

## Old Oak and Park Royal Development Corporation

### 1. Background

- 1.1 Old Oak and Park Royal Development Corporation (OPDC) forms part of the GLA Group Budget. This report sets out the 2025-26 revenue budget and Capital Strategy submission to the Mayor of London (the Mayor). The submission is prepared in accordance with the Mayor's Budget Guidance, which was published in July 2024. This process ensures there are robust financial plans to support Mayoral objectives and priorities within available resources.
- 1.2 The budget submission is required to cover the revenue budget for financial years 2025-26, 2026-27 and 2027-28 and a Capital Strategy in line with the Mayoral priorities. In addition, as part of the submission, a climate budget is included, which is prepared in line with the Mayor's target of making London net zero carbon by 2030.

### 2. Introduction to OPDC

- 2.1 OPDC is a Mayoral Development Corporation (MDC) with the statutory purpose and powers to regenerate the Old Oak and Park Royal Opportunity Area and deliver many thousands of new and affordable homes for Londoners. One of the largest regeneration schemes in the UK, and capitalising on the investment and connectivity enhancements created by HS2's Old Oak Common Station, we are the Local Planning Authority, and have land assembly, housing and infrastructure delivery powers that span three London Boroughs (Ealing, Hammersmith & Fulham and Brent).
- 2.2 OPDC's Corporate Strategy and supporting Management Plan 2023-24 sets out our vision for the sustainable regeneration and revitalisation of Old Oak and Park Royal and is aligned with the planning policy framework set out in our Local Plan. We have built a strong partnership with central government and rail agencies and have secured the foundations for the implementation of our plans with an approved Outline Business Case, access to substantial capital funding, and a successful programme of land acquisition and strategic infrastructure.
- 2.3 Our work is informed by our vision, mission and values, structured around three core themes and underpinned by our core functions:

**Delivery** – realising ambition through action by:

- establishing our role as landowner and steward
- securing the right investment and development partners
- delivering positive changes and early local enhancements
- maximising affordable homes, good jobs and funding for new and improved infrastructure.

**Community** – a place for everyone, reflecting local needs and aspirations by:

- empowering everyone to have a say in the future
- celebrating and championing diversity, heritage and local identity

- building capacity and skills
- protecting and caring for the local area.

**Innovation** – leading the way for a sustainable and prosperous future through:

- net zero and nature positive regeneration
- jobs for the future and local prosperity
- attracting diverse industries and technologies.

**Core Functions** – to enable an efficient and equitable team, fit for the future with:

- the right talent, capacity and capability to deliver
- equity, diversity and inclusion embedded in everything we do.

### 3. Our Budget 2025-26

- 3.1 This budget has been prepared at a pivotal time for OPDC, as the organisation moves from strategic planning into mainstream delivery. In 2024, OPDC’s Outline Business Case for Old Oak was approved by central government, establishing a framework agreement between OPDC, DfT, MHCLG, HS2, and Network Rail for the comprehensive transformation of Old Oak, including a pooling of public sector land and agreement that OPDC should operate as the public delivery agency on behalf of government and Network Rail. This was a major milestone for the project and opens the way to begin the procurement process to secure investment and delivery partners for 9,000 homes and 3 million square feet of workspace in a new urban district, unlocking a broad range of social and economic benefits.
- 3.2 The 2025-26 revenue and capital budget (as part of the Capital Strategy) reflects a significant scale-up in activity in three key areas:
- first, we will progress the procurement process to secure our delivery and investment partner/s. This will be a major undertaking, reaching out to a global market
  - second, we will complete the assembly and organisation of both the public and private land at Old Oak. This will include further negotiation for private sites via private treaty, preparing a compulsory purchase programme to ensure full and clean title of development sites, and finalising legal land and collaboration agreements with government and rail agencies
  - third, we will develop detailed scheme design and infrastructure planning for Old Oak, working closely with DfT, MHCLG, Homes England, HS2 and Network Rail
- 3.3 OPDC’s 2025-26 budget includes the costs of administering our existing and expanding statutory planning activities; funding to support interventions in Park Royal to boost the productivity and sustainability of London’s largest industrial estate, an inclusive community engagement programme, and support to bring forward early development sites.
- 3.4 The 2025-26 budget builds on the successes and key milestones over the past two years which include:

- securing the circa 90 per cent of the private land required for the Old Oak regeneration scheme and undertaking much of the preparatory work ahead of a decision to commence a Compulsory Purchase process
- securing funding to embark on the procurement to deliver an innovative heat network project to supply sustainable energy and support the Mayor’s net zero ambitions
- commencing detailed market engagement with key investors and developers to help finalise our delivery strategy prior to formal procurement
- continuing to support important early development including, as of 31 October 2024, 5,817 homes have now been completed or under construction, with 3,392 more with planning permission or resolution to grant and over 3,000 additional homes in the pipeline
- adopting our Community Infrastructure Levy (CIL) charging schedule
- providing outreach support for unemployed local residents, matching 250 local people into jobs, provided specialist advice to 450 local SMEs and sole traders, and established a Creative Enterprise Zone
- delivering an extensive programme of engagement and co-design with local people to help shape our plans and a small grants programme to support grassroots community-led projects and charities reaching over 45,000 beneficiaries.

