underway as a priority to comprehensively update and advance our net zero carbon roadmap. To support this, we are currently completing Energy Performance Certificates across all relevant existing assets to improve our baseline and ensure regulatory compliance. This will test, refine, and clearly articulate our net zero commitments. This is being compiled alongside evolution of the UK Net Zero Carbon Buildings Standard. Our net zero carbon roadmap will be published in line with our Better Buildings Partnership commitment.
- 5.12 With respect of customer performance, we undertake an annual survey and measure customer satisfaction, net promoter score and trust. We also track the outputs of our Construction Skills and Educational Engagement programme against metrics, including diversity and representation.
- 5.13 The financial implications of the commitments the ESG Strategy will make to measuring, monitoring and reporting our impacts and outcomes will be reflected in the new Business Plan, reflected in increased expenditure to establish strategic, robust and consistent approaches.

6 Impact and Measurement

- 6.1 The ESG Strategy provides an opportunity for TTLP to lead the built environment sector. The whole industry needs to move beyond standard social value metrics and one-dimensional measures of environmental impacts, which fail to recognise the breadth of challenge in terms of biodiversity, habitat protection and natural capital. For TTLP this also encapsulates the operational benefits for TfL.
- 6.2 TTLP’s SDF provides a robust tool for guiding design and delivery of our development-led projects and driving site specific impact. TTLP will build on this by broadening the scope of impact assessment to consider pan-London and organisational impact alongside local project results. We will adapt the approach to be relevant across both the managed asset and development portfolios and incorporate greater consideration of longer-term outcomes – both within and beyond our ownerships.
- 6.3 We consider a broader definition of ‘value’ to have four components – economic, financial, social and environmental. We will target, measure and monitor across these to enable us to take a balanced view of impact, and are building a measurement process accordingly.
- 6.4 We will measure our impact with Outcomes and Deliverables at three levels, with our emerging approach summarised below:

Purpose	Activity	Measures	Potential Outcomes
<ul style="list-style-type: none"> • Embedding a balanced approach to value at corporate and board level 	<ul style="list-style-type: none"> • Set ambitious targets • Recognise and reflect upon best practice • Communicate to the wider industry 	<ul style="list-style-type: none"> • Targets that deliver enhanced consideration of value • Annual Impact Report • Industry benchmarking 	<ul style="list-style-type: none"> • Demonstration of industry-leading practice • Staff buy-in to value principles • Credible demonstration of the value TTLP delivers beyond the market and potential future contribution

Purpose	Activity	Measures	Potential Outcomes
<ul style="list-style-type: none"> • Embedding public value into delivery • Incorporated within sector and business unit strategies and plans 	<ul style="list-style-type: none"> • An outcome focused approach • Balance different types of value • Expand our role as a public sector partner 	<ul style="list-style-type: none"> • Systematic approach to collecting evidence of impact • Qualitative and quantitative evidence, from a range of sources • Adoption of new and adaptive behaviours across TTLP team 	<ul style="list-style-type: none"> • Delivery against Mayoral priorities • Aggregated impacts delivered via development and asset management activities across London • Aggregated impacts of pan-London policies and programmes which are not place-specific
<ul style="list-style-type: none"> • Enhancing the delivery of specific projects – place-based approach incorporated within our Asset Plans 	<ul style="list-style-type: none"> • Building an adaptive, locally tailored approach • Understand the local baseline • Enable local partners • Innovate locally e.g., community-based budgets • Influence tenant behaviour 	<ul style="list-style-type: none"> • All place-based projects measured to assess their specific impact – focus on ultimate outcomes • Measured against locally specific goals • Scale of measurement to reflect scale / stage of project 	<ul style="list-style-type: none"> • Set of core measures used for all projects through the lifecycle • Wider set of lifecycle measures, selected on a project-by-project basis • Clear evidenced response to key challenges at local level

6.5 The ESG Measurement Framework will sit alongside our approach to financial analysis. The aim is to fully understand the impact of sustainable measures on our financial metrics, striving to maximise the overall portfolio performance while ensuring it delivers resilient financial returns for investment in London’s transport system. To do this we need to better assess and monitor the environmental, social and economic impacts, opportunities and risks of our investments and actions. We must establish robust systems for a holistic understanding of value and impact, holding ourselves to account to monitor against these whilst always ensuring we reconcile these aspirations with our legal obligation to achieve financial 'best value'.

6.6 Investment to adapt and future-proof the property portfolio will also be essential. Responding to and striving to go beyond existing and anticipated regulation, including Minimum Energy Efficiency Standard, this investment will support the resilience of our revenue streams, and deliver opportunities for sustainable income and value growth. To achieve this significant

ambition, we need and want to work with a diverse and entrepreneurial supply chain and partners. For example, we can provide technical and enterprise support to our SME occupiers to support their transition to low-carbon operations, and through scale provide those businesses with access to green energy which would typically be uneconomical or impractical.

- 6.7 TTLP's ESG Strategy will also direct and inform TTLP's investment priorities. In many instances this will align with our Investment Strategy, for example targeting our multi-use hubs where we have an agglomeration of core assets around transport nodes or focusing on making better use of our assets; and will align with our People Strategy, for example growing our own talent through investment in training.
- 6.8 In the near-term, we anticipate some adverse cost and programme implications, due to historical under-investment in our existing assets. This will be mitigated in future through the early inclusion of requirements in assumptions, briefs and financial planning.
- 6.9 We will also lead with a series of demonstrator projects, pursuing targeted innovation which addresses our strategic challenges, harness the scale and reach of our profile. These will involve the allocation of funding at risk initially. Current examples across a range of scales include adopting circular economy principles into the asset management lifecycle, using the GlobeChain reuse marketplace, trialling Q Flow to record waste disposal within our Connected Living London construction projects, and testing the potential to unlock electrification of London's bus network through financial receipts from property development. As a promoter of innovation, and proactive creation of networks and spaces to incubate and test ideas, TTLP can help to drive the transition of the real estate industry towards the sustainable, equitable growth of London. Working with and encouraging an increasingly diverse customer base and supply chain, we can build collective purchasing capacity and act as a much wider catalyst.

List of appendices to this report:

None

List of Background Papers:

None

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Land and Property Committee

Date: 23 March 2023

Item: TTL Properties Limited People Strategy

This paper will be considered in public

1 Summary

- 1.1 This paper summarises the progress since the paper to the Committee on 30 June 2022. It sets out the methodology followed in progressing the TTL Properties Limited (TTLP) People Strategy work including the internal and external benchmarking being undertaken.
- 1.2 In developing the TTLP People Strategy, we are working to create an environment which encompasses the best of TfL and enables TTLP to deliver its objectives. The aim is to make TTLP a welcoming and desirable place to work, whilst building a team that reflects the diversity of London and can positively shape the capital's future.
- 1.3 We ask the Committee to note the progress, specifically the proposed actions while we map out longer term strategies for attracting and retaining colleagues. Subject to the Committee's comments, these will be resourced and effectively communicated, complementing the new operating model.

2 Recommendation

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

3 Background

- 3.1 The TTLP People Strategy has been developed with a range of inputs. These include TfL's Colleague Strategy, the TTLP employee engagement results from the Viewpoint survey, and external benchmarking. In addition, we have sought to maximise the input from people at all levels across TTLP.
- 3.2 The finalisation of TfL's Colleague Roadmap and the start of work to develop functional people plans in TfL has enabled us to explore how we can partner with the wider organisation to achieve common goals. As an example, on both recruitment and change management we are now working with the relevant parts of TfL to deliver improvements to our business. More generally, we are keen to position TTLP as a proving ground for new TfL people initiatives, using TTLP's size and agility to test things that might then be deployed across the wider organisation.

- 3.3 At 59 per cent, TTLP's headline engagement score from Viewpoint is currently the same as TfL. Given the ability to attract people who buy into our vision and the opportunity for those people to work on some of the largest and most important projects in London, TTLP should be a positive and energised place to work. We are therefore setting a target to reach 70 per cent total engagement by 2025-26. It is clear from this year's Viewpoint results that to improve total engagement we need to focus on team collaboration, personal development, managing change, learning from mistakes and colleagues feeling involved in decision making.
- 3.4 We have carried out external benchmarking in several areas to inform our Strategy. This has highlighted that:
- (a) on workforce diversity, in pay bands 1-4, the percentage of our people from ethnic minorities is significantly lower than the London working population average; and at the most senior levels, this gap is even greater, in both gender and ethnic minority representation;
 - (b) many of the challenges and opportunities we have are shared by other companies in the real estate sector; and we and our comparators are also experiencing a lack of suitably experienced and qualified candidates for key roles;
 - (c) while our approach on reward will be based around the strength of the overall package we can offer as part of the TfL family, on pay, bonus and longer-term financial incentives, TTLP is significantly behind what is on offer in the wider real estate sector; and
 - (d) other companies have shared that, despite the importance of competing strongly on salary and remuneration, learning and development and the wider employee experience are increasingly seen as critical in attraction and retention.
- 3.5 In developing the TTLP People Strategy over recent months, we have deliberately followed a "people first" approach, under which every employee of TTLP has been given opportunities to contribute to the shaping and development of the Strategy.
- 3.6 The work has been led by the TTLP People Group, with support from the TTLP leadership team and colleagues in TfL. The Group is made up of representatives from the different areas of TTLP, all of whom are genuinely committed to making our organisation a brilliant place to work. It has devised, designed and evolved the contents of the Plan working closely at all stages with people from across our business.
- 3.7 In framing the People Strategy, the Group held a series of workshops during the early development of the document to inform its headline content. As well as broad engagement across the company and in TfL as the document evolved, they held sessions with our delivery partners to compare their thinking with practice elsewhere. Two all-staff sessions – one in November 2022 and the most recent in February this year – enabled a total of over 200 colleagues to contribute to the substance of the Strategy. This level of

engagement will continue as we develop and deliver the People Implementation Plan.

4 People Implementation Plan

- 4.1 Our TTLP People Strategy has informed our approach to the People Implementation Plan which has been distilled into three focus areas:
- (a) The Fundamentals – putting the right building blocks in place for our new company, ensuring we can recruit the people we need, clearly communicate and deliver change, and deliver a fair reward and recognition framework that motivates and retains our employees;
 - (b) Diversity, Inclusion and Wellbeing – becoming an organisation that reflects the diversity of London at all levels, which ensures everyone can be heard, and fosters an environment that enables people to thrive; and
 - (c) Growing our Own – offering development and progression for all to enable business and personal success, putting in place a sector-leading skills and education programme, and using values-based recruitment to attract people who share our ambition for TTLP and London.

The Fundamentals.

