

CEO DECISION – CD 148

Title: Procurement of Savills for Western Lands Valuation Support

Executive summary

This decision form seeks approval for expenditure for consultancy expenditure on development viability, valuation and cashflow modelling required to develop the Strategic Outline Business Case (SOBC) for OPDC's Western Lands delivery strategy. This work in the emerging strategy is being developed ahead of submitting a bid to government and/or the GLA for funding support. The commission will directly support the viability and deliverability of the Western Lands approach and provide greater certainty on funding requirements over time. The work will be carried out by Savills under their existing real estate advisory call-off contract with OPDC. This approval is being made under the delegation to officers granted by OPDC's Board at its October 2020 meeting.

This will take cumulative approved expenditure on Western Lands preparatory work to £418,000 (further detail below).

Decision

That the Chief Executive approves:

1. Expenditure of up to £100k for services to be provided by Savills under the existing call-off to support the development of a Strategic Outline Business Case for OPDC's Western Lands strategy by:
 - i. establishing Existing Use Value (EUV) and Development Market Values (MV) for development sites under different development scenarios
 - ii. creating a financial model to set out capital expenditure, development receipts and cashflow allowing OPDC to model different scenarios of scope, speed of delivery and land arrangements
 - iii. providing commercial advice and professional research to support valuation, programming and market absorption assumptions and assess the attractiveness to the development market of different development options

Chief Executive Officer

I do not have any disclosable interest in the proposed Decision. It is consistent with OPDC's priorities and has my approval.

Signature:



Date: 09 December 2020

PART 1: NON-CONFIDENTIAL FACTS AND ADVICE

Background and context

- 1.1 In January 2020, the Board approved OPDC's revised delivery approach which included the following the key elements:
 - a new focus to the regeneration of the area (as supported by CD130), taking a comprehensive view of the 'Western Lands' along Old Oak Common Lane, Old Oak Lane and Victoria Road where key sites are owned by Department for Transport (DfT) and Network Rail;
 - developing an evidence base of the benefit of a comprehensive and coordinated approach to land, development and infrastructure funding to optimise the strategic opportunities that the area offers;
 - securing the support of major partners including public sector landowners and funders; and
 - developing an engagement plan to ensure local and future communities in the area can influence the development and delivery of this major opportunity for London.
- 1.2 Since January, OPDC officers have engaged with key stakeholders including Network Rail, HS2 and the boroughs to begin the process of securing the support of the major partners to the development of the strategy for Western Lands. OPDC has also engaged with central government – via the Ministry for Homes, Communities and Local Government (MHCLG), Homes England (HE) and the Infrastructure and Projects Authority – to discuss potential funding opportunities.
- 1.3 OPDC's Planning Policy team have been working on proposed modifications of the Local Plan that would allocate new sites in its "Western Lands" area for residential led, mixed use development.
- 1.4 To support the delivery of the Local Plan's targets, OPDC's Development Team is developing a funding and delivery strategy which will be supported by this work across the following broad areas:
 - funding – where planning gain may not fund sufficient infrastructure, or fund it early enough in the development cycle to support accelerated, high quality delivery
 - infrastructure – providing greater certainty on cost, deliverability and timing of delivery required to support development
 - land and rights – providing greater understanding of the land that might be required to deliver infrastructure and public realm improvements
 - viability and deliverability – advice for specific development sites that could be brought forward more quickly

1.5 Cumulative approved expenditure on Western Lands preparatory work totals to £418,000.

Suppliers and procurement	Total Approval	Decision
Prior+Partners - initial concept work	£ 33,000	Board Urgency May 2020
Deloitte land assmebly due dilligency	£ 35,000	Board Urgency May 2020
Savills - initial viability review viability	£ 5,000	CD141
TfL Operational Property - Siobhan WL Land Assembly	£ 20,000	CD141
Newbridge - land strategy and SOBC support	£ 75,000	CD144
(Mott MAC) Infrastructure Costing (Local Plan)	£ 150,000	CD145
Total	£ 318,000	
Proposed decision: Savills viability and modelling work	£ 100,000	CD148
Total	£ 418,000	

- the 13 October Board paper has superseded these approvals and approved a delegation for the Development Team's Western Lands budget of £440k. This approval is being sought within that delegation

The proposal and how it will be delivered

2.1 OPDC intends to instruct Savills to provide the above services under their existing call-off contract with OPDC (HCA Contract No. DN336104). Savills have detailed knowledge and experience of working in the OPDC area and this work is congruent with the scope procured under the HCA Contract No. DN336104.

