

Title of report: Delivery Director Report
Meeting date: 9 March 2023
Report to: Board
Report of: Ben O'Neill, Development Director

For Decision

This report will be considered in public

1. Summary

- 1.1 This report provides an update on the Old Oak West delivery programme. This includes emerging headlines from the Outline Business Case being developed in collaboration with government and its agencies. The Board is invited to consider the approvals requested to take this work further.
- 1.2 Land assembly is an integral part of our programme to bring forward regeneration within Old Oak West. An update on our emerging strategy, and Land Fund expenditure decisions approved by the Development, Investment and Sustainability Committee, is included within Part 2 of the agenda.
- 1.3 OPDC's application to Government's Green Heat Network Fund for our plans for a heat recovery network for Old Oak and Park Royal has been approved by the Development, Investment and Sustainability Committee under the delegated authority granted at the last Board meeting. The Board is invited to consider the approvals and delegations required to take the project forward, should our application be successful.
- 1.4 As the team continues to secure the additional capacity required to deliver Old Oak West, a recruitment update is also included.

2. Recommendations

The Board is invited to:

Old Oak West:

- 2.1 **Note the progress report for Old Oak West, including the emerging Outline Business Case (OBC).**

- 2.2 Approve £100,000 of additional expenditure for work to support the Old Oak West programme, as set out in 4.10, to be funded from the 2022/23 budget.
- 2.3 Approve £2.4m of expenditure, as set out in 4.13 – 4.15 for work to support the Old Oak West programme, following submission of the OBC, to be funded from the 2023/24 budget.
- 2.4 Agree to hold a special Board meeting to consider the OBC in the event that the OBC is finalised before the next scheduled Board meeting in June.

Land Assembly:

- 2.5 Note the current approach to land assembly within Old Oak West.

Old Oak & Park Royal Energy Network:

- 2.6 Note the progress update on the Energy Network OBC including the submission of an application to the Department for Energy Security and Net Zero's (DESNZ) Green Heat Network Fund (GHNF).
- 2.7 Approve additional expenditure of up to £150,000 for limited "critical path" work on the heat network ahead of a decision on OPDC's application to the GHNF.
- 2.8 Delegate authority to the Chief Executive Officer to enter into the GHNF Funding Agreement should OPDC's application be successful.
- 2.9 Delegate authority to the Chief Executive Officer to agree additional funding required to support commercialisation, with the GLA. This will be conditional on OPDC's application to the GHNF being successful.
- 2.10 Delegate authority to the Chief Executive Officer to draw down and spend up to £2.3m (£1m from GHNF, £1.3m from the GLA) on the commercialisation work programme.
- 2.11 Delegate oversight of the commercialisation phase to the Development, Investment and Sustainability Committee.
- 2.12 Delegate authority to the Chief Executive Officer, in consultation with the GLA, to agree the terms of OPDC's participation in DESNZ's Heat Network Zoning Pilot, should our expression of interest in the pilot programme be successful.

3. Background

- 3.1 OPDC's Development Directorate is progressing several key workstreams including:
 - Our delivery plans for Old Oak West, including our collaboration with government on producing an Outline Business Case. This is a major milestone and the culmination of work that has been progressed since the Board approved our new regeneration strategy in January 2020. It builds on government's approval of our Strategic Outline Business Case (SOC) in the spring of last year.

- This OBC will be making recommendations on specific arrangements for organising the public land; a funding strategy to deliver infrastructure and assemble land, and a procurement strategy to secure a private sector master developer and investment partner(s).
- It follows the Treasury's five-case model, and the Board is asked to note both the OBC's strategic objectives, and the emerging headlines from the work within each case in part [4.5 – 4.6] within this report.
- Our team is also in discussion with private landowners within Old Oak West and seeking to acquire land by agreement, to be funded by the £50m GLA Land Fund Facility that was approved by the Mayor and OPDC's Board in March 2022. Any early acquisitions will form part of OPDC's overall land assembly strategy.
- Our plans for a major zero-carbon heat network for Old Oak and Park Royal reached a key milestone last month when OPDC made an application to Government's Green Heat Network Fund following approval from the Development, Infrastructure and Sustainability Committee.
- With the potential to provide resilient, affordable recycled heat to both new development and existing homes in the area, these plans are an important component of our zero carbon aspirations and have been submitted to the Department for Energy Security and Net Zero (DESNZ, formerly BEIS) to seek up to £36m of funding to unlock the network.