## 4. Key deliverables in 2025-26

4.1 Our key priorities and deliverables for 2025-26 are as follows:

### **Delivery**

The Delivery Directorate’s principal focus is to bring forward regeneration and development at Old Oak. This includes:

- developing the scheme masterplan and engaging with the Local Planning Authority ahead of a formal planning application
- launching the procurement process to appoint our preferred investment and delivery partner(s) for the Old Oak regeneration scheme
- continuing to acquire private land sites within Old Oak through negotiation wherever possible to derisk the CPO process and scheme delivery
- securing Mayoral consent to begin the Compulsory Purchase Order process and progress towards a Public Inquiry
- Leading, as approved agent, on pooling arrangement of all public brownfield land necessary for the delivery of the scheme to derisk delivery and provide confidence to the market
- entering into the finalised contract with a commercial partner to deliver the heat network by the end of 2025
- providing support to local residents, communities and businesses to promote economic growth e.g. through provision of finance to local micro and small businesses
- managing a growing asset portfolio and supporting the businesses operating within our landholdings to build and maintain a revenue stream ahead of these being vacated for scheme delivery over the medium to long term.

## **Planning**

4.2 The Planning Directorate will operate its statutory function as local planning authority. This includes:

- overseeing the determination of an 8,000-home pipeline of planning applications, maximising the delivery of affordable homes, jobs and new and improved infrastructure
- accelerating allocation and expenditure of Section 106 contributions and Community Infrastructure Levy
- implementing the policies set out in our Local Plan
- progressing the Local Plan Review and developing a detailed programme for the commissioning of evidence, consultation and engagement to review the Local Plan following the government's confirmation of planning reforms
- establishing a Code of Construction Practice for the OPDC area in partnership with the host boroughs, and expanding enforcement capacity especially in relation to Construction Management
- addressing unauthorised development to protect the amenity of residents and businesses and ensure industrial land supply is protected and used intensively and efficiently.

## **Corporate Operations & Finance**

4.3 The Corporate Operations & Finance function will ensure the corporation is operating effectively and efficiently to meet our delivery objectives. This includes:

- building capacity and skills in finance as OPDC's asset portfolio grows to ensure assurance and compliance to statutory obligations and group reporting
- ensuring appropriate resources in governance and HR to support an expanding and more complex organisation through effective business partnering
- designing the new office space in OPDC's regeneration area to a modern specification in line with GLA standards
- working in partnership with GLA Group Collaboration Board to leverage best practise and drive value for money through our shared service arrangements with the wider group
- sound financial management and governance, entailing effective, accurate budget management and financial reporting.

## **CEO Office, Communications and Engagement**

4.4 The Communications and Engagement function will engage stakeholders, partners and communities, raising awareness, increasing participation and building advocacy to help shape regeneration. This includes:

- inclusive engagement, consultation and community relations to shape development, in particular, best practice engagement and consultation in support of the development of the emerging Old Oak masterplan
- community outreach and network building, particularly with those whose voices go unheard, through small grants, volunteering and meanwhile use projects, including the roll-out of OPDC's youth engagement programme
- promoting the Old Oak regeneration scheme across a wide range of audiences and channels through events, marketing, research, media and stakeholder engagement opportunities
- implementing an updated Community Engagement Strategy, monitoring social value, diversity and community sentiments.

## 5. Revenue Expenditure and Funding Requirement

- 5.1 OPDC's 2025-26 revenue budget is a growth budget, as acknowledged in the Mayor's Budget Guidance, with net service expenditure of £14.1 million; this is an increase of £2.3 million between 2024-25 and 2025-26.
- 5.2 The growth in OPDC's spend has been partially mitigated through increased rental income, planning fees and other funding.
- 5.3 The following table (Table 1) sets out OPDC's budget on an objective basis. An explanation of each change is provided in section 6.

## 6. Explanation of Budget Changes

**Table 1: OPDC - Objective Basis**

- 6.1 An analysis of the year-on-year movement for OPDC compared to the revised budget for 2024-25 is set out in the objective analysis table below, with commentary thereafter.

OPDC – Objective analysis	Forecast	Revised	Budget	Change	Plan	Plan
	outturn	budget	Budget	Change	Plan	Plan
	2024-25	2024-25	2025-26	24-25 to 25-26	2026-27	2027-28
	£m	£m	£m	£m	£m	£m
CEO Office, Comms & Engagement	1.1	1.1	1.3	0.2	1.4	1.4
Planning	0.9	1.0	1.0	0.0	1.0	1.0
Delivery	7.1	6.7	8.2	1.5	7.1	7.4
Corporate Operations	3.2	3.0	3.6	0.6	3.6	3.6
<b>Net service expenditure</b>	<b>12.3</b>	<b>11.8</b>	<b>14.1</b>	<b>2.3</b>	<b>13.1</b>	<b>13.4</b>
Financing costs	1.4	0.0	3.3	3.3	4.5	4.6
<b>Net expenditure</b>	<b>13.7</b>	<b>11.8</b>	<b>17.4</b>	<b>5.6</b>	<b>17.6</b>	<b>18.0</b>
Savings to be identified	-0.5	0.0	-2.3	-2.3	-5.6	-5.8
Transfer to / from (-) MDC reserve	-4.6	-4.6	-4.4	0.2	0.0	0.0
<b>Financing Requirement</b>	<b>8.6</b>	<b>7.2</b>	<b>10.7</b>	<b>3.5</b>	<b>12.0</b>	<b>12.2</b>
Retained business rates	7.2	7.2	7.4	0.2	7.5	7.6
GLA Funding for financing costs	1.4	0.0	3.3	3.3	4.5	4.6
<b>Council tax requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### **Net change in service expenditure and income**