- 4.2 We are conscious, consistent with the steer given by our people, that we need to get the basics right and create a strong foundation before attempting anything more expansive. This approach will also give us time to build a team dedicated to achieving our vision in this area – work on the Strategy until now has mostly been done by people working over and above their day jobs.
- 4.3 The success of our TTLP People Strategy relies on us having a clear set of fundamentals that we need to get right to ensure our people can successfully deliver TTLP objectives and meet our total engagement targets. As part of this we will work to ensure that managers and employees understand and meet their responsibilities in relation to core people processes like the end-year performance one currently underway.
- 4.4 We acknowledge the need to move quickly to address recruitment. We have 18 live vacancies and are expecting considerable business growth over the next year with the new operating model in place requiring recruitment of at least c.30 additional colleagues. Resourcing continues to present a risk to delivering our business plan, and existing recruitment is not consistently delivering the quantum or quality that is required, and the timescales to recruit can be protracted for several reasons.
- 4.5 To mitigate this, we have secured dedicated resource to accelerate the recruitment process and are developing a plan to improve the “reach” to recruit the best talent into TTLP. We are considering how and where we best advertise and promote the TfL benefits and opportunity to work in this new property company with an exciting and varied portfolio. For the harder to fill roles, particularly in surveying, we are considering developing a microsite to promote the work of TTLP and advertise vacancies. We are looking to carry

out market mapping to target specific areas and specialisms and, where necessary headhunt for these roles. We will also explore options for flexible resourcing to meet the requirements of future ventures.

- 4.6 We will also review both the attraction strategy and the candidate assessment to make sure that we are prioritising talent over proven experience in real estate. We will also fully map the recruitment processes to review opportunities for efficiencies and simplify recruitment for hiring managers including creating a TTLP Hiring Managers' Toolkit.
- 4.7 To ensure improved visibility of existing opportunities in support of fairness and transparency, we will consistently advertise all roles, secondments and other placements.
- 4.8 Working with TfL Reward, we will also create a Reward strategy for TTLP. Reward in terms of base salary and bonuses is regularly referenced as a concern and is cited as the reason staff are leaving. Any work on Reward will need to be addressed in line with TfL's review of the pay framework and be subject to normal TfL approval processes.
- 4.9 Colleagues asked for more recognition around successes, and our move to Victoria Station House earlier this year and the completion of our Executive Leadership Team have helped to generate a "one team" environment which helps with this. Looking ahead, we will find opportunities to thank and recognise our staff on a more consistent basis, building on existing TfL systems and processes.
- 4.10 Colleagues also requested more effective and consistent communication around change, which is also now being undertaken, both face-to-face and in written communication.

Diversity, Inclusion and Wellbeing

- 4.11 London is the most diverse city in the world and is forecast to become even more diverse with demographic changes leading to more people who have protected characteristics calling London home. TTLP's diversity, inclusion and wellbeing require significant improvement to meet the TfL and London benchmarks.
- 4.12 Within TTLP, we are fortunate to be able to build on our SPACE (Speak, Participate, Act, Collaborate and Equalise) group. Following the murder of George Floyd, this group was set up by a team of people in TTLP to allow colleagues to talk openly about the personal issues that affect them professionally, specifically around race. SPACE has delivered a range of high-quality events including topical debates and panel discussions, a variety of podcasts, packed South Asian Heritage and Black History Month calendars providing information, food and even music for the team to enjoy.
- 4.13 SPACE needs to be given the active support to be able to play a more central role in TTLP. SPACE's paper, 'SPACE for Change' sets out a series of recommendations based in part on bespoke surveys of TTLP employees.

SPACE is poised to create and review Diversity and Inclusion training with the first programme targeted at Leadership, starting with the Executive Leadership Group. In time, this training will be rolled out across TTLP and will cover, empathy, allyship and promoting inclusion. SPACE will also work with us to improve our recruitment processes and policies to promote representation, fairness and equalise inequality gaps.

- 4.14 Alongside that, we need to create a formal TTLP diversity action plan with targets. This will include the creation of a 'Shadow Leadership Group' to give more colleagues exposure to executive decision making while also allow greater input from diverse voices, particularly in the period that it takes to create a fully diverse leadership team. We are also arranging core Diversity and Inclusion training for all members of TTLP. We will also take more opportunity to highlight and promote work that is currently being undertaken to improve access and inclusion.
- 4.15 To support diversity, inclusion and wellbeing, TTLP will also encourage employees to engage in volunteering activities. This is shown to be effective team-building as well as allowing colleagues to better understand and connect with TTLP's customers and the wider city.
- 4.16 Finally, we will continue our collaboration with other members of the GLA Group and wider industry initiatives, particularly those utilised by strategic partners, including joint venture partners.

Growing Our Own

- 4.17 Our ambition is to enable everyone who works for us, whatever their background, to be successful. Our existing employees have told us they want clear career pathways within TTLP. To enable this, we will produce a Learning and Development Strategy, focussing particularly but not uniquely on real estate disciplines.
- 4.18 The fact that we cannot compete with the top end of the commercial market in terms of pay, and our ambition to attract a more diverse talent pool including where people may have less direct experience are both reasons we need a strong people development proposition which is properly resourced. Such an approach will significantly enhance our attractiveness as an employer and improve staff retention. The creation of an alumni community will also maintain connections for potential returning colleagues.
- 4.19 Our learning and development work will be informed by analysis of the skills and experience across our business to improve our understanding in those areas. We will also do a comprehensive succession planning exercise, identifying the critical roles and how we inclusively develop staff to move into leadership or specialist roles.
- 4.20 In the shorter term, we will use the end year performance review process to ensure that every employee has a high-quality conversation about their development. In support of this and similar conversations in the future, we will

provide training on MyJourney, the TfL employee performance review tool which uses SAP SuccessFactors.

Next steps

- 4.21 Subject to the Committee's feedback, a People Implementation Plan will be produced to detail the prioritisation, sequencing, resourcing and timescales of the above work. It will also detail the metrics by which we will measure success.
- 4.22 In parallel, work continues on our future operating model. We are moving as quickly as we can with developing a flexible structure which will enable us to deliver our ambitious plans and improve employee retention. Following the finalisation of the Executive Leadership Group structure, we hope to be able to begin shortly filling roles at the next layer down this spring.

List of appendices to this report:

None

List of Background Papers:

None

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Land and Property Committee



Date: 23 March 2023

Item: TTL Properties Limited Quarterly Performance Report

This paper will be considered in public

1 Summary

- 1.1 The TTL Properties Limited (TTLP) Quarterly Performance Report provides an update on market context, health and safety, financial performance, operational performance, project updates and understanding TTLP's impact.
- 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.
- 1.3 The paper on Part 2 of the agenda contains supplementary information on financial performance, the long-term finance update and project updates.

2 Recommendation

- 2.1 The Committee is asked to note the Performance Report and the exempt supplementary information on Part 2 of the agenda.**

List of appendices to this report:

Appendix 1: TTLP Quarterly Performance Report

List of Background Papers:

None

Contact Officer: Graeme Craig, Director and Chief Executive, TTL Properties Limited

Email: graemecraig@tfl.gov.uk

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TTLP Quarterly Performance Report Q4 – Appendix 1

- 1 Market Context
- 2 Health & Safety
- 3 Financial Performance
- 4 Operational Performance
- 5 Project Updates
- 6 Understanding our Impact



Executive Summary

1

Health and Safety remains a top priority with high compliance, but there was a serious safety incident at Earl's Court in January

2

We are forecasting to exceed our year-end financial scorecard targets, however we have not achieved our target capital disposals or expenditure

3

We are expecting to achieve 2,309 starts on site this financial year – the highest number of starts ever achieved in TfL

4

Our customer satisfaction rose by 3 per cent to equal the highest levels yet achieved though missed the ambitious target

This pack provides a performance update for TTLP covering periods one to eleven of 2022/23.

This slide sets out the most noteworthy points – the rest of the document will give a more detailed performance overview covering safety, financial performance, operational performance project performance and where we are on benefits.





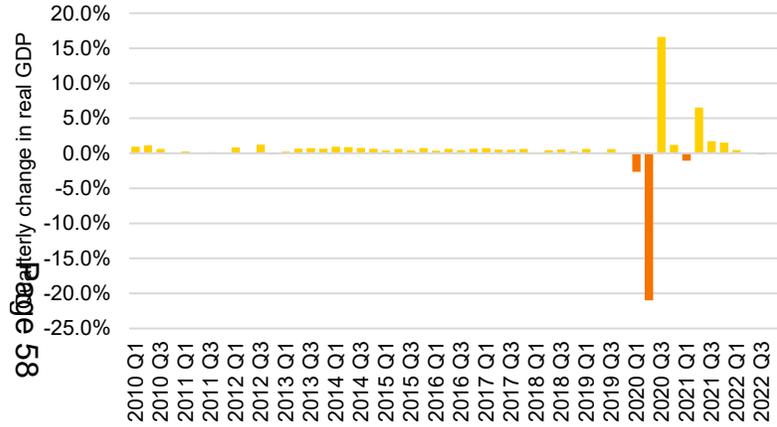
Buns from Home, Sloane Square

Market Context

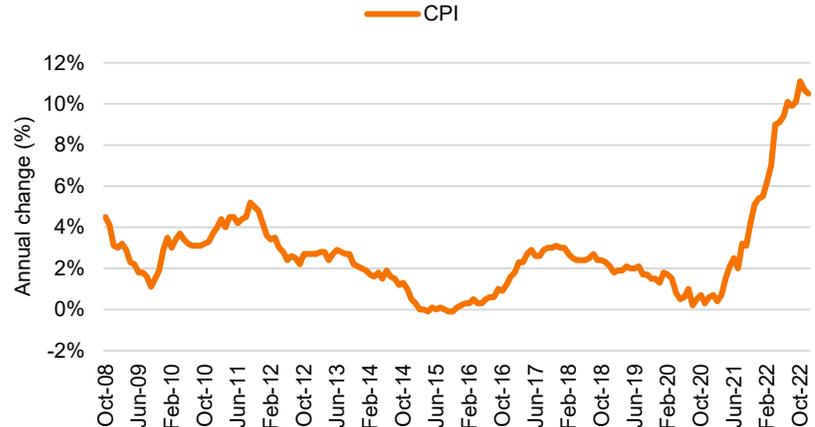
Graeme Craig
Director & Chief Executive, TTLP