3.2 To maintain the progress with this project, the Board is invited to approve additional expenditure on the next stages of work for both Old Oak West and the Energy Network. These requests are set out in sections [4.12, 4.15 and 4.30].

4. Issues for consideration

Old Oak West OBC

- 4.1 The development of the OBC has been an excellent example of collaborative working both within the GLA family and with our government partners. This includes public sector partners jointly commissioning technical, commercial, and legal information with the public sector having joint reliance on a single advisor wherever possible. Significant contributions to the underlying technical work have been commissioned by Homes England, DfT, Network Rail and TfL, whilst valuable background information including geotechnical, utilities surveys and other work has been shared by HS2.
- 4.2 This technical work supports a large volume of in-house work by all partners on the economic and financial modelling, the development of options for structuring a public sector partnership and the best route to market. This work continues to be sponsored by a cross agency/departmental Strategic Senior Steering Group to which key issues can be escalated as required.
- 4.3 The OBC programme targets submission and approval of the OBC by summer 2023, following the appropriate departmental approval processes. A key milestone will be the preparation of a working draft of the OBC for April/May to allow sufficient time for engagement, review and challenge from government departments and

Treasury. Our ability to deliver on these timescales will depend on continued collaborative working with key stakeholders.

- 4.4 If OPDC is to meet its target, for government to approve the OBC prior to or during summer recess, the submission of the business case will need to be made before the Board's June 2023 meeting. In this situation a special session of the Board will be convened to review and approve the OBC before submission.

Emerging Headlines from the OBC

- 4.5 The OBC is being co-developed on a "without prejudice" basis and will be subject to the ministerial approval of both DfT and DLUHC¹ and their agencies – Homes England and Network Rail. However, progress is being made at official level on the working draft, for which an update is provided below.

The Strategic Case: this remains in line with the case approved in the Strategic Outline Case in April/May 2022:

- Old Oak West has the potential to become a nationally significant project, demonstrating best practice in sustainable development, unlocking a major new urban centre and delivering significant public benefits, job creation, investment, new economic activity and a substantial number of homes.
- There is a strong case for coordinated public sector intervention given the huge investment by government in HS2 and the Old Oak Common Station. Government's existing position as a majority landowner in Old Oak West should be consolidated and combined with land acquired by OPDC.
- There is an identified need to fund regeneration, infrastructure and the delivery of affordable housing.
- Land, funding and the necessary statutory powers need to be brought together to allow the public sector to speak with one voice. This will be essential to securing the best deal with the private sector and bring on board both investment and market-leading expertise. This is also key to the public sector retaining a leading role in the delivery of this long-term regeneration project and ensuring the maximum economic and social benefit is secured.
- During the development of the OBC, we have refined and set out the project's Strategic Objectives against which options and scenarios will be tested. These are set out below:

¹ These emerging recommendations are still subject to further technical, financial and economic analysis. Whilst they have been developed through close engagement with government stakeholders and their agencies, this work has been progressed on a "without prejudice" basis and is not an approved policy direction or investment from any of OPDC's partners. All decisions remain subject to approval of the final OBC.



- **The Economic Case:** qualitative shortlisting exercise has identified a preferred option, noting that this is still subject to the quantitative economic analysis. This preferred option is for a comprehensively assembled redevelopment scheme that would include the delivery of area-wide infrastructure. Whilst this option is the one that is most strongly aligned with the project's strategic objectives, the value-for-money analysis for this scale of investment is still being progressed.
- **The Commercial Case:** The shortlisting of commercial structures has identified that the organising the public sector land and creating "one voice" for the public sector to act as an effective counterparty to one of more development partners is the preferred approach. More detailed analysis of potential structures, informed by both financial and legal input is currently in hand.
- **The Financial Case:** This will define the scale of funding required and identify the preferred approach to achieving certainty on funding. In addition to funding from DLUHC's Brownfield Land Release Fund, we have worked to optimise any funding available from existing programmes including the Affordable Homes Programme, OPDC's planning obligations income and any available funding from TfL to support improvements to its networks.
- **The Management Case:** This identifies the need for the public sector to create a single unified actor to take Old Oak West Forward. However, this has also identified the need for sufficient governance oversight and assembling the right resources and capabilities which will be subject to further development.
- Further discussions are underway to develop a governance and assurance framework that will meet the needs of core partners.

- 4.1 Board is invited to note the progress report for Old Oak West, including the emerging OBC.