- 6.2 The budget proposes a £2.3 million net increase in service expenditure. The key driver is the increase in costs in the Delivery Directorate as we move into a delivery phase. The key changes relate to:

#### Delivery - £1.5 million

- an increase in work, relating primarily to investment and development partner procurement and public land agreement finalisation, as well as the need for external professional and legal support
- an in-principle decision to progress the CPO will trigger an uplift in work for external professional and legal support to progress the case ahead of Mayoral approval, and preparatory work ahead of the public inquiry. Work to acquire land will continue with an increased focus on managing tenancies
- work will be undertaken on both meanwhile uses and early activation for sites under OPDC's control e.g. to date, we have temporarily accommodated a circular economy hub that makes artefacts from HS2 extracted clay
- further sustainability activity following the publication of OPDC's sustainability charter in late 2024-25, including a framework and plan to operationalise OPDC's ambitions
- an increase in site management costs as more sites are acquired and our Asset Management function expands
- increased gross costs in the Delivery Directorate are partially mitigated via rental income from acquired assets and use of S.106 funding (Including the Carbon offset fund).

#### Planning – nil

- increased costs relating to the Local Plan review, expanding the team to deal with increased planning application work, construction management impacts and expanding the enforcement and CIL/106 teams
- OPDC expects a higher level of Planning income for 2025-26, linked to an increase in major planning applications. This expected increase in income, combined with the potential to draw down on the ring-fenced planning reserve, will result in a nil net increase in the Planning Directorate budget year on year.

#### Corporate Operations & Finance - £0.6 million

- building capacity and skills in finance and governance to ensure assurance and compliance to statutory and group reporting requirements, as the asset portfolio grows and in relation to the management of subsidiary asset companies within the group
- ensuring appropriate resources in governance and HR to support an expanding and more complex organisation, building relationships, and promoting collaboration
- increased rent, reflecting the increase space in the new offices to accommodate the growing business, the cost per square feet remains the same as the previous office
- shared service costs (GLA and TfL), due to a re-baselining of costs charged to OPDC.

#### CEO Office, Communications and Engagement - £0.2 million

- increasing capacity within the team to support the wider corporation's growing team and workload across directorates, in particular to develop and maintain OPDC's digital capabilities, including an OPDC website to support the development partner procurement process.

#### Financing Costs

- the loans provided to OPDC from GLA to finance the land assembly activities, use the Public Works Loans Board (PWLB) rate of interest as the basis. It is assumed that the interest payments borne by OPDC will continue to be covered by GLA.

## **Plan Years: 2026-27 and 2027-2028**

- 6.3 Whilst OPDC is forecasting a peak in the 2025-26 budget year - predominantly related to increased costs as we progress with the procurement of an investment and development partner and finalise and implement the CPO to acquire the remaining land and associated rights needed to deliver the scheme, in later years, we expect these costs to reduce.
- 6.4 The increased costs associated with the CPO development and setting up procurement for a development partner will reduce over time as we complete on these milestones, whilst other work will increase, such as masterplan development, scheme design and an early planning application strategy. We are currently forecasting a decrease in delivery budget by over £1.2 million (after adjusting for inflation) in 2026-27 and 2027-28.
- 6.5 Beyond 2028-29, one scenario could see the budgets reducing further as some of the future scheme development activities could be performed by OPDC's appointed Development partner. This is dependent on the market appetite for optimal commercial structures, which is currently being tested through market engagement, to ensure the scheme is set up to succeed.
- 6.6 Other costs in the Planning Directorate and Corporate functions are expected to remain broadly flat across the three-year budget horizon, with the main increase being related to inflation in the latter two years. See Inflation - Table 2 below.

## **7. Value for Money and Savings and Efficiencies**

### Savings and efficiencies

- 7.1 OPDC is working closely across the GLA group to leverage best practice and drive value for money, reducing the need to use external resources, as outlined below:
- utilising TfL shared services for all of our IT platforms, including hardware, helpdesk, finance and HR solutions
  - utilising internal audit function through an arrangement with MOPAC
  - legal provision through TfL arrangements to provide a consistent and compliant service
  - consulting LLDC on tax and accounting matters, learning from their experience as the first MDC
  - consulting London Fire Brigade on our approach to identifying and managing risk across our estate
  - embedding collaborative procurement measures to improve supply chain diversity, measuring spend with Micro, Small and Medium Enterprises suppliers and leverage group buying power.
- 7.2 OPDC has also built in savings to the budget reducing our reliance on external professional fees as we have continued to recruit to our target operating model, improving our capacity and capability to perform more tasks internally.
- 7.3 In reducing the overall net revenue ask, OPDC has sought other funding opportunities to mitigate increased costs, as our focus switches to delivery, from increased revenue opportunities through s.106, CIL and rental income.

## Inflation

- 7.4 The budget includes a provision for inflation of £0.2 million.