Inflation remains high, with economic growth slowing

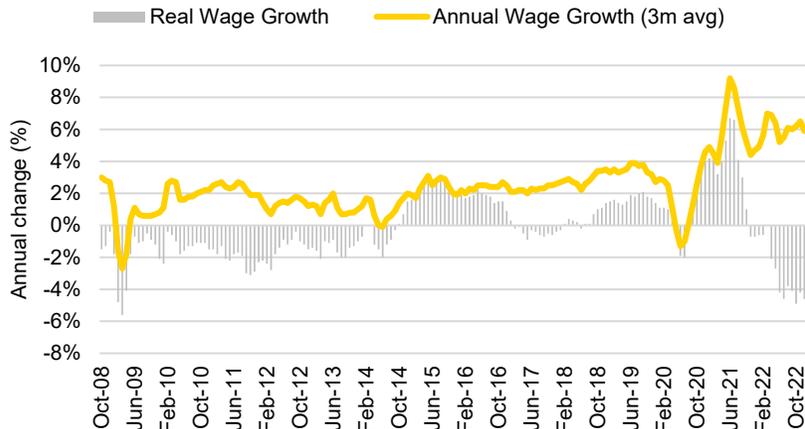
Real GDP growth was flat in Q4 22, bringing annual growth down to 0.4% in 2022



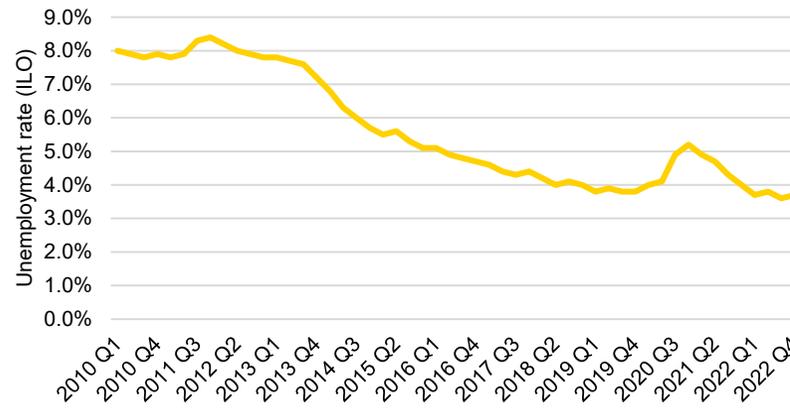
Inflation remains high (10.5% in December 22) but appears to have peaked



Nominal wage remains robust (+5.9% in Dec 22) but inflation resulting in real terms wage falls



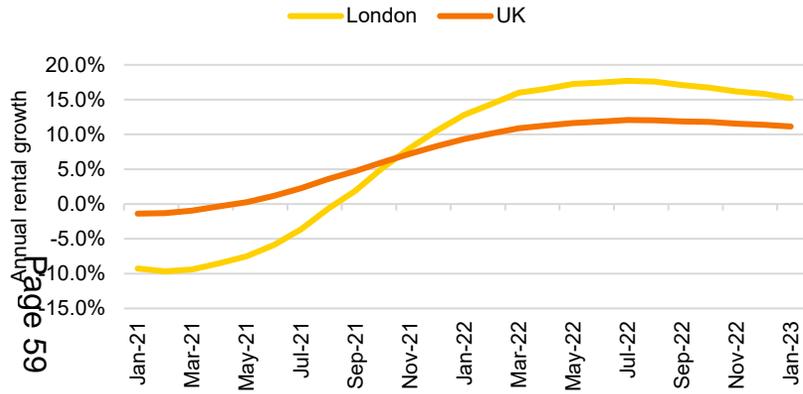
Unemployment remains near all time lows (3.7% in Q4 22)



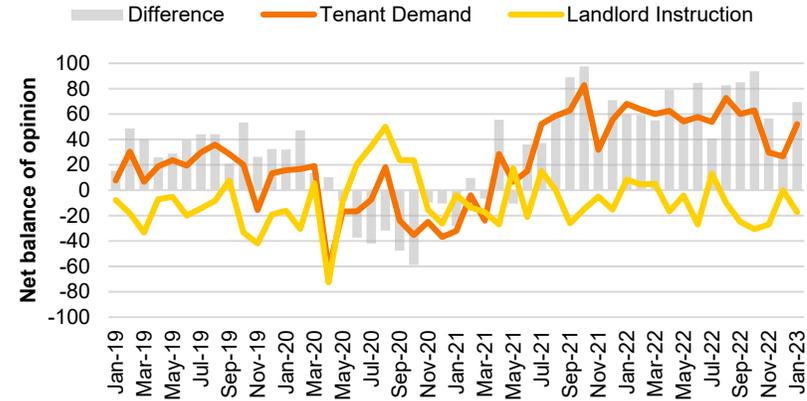
- The macro economic backdrop remains challenging, with inflation remaining above 10% in recent months.
- This is pushing up borrowing costs and leading to a slowdown in economic output nationally.
- Incomes continue to rise, but their rate of growth is below inflation, which is squeeze real terms growth – increasing pressures on household budgets.
- However, unemployment remains low and is forecast to continue to do so over the near term – providing support for the wider economy.

Residential rental sector remains robust

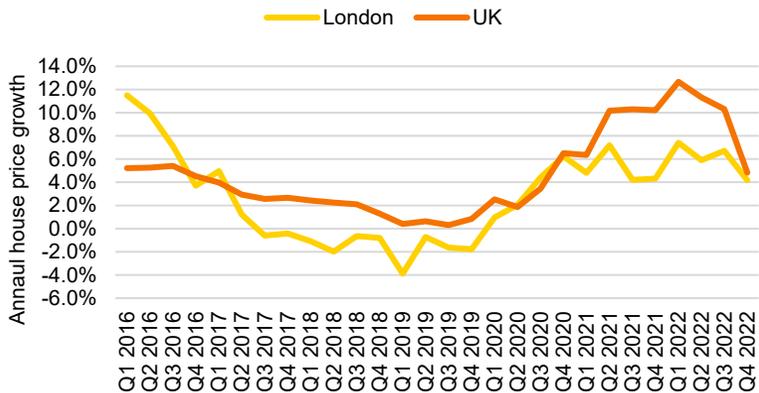
Rental growth remains strong, with London rents up 15% year-on-year in January 2023



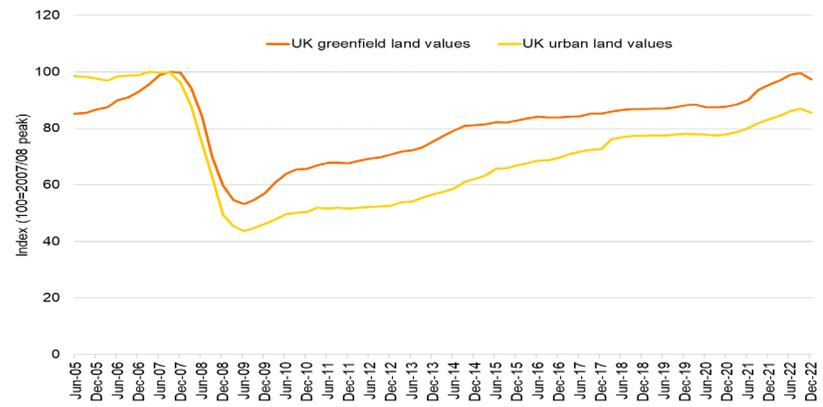
Agents continue to report strong tenant demand and falling landlord instructions



House price growth in London slowed to 4.2% year-on-year in Q4 2022



Development land value fell slightly during Q4 2022 (-1.6% for urban land)



- There continues to be a significant supply and demand mismatch in London’s residential rental market.
- This is driving continued strong rental growth – rents rose by +1% in January 2023, taking annual growth to 15.2%.
- However, rising cost of mortgage debt has led to a slow down in house prices, which saw annual growth slow to 4% in Q4 2022.
- Urban Land values across the UK also saw a decline in Q4 2022, falling by -1.6%.

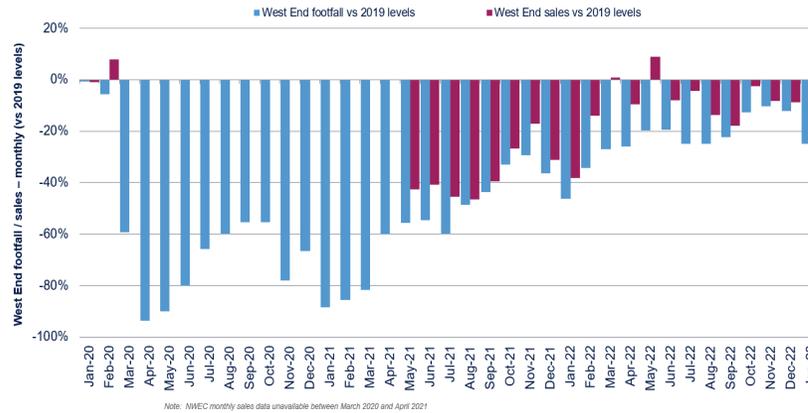


Retail spend and rental growth are forecast to fall

Retail spend is expected to remain muted in 2023 before recovering next year

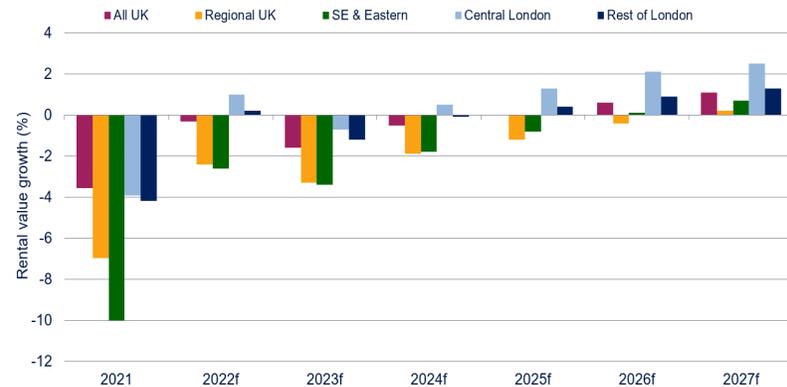


Sales and Footfall in the West End were recovering during 2022, but remains below pre-Covid levels

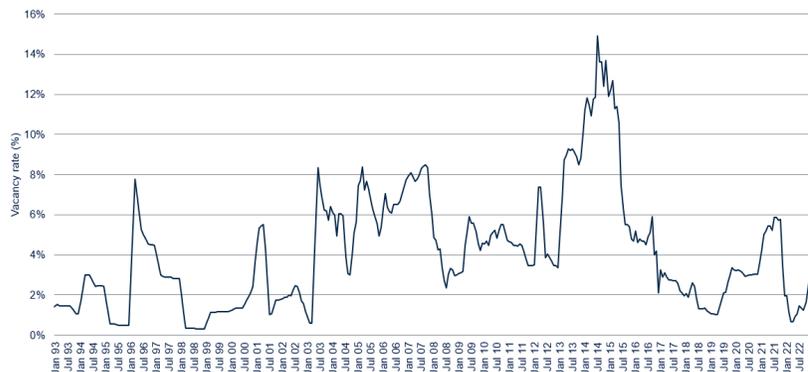


- Footfall and retail sales across the West End continued to improve during 2022, although they remain below pre-Covid levels.
- Looking forward retail spend is expected to fall during 2023, albeit to a lesser extent than in 2022. London's performance is also expected to be slightly worse than the national average.
- Vacancy across central London rose during 2022; however, it remains significantly lower than the Covid peak.

