

Board



Date: 1 February 2023

Item: Report of the Meeting of the Land and Property Committee held on 16 January 2023

This paper will be considered in public

1 Summary

1.1 This paper provides a summary of the items considered by the Land and Property Committee at its meeting on 16 January 2023.

2 Recommendation

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

3 Committee Agenda and Summary

3.1 The papers for the meeting of the Committee held on 16 January 2023 were published on 6 January 2023 and 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) Use of Delegated Authority;
- (b) TTL Properties Limited Quarterly Performance Report;
- (c) TTL Properties Limited Procurement and Commercial Strategy;
- (d) TTL Properties Limited Assurance Update;
- (e) Commercial Office Investment Portfolio Joint Venture;
- (f) Bollo Lane and West London Development Joint Venture; and
- (g) Build to Rent Programme Update.

3.3 A summary of the items considered and decisions taken is provided below. The more detailed minutes of the meeting will be published ahead of the meeting of the Committee on 23 March 2023.

4 Issues Discussed

Use of Delegated Authority

- 4.1 The Committee noted the approval of Land Authority by the Chief Finance Officer in relation to the Build to Rent programme and the approval of Land Authority by the Chief Finance Officer and the Commissioner to enter into two co-terminus leases at Buckingham Palace Road.
- 4.2 There had been no use of Chair's Action nor any other approvals of authority by the Commissioner nor Chief Finance Officer, nor any Mayoral Directions to TfL, within the Committee's remit.

TTL Properties Limited Quarterly Performance Report

- 4.3 The Committee welcomed the evolution of the report on TTL Properties Limited's (TTLP's) performance, which provided more information and greater clarity. The next iteration would include slides on health and safety performance, cash flow and a map showing the location of major projects.
- 4.4 The report set out the market context, which was currently challenging due to the impact of inflation and interest rates. A further discussion on market context would be held ahead of considering the Business Plan in March 2023.
- 4.5 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 and improving its collections and arrears to get back on target. Members noted the success of the vertically integrated Arches team and that this approach would be replicated in other parts of TTLP's operations.
- 4.6 The Committee also noted business performance, covering homes, transport, project delivery and people. It was particularly interested in how TTLP sought to provide benefits to TfL's operations through a range of initiatives such as improving staff accommodation and supporting a green bus fleet and how the management team was addressing staff vacancies and the Viewpoint staff survey results.

TTL Properties Limited Procurement and Commercial Strategy

- 4.7 The Committee noted the work undertaken to date by TfL and TTLP on TTLP's Procurement and Commercial Strategy, to design and deliver a more efficient approach to procurement in TTLP. The aim was 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.

- 4.8 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.

TTL Properties Limited Assurance Update

- 4.9 The Committee received an update on progress with programme assurance activity across 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).
- 4.10 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.
- 4.11 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.
- 4.12 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.
- 4.13 Members also discussed how TTLP would address risks around attracting the right staff, given remuneration constraints, and environment and climate adaption.
- 4.14 The Committee noted the paper and the Integrated Assurance and Audit work in progress and forward plan and it approved the IIPAG-TTLP sub-group Terms of Reference. As the sub-group obtained a more detailed understanding of the business, it would add additional workstreams to the Integrated Assurance and Audit Schedule.

Commercial Office Investment Portfolio Joint Venture

- 4.15 TTLP wished 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. This joint venture 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.

- 4.16 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.
- 4.17 The tender exercise to select the joint venture partner 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.

Bollo Lane and West London Development Joint Venture

- 4.18 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 TTLP's west London land portfolio, potentially comprising some 2,500 new homes with a value of £1bn. It 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.
- 4.19 The Committee approved Land Authority for the transaction and the formation of a wholly owned subsidiary company of TTLP, for the purposes of entering into the contractual agreements related to the transaction.

Build to Rent Programme Update

- 4.20 The Committee noted the good progress made by TTLP 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.
- 4.21 The investment partnership with Grainger plc was initially approved in 2019 and additional authority was 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 the Committee approved a further increase in Land Authority and, while acknowledging that there remained risk to the financial performance of these developments, approved a course of action that would mitigate the risks while allowing the developments to progress to help meet the need for housing, including affordable housing, in London.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Land and Property Committee on 16 January 2023

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