**Table 2: OPDC - Inflation**

<b>Inflation for 2025-26</b>	<b>Pay 2025-26 £m</b>	<b>Non-Pay 2025-26 £m</b>	<b>Total 2025-26 £m</b>
<b>OPDC</b>	0.1	0.1	0.2

- 7.5 This includes £0.1 million relating to a provision for a 2 per cent pay award. An estimate of the impact of non-pay inflation, based on the current CPI of 1.7 per cent, is £0.1 million.

## **8. Reserves**

- 8.1 OPDC's net operational expenditure of £14.1 million is funded by retained business rates and from the GLA's MDC Reserve. The use of reserves has increased by £2.3 million in 2025-26 compared to the 2024-25 budget, predominantly to support increased expenditure as OPDC moves from a strategic planning phase to delivery.
- 8.2 OPDC will receive £7.4 million in funding via retained business rates in 2025-26, an increase of £0.2 million compared to 2024-25. A further £4.4 million is funded by the GLA's MDC Reserve as planned and we are seeking the remaining £2.3 million from the GLA.
- 8.3 As OPDC acquires and develops capital assets, opportunities for capitalising expenditure will also be pursued which may result in less funding being required to be drawn in future from the MDC reserve.

## **9. Environmental impact and climate budget**

- 9.1 The Mayor of London's commitment to achieve net zero by 2030 is integrated into our current strategies and policies.
- 9.2 OPDC does not directly produce carbon emissions as it does not have any operational estate or fleet, although we have now acquired several strategic assets to facilitate the delivery of our programme, with existing tenancies and uses. We are establishing a framework for monitoring and reporting on these emissions, ensuring alignment with our sustainability objectives.
- 9.3 Our budget will have an impact on lowering Green House Gas (GHG) emissions more widely in London, and these measures are captured in the 2025-26 climate budget. These initiatives actively contribute to the reduction of carbon emissions within the OPDC area and beyond.

- 9.4 OPDC aligns with the requirements of the GLA's Responsible Procurement Implementation Plan (RPIP) which is committed to actively collaborating with its suppliers and intended to initiate and implement strategies aimed at reducing carbon emissions within the supply chain.

#### Energy

- 9.5 We have published a Local Area Energy Plan (LAEP) for the OPDC area to support our work to decarbonise Park Royal.
- 9.6 We collaborate with Distribution Network Operators to secure increased energy capacity to supply future developments with sustainable heat and power.
- 9.7 We have secured capital funding from DESNZ to deliver a heat network that will provide net-zero heating for over 10,000 homes and businesses, reducing CO<sub>2</sub> emissions by an estimated 101,200 tonnes over 40 years. This is supported by revenue funding from the GLA to support the project's development.
- 9.8 Our two applications to the GLA's Zero Carbon Accelerator programme were successful, and we will receive support to develop plans for using solar energy, distributed through a private wire network, to supply low-carbon power to major energy consumers in Park Royal. We will also work on creating a Smart Local Energy System (SLES) that integrates solar, battery storage, and peer-to-peer energy trading to benefit local businesses.

#### Buildings

- 9.9 We will foster innovative technologies, enhance resilience for SMEs, and support local job creation by using a site within our ownership for meanwhile use as a circular economy hub, where local community-led organisations will repurpose waste material into new, useful and affordable products.
- 9.10 OPDC's Small Business Loan Fund assists local workspace providers in Park Royal by encouraging improvements in environmental performance, whilst promoting energy-efficient buildings, reducing utility costs for SMEs, and enhancing climate adaptability.

#### Strategy and Behaviour Change

- 9.11 Our Sustainability Charter sets out OPDC's approach to environmental and social sustainability, ensuring all our work reduces carbon enhances resource efficiency and creates economic opportunities and good growth. Our Sustainability Framework underpins the charter and sets minimum and stretch targets for each objective, ensuring consistency in achieving sustainability objectives.

#### Public Realm

- 9.12 Our recently adopted Supplementary Planning Document for Public Realm and Green Infrastructure provides guidance for delivering a high-quality public realm, optimising green infrastructure provision, managing surface water run-off, and improving air quality.

- 9.13 We run a Greenspace Volunteering programme, which focuses on Park Royal and the Grand Union Canal to collaborate with local businesses and residents to undertake planting, maintenance, clean-ups, and events promoting the value of greenspace and sustainability.

## 10. Equalities implications

- 10.1 Equity, Diversity and Inclusion (EDI) is at the centre of OPDC's corporate approach. The EDI strategy, published in 2022, supports OPDC's commitment to ensure EDI is truly embedded both internally, as an exemplar employer, and externally to deliver an inclusive, diverse and accessible new urban district which meets local needs and champions diversity. OPDC's approach aligns with the Mayor's Inclusive London strategy.

- 10.2 OPDC promotes EDI by:

- spending 35 per cent of our 2023-24 budget on Micro, Small and Medium sized enterprises (MSMEs), highlighting our commitment to support the Building a Fairer City (BFC) plan and ensuring supplier diversity
- championing diversity and creating opportunities for some of London's most deprived communities, providing funding and support to community-led projects including foodbanks, and culture, art and heritage projects, reaching over 45,000 beneficiaries from West London
- helping 243 local residents into work in the OPDC area through the Forge@Park Royal, with over 63 per cent from women, an ethnicity background and declared disability
- increasing our engagement activities with community members from diverse backgrounds by 44 per cent
- industry recognition, receiving the Stonewall Workplace Equality Index gold award for our achievements and progress on LGBTQ+ inclusion in the workplace - ranking 49<sup>th</sup> in the top 100 employer list.

