

Briefing Note

Date	March-April 2018
To	OPDC SMT
From	Peter O'Dowd
Subject	Delivery Partner Market Engagement Exercise

Introduction

To inform OPDC's delivery and procurement strategy for the Old Oak North scheme, OPDC undertook an early market engagement exercise with 4 organisations experienced in working as "Delivery Partners" on similar, large-scale infrastructure led projects.

The purpose of this market engagement exercise was to:

- (i) Gauge the level of market interest in the project;
- (ii) Gain feedback on our emerging delivery strategy and work package structure/size;
- (iii) Understand how the market would engage with a Master Developer;
- (iv) Discuss the market's appetite for novation to a Master Developer;
- (v) Discuss the various approaches to interface management;
- (vi) Seek views and input into OPDC's emerging delivery and incentivisation strategies; and
- (vii) Understand how best to procure the 'right' supplier.

To inform discussions, OPDC presented the Old Oak North scheme and outlined their objectives and requirements. OPDC then shared details on the anticipated work packages and the current thinking in terms of programme, cash flow and risks.

All organisations signed Non-Disclosure Agreements (NDA) with OPDC. The conversations that took place are deemed commercially sensitive.

The details contained within this set of minutes will form part of OPDC's Business Case submission for the Housing Infrastructure Fund (HIF).

1. AECOM/GVA (AG)

OPDC presented the programme objectives for Old Oak North and the proposed approach to delivery. Given AG's existing involvement in OPDC workstreams, notably AECOM's role in the Old Oak North Masterplan and as OPDC's Infrastructure Advisors, AG were already familiar with the plans for the site.

AG presented their understanding of what OPDC was trying to achieve and the concomitant challenges. They then explained that they saw the role of OPDC changing over the lifecycle of the project.

AG proceeded to talk through a number of case studies, drawing out some of the key lessons that had been learnt. The schemes discussed included the Queen Elizabeth Olympic Park programme which was broken down into distinct areas, including (i) Land Acquisition (ii) Infrastructure Delivery (iii) Infrastructure and (iv) Planning. AG felt that the lessons learnt on this scheme were:

- The importance of establishing short and medium-term priorities before engaging a Delivery Partner;
- In their view having well defined project parameters with public-sector control over land and budgets suits the Delivery Partner model well;
- It is beneficial to devise a series of time-critical discrete projects;
- The Delivery Partner model is not designed to attract private sector investment; and
- AG had primed what was necessary for LOCOG.

AG then spoke about the London Legacy Development Corporation (LLDC) who inherited the Infrastructure and Land from the Olympic Delivery Authority. They explained that on this project they had:

- Clear principles and objectives set by the LLDC Ten Year Plan and Five-Year Strategy;
- A partnering approach to the implementation of development;
- The ability to introduce additional private sector Delivery Partners and work with other landowners; and
- A mechanism to be a guardian of public investment.

AG went on to outline the approaches adopted by Ebbsfleet and Brent Cross.

It was agreed that OPDC have two options moving forward: (1) that they appoint or act as a Master Developer or (2) that they procure a Delivery Partner to support planning applications and infrastructure delivery. AG explained that OPDC could use the Delivery Partner to leverage additional Project & Programme Management support, procurement advice and cost support. It was discussed that once OPDC complete the construction of the major civils work, OPDC could novate the Delivery Partner to a Master Developer.

2. Deloitte

Deloitte had been working with OPDC for several years prior to the meeting and had a good understanding of OPDC's objectives and plans for Old Oak North.

Deloitte talked about the different models a client could assume and noted the current shift away from public sector funding towards private sector investment.

Deloitte suggested that OPDC appoint a Master Developer and recommended that this Master Developer is procured and engaged sooner rather than later. They also suggested that the Developer needs to be on board before a CPO is lodged. Deloitte expressed the view that more than one Master Developer would be overkill and that a Master Developer could be procured in parallel with planning applications and Infrastructure delivery.

3. Turner & Townsend (T&T)

Following a presentation by OPDC, T&T talked through what they saw were important considerations before appointing a Delivery Partner. These considerations included the importance of understanding risk appetite, funding source(s), who takes the financial return, the constraints on the project and the skills within the client body.

T&T agreed with the principal of procuring a Delivery Partner early in the project lifecycle with the option to novate them to a Master Developer later down the line. They also pointed that if OPDC were to procure a Master Developer first, and let the Master Developer procure civils

contractors for the major infrastructure pieces, OPDC could possibly be timed out and unable to spend the HiF grant within the allotted 5-year window.

T&T suggested OPDC submit an Infrastructure planning application independent of any development planning application(s) in order to progress works at pace. T&T discussed the Battersea project where the Strategic Infrastructure was separated out and delivered independent of the development.

T&T continued to talk through a number of case studies including: Sheffield City Centre development, North West Cambridge, Battersea Power Station, Heart of the City, Waverley Regeneration and the Avenue, HCA.

T&T confirmed that they would be very interested in working with OPDC and bidding for the role of Delivery Partner. They explained that this project fits very well with their objectives and skills.