Rents are forecast to fall again in 2023, with London seeing the smallest declines

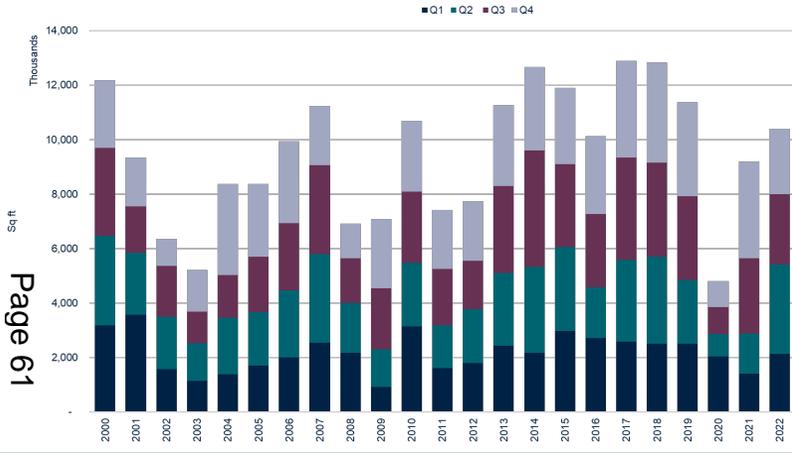


Central London vacancy rate rose during 2022, but remains below 4%

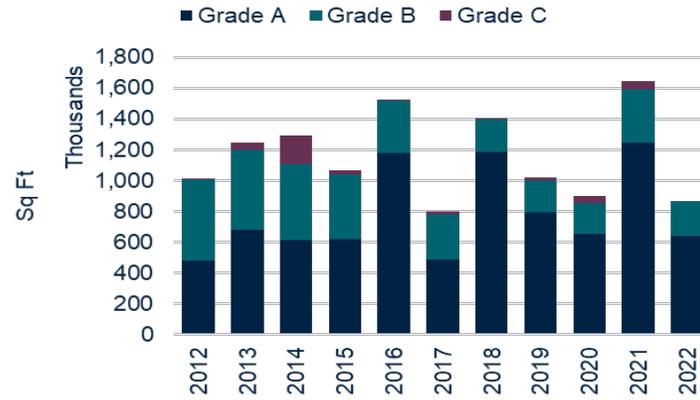


Office market shows flight to quality

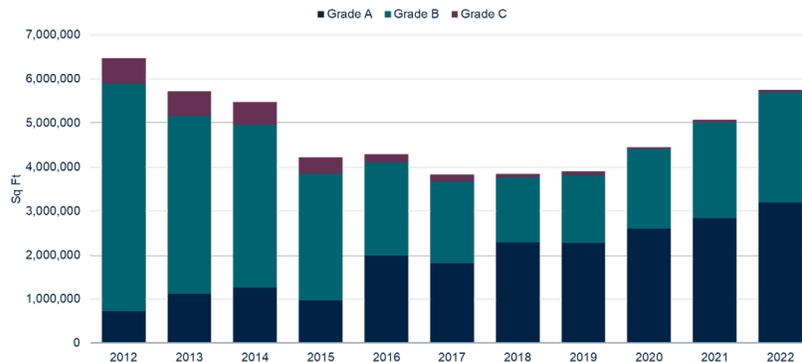
Central London take-up was 10.1m sq. ft in 2022, with 57% of activity in the City submarket



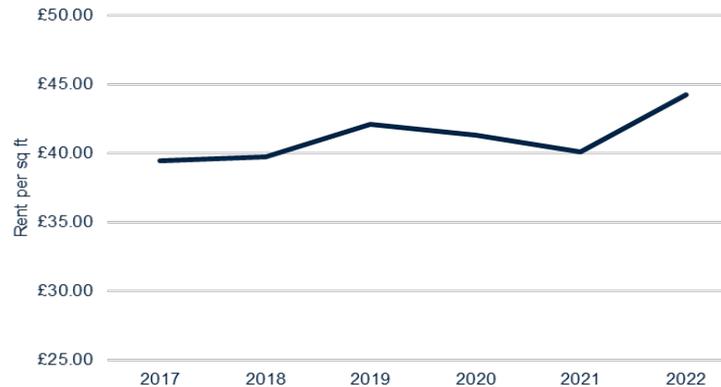
Take-up in Greater London was c.640k sq. ft in 2022, down by 49% from 2021



Supply across Greater London reached 5.7m sq. ft in 2022, +13% compared with 2021



Average Grade A office rents across Greater London rose by 10% in 2022 to reach £44.20psf

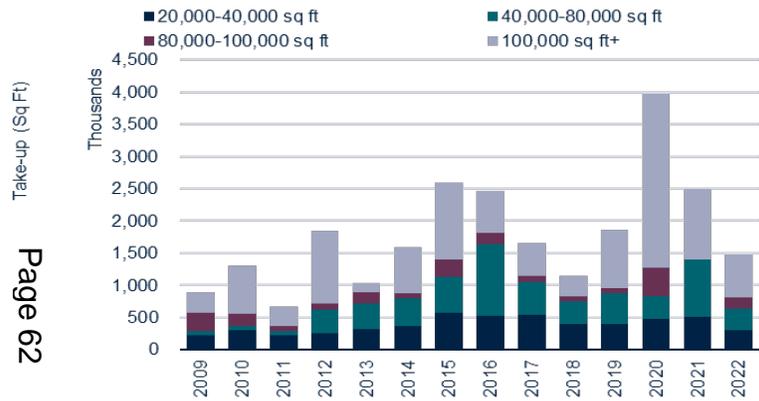


- The office leasing market has remained robust in central London during 2022, with over 10.1m sq ft of space let.
- However, activity was more subdued across Greater London markets (excl. Central London).
- Supply across Greater London rose during 2022, reaching 5.7m sq ft.
- Occupiers continue to flock to higher quality 'green' space, which is driving rental growth for prime space in central London and Grade A space in Greater London.

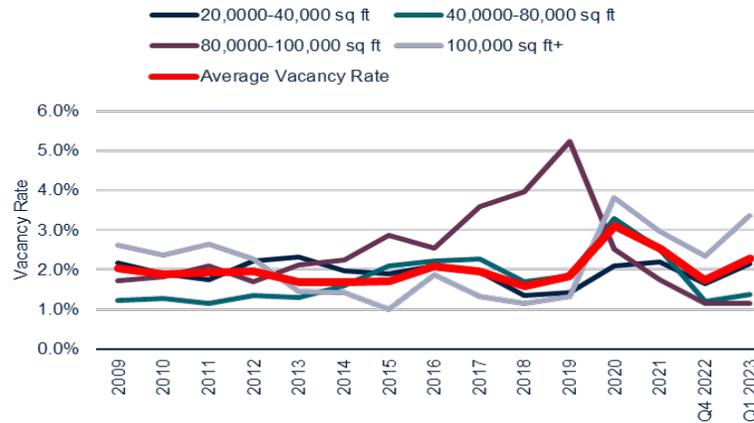


Arches: Industrial supply has risen slightly, but vacancy remains tight. F&B indicators suggest a return to pre-pandemic norms

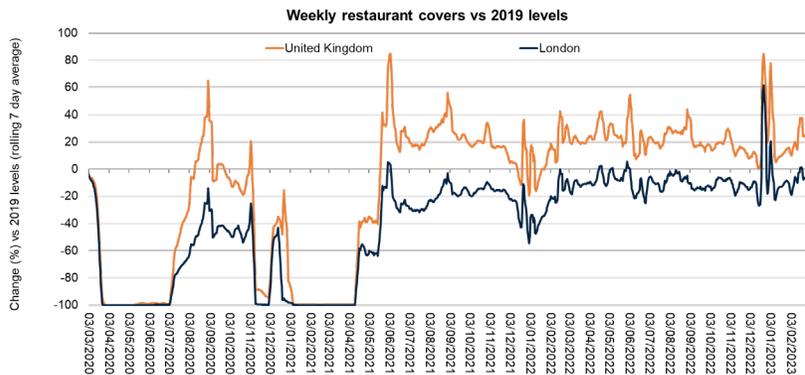
Take-up across London for smaller industrial/logistics units fell during 2022



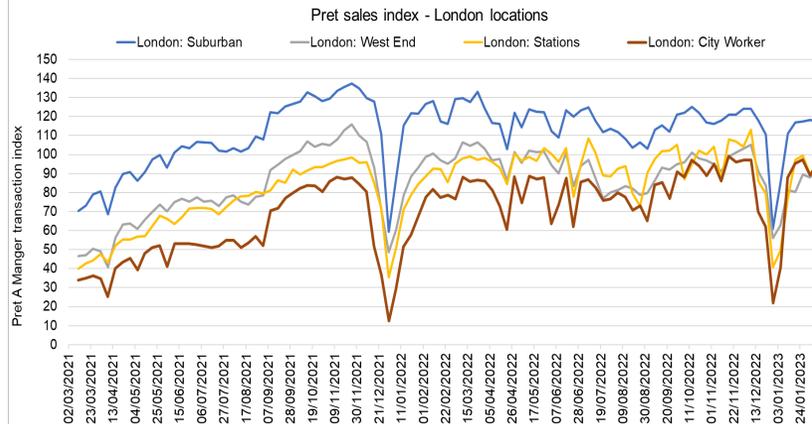
Industrial vacancy rate has risen to 2.3% for smaller units at the start of 2023



Weekly restaurant covers in London have returned to pre-Covid levels, but remain weaker than UK levels



Pret sales index continues to be strongest in suburban locations



- The industrial sector saw a marked reduction in take-up during 2022, which was seen across all size-bands.
- There has been a slight up-tick in the level of supply on the market, which has pushed vacancy rates out slightly. However, they remain at low levels.
- Despite this, industrial rents continued to grow during 2022 and reached c.£20psf for units between 20k and 40k sq ft.
- In F&B, the latest OpenTable restaurant covers data shows that weekly covers in London are back at 2019 levels.
- And the Pret Sales Index shows the continued strength of trading in suburban locations.