- 10.3 To build on these achievements, we will undertake the following activities across 2025-26:

### **Internally focused**

- conduct an employee survey to collect sentiment data and feedback on our work around EDI in the workplace
- embed inclusive behaviours with leadership commitment, reinforcing their values through internal and external communication
- roll out both mandatory and voluntary EDI training to upskill employees to lead the way in best-practice EDI behaviours
- continue to embed and track inclusive recruitment.

### **Externally focused**

- set up a youth panel made up of a diverse range of young people in our area to feed into and influence our plans and projects, in line with the Mayor of London's commitment to empowering young Londoners
- incorporate EDI objectives into the criteria for all procurements including for our development partner/s
- implement changes stemming from the new Procurement Act which places a greater focus on social value outcomes

- launch our Ideas Book for Old Oak celebrating the diverse communities who have shaped our regeneration plans.

10.4 In accordance with the Public Sector Equality Duty and the Mayor’s Equality, Diversity and Inclusion Strategy, OPDC will continue to assess the likely impacts of the proposals set out in this budget on external groups as proposals are further developed and refined. Equalities Impact Assessments (EqIAs) for individual programmes will be carried out as appropriate.

## Appendix A – Appendix to Revenue Budget

**Appendix Table 1: OPDC - Subjective analysis**

Subjective analysis	Forecast outturn	Revised budget	Budget	Change	Plan	Plan
	2024-25	2024-25	2025-26	24-25 to 25-26	2026-27	2027-28
	£m	£m	£m	£m	£m	£m
Staff costs	6.7	6.6	7.6	1.0	7.8	8.1
Premises costs	0.0	0.0	0.4	0.4	0.4	0.4
Supplies and services	8.8	7.7	11.7	4.0	10.7	10.5
Capital financing costs	1.4	0.0	3.3	3.3	4.5	4.6
<b>Total gross expenditure</b>	<b>16.9</b>	<b>14.3</b>	<b>23.0</b>	<b>8.7</b>	<b>23.4</b>	<b>23.6</b>
Sales, fees, charges and recharges total	-3.2	-2.5	-5.6	-3.1	-5.8	-5.6
<b>Total gross income</b>	<b>-3.2</b>	<b>-2.5</b>	<b>-5.6</b>	<b>-3.1</b>	<b>-5.8</b>	<b>-5.6</b>
<b>Net expenditure</b>	<b>13.7</b>	<b>11.8</b>	<b>17.4</b>	<b>5.6</b>	<b>17.6</b>	<b>18.0</b>

## 11. Capital Strategy

### Introduction

- 11.1 Old Oak and Park Royal Development Corporation (OPDC) is a Mayoral Development Corporation (MDC), with a statutory purpose and powers to regenerate the Old Oak and Park Royal Opportunity Area.
- 11.2 OPDC has undergone a step change in our activities in the last 18 months, with over £150 million in capital assets under management by the end of 2024-25, in line with our land assembly plan.
- 11.3 Once combined with the publicly owned land, as per our Outline Business Case (OBC) for the regeneration of Old Oak, we will be a step closer to meeting the targets set to us by the Mayor to deliver many thousands of new homes and jobs for Londoners.

### Intention

- 11.4 This strategy has been prepared in accordance with the Mayor’s Budget Guidance, which was published in July 2024. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires all local authorities to produce a Capital Strategy.
- 11.5 OPDC’s Capital Strategy will form part of a GLA group-wide strategy, intended to drive the Mayor’s capital investment ambition, whilst ensuring the sustainable, long-term delivery of services. The strategy demonstrates that our capital expenditure decisions are made in line with

Mayoral priorities and properly take account of stewardship, value for money, prudence, sustainability and affordability and give due regard to risk and reward.

- 11.6 The strategy leverages early public funding, together with available town planning funding sources such as s106 and in time, the Mayoral Community Infrastructure Levy. Our aim is to deploy public capital efficiently to derisk delivery and bring forward the scale of private investment in Old Oak that will be needed for such a significant and important regeneration programme.
- 11.7 The aims of the Capital Strategy are to:
- provide ongoing deployment of funding to support the assembly of private land interests, together with future investment in the infrastructure needed to de-risk and unlock development
  - transition, over the next two years, to potential co-investment alongside private investors and development partner(s) following the procurement process that we will launch in 2025
  - set out how we identify, prioritise and programme funding requirements from GLA
  - consider options available for funding capital expenditure and identify the resources available for investment over the long term
  - identify capital income streams assessing the associated risks and profiling
  - establish effective arrangements for the oversight and management of expenditure, including the assessment of deliverability, outcomes, budget profiling and value for money.

### **Benefits**

- 11.8 The benefits of preparing a Capital Strategy for OPDC are to:
- provide a clear framework in which OPDC's capital investment decisions are made
  - help ensure OPDC's capital plans align to the Mayor's priorities and ultimately achieves OPDC's objective
  - promote transparency and accountability, ensuring that OPDC takes ownership of its decisions and commitments.