Next Steps for Old Oak West

- 4.2 OPDC's communications team continues to work closely with both DLUHC and DfT colleagues to ensure that stakeholder engagement, including regular senior official, mayoral, and ministerial briefings are all aligned.
- 4.3 Our team is also working closely with planning and engagement colleagues on the upcoming Old Oak West SPD co-design work with community stakeholders. Whilst the primary objective of this work is to inform the formulation of the SPD, OPDC's development team will be supporting this work and looking for opportunities to use the feedback to inform both the selection criteria for development partners.

- 4.4 The OBC has been developed within the financial authority previously approved by the Board.
- 4.5 We have identified a further £100,000 of expenditure related to the Old Oak West programme which the Board is asked to approve. A breakdown of the expenditure, by activity, is included below:
- An additional £30,000 of work from OPDC's development advisor which will support the independent valuation of a sample of public sector sites and additional programme and phasing advice.
 - A further £5,000 is requested to cover the cost of additional resource from TfL's operational property team. This team supports OPDC's land assembly strategy, and the cost represents the recovery of TfL staff time. Their resource input is expected to exceed our original estimate for 2022/23.
 - An additional £20,000 of work from OPDC's multi-disciplinary masterplanning, engineering and engagement team. This is for additional work to support both OPDC's approach to sustainability and economic development for the OBC.
 - £45,000 of additional costs for UKPN electrical demand modelling. Although this was a planned activity, as UKPN is the district network operator for much of the OPDC area, UKPN's costs exceed the budget OPDC had set aside for this activity. Modelling future electrical demand is essential as this will provide guidance on the estimated cost of any necessary network reinforcements.
- 4.6 Approving the additional expenditure of £100,000 will allow OPDC to progress work which it would need to carry out in any case, funded from the existing 2022/23 budget and reducing pressure on the 2023/24 budget.
- 4.7 Board is invited to approve £100,000 of additional expenditure for work to support the Old Oak West programme, to be funded from the 2022/23 budget. The cumulative approval for Old Oak West in 2022/23 will be £955,000.**
- 4.8 To maintain momentum, and following submission of the OBC, our work programme for 2023/24 has now been developed. This will include:
- Finalising the governance and contractual arrangements for a public sector land pool, for which OPDC has identified a budget of £200,000.
 - Developing the projects funding strategy through ongoing commercial and viability assessment of the proposed scheme, for which OPDC has identified a budget of £200,000.
 - Progressing our land assembly strategy alongside making investments in sites, funded by the GLA Land Fund Facility. This work includes the necessary legal and agency advice and is supported by additional shared resource from TfL Operational Property. OPDC's budget for this work is £570,000.
 - Further design work, especially on key infrastructure requirements to ensure these are de-risked and progress is made with the necessary statutory undertakers and planning considerations. At this stage of design, the work will also need to be supported by site surveys and investigations and will undertake an equalities impact assessment. A total budget of £1,080,000 is allocated to this work.

- Develop a procurement strategy and carry out structured market engagement in the lead up to launching a procurement process for Old Oak West. This work has a proposed budget of £100,000
- Supporting this work with appropriate planning advice to OPDC's development team, including both independent consultant advice and any pre-application fees. A budget of £250,000 is proposed for this work.

4.9 In March 2022, and to support the Old Oak West programme, Board approved procurement of several key consultants on a long-term call-off basis. Most of this work can be delivered through these existing appointments. However, OPDC expects to procure a planning advisor and may appoint specialists independently as required.

4.10 The Executive Director for Delivery will act as the Senior Responsible Officer for this work programme. The Development Director will lead work on the public sector land pool and market engagement. They will also oversee the design and planning work, supported by the Head of Infrastructure, Head of Design and the wider team. The Director of Land and Property will lead OPDC's land assembly strategy as well as leading acquisitions made through the Land Fund Facility.

4.11 Board is invited to approve £2.4m of expenditure for work to support the Old Oak West programme, following submission of the OBC, to be funded from the 2023/24 budget.

Land Assembly Strategy

4.12 Since approving the £50m Land Fund Facility, the Board delegated authority to the Development, Investment and Sustainability Committee to approve expenditure up to £20m for investment decisions, which includes entering into agreements related to land and development. The Committee will also monitor the performance and progress of OPDC's development and investment programmes.

4.13 An update on OPDC's emerging land assembly strategy and expenditure decisions is included within Part 2 of the agenda.

Old Oak and Park Royal Energy Network

4.14 In November 2022, the Board received an update on OPDC's Energy Network and approved a delegation to the Development, Infrastructure and Sustainability Committee to consider the Outline Business Case and approve an application to the Government's Green Heat Network Fund (GHNF).