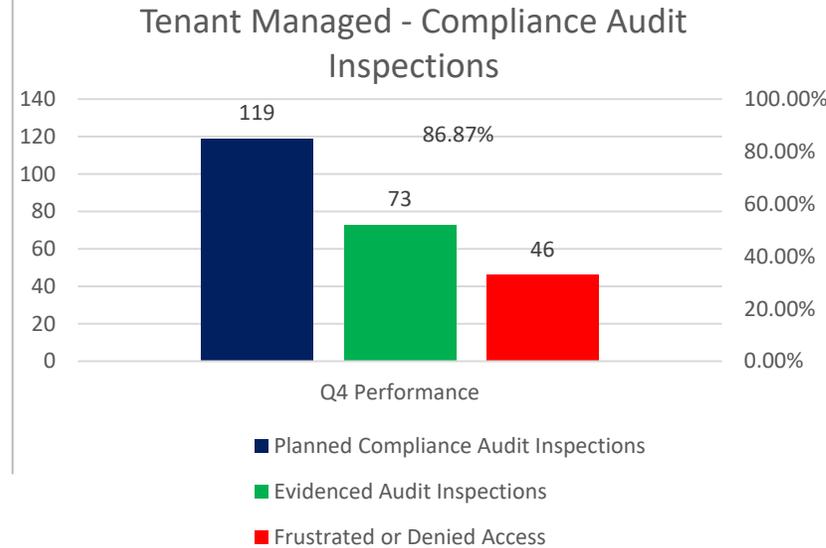


Health and Safety Performance

Lisa-Jane Risk
Head of Operations

Health & Safety

Metric	Period Actual	Period Target	YTD Actual	YTD Target
All injuries	2	0.5	8	5.5
Killed and seriously injured	1	0	1	0
Tenant managed – Severe Non Compliance - open	n/a	n/a	1	0



A recent internal audit of TTLP's management of tenant compliance concluded that this is Adequately Controlled.

- We recorded one incident of a person being seriously injured in Period 11 at Earl's Court. An operative was hit by an excavator whilst it was reversing and suffered a broken leg.
- Work on the site was stopped to review site arrangements but has since restarted. The contractor Keltbray undertook a full investigation and has shared their report with TTLP and the SHE team. The SHE team also attended an on-site meeting and reviewed the actions taken to manage the risk going forward. The HSE team have also visited the site.
- Further recommendations have been developed with the aim of ensuring that adequate Health & Safety assurance is in place for all TTLP's joint venture partnerships.

- We are working closely with the TfL Safety, Health and Environment team to review and update TTLP Health and Safety management processes including a review of our Health and Safety strategy.
- We have developed a 12-month action plan to address key H & S priorities
- This includes a full review of how we assure the activities of 3rd parties, including Joint Venture partners, direct contractors and suppliers
- TTLP are to be a pilot for a TfL programme aimed at improving SHE culture
- Recruitment is underway within the SHE team to better support TTLP





Financial Performance

Joanna Hawkes
Interim Chief Finance Officer

Operating performance outperforming budget

Despite continued economic challenges, income remains on track to exceed revised budget and prior year.

Continued strong performance from Retail and Car Parks, which may lead to further opportunity against budget.

Operating costs broadly on target and are forecasted to be significantly lower than FY21/22, increases in energy costs and rates are partially offset by maintenance cost reductions due to resourcing challenges.

Lower level of JV & Development income compared to budget due to timing of dividend – this will be received in 2023/24

Full-year operating surplus expected to exceed revised budget by £2.4m.

Operating Account	YTD			FY		
	Actual	Revised Budget	var	Q3 Forecast	Revised Budget (Q2 FC)*	Prior Year
	£m	£m	£m	£m	£m	£m
Retail	32.3	29.4	▲ 2.9	39.5	35.8	31.0
Arches	9.5	9.4	▲ 0.2	11.3	11.4	10.6
Infrastructure Property Income	9.1	10.9	▼ (1.8)	9.0	11.2	14.8
Offices	1.7	2.0	▼ (0.3)	2.4	2.7	3.0
Residential	1.2	1.2	▲ 0.0	1.1	1.3	1.5
Car Parks	15.7	14.7	▲ 1.0	18.1	16.5	13.2
Contract revenue & central income	0.4	0.6	▼ (0.2)	0.5	1.0	5.0
Gross Property Income	69.9	68.1	▲ 1.8	81.9	79.9	79.0
Direct Property Costs	(19.3)	(18.8)	▼ (0.5)	(23.6)	(23.3)	(27.0)
Net Property Income	50.5	49.2	▲ 1.3	58.4	56.6	52.0
Net Property Margin (%)	72%	72%	▲ 0%	71%	71%	66%
Other Non-Operating Income	(0.0)	(0.0)	▲ 0.0	0.1	0.0	0.9
Total Other Costs	(24.0)	(25.8)	▲ 1.7	(30.7)	(32.5)	(32.3)
Management Fee Cost	(6.5)	(6.5)	▲ 0.1	(7.6)	(7.6)	(6.4)
Operating Surplus / (Defecit) <small>(before JV & Development Income)</small>	20.1	16.9	▲ 3.1	20.2	16.5	14.3
JV & Development	17.1	18.4	▼ (1.2)	17.6	18.9	0.0
Total Operating Surplus / (Defecit)	37.2	35.3	▲ 1.9	37.8	35.4	14.3
Operating Surplus Margin (%)	43%	41%	▲ 2%	38%	36%	18%

*The Revised Budget is mid-year forecast, used for the TfL scorecard and performance metrics



Capital account

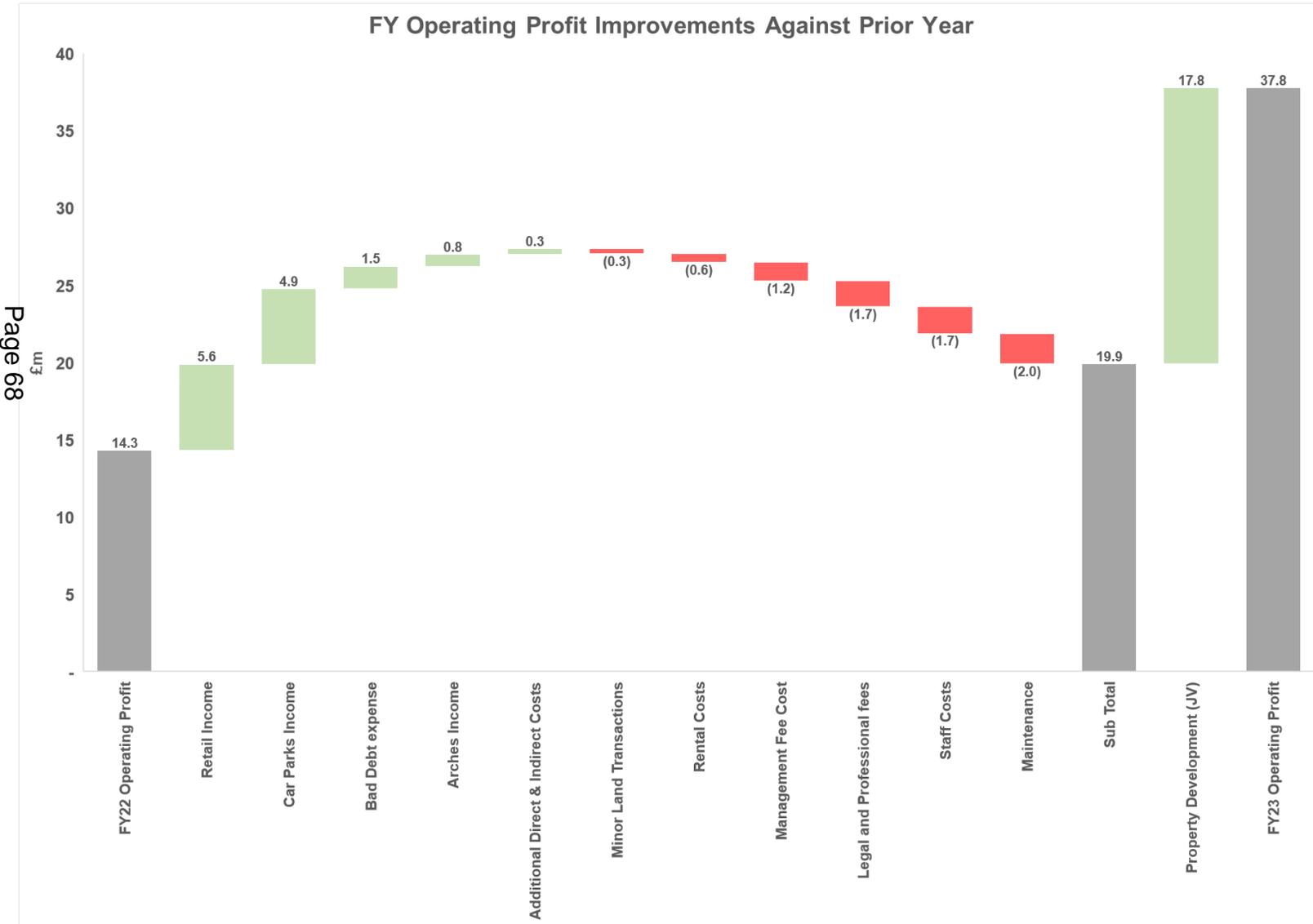
- Disposals has not hit target this year and a new team is now in place to look to increase work to meet future targets.
- Build to Rent income of £40.2m is expected in P12 & P13 from Nine Elms (£32.8m) and Southall Sidings (£7.4m)
- Capital expenditure is lower than revised budget – a change in focus from acquiring new units, to improving utilisation of our current estate
- Key Build to rent expenditure is expected in P12 & 13 for Nine Elm and Southall Sidings totalling £23.5m
- Costs for the Platinum Portfolio (Bank, Southwark and Paddington commercial buildings) are in routing for approval, however are showing a cost increase of £20m against budget (impact in future years)

Capital Account	YTD			FY	
	Actual	Revised Budget*	var	Q3 Forecast	Revised Budget*
	£m's	£m's	£m's	£m's	£m's
Income					
Asset Disposals	3.4	13.0	↓ (9.6)	8.4	23.6
Build to Rent	4.5	44.8	↓ (40.2)	44.8	44.8
Commercial	1.3	6.8	↓ (5.5)	6.0	6.9
Residential	27.5	27.5	↓ (0.0)	27.5	27.5
Other	-	0.1	↓ (0.1)	-	0.1
Total Income	36.8	92.3	↓ (55.5)	86.7	102.9
Expenditure					
Asset Investments	(8.7)	(13.6)	↓ 4.9	(15.2)	(26.3)
Build to Rent	(10.3)	(36.8)	↓ 26.5	(39.6)	(47.2)
Commercial	(3.6)	(27.5)	↓ 23.9	(27.4)	(29.9)
Residential	(27.7)	(27.9)	↓ 0.2	(31.1)	(31.1)
Other	(1.6)	(1.3)	↑ (0.2)	(2.1)	(1.7)
Total Expenditure	(51.8)	(107.1)	↓ 55.3	(115.5)	(136.2)
Net Capital Surplus / (Deficit)	(15.0)	(14.9)	(0.1)	(28.8)	(33.3)

*The Revised Budget is mid-year forecast, used for the TfL scorecard and performance metrics



Operating surplus has risen year on year



Page 68

Year-on-year recurring revenue + £5.6m (39%):