### **Approach**

- 11.9 To ensure that capital resources are allocated optimally and deliver value for money, OPDC's long-term capital planning is determined in parallel with the annual statutory GLA budget process.
- 11.10 OPDC has a Long-term Model, that underpins the Capital Strategy and forecasts capital expenditure over a long-term period. This model was used when developing the Outline Business case for OPDC to prove viability of the Old Oak regeneration scheme.
- 11.11 OPDC operates within the overall legislative and governance framework provided by the GLA Act 1999 and 2007 (which include the London Assembly's power of summons and budgetary approval), provisions of the Local Government Act 1972 and the Localism Act 2011.
- 11.12 To aid good decision making and ensure that public funds are optimally utilised, OPDC has put in place capital investment oversight and appraisal mechanisms that include:
- **OPDC Board:** review and approval of capital investment decisions and approval of the OPDC capital budget before submission to GLA. Review of quarterly Corporate Management accounts, which includes year-to-date capital expenditure versus budget and forecast outturn for the financial year

- **Development, Investment and Sustainability Committee (DISCo):** detailed review of valuations and due diligence performed of capital investment decisions and approval within delegated authority
- **Audit and Risk Committee (ARC):** detailed review and approval of the corporation's Annual Report and Accounts, including capital expenditure and income.
- **Executive Management Team:** executive oversight of capital investment decisions and review of monthly Corporate Management Accounts and other business updates that have an impact on capital income of expenditure
- **Delivery Programme Board:** monthly overview of progress across the Old Oak development programme, upcoming priorities, and the opportunity to explore risks, issues and challenges and how these can be addressed.

11.13 OPDC's Capital Strategy and long-term model is updated on an annual basis (as a minimum) and shared with key stakeholders, including the GLA, DISCo and the OPDC Board.

### **Influences**

11.14 OPDC continues to engage with government departments, exploring options for further capital investment to secure delivery, given the long-term nature of the scheme, and the range of factors that will have a direct impact on delivery and outcomes including:

#### *Internal*

- a) current policy priorities which include the need to deliver homes at pace in a range of tenures, support economic growth, and contribute to Mayoral and government net zero targets by 2030.

#### *External*

- b) economic and market conditions and how these can influence investor and developer appetite, delivery costs and ultimately values and receipts.
- c) commercial arrangements with partners, the deployment of both public and private sources of capital, and the allocation of risk and associated returns. Further information on this will emerge through market engagement and the procurement process.
- d) availability and deployment of delivery resources, both within OPDC but also within stakeholder and partners and their supply chains to maintain momentum.

### **Policies**

11.15 OPDC's Capital Strategy (including the comprehensive scheme and climate strategy) is aligned to the Mayor's priorities of affordable housing, economy and environment.

### **Capital Ambition**

11.16 OPDC's work is structured around three core themes, which drive its objectives and outcomes and to which this Capital Strategy is aligned. These are:

#### Delivery – realising ambition through action by:

- establishing our role as landowner and steward
- securing the right investment and development partners

- delivering positive changes and local enhancements now
- maximising affordable homes, jobs and funding contributions for new and improved infrastructure.

Community – a place for everyone, reflecting local needs and aspirations by:

- empowering everyone to have a say in the future
- celebrating and championing diversity, heritage and local identity
- building capacity and skills for the future
- caring for and protecting the local area.

Innovation – leading the way for a sustainable and prosperous future through:

- net zero and nature positive regeneration
- jobs for the future and local prosperity
- attracting diverse industries and technologies.

11.17 The priority capital programmes included in OPDC’s capital ambition are outlined in the capital spending plan sections below.

### **5-Year Capital Spending Plan**

11.18 OPDC’s 5-Year capital spending plan’s primary focus is to continue to acquire and commit to securing the private land needed, to enable the Old Oak regeneration scheme to deliver up to 9,000 homes and 3 million square feet of workspace in a new urban district, either through private treaty where possible, or using Compulsory Purchase Order (CPO) powers, subject to approval.

11.19 The capital plan will enable delivery of early home starts within the Mayoral term and ensure we can evidence a fully funded scheme for acquisition through CPO.

11.20 OPDC’s five-year spending plan is outlined in the table below (Table 3).

### **Land Assembly and Infrastructure**

*Mayoral priorities: Affordable housing*

11.21 OPDC’s capital forecast for land assembly increases from £76 million in 2024-25 to £96 million in 2025-26, including two sites that we have exchanged contracts for a deposit and committed to complete in Q1 2025-26. Upon completion of these two sites, we will have assembled 90 per cent of the private land needed for the scheme and have undertaken much of the preparatory work ahead of an in-principle decision to seek Compulsory Purchase powers as a possible means of acquiring the remaining 10 per cent of private land we need.

11.22 As outlined in the Outline Business Case, agreed by government partners, we will pool 56 acres of public owned land with the acquired private sites by OPDC to enable the comprehensive regeneration scheme in Old Oak. This agreement will involve a deferred payment and will not require any capital outlay.

11.23 The first ‘enabling infrastructure costs’ are assumed to occur in 2028-2029, with the bulk of these costs being experienced in 2029-30 onwards. OPDC continue to progress forward with the intention of securing government agency grants and developer contributions to offset these costs (see 20-year capital plan for more details) and will continue to consult with the GLA on future capital needs.

