Land and Property Committee

Date: **1 October 2025**

Item: **Finance Report - Quarter 1 2025/26**

This paper will be considered in public.

1 Summary

1.1 This paper sets out Places for London's financial results to the end of Quarter 1 (Q1) 2025/26 (1 April to 21 June 2025). It reports on the five core financial objectives for Places for London, as set out below.

2 Recommendation

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

3 Background

3.1 The five core financial objectives for Places for London are to:

(a) deliver the budgeted dividend;

(b) deliver a core trading margin of 40-50 per cent by 2026/27;

(c) continue to invest in our portfolio to drive long-term income growth;

(d) maintain adequate levels of liquidity to deliver our development targets; and

(e) deliver a 7.5 per cent total return to TfL (as shareholder) each year (reported annually).

4 Objective 1 – Delivering the Budgeted Dividend

4.1 Table 1 below sets out the Places for London Income Statement, showing continued better than budget performance for Q1.

4.2 Gross property income is £0.1m up against budget, with the key differences as follows:

(a) retail is £0.3m adverse to budget, driven by timing variances in turnover income;

(b) there is £0.7m additional car park income largely due to additional income from car park tariffs uplifts; and

(c) bus garages is £0.2m behind budget reflecting the transfer of West Ham back to TfL and undelivered rent reviews across some other bus garages.

4.3 Direct costs are £2.1m below budget:

(a) maintenance costs were lower than expected (£0.2m), driven by minor project delays;

(b) rates rebates totalling £1.3m; and

(c) security costs were higher than budget, but there were offset by underspends in lettings fees, rental costs and utilities.

4.4 Central operating spend to date stands at £7.5m, some £3m below budget. The most material driver was consultancy, where spend was significantly lower due to a combination of strategic reprioritisations and timing differences.

4.5 Several initiatives originally budgeted for early in the year have been deferred or reprofiled. Additionally, the conversion of consultants to permanent staff has helped reduce external spend.

4.6 Year-to-date net operating surplus stands at £11.5m, outperforming budget by £6.3m. The year-end forecast remains on track as expenditure on the digital programme and other initiatives is expected to gather pace during the year. The projected dividend remains at £16.2m for TfL with the potential for further upside providing letting targets are achieved.

Table 1: Income Statement, Places for London

Income Statement	**Year To Date**			**Full Year**		
(£m)	**Actuals**	**Budget**	**Variance**	**Draft Q1**	**Budget**	**Variance**
Retail	8.6	8.9	(0.3)	39.4	40.1	(0.6)
Arches	2.8	2.9	(0.1)	13.7	13.8	(0.1)
Offices	3.7	3.5	0.2	15.5	16.1	(0.6)
Residential	0.2	0.2	(0.0)	1.2	1.2	(0.0)
Car Park	6.1	5.5	0.7	26.0	24.5	1.5
Industrial	0.3	0.3	0.0	1.9	1.9	(0.0)
Bus Garages	0.5	1.2	(0.7)	4.5	5.2	(0.7)
Infrastructure	1.3	1.3	0.0	6.4	5.7	0.8
Electric Vehicle Charging	-	0.0	(0.0)	0.2	0.0	0.2
Other Property Income	0.2	-	0.2	(0.5)	0.0	(0.5)
Gross Property Income	**23.9**	**23.8**	**0.1**	**108.4**	**108.4**	**0.0**
Direct Property Costs	(4.8)	(6.9)	2.1	(27.0)	(26.8)	(0.2)
Net Property Income	**19.1**	**16.9**	**2.2**	**81.4**	**81.6**	**(0.1)**
Margin (%)	**80%**	**71%**		**75%**	**75%**	

Income Statement cont'd	Year To Date			Full Year		
(£m)	**Actuals**	**Budget**	**Variance**	**Draft Q1**	**Budget**	**Variance**
Joint Venture Dividends - Build to Sell	-	-	-	1.8	1.9	(0.0)
Other Non-Property Income	-	-	0.0	0.1	0.2	(0.0)
Total Non-Property Income	**-**	**-**	**0.0**	**2.0**	**2.0**	**(0.0)**
Central Operating Costs	(7.6)	(10.6)	3.0	(48.9)	(51.1)	2.2
Net Operating Surplus (excl. Management Fee)	**11.5**	**6.3**	**5.2**	**34.5**	**32.5**	**2.1**
Margin (%)	**48%**	**26%**		**31%**	**29%**	
Management Fee	(1.6)	(1.8)	0.2	(7.4)	(7.6)	0.2
Net Operating Surplus	**9.9**	**4.5**	**5.4**	**27.1**	**24.8**	**2.2**
Adjust for Build to Sell Dividend receipts				(1.8)	(1.9)	
Net Cost of Finance				(3.6)	(3.8)	
Taxation (calculated at the applicable rate)				(5.4)	(4.8)	
Forecast Dividend				**16.2**	**14.4**	

5 Objective 2 – Delivering a 40-50 Per Cent Core Operating Margin

5.1 This measure is designed to improve the overall Places for London operating margin. It excludes the management fee and build for sale profits.

5.2 Core operating margin is on track to achieve 35 per cent by year-end. To meet income targets, the Asset Management team is focusing on strategic investment lettings aimed at driving revenue growth.

5.3 We are also reinforcing tighter controls on costs to ensure rigorous financial discipline and optimise resource allocation. Additionally, we have reprioritised pre-feasibility spend that focuses on housing delivery.

5.4 We currently expect to achieve this target by financial year 2027/28, with Table 2 below showing the path to a 53 per cent core operating margin by 2027/28.

