Ministry of Housing, Communities & Local Government

Homes England

Housing Infrastructure Fund – Forward Funding

Business Case Questions

Please note: that this document sets out the questions that will be required to complete on the online portal. <u>This document is for your information to help your prepare your Business Case and will not be accepted as a form of submission.</u> All Business Cases will be required to be submitted by completing the questions on the Homes England HIF portal.

Please also note that, for clarity, some tables and other information have been incorporated into the body of the document, which will be removed and submitted as attachments for the final upload.

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1. The Project

1.1 Project summary

1.1.1 *What is the name of your scheme?*

Old Oak - Delivering London's Largest Opportunity Area

1.1.2 *Please provide an Executive Summary for your proposal.*

5,000 characters

Old Oak is one of the largest regeneration opportunities in Western Europe. There is potential to transform over 134 hectares of brownfield land in Central London into an exemplar new sustainable and inclusive community. The provision of market and affordable housing in an area of high housing demand will benefit those that live here and will attract newcomers.

The new Old Oak Common station will be the UK's largest ever sub-surface station and will be the largest station to be built in the country in a Century. When opened in 2026 transport connectivity between Old Oak and Central London, Heathrow and the wider UK will be outstanding. We must capitalise on this huge investment and reap the sizeable public benefits on offer. Whilst successful regeneration of the surrounding area is greatly enhanced by HS2, the full scale of benefit will only be realised with additional funding. Funding is needed to deliver local infrastructure to support delivery of homes and jobs on neighbouring land.

The Mayor's London Plan and the Old Oak and Park Royal Development Corporation's (OPDC's) Local Plan identify Old Oak and Park Royal as having capacity for 25,500 new homes and 65,000 jobs. This could generate an additional £7.6 billion Gross Value Added (GVA) per annum to the UK economy. £2.4 billion would also be generated from housing consumption (in addition to GVA) and Stamp Duty could generate £1.2 billion. Most of this mixed-use, housing development is in Old Oak, which has capacity to deliver 24,000 homes and 55,000 jobs.

The proposal for Old Oak is to replace existing low-density, industrial uses with high-density, mixed-tenure, sustainable residential and employment space built on brownfield land around the new HS2 transport hub. The displaced industrial land would be replaced in the adjacent Park Royal industrial estate where higher density development is possible.

However, the benefits of delivery can only be achieved with public sector intervention, both as a development enabler and supplier of capital.

The Mayor of London has already sought to enable this opportunity by establishing OPDC. This Mayoral Development Corporation has the remit and the planning and development powers necessary to unlock delivery. A board, appointed by the Mayor, governs the Corporation's work. It includes the leaders of the three local authorities, the Deputy Mayor (Planning, Regeneration and Skills), TfL, representatives from central Government, a local resident and business, and 6 independent built environment experts.

Since establishment in 2015, the Corporation has done the ground work and is now ready to deliver. OPDC has worked for three years to craft an aspirational vision for the future in its Local Plan. This has involved significant public and stakeholder engagement, including three rounds of public consultation with over 30 local events. A masterplan sets out the delivery detail behind the vision. The Local Plan will be submitted in October 2018 for Examination in Public. OPDC is now focusing on how it can most efficiently unlock speedy delivery of the homes and employment space in the plan. There is dedicated support at local and regional level from local groups, authorities and politicians who are all eager to see development happen.

What is missing is the capital needed to complement the GLA's commitment to date. A package of public and private investment is now required to unlock and drive forward delivery of the first sizeable phases of development. Central Government HIF funding of £250 million would complement a package of on-going operational support for OPDC, affordable housing grant and borrowing from the GLA, as well as transport support from TfL.

This capital would address the spatial and financial challenges inherent within the scale of the development and ambition proposed. This public intervention would:

- Address market failure in the form of a funding gap and cashflow challenge, which can be addressed via value for money public investment and borrowing from MHCLG and GLA respectively;
- Fund the prompt delivery of road and utility infrastructure to make currently inaccessible land open for redevelopment;
- Consolidate fragmented land ownerships to create attractive and de-risked development platforms that will bring certainty and speed of housing delivery; and
- Ensure the skills and leadership, already in place at OPDC, can secure delivery of a high-quality new place to the benefit of both London and the UK.

The public-sector interventions set out in this business case can deliver 13,118 new homes and 23,741 new jobs. [redacted]. This scale of development and uplift would not occur without the public sector addressing the market failure that exists. Now is the time to invest and to demonstrate how large-scale infrastructure programmes such as HS2 and the Elizabeth Line can unlock widespread regeneration benefits.

1.1.3 *Please provide an overview of the project, including your project scope for the infrastructure and for the wider project.*

4,000 characters

Please refer to the OPDC Local Plan (Attachment 1.3) for details on the Old Oak location, context and other background (Attachment 1.4). This response briefly sets out the specific structure and scope of the project, and assumes the reader understands the wider backdrop discussed in the attachments.