## Heat Network (OPEN Project)

*Mayoral priorities: Environment*

- 11.24 The innovative Heat Network will provide low carbon heating captured from data centres into the local community including homes, schools and a major hospital. The new district heating network is key to helping achieve a zero carbon and sustainable new urban district. This substantial scheme is expected to deliver 95GWh of heat across five phases between 2026 and 2040.
- 11.25 Total project funding for the Heat Network is £37.3 million, of which £35 million is capital funding from the Department for Energy Security and Net Zero (DESNZ) and is expected to be fully utilised on set up of the development Joint Venture. The £2.3 million revenue funding is made up of £1.3 million from the GLA and £1 million from DESNZ for the commercialisation phase.

**Table 3: OPDC Capital plan**

OPDC - Capital spending plan	Forecast	Budget	Plan	Plan	Plan
	Outturn				
	2024-25	2025-26	2026-27	2027-28	2028-29
	£m	£m	£m	£m	£m
Land Assembly	76.3	95.9	22.4	10.0	-
Infrastructure	-	-	-	-	0.4
Heat Network	2.4	32.6	-	-	-
<b>Total expenditure</b>	<b>78.7</b>	<b>128.5</b>	<b>22.4</b>	<b>10.0</b>	<b>0.4</b>
Capital Grants	32.6	32.6	0.0	0.0	0.0
Approved Borrowing	45.3	54.7	0.0	0.0	0.0
Planned Borrowing	-	41.2	22.4	10.0	0.4
Revenue Contribution	0.8	-	-	-	-
<b>Total funding</b>	<b>78.7</b>	<b>128.5</b>	<b>22.4</b>	<b>10.0</b>	<b>0.4</b>

- 11.26 It is assumed that interest payments will continue to be covered by GLA. See Table 4 below for Capital financing costs schedule.

**Table 4: OPDC - Capital financing costs**

OPDC – Capital financing costs	Forecast	Budget	Plan	Plan	Plan
	Outturn				
	2024-25	2025-26	2026-27	2027-28	2028-29
	£m	£m	£m	£m	£m
External interest cost	1.5	3.3	4.5	4.6	4.6
<b>Total</b>	<b>1.5</b>	<b>3.3</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>

## 20-Year Capital Requirement

- 11.27 Whilst OPDC explores opportunities to secure additional capital funding from government, its agencies and private developers, the Mayor proposes that capital support to OPDC should be provided as loan funding. This funding would be to finance land acquisition, infrastructure and enabling works and associated due diligence costs for the purposes of both de-risking delivery and accelerating OPDC's target of 1,100 homes within its development area, by 31 March 2029.

11.28 OPDC will continue to move forward with plans for delivery; continuing to acquire and commit to securing the private land needed for the scheme.

### 20-Year Capital Investment Plan

11.29 OPDC's capital spending plan is outlined in Table 5 below.

**Table 5: OPDC - 20 Year Capital Spending Plan**

OPDC - Capital Spending Plan	Forecast	Budget	Plan	Plan	Plan	Plan	Plan	Plan
	Outturn					2029-30 to	2034-35 to	2039-40 to
	2024-25	2025-26	2026-27	2027-28	2027-28	2033-34	2038-39	2043-44
	£m	£m	£m	£m	£m	£m	£m	£m
Heat Network	2.4	32.6	-	-	-	-	-	-
Land Assembly	76.3	95.9	22.4	10.0	-	-	-	-
Infrastructure	-	-	-	-	0.4	166.5	185.7	-
<b>Total expenditure</b>	<b>78.7</b>	<b>128.5</b>	<b>22.4</b>	<b>10.0</b>	<b>0.4</b>	<b>166.5</b>	<b>185.7</b>	<b>-</b>

11.30 The Heat Network and Land Assembly programmes are outlined in the 5-year capital spending plan section above.

11.31 Infrastructure costs are expected to be approximately £352 million (£167 million 2029-30 to 2033-34 and £186 million 2034-5 to 2038-39). OPDC continue to progress forward with the intention of securing government agency grants and developer contributions to offset these costs.

### 20-Year Capital Funding

11.32 Funding for OPDC's capital programme is outlined in Table 6 below.

**Table 6: OPDC – 20 Year Capital Funding Plan**

OPDC - Capital Spending Plan	Forecast	Budget	Plan	Plan	Plan	Plan	Plan	Plan
	Outturn							
	2024-25							
		2025-26	2026-27	2027-28	2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2039-40 to 2043-44
	£m	£m	£m	£m	£m	£m	£m	£m
Heat Network	2.4	32.6	-	-	-	-	-	-
Land Assembly	76.3	95.9	22.4	10.0	-	-	-	-
Infrastructure	-	-	-	-	0.4	166.5	185.7	-
<b>Total expenditure</b>	<b>78.7</b>	<b>128.5</b>	<b>22.4</b>	<b>10.0</b>	<b>0.4</b>	<b>166.5</b>	<b>185.7</b>	<b>-</b>
Capital Grants Approved	32.6	32.6	-	-	-	-	-	-
Borrowing	45.3	54.7	-	-	-	-	-	-
Planned Borrowing		41.2	22.4	10.0	0.4	-	-	-
Revenue Contribution	0.8	-	-	-	-	-	-	-
<b>Total funding</b>	<b>78.7</b>	<b>128.5</b>	<b>22.4</b>	<b>10.0</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding to be sourced</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166.5</b>	<b>185.7</b>	<b>-</b>

11.33 Since 2022-23 OPDC has been successful in securing funding for capital projects including £204 million for early Land Assembly activity, including DLUHC BIL Funding (£53 million), GLA Land Fund (£50 million) and existing GLA loan facility that was approved in the 2024-25 budget (£100 million).