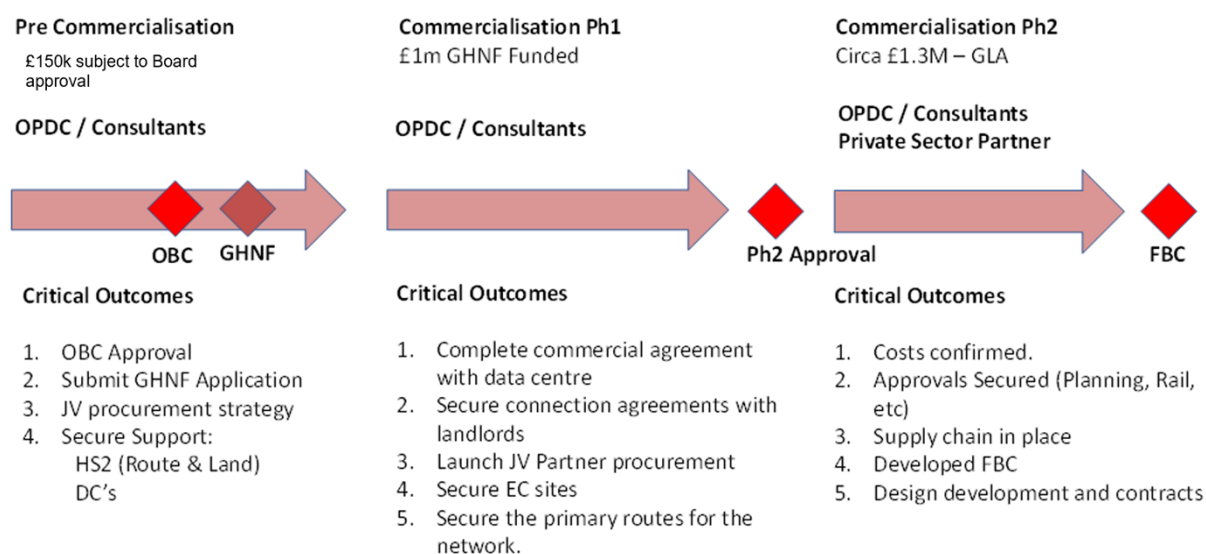
4.15 At its February 2023 meeting, the Development, Infrastructure and Sustainability Committee approved the application to GHNF and this was subsequently made on the 23rd February 2023. An update on the Committee's meeting is provided separately at item 13. The Committee considered the approvals requested of the board at [4.26 – 4.30] and recommended these to the Board for approval.

4.16 OPDC's application is for up to £36m of funding for the Energy Network. This would include up to £1m of revenue funding for the next stage of work; the commercialisation phase. Subject to successful completion of the commercialisation phase, and the approval of a full business case (FBC), OPDC would be able to draw down up to £35m of capital grant to support delivery of the network itself.

- 4.17 Current guidance for the GHNF programme requires capital grant recipients to have committed the capital grant by the 31 March 2025². Whilst the project team has developed a roadmap that delivers within this date, it remains an important risk to the project that will be monitored at every stage of work going forward. The current forecast project milestones are set out below:

Milestone	Timetable
Approval to enter into funding agreements with DESNZ and the GLA for the commercialisation phase	June 2023
Approval of the commercialisation work programme and expenditure of up to £2.3m	June 2023 (subject to draw down milestones)
Approval of procurement strategy and launch procurement	October / November 2023
Approval to enter into agreement for GHNF capital funding of £35m	Subject to timing of award by GHNF
Approval of FBC and establishment of the JV SPV	December 2024

- 4.18 The next steps for the project are summarised below. This includes a phase of immediate work that OPDC wishes to progress whilst its application is being considered by DESNZ. Subject to a successful application, this will be followed by a commercialisation phase as summarised below:



- 4.19 The Board should note that the commercialisation programme is estimated to cost £2.3m over the next 15 months to June 2024. OPDC has been working closely with the GLA on this project, and on the availability of additional £1.3m of funding to deliver the next stage of work.

² Government has been investing in unlocking and delivering heat network projects for over a decade. Their delivery is strongly aligned with government policy and legislative priorities. Whilst the extension of GHNF has not been confirmed, and OPDC's ongoing eligibility would need to be ascertained, it is anticipated that government will continue to support such projects beyond existing programmes.