OPDC has developed a three-step strategy Attachment 1.1) to regenerate Old Oak into a mixed-use community of 13,118 new homes:

1. The first wave, '**Old Oak North**', promotes delivery of 7,670 homes and 134,000 sqm of new employment space. Landownership is mixed between the public and private sectors. Delivery is split into Phase 1A and Phase 1B. Phase 1A would be led by OPDC (public-sector) and would deliver 2,886 homes and 2,009 jobs. Phase 1B would be led by Cargiant and their development partner (private-sector) and would deliver 4,784 homes and 2,278 jobs. HIF would be used to fund delivery of a key new east-west road across Old Oak North (OON), along with a package of associated utility infrastructure. HIF funding would also be used to assemble land in Phase 1A to give certainty of delivery. These interventions will deliver the infrastructure necessary to open up the whole of Old Oak North, it will give certainty to the delivery of Phase 1A and addresses the viability issues, making Phase 1B deliverable.

2. The second wave, '**Catalysed Sites**', includes several privately-owned sites around the periphery of Old Oak North. These sites have the capacity to deliver 2,178 homes. Planning consent has already been granted for 1,100 of these homes, but only 605 of are under construction. The remainder are unlikely to come forward due to a lack of market confidence in the wider Old Oak North area. No HIF funding would be spent directly on bringing forward these homes, but the additional homes secured are captured as part of our economic case benefits.

   Note: These first two waves combined would deliver 9,848 homes and 5,569 jobs and would be complete by 2036/37. Jointly they are referred to as the 'Old Oak North Programme'. Both waves would be developed in parallel as confidence in the area grows.

3. The third wave, '**Future Sites**', comprises a series of sites in Old Oak South that are expected to come forward for delivery after completion of the new station in 2026. Several of these sites are worksites for the HS2 project and will be released for development upon completion of the HS2 works post 2026. These sites are expected to deliver 3,270 housing units as well as significant amounts of commercial space. The infrastructure and layout of the development in the Old Oak North programme area would ensure these future sites would integrate seamlessly with Old Oak North. The progression of these sites will be significantly aided by the regeneration at OON, providing confidence to the market to support the delivery of these sites as soon as they are available to do so. No HIF funding is being sought for this wave.

Old Oak will become a place characterised by high-quality design and public realm, an intelligent mix of uses, significant levels of affordable housing, and a sustainable approach to managing energy and other utilities. The phasing is based on several factors:

- Development in OON can be delivered now, as it is not encumbered by construction of the HS2/Elizabeth Line/GWML station;
- There are significant landholdings already in public sector ownership;
- The area can make a substantial contribution to OPDC's homes target and would ensure prompt delivery of homes in an area of high housing need;
- The OON Programme is close to major public transport facilities, both existing (Willesden Junction) and planned (Old Oak Common Station and Hythe Road Overground).
- Over the last three years OPDC has prepared a Local Plan, masterplan, infrastructure plan and delivery plan that show how delivery in OON can be realised now. There is a credible proposal for how to turn this fantastic opportunity into a deliverable programme.