2.2 The commission will cover the following work streams:

- obtaining professional commercial advice on the EUVs of all Project Area sites
- developing a framework for financial appraisal of all sites in each specific Project Area that can flex with different assumptions and details relative to the marriage value or participation or lack thereof in a joined up or master planned development project. This will allow OPDC to undertake the detailed technical

work supporting an OSBC relative to the acquisition of sites into its authority alongside the GLA and LDP2 or other parties such as Homes England or private development and landowner partnerships

- developing quick win site appraisals for sites F6 (Tommy James Car Park) and A8 (2 Scrubs Lane) relative to their current marketed position to the open development market to see if we can secure in principal indications of funding from the GLA Land Fund in December 2020
- creating a bespoke financial model for all project areas including any necessary review initial assumption inputs based on emerging delivery scenarios, programme and timings
- using the output the financial model to review net project cashflow across development activity, potential receipts and infrastructure investment under different delivery scenarios for discussion and negotiation with funding partners.
- provide commercial assumptions and professional advice on market absorption, valuation, programming and development costs as required for the development of financial models and to support OPDC decision making
- preparing a final report summarising all of the findings and releasing the model to OPDC for iteration in the future

2.3 OPDC has positively engaged with MHCLG, Homes England and the GLA on funding support. However, eligibility for this funding has not yet been established. Although OPDC will require the outputs of this work to establish eligibility and set out the business case for any necessary funding support from these future programmes, it will manage expenditure throughout delivery and ensure that this is able to stop work should project risks or the viability of funding streams suggest this work is unnecessary or potentially abortive.

Objectives and expected outcomes

- 3.1 The objective of the proposal is to establish OPDC's baseline net cashflow position for the critical Western Land Project Areas and inform our commercial conversations with potential funding sources as well as landowners.
- 3.2 The output will be the EUVs, the bespoke appraisal models, the commercial programme advice and a final summary report.
- 3.3 The outcome will be an increase in the Corporation's knowledge and understanding of its true funding requirement as well as the valuation and programme information which will inform our path of execution.
- 3.4 Savills will be appointed for 16 weeks.

Strategic fit

- 4.1 This proposal supports OPDC's Western Lands strategy; a revised delivery approach which was approved by the Board in January 2020.

Project governance and assurance

- 5.1 The Development Director will act as Senior Responsible Officer (SRO) for this procurement, and the subsequent management of the Savills contract. Day to Day management of the work will be led by the Senior Development Manager.
- 5.2 The SRO will coordinate, control and regularly monitor Savills' instructions and outputs; ensuring that relevant outputs are reported internally.

Risks and issues

- 5.3 The following risks are associated with this proposal:

Risk description	Inherent Score	Mitigations	Target Score
Quick win site appraisal is too slow or to low in value to justify purchase	Likelihood: 2 Impact: 2 Total: 4	Clear communications on timeframes of delivery and scheme the market is valuing versus what we can achieve before LP approval to make it most relevant	Likelihood: 4 Impact: 2 Total: 6
Framework bespoke model is not flexible enough for OPDC to iterate easily with over time and we incur more costs for Savills controlling inputs	Likelihood: 3 Impact: 4 Total: 7	Mitigated by clear proposal scope and work on model with an OPDC team member that will have continuity of implementation on how the model will change over time.	Likelihood: 4 Impact: 4 Total: 8
Outputs are poor quality and/or lack relevance.	Likelihood: 2 Impact: 4 Total: 6	Mitigated by organised and focussed client-side project/day to day management, regular briefings and clear instructions for each deliverable.	Likelihood: 2 Impact: 4 Total: 8

- 5.4 There are no extant issues that require management or mitigation.