- Retail income +£5.8m driven by improvements in turnover rents and new lettings
- Car Park income +£4.9m as a result of improved utilisation through increased passenger numbers
- Bad Debt recovery +£1.5m improvement as we move beyond Covid impact.
- Management Fee -£1.2m based on headcount allocation. Staff increases year-on-year
- Legal and Professional Fees -£1.7m increase as a result of TTLP standing-up costs
- Staff Costs-£1.7m as TTLP has increased staff to support organisational development
- Maintenance -£2m increase as a result of addressing the wider legacy estate
- Upside from joint venture profit at Blackhorse Road and other minor project funding

Year-on-year total operating surplus + £23.5m



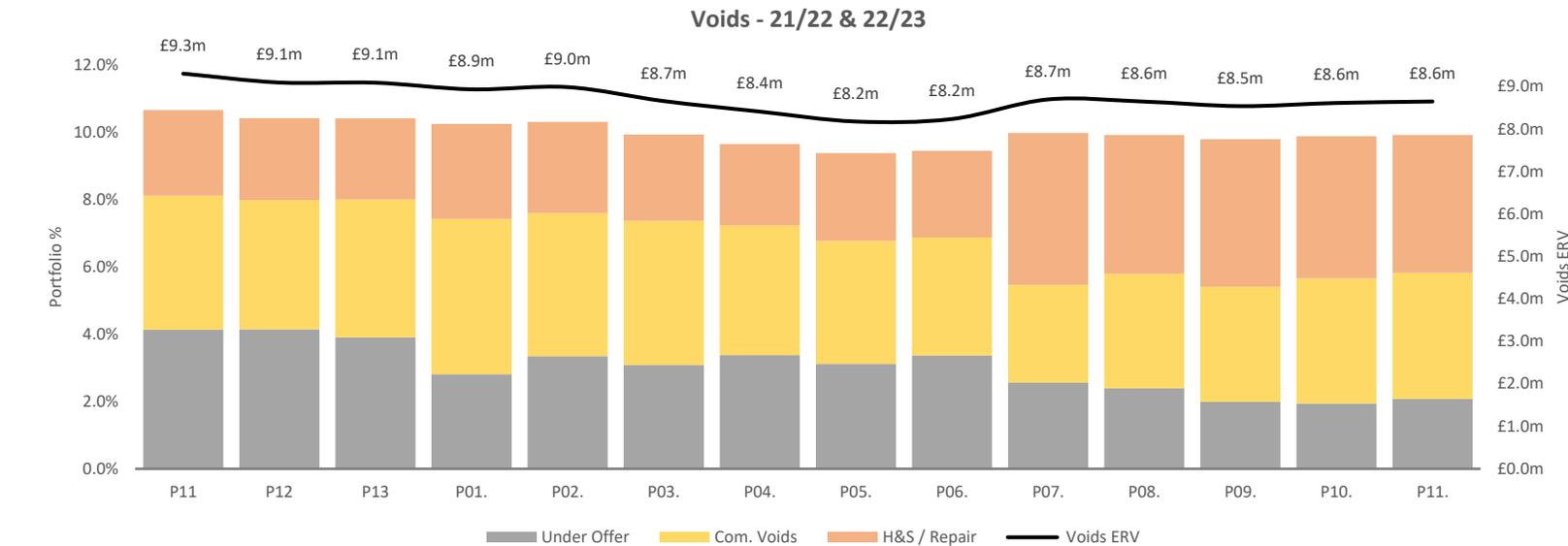
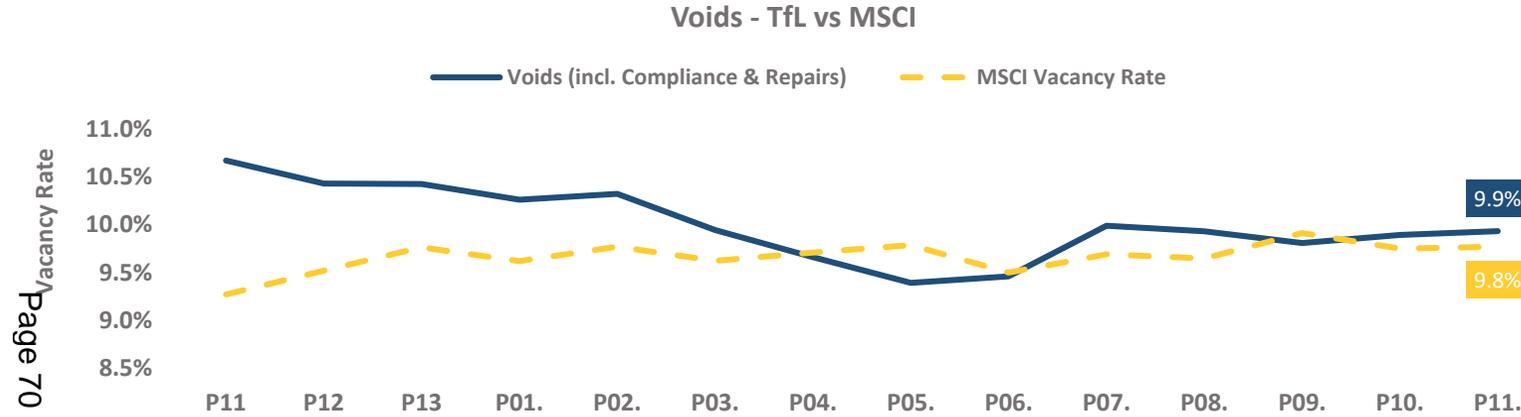


Page 9

Operational Performance

Daniel Lovatt
Director of Asset Management

TTLP's void rate is unchanged but we continue to track the market



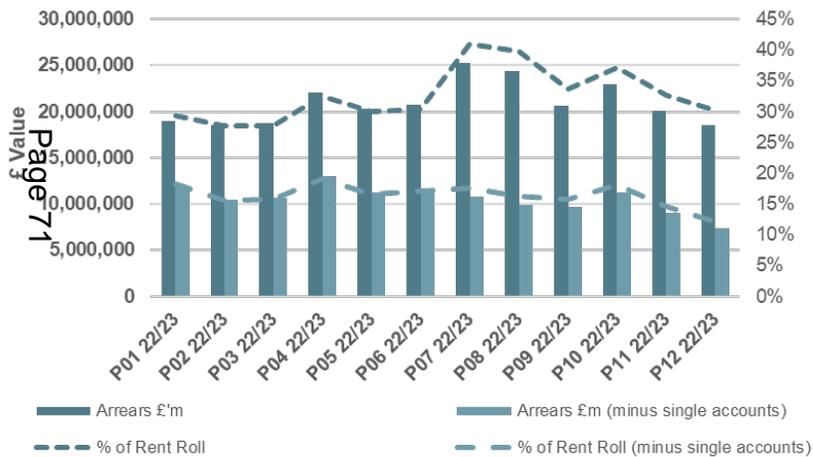
- We are beating our annual target on voids with 9.9% vs a target of 10% - this is a good step on our journey to hit 5% voids in the next few years.
- The proportion of voids has steadied, but the double impact of inflation and reduced demand for goods and services continues to impact business viability. The Estimated Rental Value (ERV) of voids remains unchanged at £8.6m, with retail (£5m), arches (£1.3m) and office (£1.3m) the most significantly affected.
- There remains interest in units that we bring to market, but with increased requests for Capital contributions to tenant fit-out and flexible lease terms. We continue to stress test business plans.
- TTLP is continuing reviewing opportunities for meanwhile uses across the portfolio to maintain occupancy and Rates mitigation opportunities to reduce holding costs.



TTLP is close to hitting its targets on collections and arrears

- Collections for the September quarter were strong with 97% of rent collected. We are making good progress in the December quarter and collections currently sit a promising 90% with 5 week to go until the end of the quarter.
- On 22 February, total arrears were £18.5m - excluding single accounts, this figure was £7.4m, a reduction of £2.1m from the end of Q3.
- 38% of the £7.4m is less than 60 days, whilst 70% is 121+ days aged. £0.76m is currently on a payment plan.
- There is a focus on customers with debts suitable for CRAR, with circa £1.2m instructed to date and on-going work with the over £50k accounts (P11 £5.6m over 47 customers excluding the large single account)
- In Station Retail sector continues to lag with £4.2m of debt and we continue to work with customers to find amicable solutions.

Arrears by Period and % of Rent Roll



Cash Collection by Quarter

Quarterly Target
>90%
of sums demanded

September Quarter Recovered
97%
(excluding single accounts)

December Quarter Recovered
90%
(excluding single accounts)

Target
10%

FY23

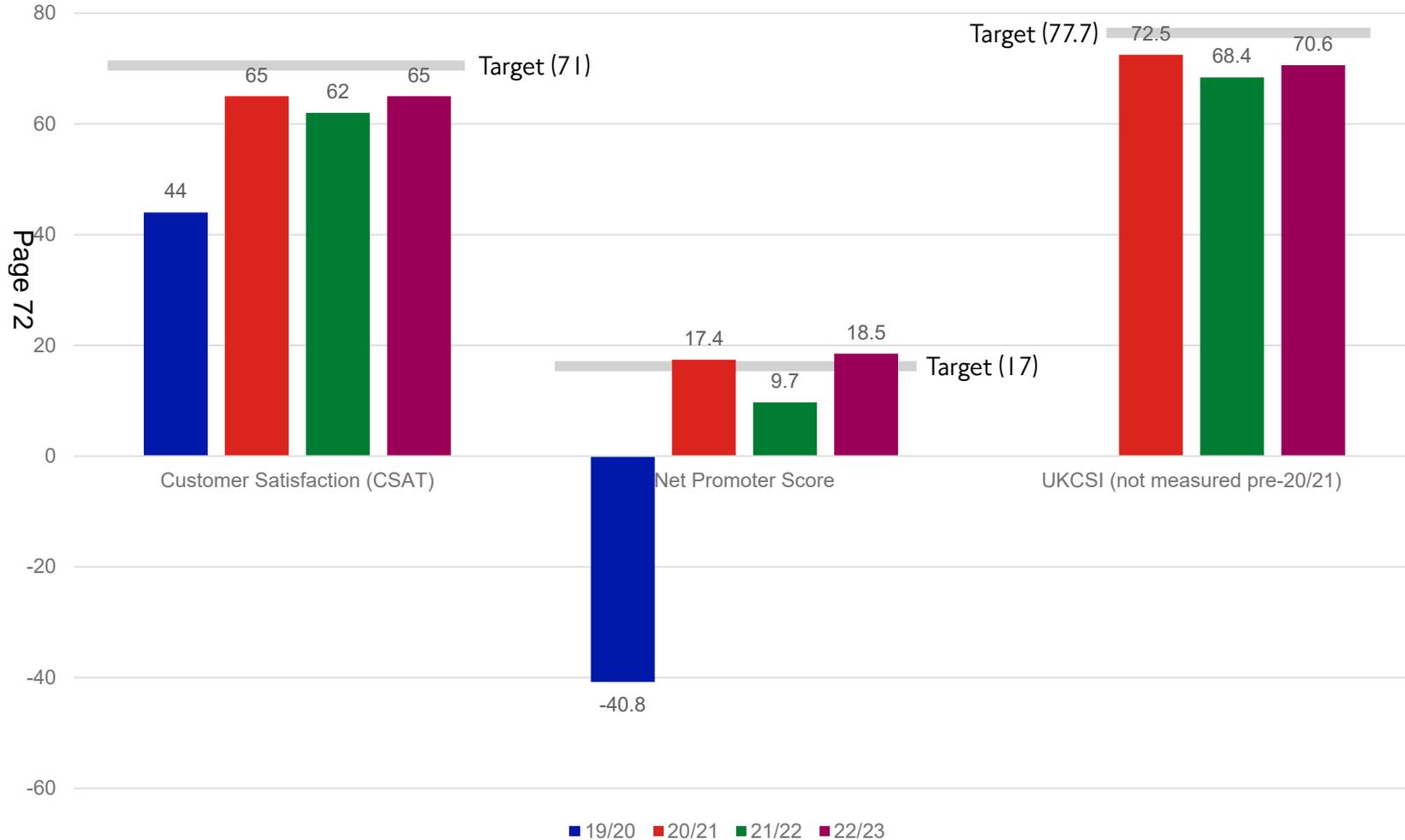
Actual
12%

(excluding single accounts)