4. Jacobs

Jacobs, who had recently merged with CH2M, talked through a number of recent example projects including (i) the Olympic Development Authority, where they were one of three organisations within the Delivery Partner consortia (ii) Thames Tideway Tunnel, where they are currently working as a Delivery Partner and managing Construction activities and (iii) HS2, where CH2M have a number of Delivery Partner type roles.

There was discussion about the relative merits between a 'thick' client and a 'thin' client requiring Delivery Partner support. Jacobs also discussed the illusion of risk transfer and stressed that in all major infrastructure projects such as Old Oak North, in reality risk sits with the client.

Jacobs pointed that what a client wants from a Delivery Partner is different to the skills and expertise provided by a Master Developer. They also explained that the independence of a Delivery Partner can be useful when providing assurance to external parties.

They noted that the focus of OPDC needs to be on the Business Case, the Masterplan and the Baseline schedule, with a Delivery Partner providing the 'engine' to collect and disseminate information as appropriate through the supply chain.

Jacobs confirmed that this project fits well with their strategic objectives and they would be very keen to bid for the work.

Conclusions

The intelligence received from OPDC's market engagement exercise has led to the following conclusions.

Infrastructure Delivery

The market feels that if OPDC are awarded HiF funds in Autumn 2018 and the funds need to be spent (or at least committed) within a five-year window, this is an extremely tight timescale.

The HiF will provide the funds necessary to support detailed design work, the procurement of Contractors, construction of part of the primary East West road, the Genesis Bridge, Laundry

Bridge and an underpass. It will also support the design and build of key utilities including water, gas, potable water, Decentralised Energy, Electrical Power and telecoms. Some of this work will be carried out by Statutory Undertakers whilst other works will need to be delivered by OPDC's Contractor(s). In terms of Decentralised Energy and Electrical Power, it is OPDC's intention to procure an Energy Service Company (ESCO) or Multi Utility Service Company (MUSCO) and/or an Independent Distribution Network Operator (IDNO). Importantly, this will allow the Corporation to gain a financial return on these assets as and when development comes forward and connections are established.

Delivery Partner or Development Partner led?

To undertake the above activities, it is evident that OPDC will require additional capability and capacity to plan, coordinate and oversee what will be a sizeable infrastructure programme. To understand how this additional support could be best leveraged, OPDC undertook a small market engagement exercise to consider the pros and cons of the various options available. OPDC held workshops with Deloitte, Turner & Townsend, Aecom/GVA and Jacobs/CH2M. The options considered were:

1. OPDC procure a Master Developer and let the Master Developer design, procure and manage the Infrastructure works as well as bring forward development sites.
2. OPDC procure a "Delivery Partner" to manage the design, procurement and construction of the Infrastructure Programme and procure a developer (or developers) in parallel.

Option 1: OPDC adopt a Developer led approach

A Master Developer could be procured and then take responsibility for the delivery of the strategic Infrastructure. The advantage of this approach is the perceived transfer of risk from OPDC to the developer. A credible developer would have experience in bringing forward schemes of this nature and would sub-contract all the civils works. The disadvantages of this approach are:

- Control – OPDC would potentially lose the ability to control the timing of delivery
- Strategic site-wide approach – the developer may sub-divide the site and this would make the provision of site-wide infrastructure challenging to deliver
- Financial return – if the developer was to establish or contract with an ESCO, MUSCO or IDNO then they would get the financial return from the HiF investment as opposed to OPDC
- Timing – it would take 9-12 months to procure a developer and only after they were on board would the planning and implementation of the Civils/Utilities work commence. This would make it very challenging to deliver the strategic infrastructure necessary to unlock the site for redevelopment within the HiF window.

Option 2: Delivery Partner approach

OPDC could procure a Delivery Partner through the TfL framework to support OPDC in planning, procuring and managing the detailed design and construction works. The Delivery Partner could then support the procurement and establishment of commercial agreements with an ESCO and IDNO. This would effectively mean that once land becomes available, the Strategic Infrastructure could be delivered as fast as possible allowing fully serviced plots to be made available to developers.



In this option developers would provide all on-plot infrastructure and utilities, with connection points made available at the plot boundary through the strategic infrastructure works.

This approach would allow OPDC to maintain control of infrastructure delivery and ensure that utilities are designed and delivered in a coordinated site-wide manner in line with Mayoral aspirations, as set out in the London Plan and London Environmental Strategy. OPDC could also contract directly with an ESCO and IDNO to ensure Energy and Power is provided in line with OPDC's ambitions and strategies. As mentioned, OPDC could ensure the commercial arrangements with the ESCO and INDO are structured in such a way that allows OPDC to re-invest any financial returns.

The time to procure a delivery partner through a framework is relatively short and would allow OPDC to progress works as soon as HiF is awarded.

Recommended approach

The recommended approach is for OPDC to procure a Delivery Partner to support OPDC in becoming an "intelligent client" to oversee and coordinate the programme of works for the Roads, bridges and utilities.