1.2 Site details

1.2.1 How many housing sites will the funding bring forward?

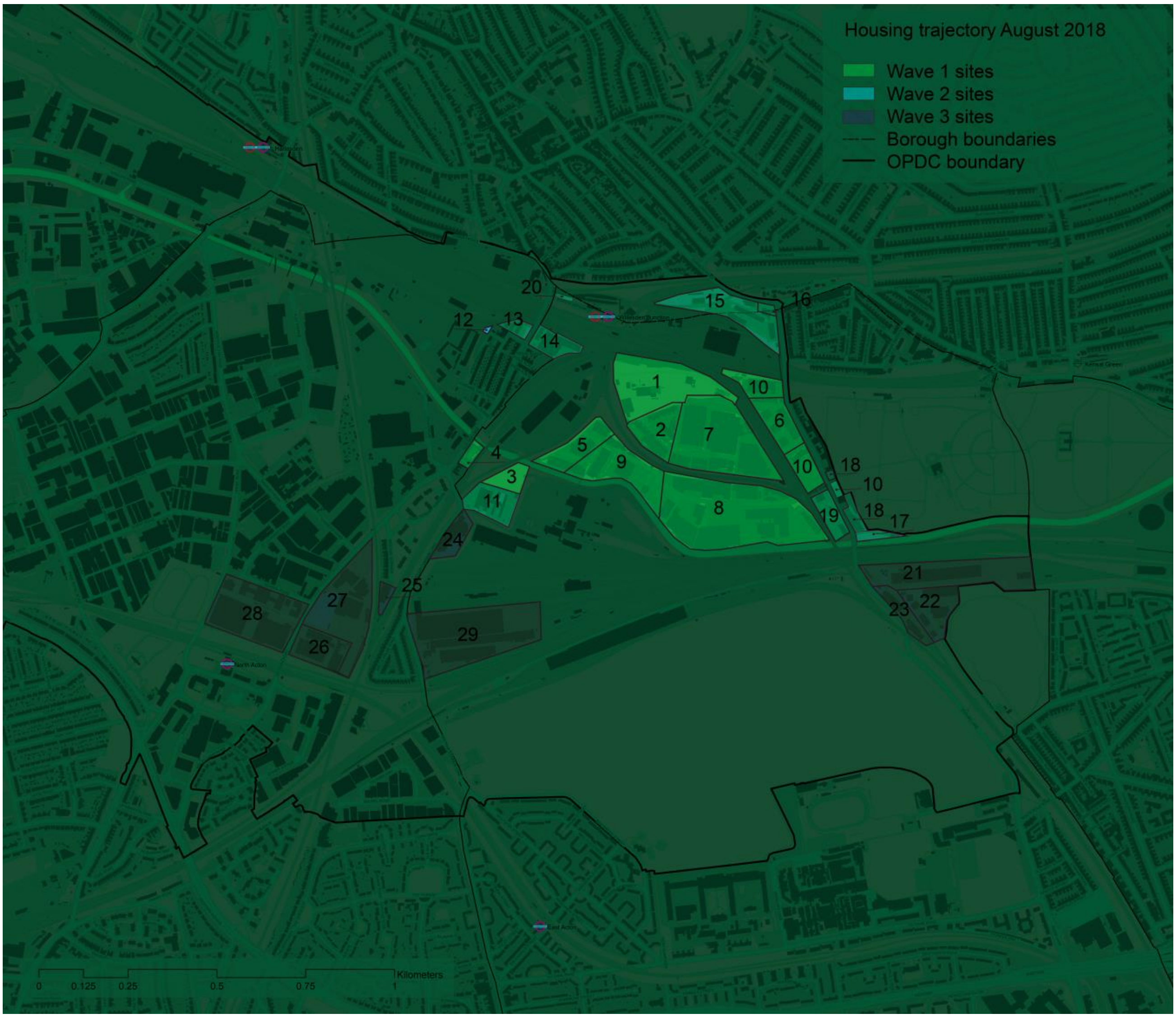
- A total of 29 sites will be brought forward in Old Oak.

1.2.2 Please provide a list of the housing sites that the funding will bring forward, including the amount of units to be delivered on each site and the lower tier or unitary authority the site is in.

	Site Name	Units	Local Authority
Site 1	Wave 1, Phase 1A - (designated as site 9 in the Local Plan) EMR	1,161	London Borough of Hammersmith and Fulham (LBHF)
Site 2	Wave 1, Phase 1A - (10) LBHF Triangle	635	LBHF
Site 3	Wave 1, Phase 1A - (16) Land North of Oaklands	206	LBHF
Site 4	Wave 1, Phase 1A - (18) Canal Site	100	LBHF
Site 5	Wave 1, Phase 1A - (15 and a portion of 14) Cargiant (Park Road)	515	LBHF
Site 6	Wave 1, Phase 1A - (7) Scrubs Lane West (Cumberland Business Park)	269	LBHF
Site 7	Wave 1, Phase 1B - (12) Cargiant (Salter Street)	1,136	LBHF
Site 8	Wave 1, Phase 1B - (13) Cargiant (Hythe Road East)	1,763	LBHF
Site 9	Wave 1, Phase 1B - (portion of 14) Cargiant (Hythe Road West)	1,342	LBHF
Site 10	Wave 1, Phase 1B - (11) Cargiant (Scrubs Lane)	543	LBHF
Site 11	Wave 2 - (17) Oaklands South	605	LBHF
Site 12	Wave 2 - (46) Goodhall Street West	11	London Borough of Ealing (LBE)
Site 13	Wave 2 - (47) Goodhall Street East	76	LBE
Site 14	Wave 2 - (48) Savoir Beds	214	LBE
Site 15	Wave 2 - (2) Harrow Road	635	LBHF / London Borough of Brent (LBB)
Site 16	Wave 2 - (3) 2 Scrubs Lane	85	LBHF / LBB
Site 17	Wave 2 - (5) Scrubs Lane East (Mitre Wharf)	88	LBHF
Site 18	Wave 2 - (6) Scrubs Lane East (North Kensington Gate)	211	LBHF
Site 19	Wave 2 - (8) Scrubs Lane West (Mitre Yard)	200	LBHF
Site 20	Wave 2 - Willesden Junction (incl LOROL Depot)	53	LBHF
Site 21	Wave 3 - (40) North Pole East	890	LBHF
Site 22	Wave 3 - (38) Mitre Bridge Industrial Estate	132	LBHF
Site 23	Wave 3 - (39) Big Yellow Storage and Tea Crate	256	LBHF
Site 24	Wave 3 - (21) OOC Lane Commercial	239	LBHF
Site 25	Wave 3 - (26) Midland Gate	44	LBE
Site 26	Wave 3 - (24) Shield (Boden)	264	LBE
Site 27	Wave 3 - (25) Shield (HS2 Worksite)	1,057	LBE
Site 28	Wave 3 - (27) Victoria Road Box (HS2 Worksite)	90	LBE
Site 29	Wave 3 - (22) HS2 OSD	298	LBHF
Total		**13,118**	