Our Customer Survey

Headline customer scores



Page 72

4 Operational Performance

- At a headline level, we see an overall trend of improving customer satisfaction. We have improved our main scorecard metric – customer satisfaction – by three per cent from 62 per cent to 65 per cent. CSAT is now on par with our score in 2020/2021 which is the highest score we have ever achieved.
- Net Promoter Score has improved from 9.7 to 18.5. NPS is now above 2020/2021 levels.
- Pre-pandemic, our CSAT score was at 44 per cent and NPS at -40.8.
- We have not met our scorecard target for CSAT of 71 per cent. It is good news that we have improved the metric since last year – especially in the context of internal change and the external pressures on our customers’ businesses – but we continue to lag behind UK-wide metrics like UKCSI.

Next Steps

- Our customers see trust, care and speed and quality of service as the most important factors to their overall satisfaction (in the context of every aspect being at least somewhat important to them).
- Our retail experience mapping project for the retail sector will complete in April, giving us more valuable insight into the experience of our large business customers.
- It is crucial that the voice of the customer informs how we change as a business. This voice is key in seeking to address specific pain points and the more fundamental transformation needed to drive customer and TTLP value.





Kidbrooke construction site

Project Updates

Lester Hampson
Director of Property Development

TTLP will have built or started over 4,300 new homes by the end of March 2023

2,173 homes completed or under construction



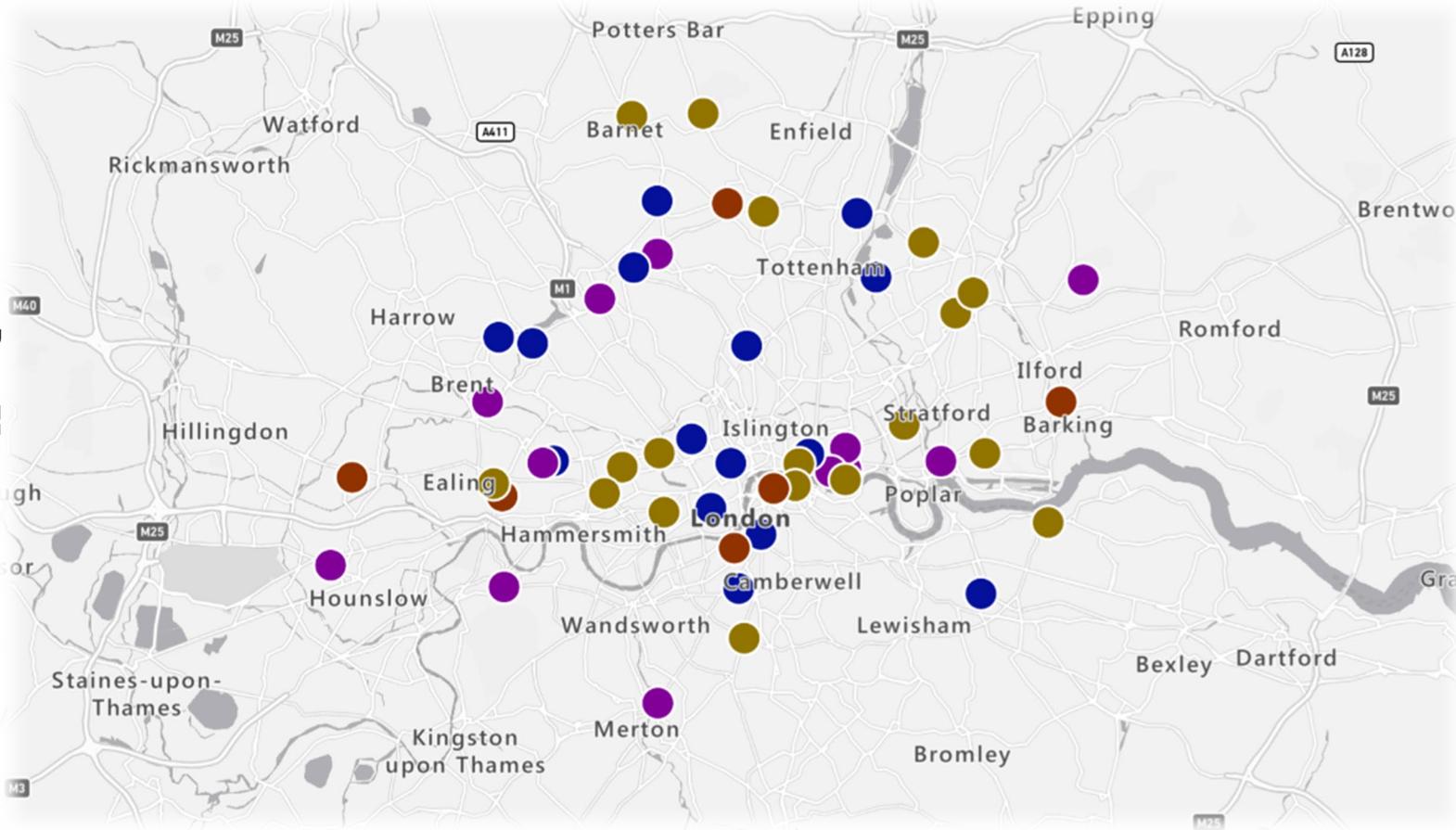
Starting just under 1,982 more homes in the next month



- Nearly 1,800 homes are currently under construction. As well as the locations pictured, work is also underway at Wembley Park (454 homes), TCRW Soho (92) and Oxbourne House (11), as well as 13 homes at two smaller sites.
- We will achieve 2,121 start on sites this year by the end of the financial year (including Montford Place, which has already started). This will make TTLP one of the largest developers in London.
- TTLP is actively managing a number of risks to the programme, including rising interest rates and construction cost inflation. TTLP is also working with partners to address power grid capacity challenges in west London.

Our Portfolio

Page 75



- Complete / In Construction
- Up to March 2024
- Up to March 2023
- After March 2024





Page 76

Edware schools engagement

Understanding our impact

Mark Farrow
Director of Strategy & Planning

Our value framework will develop over time



Page 77

Electric Buses, Victoria

1) Investment in infrastructure

Under our existing plans we will be investing over £300m on operational improvements in a range of locations.

2) Value Framework

We are moving beyond measuring investment in infrastructure to a valuation framework which quantifies environmental, social, economic and operational co-benefits alongside financial returns.

3) Future Operational Co-Benefits

We are discussing a number of opportunities with TfL and will progress these together.

- We are developing an approach to measuring and articulating outcomes which will inform how we will prioritise, approve and govern projects. This framework will measure impact at 3 levels: project, corporate and London-wide
- The approach will encompass a range of outcome or benefit types including:
 - Operational outcomes – improvements to transport infrastructure, TfL’s priorities or customer experience
 - Social and environmental – customer and local experience, health and wellbeing and supporting communities and partnerships
 - Investment – funding operational improvements supports the value TTLP provides to TfL, the Mayor and Londoners.



Our scorecard summarises our performance

2022/23 TTLP Scorecard - Period 11

Predicted Score: 58 / 100

Commercially Astute (Finance)						
Measure	YTD		Full Year		Weighting	Prediction
	Actual	Revised Budget	Revised Budget	Budget		
Operating Surplus	37,198	35,279	35,368	28,134	10%	10%
Operating Surplus Margin	42.7%	40.8%	35.8%	29.5%	10%	10%
Asset Management Income Growth (%)	17%	14%	6%	4%	10%	10%

Safety and Risk						
Measure	YTD		Full Year		Weighting	Prediction
	Actual	Target	Forecast	Target		
Statutory Testing - TTLP Managed Property	98%	100%	100%	100%	10%	10%
Lost Work Time	0.7%	2.0%	0.7%	2.0%	5%	5%
Killed or Seriously Injured (KSI)	1	0	1	0	5%	0%

Customer						
Measure	YTD		Full Year		Weighting	Prediction
	Actual	Target	Forecast	Target		
Customer Satisfaction	65%	71%	65%	71%	15%	6%

People						
Measure	YTD		Full Year		Weighting	Prediction
	Actual	Target	Forecast	Target		
Total Engagement	59%	66%	59%	66%	15%	0%

Operations						
Measure	YTD		Full Year		Weighting	Prediction
	Actual	Target	Forecast	Target		
% Affordable Start on Sites	51%	50%	47%	50%	10%	0%
No. Start on Sites	139	1,331	2,121	2,409	10%	7%

- YTD operating surplus and operating surplus margin has already exceeded full year Revised Budget, with two periods remaining
- Progress is being made on compliance, P I I performance improved to 98%. Management systems in place to act as early warning where delivery is at risk so mitigation action can be taken.
- Customer Satisfaction score was received in February, achieving 65% - a 3% improvement on last year. The target of 71% was ambitious, but we are making good strides towards improving our customer satisfaction
- The engagement target was intentionally challenging, but the performance was disappointing, albeit for reasons that are well understood. Good progress is now being made with the People Plan.
- Our No. of Start on Sites forecast has reduced, this has also dropped our % affordable homes start on site for FY23 below target though 50% is still being delivered on the programme to date

Page 7 of 8



Land and Property Committee



Date: 23 March 2023

Item: TTL Properties Limited Assurance Update

This paper will be considered in public

1 Summary

- 1.1 This paper reports on progress with assurance activity across TTL Properties Limited (TTLP) during Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4).
- 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.**

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 (LoD2) – Project Assurance (PA) and Quality, Safety and Security Assurance (QSSA); and
 - (c) Line 3 (LoD3) – 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 (PA), Line 3 (Internal Audit) and Line 3 (IIPAG-TTLP) assurance progress. Work in progress for LoD2 and LoD3 are set out in Appendix 1 and work starting next quarter is in Appendix 2.
- 3.3 The LoD2 and LoD3 teams meet periodically to ensure that assurance is carried out by the right team at the right time and to avoid duplication.