Table 2: Income Statement – Core Trading Margin, Places for London

	Full Year (£m)		
Income Statement (Q1 Forecast)	**2025/26**	**2026/27**	**2027/28**
Core Trading Surplus	27.4	35.7	55.7
TfL Management Fee	7.4	7.7	8.1
Core Trading Surplus (excluding Management Fee)	**34.8**	**43.4**	**63.8**
Margin (%)	**32%**	**37%**	**53%**

6 Objective 3 – Continue to Invest in Our Portfolio to Drive Long-Term Income Growth

6.1 Year to date Net Capital spend is £30.2m, which is £11.2m higher than the budget.

6.2 Capital income is £24.5m lower than budget, primarily due to delays in asset disposal and change of strategy at Southwark, whereby Places for London retains the land rather than sell it into a joint venture resulting to adverse variance of £20m.

6.3 Capital Expenditure is £31.4m, which is £13.3m lower than budget, comprising:

(a) asset investment totalled £23.1m, £4.2m behind budget – primarily due to procurement delays and a slight pause on Seven Sisters Market as we gear up for future phases;

(b) commercial offices was £1.2m underspend, due to Charterhouse Street and South Kensington which have been slowed down while we look at improving viability and understanding the medium-term programme priorities for the Platinum Portfolio; and

(c) residential spend at £4.5m, is below budget by £7.1m, due to:

(i) £3.2m variance attributed to timing difference and reprofiling of equity injections at various joint ventures (£2.6m at Earls Court and £0.6m Bollo);

(ii) £1.8m delay at Ash Grove in acquiring two homes due to ongoing negotiations; and

(iii) £1.3m Limmo delay in land payment.

Table 3: Capital Account, Places for London

Capital Account	Year To Date			Full Year		
(£m)	**Actuals**	**Budget**	**Variance**	**Forecast**	**Budget**	**Variance**
Asset Disposals	1.2	4.6	(3.4)	5.0	11.3	(6.3)
Commercial Offices	-	20.0	(20.0)	58.5	79.9	(21.4)
Residential	-	1.1	(1.1)	22.6	35.5	(12.9)
Total Capital Income	**1.2**	**25.7**	**(24.5)**	**86.0**	**126.7**	**(40.6)**

Capital Account cont'd	Year To Date			Full Year		
(£m)	**Actuals**	**Budget**	**Variance**	**Forecast**	**Budget**	**Variance**
Asset Investment	(23.1)	(27.3)	4.2	(67.9)	(60.8)	(7.1)
Commercial Offices	(3.8)	(4.9)	1.2	(40.4)	(43.5)	3.1
Residential	(4.5)	(11.6)	7.1	(79.7)	(122.5)	42.8
Other	(0.1)	(0.9)	0.8	(3.2)	(4.1)	0.9
Total Expenditure	**(31.4)**	**(44.8)**	**13.3**	**(191.2)**	**(230.8)**	**39.6**
Total Net Capital	**(30.2)**	**(19.1)**	**(11.2)**	**(105.2)**	**(104.2)**	**(1.0)**

7 Objective 4 – Maintain Adequate Levels of Liquidity to Deliver Our Development Targets

7.1 Places for London holds sufficient cash and short-term investments, as set out in our Treasury Management Strategy and Treasury Management Policies, which were approved by the Finance Committee on 26 February 2025. Our cash balance as at the end of Q1 was £30m.

7.2 We anticipate making our first debt drawdown in September 2025. To manage liquidity effectively between drawdowns, we plan to maintain a minimum cash balance of £10m. As we improve our cash flow forecasting accuracy, we may consider holding less cash while drawing under our facilities to maximise interest cost efficiencies, although noting any changes to minimum cash thresholds are subject to Finance Committee approval. Places for London's forecast cash and debt balances are shown in Appendix 1.

7.3 By the end of 2025/26, Places for London is expected to have a debt balance of £77m (net debt of £60m) with £123m of undrawn facilities available. Corporate facilities are committed to June 2027, providing sufficient liquidity to support committed activity over the same period. As at the end of Q1, we remain well within our loan covenants, with an interest cover ratio of 7.5 times and a loan to value of 1.7 per cent.

7.4 We are currently in discussions to secure facilities, providing funding coverage over a longer period and matching the duration of planned key investments in Southwark and Paddington developments. The business planning process, now underway, will provide Places for London with greater clarity on our medium-term

debt funding requirements. An update on these will be provided to the Committee in due course.

7.5 Table 4 below outlines the Places for London consolidated debt as at the end of Q1. This includes our proportion of off-balance sheet liabilities with on-balance sheet debt.

7.6 Through the current business plan process, we are reprioritising our projects to ensure greater focus on the delivery of committed schemes and re-phase other schemes that are currently uncommitted. This will give us greater clarity of our total debt requirements which could result in a lower debt requirement by the end of next financial year. The Business Plan will then form the basis of the refinance for the delivery of the medium-term projects.

Table 4: Consolidated Debt

	Total Facility (£m)	**Places for London Share (£m)**
Corporate Debt		
Corporate Revolving Credit Facility	200.0	0.0
Short-term operating lease liabilities IFRS16		1.8
Long-term operating lease liabilities IFRS16		41.3
Joint Venture Debt		
Earls Court Partnership	125.0	46.4
Bank (10 King William Street)	8.0	3.9
Consolidated Debt		**93.4**

8 Objective 5 – Deliver a 7.5 Per Cent Total Return to TfL (As Shareholder) Each Year (Reported Annually)

8.1 This objective is only reported on annually once the final asset valuation has been confirmed. Therefore, there is no update this quarter.

List of appendices to this report:

Appendix 1: Places for London Forecast Closing Balances for Cash and Debt (2025/26 and 2026/27)

List of Background Papers:

None

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