

Board



Date: 27 July 2022

Item: Report of the Meeting of the Land and Property Committee held on 30 June 2022

This paper will be considered in public

1 Summary

- 1.1 This paper provides a summary of the items considered by the first meeting of the Land and Property Committee on 30 June 2022.

2 Recommendation

- 2.1 **The Board is asked to note the report.**

3 Committee Agenda and Summary

- 3.1 The papers for the first meeting of the Committee held on 30 June 2022 were published on 22 June 2022. The papers are available on the [TfL website](#) with a link to the video recording of the meeting on [TfL's YouTube channel](#).

- 3.2 The main matters considered by the Committee were:

- (a) Evolution of TfL Property;
- (b) Assurance Framework for TTL Properties Limited;
- (c) Financial Framework for TTL Properties Limited;
- (d) Investment Strategy and Business Plan;
- (e) Purpose and Branding;
- (f) People Plan; and
- (g) Members suggestions for Future Items.

- 3.3 A summary of the items considered is provided below. The more detailed minutes of the meeting will be published ahead of the next meeting of the Committee.

4 Issues Discussed

- 4.1 The Chair welcomed everyone to the first meeting of the Committee, which had been established to provide the Board with oversight of the land and property development function within TfL, which was key to supporting TfL's

future financial sustainability and the Mayor's housing ambitions. The terms of reference, agreed by the Board on 23 March 2022, had been recirculated to Committee Members and attendees. The Committee would meet quarterly and have regular site visits and briefings.

Evolution of TfL Property

- 4.2 The Committee noted the evolution of TfL's approach to property since 2012, when activity was first brought together from across the organisation. A huge amount has been done since then and, in TTL Properties Limited (TTLP), TfL now had the opportunity to create a commercially focused property company that could build tens of thousands of homes and generate billions of pounds of additional asset value, alongside delivering a growing annual dividend that could be reinvested in the transport network.
- 4.3 The Committee noted the work done to date and acknowledged that more would be required to maximise the benefits of TTLP.

Assurance Framework for TTL Properties Limited

- 4.4 The Committee approved the assurance proposals for TTLP. These were consistent with the overall assurance approach across other TfL functions but tailored where appropriate so that assurance was done by the right team, at the right time and avoided duplication.
- 4.5 TTLP would have its own Enterprise Risk Framework and risk appetite and its own Integrated Assurance Framework and Audit Schedule.
- 4.6 TfL's Three Lines of Defence model would include a new specialist sub-group of the Independent Investment Programme Advisory Group. Expertise would also be drawn from staff across the Greater London Authority (GLA) Group, including the Mayoral Development Corporations, where this would add value.
- 4.7 Regular briefings on the property market would be provided to Members. While many Members had property experience, any gaps in this knowledge would be considered for future Board appointments.

Financial Framework for TTL Properties Limited

- 4.8 The Committee noted an update on the approvals received to allow TTLP to operate as a financially independent company within TfL. It noted the approvals given by the Finance Committee on 22 June 2022 and that the Revolving Credit Facility had subsequently been completed on 29 June 2022. The accounts of TTLP were being audited and would be approved by its directors, ahead of the TfL Board considering the TfL Group accounts.
- 4.9 The financial framework was supported by the GLA and by HM Treasury. While matters relating to the financing of TTLP were reserved to the Finance Committee, this Committee would be kept informed.

- 4.10 The Committee noted the need to balance the primary but competing objectives of meeting the Mayor's ambition to build 20,000 homes in 10 years, while meeting his affordable housing targets, against the need to generate income to support TfL's financial sustainability. A deep dive was underway on the practicality of meeting the first 10,000 homes, particularly given the challenging market due to economic conditions. The Committee would receive more information on large development sites that were key to hitting early targets and would also be invited to site visits.
- 4.11 TTLP would focus on delivering against its Business Plan and take a very prudent approach to borrowing. Following advice, the proportion of its balance sheet that would be developing at any one time had been reduced from 33 per cent to 25 per cent. As each development moved to a set level of maturity and income generation, the next would begin. TTLP was also looking at its disposal programme and investment in existing assets. TTLP's cash balance was also ringfenced so not included in TfL's cash forecasts.
- 4.12 The size and scale of TTLP's programme, in tandem with the wider GLA Group and other public sector bodies, was expected to help address systemic issues with the property development industry, such as the cyclical nature of development and lack of investment in off-site manufacturing.
- 4.13 A robust and transparent reporting mechanism was being developed to ensure that the Committee was kept up to date with progress against the Business Plan.

Investment Strategy and Business Plan

- 4.14 The Committee noted the TTLP Investment Strategy and associated Business Plan. These reflected the experience of the lead transport authorities in the world and sought to bring operational as well as financial benefits where possible. Together they provided a framework for TTLP's decision-making in relation to all its investments by allowing the organisation to deliver on its objectives in a way that optimised returns and managed risk across the investment programme. Both have been prepared on behalf of TfL, TTLP's sole shareholder.
- 4.15 This was the first consolidated Investment Strategy created in relation to the TTLP portfolio and would be reviewed annually to reflect its evolution over time. The Investment Strategy and Business Plan underpinned the positive engagement with lenders and, as well as supporting a growing dividend for TfL, set out the commercial investment to deliver 20,000 homes by 2031 to meet a key Government and Mayoral target for TTLP.
- 4.16 The Committee supported the ambitions in the plan and strong controls. Members were keen that the long-term Investment Strategy be kept under review and a debt ceiling considered. A balanced scorecard was being developed so that the Committee could monitor progress against all objectives and an Environmental, Social and Governance framework. The metrics would be refined and submitted to the Committee for review.

- 4.17 Members asked that the plan be explicit on its definition of affordable housing

Purpose and Branding

- 4.18 The Committee noted a summary of the work undertaken on the Purpose and Operating Principles of TTLP. The work on branding was at an earlier stage. The aim was to build on the relationship with TfL, while recognising that TTLP, as a commercial property company with its own objectives, needed its own strategies and culture, albeit aligned with TfL's Vision and Values.
- 4.19 Members supported the ambition, particularly around environmental and sustainability leadership. It was recognised that this was a challenge and would include investment in TfL's existing estate. It was agreed that TfL's heritage in relation to architecture and design and the impact this had on place making would be reflected in the purpose and branding.

People Plan

- 4.20 The Committee noted the work undertaken on a TTLP People Plan. This would be strategic, beginning with a review of the leadership team but subsequently encompassing all elements of the TTLP's strategies, policies and culture in relation to its people.
- 4.21 TTLP was in effect a £1.7bn start-up that had the opportunity to deliver substantially growing value back to TfL while transforming the real estate industry in its ambitious approach to sustainability and social value. Members fully supported the ambition to create a diverse and inclusive team. Members noted the desire to utilise and retain talent across the GLA Group and to encourage a rounded career path. It was expected that TTLP's ambition and social objectives would attract talent as it would not seek to compete with the wider industry on remuneration.

Future Items

- 4.22 The Committee would establish a programme of deep-dive informal briefings and site visits, particularly to some of the larger sites, to enhance its knowledge, in addition to quarterly meetings.
- 4.23 Future papers would include updates on Purpose and Branding and the People Plan, as discussed above and discussions on the refinancing strategy and how success was monitored and evaluated.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Land and Property Committee on 30 June 2022

Contact Officer: Howard Carter, General Counsel
Email: HowardCarter@tfl.gov.uk