4.20 However, to maintain progress on key “critical path” items. OPDC has identified a budget of £150,000 to procure legal and commercial advice whilst our application is being considered. The key objective of this work will be to

- develop a joint-venture procurement strategy,
- agree the land and rights required for the network, and
- progress agreements with data centres for the supply of heat.

These activities relate to key project risks and making early progress on this work will support OPDC in delivering its overall programme.

The Board is invited to:

- 4.21 **Approve additional expenditure of up to £150,000 for limited “critical path” work on the heat network ahead of a decision on OPDC’s application to the GHNF. This expenditure is included within the 2023/24 budget.**
- 4.22 **Delegate authority to the Chief Executive Officer to enter into the GHNF Funding Agreement should OPDC’s application be successful.**
- 4.23 **Delegate authority to the Chief Executive Officer to agree additional funding required to support commercialisation, with the GLA. This will be conditional on OPDC’s application to the GHNF being successful.**
- 4.24 **Delegate authority to the Chief Executive Officer to draw down and spend up to £2.3m (£1m from GHNF, £1.3m from the GLA) on the commercialisation work programme.**
- 4.25 **Delegate oversight of the commercialisation phase to the Development, Investment and Sustainability Committee.**
- 4.26 Alongside the GHNF programme, Government is also considering strengthening the regulatory controls and incentives for heat network projects through the Energy Security Bill³ and the provisions for Heat Network Zoning. The proposals envisage central and local government working together with industry and local stakeholders to identify and designate areas within which heat networks are the lowest cost solution for decarbonising heat. Certain buildings within zones would be required to connect to a heat network, supplementing the existing controls OPDC has through its planning powers.
- 4.27 Following government’s public consultation⁴ on proposed Heat Network Zoning, DESNZ invited OPDC to submit an expression of interest to be part of an advanced heat network zoning pilot which we responded to in January 2023. If the application is successful, OPDC will be able to work with DESNZ on testing the feasibility of a dedicated heat network zone for our area, further supporting the ambitions of this project.

³ <https://bills.parliament.uk/bills/3311>

⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1083318/heat-networks-zoning-consultation-government-response.pdf

- 4.28 The Board is invited to delegate authority to the Chief Executive Officer to agree the terms of OPDC's participation in DESNZ's Heat Network Zoning Pilot, should our expression of interest in the pilot programme be successful.**

Team Resourcing

- 4.29 Following the Board's approval to OPDC's Target Operating Model in November 2023, work is underway to secure the additional resource to support the team's shift to delivery.
- 4.30 We have recently appointed three new members of the team to project management and support roles and are in the process of recruiting 9 additional roles in the next phase of recruitment. This includes OPDC's new Executive Director for Delivery which will significantly increase the team's senior leadership capability. Additional roles include a range of development, project management and sustainability skills.
- 4.31 OPDC is serious about its commitment to diversity and inclusion, as well as ensuring all roles are locally advertised in the OPDC area to ensure they are available to applicants within Old Oak and the surrounding area.
- 4.32 The Directorate is also proud to be hosting a placement with Future of London's Emerging Talent Programme from April 2023. The programme was specifically created to increase ethnic diversity in the built environment and provides a paid placement for candidates from ethnic minority backgrounds who have a strong motivation to work in housing and regeneration in London.

Risks and issues

4.33

Risk description	Inherent Score	Mitigations	Target Score
Generally: OPDC is recruiting to a number of key posts as the development team gears up for delivery. Securing high calibre resource and managing this change across the team will need careful management to meet our future needs.	Likelihood: 3 Impact: 4 Total: 12	OPDC's Target Operating Model has been approved and a recruitment campaign is underway. A detailed work programme and management plan is being developed.	Likelihood: 2 Impact: 2 Total: 4
Old Oak West: The Old Oak West OBC is being co-developed with OPDC's partners. This increases the risk of issues not being closed out, progress being slow and failing to gain approval.	Likelihood: 4 Impact: 5 Total: 20	A senior steering group has been established to oversee and actively sponsor work. This provides a forum for rapid escalation of issues. This group has taken joint responsibility for the	Likelihood: 2 Impact: 3 Total: 6

