

Date: 9 March 2022

Item: Funding Update on TTL Properties Limited

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**This paper will be considered in public**

**1. Summary**

1.1. This paper provides a summary of the work undertaken since the meeting of the Committee on 6 October 2021 on the property workstream of the Financial Sustainability Plan (FSP) and the wider activity to operate TTL Properties Limited (TTLP) as a dedicated commercial property company within Transport for London (TfL). The paper will set out progress on:

- (a) The TTLP Business Plan;
- (b) funding negotiations with lenders;
- (c) governance; and
- (d) operating model.

1.2. A paper is included on Part 2 of the agenda which contains exempt supplemental 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 financial and 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 on Part 2 of the agenda.**

**3. Background**

3.1. The update to the Committee on 6 October 2021 stated that, subject to ongoing discussions with HM Government, agreement had been reached on the housing target. This agreement allowed TTLP to move from three potential business plan scenarios to a single plan that had been developed into a robust commercial plan following engagement with leading property advisor, Savills.

3.2. Similarly, soft market testing with UK and European banks and institutional investors had allowed TTLP to confirm a single preferred funding option of an unsecured revolving credit facility of up to £200m for the initial years of the plan.

3.3. The work undertaken since has been both to refine the TTLP Business Plan and funding, and to take forward the governance and operating model of the new

organisation that is assumed to be financially independent of TfL from 1 April 2022.

#### **4. TTLP Investment Strategy and Business Plan**

- 4.1. The TTLP Business Plan has been developed further and it will be brought to the proposed new Land and Property Committee.
- 4.2. The TTLP Business Plan includes the output of the work to date on the purpose of TTLP, which is consciously closely aligned with TfL's recent purpose work. TTLP's purpose sets out that TTLP will lead in shaping connected places that help London evolve safely, inclusively and sustainably to generate a growing endowment for future transport investment.
- 4.3. Summary information from the TTLP Business Plan has been provided to potential lenders. A high-level summary of the Business Plan outputs is provided in Appendix 1.
- 4.4. The Business Plan has been assessed against anticipated loan covenants (informed through engagement with lenders), demonstrating healthy performance. In addition, independent financial stress testing of the TTLP Business Plan has been undertaken by TfL's Corporate Finance team. An Affordability Report is currently in production and this will be shared with the Committee in due course. The report identifies a series of mitigations that can be undertaken if required. The combination of these mitigations provides assurance that the debt requirement and profile is affordable even should significant future downside scenarios impact TTLP.

#### **5. Funding Negotiations with Lenders**

- 5.1. We previously informed the Committee that initial indications suggested it could be practical to cover the first few years of TTLP's funding requirement via a committed bank facility that can be drawn as and when the funds are required.
- 5.2. Discussions have continued with potential lenders in relation to such a facility and we are now working with them to set up an unsecured revolving credit facility of up to £200m to cover the first three years of TTLP's capital requirements.
- 5.3. We have signed non-disclosure agreements with a number of prospective lenders and provided them with more detailed information around TTLP's performance and plans. The lenders remain interested in providing a facility to TTLP at competitive credit margins and we are discussing the key terms and covenants that TTLP will be required to adhere to under the facility. Crucially, the facility would be non-recourse to TfL.
- 5.4. To date all discussions with prospective lenders have been on a bilateral basis, however any facility will involve multiple lenders and common terms will need to be agreed. We expect to begin the process to appoint a coordinating agent to act for the lending group once we have received and agreed key terms with each lender. Overall, discussions have been positive, and we anticipate having the facility in place early next financial year, subject to approval.

- 5.5. We are currently expecting to request approval from the Committee for the new TTLP financing in the weeks ahead. This will be accompanied by a summary of the TTLP Business Plan and the finalised Affordability Report.

## **6. Governance**

- 6.1. At its meeting on 8 December 2021, the Board noted the proposed creation of a Land and Property Committee. A paper outlining the proposed membership and remit of the Land and Property Committee will be submitted to the meeting of the Board on 23 March 2022 for approval. Subject to that approval, the intention is that the Land and Property Committee will be in place from April 2022.
- 6.2. In parallel, work is underway to review the wider governance for TTPL as well as the planned assurance and reporting requirements, which will be commensurate with a major commercial property vehicle.

## **7. Operating Model**

- 7.1. Work has also begun on the development of the operating model and structure for TTLP. This work is part of the programme of activity overseen by the TfL Change Steering Group and is utilising expertise from the TfL People and Change team.
- 7.2. As part of the operating model exercise, current activity analysis and value chain development are underway – and again these will leverage the work recently undertaken across TfL. The activity analysis and value chain work will be used to assess where any changes could be made to the future model to ensure the Investment Strategy and Business Plan are delivered in the most effective way and that the maximum value is achieved from the asset portfolio. Further details will be provided as this work progresses.

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

Appendix 1: High-level summary of the Business Plan outputs.

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

### **List of Background Papers:**

None

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## Appendix 1

### High-level summary of the Business Plan outputs.

<b>(£'000s)</b>	<b>FY22/23</b>	<b>FY23/24</b>	<b>FY24/25</b>	<b>FY25/26</b>	<b>FY26/27</b>	<b>FY27/28</b>	<b>FY28/29</b>	<b>FY29/30</b>	<b>FY30/31</b>
<b>TTLP Asset Value</b>	2,131,700	2,235,449	2,457,849	2,729,519	3,070,768	3,345,597	3,544,868	3,655,140	3,957,333
<b>Total Operating Income</b>	95,492	91,430	101,279	108,288	128,002	153,813	167,642	154,160	187,362
<b>Net Debt</b>	24,407	40,360	153,290	277,525	386,818	464,209	568,706	505,292	523,571
<b>Total Returns to TfL</b>	22,162	37,366	44,883	47,888	49,004	54,777	64,387	68,139	75,226