4 Line 2 (PA) Assurance

- 4.1 LoD2 continues to provide assurance on an ongoing basis as well as carrying out Targeted Assurance Reviews (TARs) on key areas.

- 4.2 Five TARs are in progress with a review of governance planned to start in Quarter 1 of 2023/24 (1 April to 24 June 2023) (Q1). More detail is contained in Appendix 1 and 2 and further targeted reviews will be undertaken as required to support any significant investment decisions.
- 4.3 Resourcing and procurement and commercial reviews are nearing completion and reports will be provided to the next meeting.

5 Line 2 (QSSA) Assurance

- 5.1 The final report from the QSSA audit of tenant safety compliance has been issued with a conclusion of 'adequately controlled' and all actions have been agreed by TTLP. Significant improvements were noted since the last audit. A programme of inspections is in place to enforce critical health and safety requirements and ensure that tenants understand what is required of them.

6 Line 3 (Internal Audit) Assurance

- 6.1 There are two audits in progress, Property Transfer Accounting and Accounting and Cash Management. Fieldwork is complete and draft reports have been issued. Two further audits are planned for Q1 and more detail is contained in Appendix 1 and 2.

Audit Delivery

- 6.2 No audits were completed in this reporting period, neither were any cancelled or deferred.

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 IIPAG-TTLP work for Q4 and Q1 is set out in Appendix 1 and 2. Activity is currently focussed on retail income forecasts up to 2031, delivery confidence in the short and longer term housing objectives and Joint Venture (JV) structuring and management.
- 7.2 The retail review is nearing its conclusion and the report will be presented to the next meeting of the Committee.
- 7.3 The residential review will examine the deliverability and risks of the 20,000 homes target, as well as considering shorter term targets, while the JV review will examine the rationale for establishing JVs and the structuring and management of new and existing JVs.
- 7.4 As IIPAG-TTLP obtain an even more detailed understanding of the business they will add additional workstreams to the Integrated Assurance and Audit Schedule.

8 Enterprise Risk Management

- 8.1 The first Level 0 (L0) risk (TTLP-L0-06) was reviewed at workshop facilitated by the Enterprise Risk Management team in January 2023. Work on reassessing Level 1 risks is now being planned.
- 8.2 Details of the seven TTLP L0 Risks are set out in Appendix 3.

List of Appendices:

Appendix 1: Integrated Assurance and Audit Schedule – work in progress
Appendix 2: Integrated Assurance and Audit Schedule – forward plan
Appendix 3: TTLP Enterprise Risks

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

List of Background Papers:

None

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TTL Properties Limited (TTLP) Integrated Assurance and Audit Schedule – Work in Progress **Appendix 1**

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Property transfer accounting	<ul style="list-style-type: none"> • New financial processes and controls have been implemented. 	Targeted	Internal Audit (IA)	Underway	<ul style="list-style-type: none"> • To assess the maturity and understand financial reporting requirements.
2	Resourcing	<ul style="list-style-type: none"> • Reported staff shortages across multiple teams and reliance on secondments/ non-permanent labour. • People Plan still in development. 	Targeted	Project Assurance (PA)/ Independent Investment Programme Advisory Group (IIPAG)	Underway	<ul style="list-style-type: none"> • To understand how resourcing risks are identified and managed and to assess the impact on the delivery plan.
3	Retail	<ul style="list-style-type: none"> • Considerable uplift in retail income assumed in Business Plan. • Resource shortages impacting ability to deliver new retail opportunities. • Responsibilities historically split across a number of teams. • Wider economic factors are likely to impact viability of existing tenants resulting in more unoccupied units/rising levels of debt. 	Targeted	IIPAG	Underway	<ul style="list-style-type: none"> • To assess the likelihood that the retail strategy can deliver the required uplift in income. • To identify challenges in securing additional retail income and make recommendations which will improve delivery confidence.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
4	Lillie Bridge – vacant possession of site for development	<ul style="list-style-type: none"> • High value/complex project with significant operational interfaces and a large number of stakeholders. • Governance arrangements developing but not yet finalised. • Opportunities to deliver operational efficiencies have been identified – governance/funding route needs to be confirmed. 	Targeted	PA/IIPAG	Underway	<ul style="list-style-type: none"> • To establish whether requirements are clear and reflect the needs of the development and the operational business. • To consider whether the proposed governance structure and delivery model is appropriate.
5	Procurement and Commercial	<ul style="list-style-type: none"> • New specialist frameworks are being considered. • New commercial strategy and operating model is in development. 	Targeted	PA/IIPAG	Underway	<ul style="list-style-type: none"> • To assess the appropriateness of proposed commercial strategy and any interim arrangements. • To consider any risks to the successful implementation of new frameworks and commercial strategy and to make recommendations to minimise any risk.
6	Accounting and Cash Management processes	<ul style="list-style-type: none"> • Considerable work to be done to set up the new financial structure but work is not complete. • Resourcing concerns. 	Targeted	IA	Underway	<ul style="list-style-type: none"> • To assess financial readiness maturity. • To gain an understanding of financial reporting including cash flow and financial commitments.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
7	Residential sector	<ul style="list-style-type: none"> • Target doubled from 10,000 to 20,000 units. • Delivery is challenging – often taking longer than expected. • Impact of external market influences including inflation. • Resourcing shortages. • Affordable housing requirement (50% across the portfolio) will impact viability. 	Targeted	IIPAG	Underway	<ul style="list-style-type: none"> • To consider appropriateness of residential strategy. • To assess delivery confidence and understanding/mitigation of key risks.
8	Pipeline development and delivery strategy	<ul style="list-style-type: none"> • Robust development/delivery pipeline and prioritisation process is essential for successful delivery of residential targets. 	Targeted	PA	Underway	<ul style="list-style-type: none"> • To consider the appropriateness of pipeline development and delivery strategy. • To understand the prioritisation and appraisal process.
9	Assurance of tenants' safety compliance	<ul style="list-style-type: none"> • Work ongoing to improve tenant safety compliance and compliance monitoring. 	Audit	Quality, Safety, Security Assurance	Complete	<ul style="list-style-type: none"> • To assess the appropriateness of processes and actions taken to achieve tenant compliance.
10	Governance	<ul style="list-style-type: none"> • Governance arrangements are changing – links into wider TfL Executive are not fully defined. • Governance can be complex where there is an operational interface. 	Targeted	PA	Underway	<ul style="list-style-type: none"> • To consider appropriateness of existing governance/first line assurance arrangements and any proposals to improve governance.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
11	Joint Venture (JV) Structuring and Management	<ul style="list-style-type: none"> • High reliance on JV partners to deliver residential targets. • IIPAG review from August 2020 recommended introduction delivery metrics, change control, risk management, progress reporting for JV. 	Targeted	IIPAG	Underway	<ul style="list-style-type: none"> • To assess rationale for JV creation. • To consider the process for ensuring maximum value for TTLP when developing JVs. • To assess governance and management arrangements for existing and proposed JVs.
12	Continuous assurance activities	<ul style="list-style-type: none"> • First line assurance and project controls. • Digital strategy. • Risk management (projects). • Health and Safety. • Project management. • Bollo Lane, Platinum Portfolio, Lillie Bridge depot. 	Continuous	PA	Ongoing	<ul style="list-style-type: none"> • To increase understanding of the TTLP business. • To highlight areas for targeted assurance.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Revenue collection/debt management	<ul style="list-style-type: none"> Debt recovery activities are an important part of managing the revenue stream. There has been increasing levels of arrears over the last couple of years. 	Audit	Internal Audit (IA)	2023/24 Q1	<ul style="list-style-type: none"> To provide assurance over the effectiveness and adequacy of the debt collection process.
2	Due diligence process (new tenants)	<ul style="list-style-type: none"> Tenants need to be financially secure so that they do not default on rent payments. They need to be fully vetted to ensure this is the case. A new vetting process was introduced over a year ago and has yet to be tested for effectiveness. 	Audit	IA	2023/24 Q1	<ul style="list-style-type: none"> To provide assurance on the adequacy and effectiveness of the due diligence process for bringing new tenants on board.
5	First line assurance	<ul style="list-style-type: none"> Proposals for first line assurance are being developed, including the introduction of a Programme Management Office. 	Targeted	Project Assurance (PA)	2023/24 Q1/Q2	<ul style="list-style-type: none"> To assess the appropriateness of the proposed improvements to first line assurance.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
6	Project financial hurdles	<ul style="list-style-type: none"> • Large projects and investments are appraised using financial hurdles. • Some hurdles are being considered as unnecessary as investment decisions are made. 	Targeted	Independent Investment Programme Advisory Group (IIPAG)	2023/24 Q1	<ul style="list-style-type: none"> • To assess the appropriateness of any proposed changes. • To consider the process and governance regarding exemptions.
7	Key investment decisions	<ul style="list-style-type: none"> • Second- and third-line assurance required to support significant authority requests/investment decisions. 	Targeted	PA/IIPAG	Ongoing	<ul style="list-style-type: none"> • To provide a recommendation on key decisions and investment requests to support decision makers.

TTL Properties Limited (TTLP) Level 0 (L0) Enterprise Risks Appendix 3

Risk	Risk Title
TTLP-L0-1	Inability to deliver safety and legal obligations
TTLP-L0-2	Attraction, retention, health, wellbeing and capability of our employees
TTLP-L0-3	Financial sustainability
TTLP-L0-4	Stakeholders and partnerships
TTLP-L0-5	Environment including climate adaptation
TTLP-L0-6	Inability to react to external market forces
TTLP-L0-7	Procurement including supply chain

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Land and Property Committee



Date: 23 March 2023

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 2023/24

List of Background Papers:

None

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Land and Property Committee Forward Plan 2023/24

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)

Standing Items		
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 Performance Report	DCE TTLP	Update on TTLP performance.
TTL Properties Limited Assurance Update	Director of Risk and Assurance	Update on assurance matters.

Work is in progress to develop a pipeline of approvals and updates to the Committee. The forward plan will be updated when available.

28 June 2023		

21 September 2023		

20 December 2023		

20 March 2024

Corporate Strategy	DCE TTLP	Update.
Investment Strategy	DCE TTLP	Update.
ESG Strategy	DCE TTLP	Update.
People Plan	DCE TTLP	Update.

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