11.34 In addition, a further £35 million capital grant has been secured for the development of a Heat Network Energy Centre.

11.35 The current GLA approved borrowing limits are as below:

2023-24	2024-25	2025-26
£50 million	£100 million	£150 million

11.36 Analysis indicates that based on current Delivery Plans, OPDC will require a further increase in the borrowing limits to continue with the Land Assembly programme.

11.37 OPDC’s latest capital forecasts indicate that if this increase in borrowing is not agreed the organisation will breach its current borrowing limits by approximately £40 million in 2025-26. See Table 6 above for capital spending plan and capital funding plan.

11.38 OPDC continues to engage with government departments, exploring options for further capital investment to secure delivery, given the long-term nature of the scheme.

11.39 The Authorised Limit and Operational Boundary for external debt for OPDC arising from its plans are set out in the below tables.

- 11.40 The proposed borrowing limit includes an increase of £75 million. OPDC and GLA will review and assess the proposal to raise the existing authorised borrowing limit to £225 million, ensuring any increase is both prudent and affordable.

**Table 7: OPDC - Borrowing limits**

**Proposed**

<b>OPDC - Borrowing limits</b>	<b>Current Approval 2024-25 £m</b>	<b>Revised Approval 2024-25 £m</b>	<b>Proposed 2025-26 £m</b>	<b>Proposed 2026-27 £m</b>	<b>Proposed 2027-28 £m</b>	<b>Proposed 2028-29 £m</b>
<b>Authorised Limit</b>						
Borrowing	100	100	225	225	225	225
<b>OPDC Total</b>	<b>100</b>	<b>100</b>	<b>225</b>	<b>225</b>	<b>225</b>	<b>225</b>
<b>Operational boundary</b>						
Borrowing	100	100	215	215	215	215
<b>OPDC Total</b>	<b>100</b>	<b>100</b>	<b>215</b>	<b>215</b>	<b>215</b>	<b>215</b>

**Existing**

<b>OPDC - Borrowing limits</b>	<b>Current Approval 2024-25 £m</b>	<b>Revised Approval 2024-25 £m</b>	<b>Agreed 2025-26 £m</b>	<b>Agreed 2026-27 £m</b>	<b>Agreed 2027-28 £m</b>	<b>Agreed 2028-29 £m</b>
<b>Authorised Limit</b>						
Borrowing	100	100	150	150	150	150
<b>OPDC Total</b>	<b>100</b>	<b>100</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>Operational boundary</b>						
Borrowing	100	100	150	150	150	150
<b>OPDC Total</b>	<b>100</b>	<b>100</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>

- 11.41 It is noted that the increased borrowing outlined above does not include any funding for ‘enabling infrastructure costs’ that will be required to successfully deliver the Old Oak Regeneration Programme.
- 11.42 OPDC estimate these ‘enabling infrastructure costs’ would be approximately £352 million (£167 million 2029-30 to 2033-34 and £186 million 2034-35 to 2038-39). OPDC continue to progress forward with the intention of securing government agencies grants and developer contributions to offset these costs; however, in the absence of any certainty around this it might be assumed that additional borrowing may be required.

**Capital Strategy – Delivery, Affordability and Risk**

- 11.43 Within the Prudential Code it is the responsibility of the Chief Finance Officer to explicitly report on the delivery, affordability and the risks associated with this Strategy. This is set out in the following paragraphs.

*Delivery*

- 11.44 The delivery of the scheme in OPDC’s Capital Investment Plan are set out in the Original Business Case (OBC) for OPDC, which was approved by our government partners. This is supported by the long-term model that underpinned the OBC.

- 11.45 OPDC's Executive Management Team receive regular updates on capital budgets and more formally through our quarterly performance report that goes through a vigorous review and challenge process with the CEO and CFO. This quarterly report is used by the GLA to hold us to account and shared with the London Assembly.
- 11.46 There is also regular reporting on the comprehensive scheme, both to the Executive Management Team, OPDC Board and the GLA, giving the opportunity to review and challenge the delivery of the scheme and any changes to both the timing and value of the Capital Investment Plan.

#### *Affordability*

- 11.47 Affordability is critical in applying the Capital Strategy and approving projects for inclusion in the Capital Investment Plan. The OBC, supported by the long-term model, proves the viability of the comprehensive scheme, showing that the income receipts would repay any expenditure funded through the borrowing.

#### *Risks*

- 11.48 OPDC continue to consider risks of the programme as part of its governance processes. Potential risks to the programme include:
- a loss or reduction in political support from central government
  - a failure to secure land or funding necessary for delivery
  - a deterioration in economic conditions and adverse change to market sentiment
  - challenges to public processes including procurement.
- 11.49 We continue to have regular communication and engagement with key stakeholders as we move forward, collaborative forums and steering groups have been established to mitigate the above risks where possible.
- 11.50 In terms of management of finances and risks relating to this, borrowing limits are agreed with the GLA on an annual basis and the progress of the comprehensive scheme discussed regularly.