		OBC programme. Advisors have been appointed with a duty of care to all parties to provide impartial professional advice where required.	
Old Oak West: Economic uncertainty, inflation and increased finance costs as well as recent changes to regulation will have a negative impact on key financial metrics since the SOC which could erode the financial and economic benefits presented in the OBC.	Likelihood: 5 Impact: 3 Total: 15	OPDC working with HE and its advisors is building a dynamic model that will help it monitor and test sensitivity to market factors for the OBC and beyond. The long-term nature of the project means that we can take reasoned longer-term average assumptions rather than responding to immediate shocks.	Likelihood: 5 Impact: 2 Total: 10
Old Oak West: Strong political championing and leadership is required to bring together the various national, London and local government interests required to bring Old Oak West forward. Recent ministerial changes and forthcoming elections over the lifecycle of the project increase the risk of this not being secured.	Likelihood: 3 Impact: 5 Total: 15	OPDC, DLUHC and DfT continue to work alongside the Mayor's office, and ministerial private offices to ensure regular and consistent briefing happens. Strong senior official support at Director General level for departments and at Chair level for key agencies exists. Wider engagement with Treasury, the Department for International Trade is being developed to ensure Old Oak West's role in unlocking the wider benefits of HS2 is understood across government.	Likelihood: 2 Impact: 4 Total: 8
Heat Network: Inability to secure heat offtake from data centres, or secure key "anchor" customers significantly	Likelihood: 2 Impact: 5 Total: 10	Letters of support from both stakeholder groups have been secured for the OBC. OPDC would like to prioritise securing agreement to terms	Likelihood: 2 Impact: 5 Total: 10

undermines the OBC case and viability.		and stronger commitment as an early stage of commercialisation. OPDC is also engaging with government's legislative agenda to increase incentives to connect to heat networks where available.	
Heat Network: GHNH funding is not secured to support the delivery of the heat network.	Likelihood: 3 Impact: 5 Total: 15	Costs for Old Oak West delivering its zero carbon obligations has been included in the OBC and would need to be funded as part of that development.	Likelihood: 3 Impact: 3 Total: 9
Heat Network: OPDC cannot meet the March 2025 capital spend criteria of a DESNZ grant.	Likelihood: 4 Impact: 5 Total: 20	OPDC can use a procured framework for heat network investment established by DESNZ. This will significantly reduce the programme for partner procurement compared to an open procurement. OPDC will monitor this risk at all stages of project development.	Likelihood: 3 Impact: 5 Total: 15

5. Equality comments

- 5.1 OPDC must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to the need to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.⁵
- 5.2 OPDC has carried out baseline socio-economic analysis to inform the Outline Business Case for Old Oak West and expects to carry out an equalities impact

⁵ This involves having due regard to: the need to remove or minimise any disadvantage suffered by those who share a protected characteristic or one that is connected to that characteristic; taking steps to meet the different needs of such people; and encouraging them to participate in public life or in any other activity where their participation is disproportionately low. The protected characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status. Compliance with the Equality Act may involve treating people with a protected characteristic more favourably than those without the characteristic. The duty must be exercised with an open mind and at the time a Decision is taken in the exercise of OPDC's functions.

assessment as part of its 2023/24 work programme for which this paper seeks approval.

- 5.3 The work to date identifies that the OPDC area, and communities immediately surrounding it are amongst the most deprived in our wider area, as well as being some of the most ethnically diverse. Access to services and access to housing are identified as major issues for the local area. OPDC's Old Oak West project is seeking to urgently address some of these issues and is a huge opportunity to deliver new affordable housing, employment and new community infrastructure.
- 5.4 OPDC's Heat Network project is not anticipated to have any adverse equalities impacts

6. Financial implications

- 6.1 Additional expenditure of £100,000 on the OBC to be funded from the 2022/23 Delivery/OOW budget, to be accommodated from the remaining difference between the current year budget, the latest forecast and the additional financing facility recently availed to the Corporation.
- 6.2 Total expenditure of £150,000 to continue work on the Heat Network project can be funded from provision made in the 2023/24 budget. Any expenditure which falls within 2022/23 can be funded from the additional financing facility recently availed to the Corporation.
- 6.3 Expenditure of up to £2.4m on OOW work streams to be funded from the 2023/24 Delivery budget.

Legal implications

- 6.4 The contents of this paper give rise to a large and varied number of legal issues including but not limited to areas of finance, procurement, public law, employment, land assembly and pooling and joint vehicle establishment which will require careful handling as matters progress. It is not possible nor appropriate in a paper such as this to set out the legal ramifications of the development proposals but while it is noted that single advisers are being appointed where possible to represent public sector stakeholders, OPDC will need to rely on its own separate external legal advisers where OPDC specific interests are involved and where conflicts may arise.
- 6.5 A detailed legal review of the OBC will be undertaken before it is finalised and brought before the Board.

7. Appendices

- None

8. Background papers

- None

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