Equality comments

- 6.1 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.
- 6.2 The outputs from the Savills' consultancy commission, where material to future corporate plans, strategies, policy development, communications, investment/funding requests and delivery plans, which will be subject to equalities assessments at the appropriate time. This will inform how OPDC, the Mayor and other Stakeholders can ensure that the investment in HS2 and other public sector

assets can be leveraged locally to maximise regenerative impacts and opportunities for local communities.

6.3 Savills have adopted Equal Opportunities Policy.

Other considerations

7.1 There are no other considerations that need to be noted in the taking of his decision.

Conflicts of interest

8.1 No one involved in the preparation or clearance of this Form, or its substantive proposal, has any conflict of interest.

Financial comments

9.1 Expenditure of up to £100,000 will be funded from the 2020/21 Western Lands budget in the Delivery directorate.

9.2 The call-off contract does not have a financial limit; however, it is time constrained to June 2022. This expenditure will be met from the respective budget for the year to which the expenditure relates.

9.3 Further expenditure and contract variations are subject the Corporation's decision making process.

Part	Deliverables	Time (from date of instruction)	Fee
1	EUV for each site	3 weeks	£5,000
2	Development Appraisals on all sites	4 weeks	£20,000
3	3.1 Bespoke Financial Appraisal	6-8 weeks	£50,000
	3.2 Capacity & Assumption Review, Phasing Programme	12-16 weeks	£20,000
	3.3 Report on Findings	2 weeks	£5,000
TOTAL		10 weeks	£100,000

Legal comments

10.1 The report above indicates that the decision requested of the Chief Executive falls within the OPDC's object of securing the regeneration of the Old Oak and Park Royal area and its powers to do anything it considers appropriate for the purpose of its objects or purposes incidental to those purposes, as set out in the Localism Act 2011.

- 10.2 The officers have indicated in section 2 that the services required are within the scope of the existing call-off contract with the service provider (HCA Contract No. DN336104) and will be instructed in accordance with the terms and conditions of that call-off contract.
- 10.3 Officers must ensure that the appropriate call-off contract mechanism is followed and required documentation is put in place when instructing the services.

Summary timeline

Activity	Date
Service Instruction under the existing HCA Contract No.DN336104	27/11/2020
EUVs for each site	18/12/2020
SWOT Analysis, Appraisals and Summary Report	30/12/2020
Bespoke Financial Appraisal	27/01/2021
Capacity & Assumptions Review and Phasing Programme	24/02/2021
Other Appraisal Inputs	10/03/2021
Report on Findings	24/03/2021
Project closure	31/03/2021

Appendices

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- None

Other supporting papers

- None

PUBLIC ACCESS TO INFORMATION

Information in this Form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA). OPDC aims to publish the Form within three working day of approval.

If immediate publication risks compromising the implementation of the Decision (for example, impacting a procurement process), it can be deferred until a specific date (when it will be published). Deferral periods are kept to the shortest length strictly necessary.

Part 1 – Deferral

Publication of this Part 1 is to be deferred: **No**

The deferral is until: N/A

This is because: N/A

Part 2 – Confidential information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in or attached to any separate Part 2 Form, together with the rationale for withholding the information at this time.

There is a separate and confidential Part 2 Form: **No**

DECLARATIONS

Drafting officer: Chris Roche has drafted this Form in accordance with OPDC procedures, including for handling conflicts of interests, and confirm that:



Advice: The Finance and Legal teams have commented on the proposal.



CONFIRMATIONS

Section 106 funding: N/A

SMT review: This Decision was circulated to the **Senior Management Team** for review on [Tuesday 8 December 2020](#).

Chief Finance Officer

Financial and legal implications have been appropriately considered in the preparation of this Form.

Signature:



Date: 8/12/20

Director [Click and add job title]

I do not have any disclosable interest in the proposed Decision. It is consistent with OPDC's priorities and can be referred to the CEO for final approval.

Signature:



Date: 8 December 2020