1.2.3 Please provide site boundaries for all housing sites.

This will be an online map tool on the portal



1.2.4 Please attach scheme plan(s) for your proposal – these should include plans of all housing sites and infrastructure.

Please refer to Attachment 1.2 appended and Option 1 within Attachment 3.1 in Section 3.1.1.

1.2.5 What is the total size of the development (in hectares)?

Wave 1	26.10
Wave 2	5.05
Wave 3	11.01
Total	**42.16**

1.2.6 *Of the total development size, what is the total housing area (in hectares)?*

Wave 1	10.51
Wave 2	3.03
Wave 3	6.61
Total	**20.15**

1.2.7 *How much of the total housing area is on brownfield land (in hectares)?*

Wave 1	10.51
Wave 2	3.03
Wave 3	6.61
Total	**20.15**

1.2.8 *How much of the total housing area is on Public Sector Land (in hectares)?*

Wave 1	10.23
Wave 2	0.44
Wave 3	4.54
Total	**15.21**

1.2.9 *What is the current planning status of the sites?*

These should be set out against the following: full/detailed; outline, planning in principle, allocated or none.
If a scheme has partial planning for a phase please provide this in the commentary. If you have Full/Detailed or Outline planning, you will need to provide planning references.

	Site Name	Planning Status	Planning reference	Commentary (i.e. site with both outline and full planning)
Site 1	Wave 1, Ph 1A - (9) EMR	Allocated	N/A	Draft Local Plan site allocation 4
Site 2	Wave 1, Ph 1A - (10) LBHF Triangle	Allocated	N/A	Draft Local Plan site allocation 3. Has been subject to pre-application discussions with leaseholder.
Site 3	Wave 1, Ph 1A - (16) Land North of Oaklands	Allocated	N/A	Draft Local Plan site allocation 24
Site 4	Wave 1, Ph 1A - (18) Canal Site	Allocated	N/A	Draft Local Plan site allocation 21
Site 5	Wave 1, Ph 1A - (15) Cargiant (Park Road)	Allocated	N/A	Draft Local Plan site allocation 2 (part). Has been subject to pre-application discussions with landowner.
Site 6	Wave 1, Ph 1A - (7) Scrubs Lane West (Cumberland Business Park)	Allocated	N/A	Draft Local Plan site allocation 28
Site 7	Wave 1, Ph 1B - (12) Cargiant (Salter Street)	Allocated	N/A	Draft Local Plan site allocation 2 (part). Has been subject to pre-application discussions with landowner.
Site 8	Wave 1, Ph 1B - (13) Cargiant (Hythe Road East)	Allocated	N/A	Draft Local Plan site allocation 2 (part). Has been subject to pre-application discussions with landowner.
Site 9	Wave 1, Ph 1B - (14) Cargiant (Hythe Road West)	Allocated	N/A	Draft Local Plan site allocation 2 (part). Has been subject to pre-application discussions with landowner.
Site 10	Wave 1, Ph 1B - (11) Cargiant (Scrubs Lane)	Allocated	N/A	Draft Local Plan site allocation 2 (part). Has been subject to pre-application discussions with landowner.
Site 11	Wave 2 - (17) Oaklands South	Full planning permission	15/0091/FULOPDC	Planning permission granted and Section 106 agreement completed 27 July 2017, for residential-led mixed-use development comprising 605 new homes and 3,500 square metres of non-residential (A1/A2/A3/A4/B1/D1/D2) floorspace. Under construction; forecast completion March 2021.
Site 12	Wave 2 - (46) Goodhall Street West	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 13	Wave 2 - (47) Goodhall Street East	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 14	Wave 2 - (48) Savoir Beds	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 15	Wave 2 - (2) Harrow Road	Allocated	N/A	Draft Local Plan site allocation 27
Site 16	Wave 2 - (3) 2 Scrubs Lane	Full planning permission	17/0091/FUMOPDC	Planning permission granted and Section 106 agreement completed 22 June 2018, for residential-led mixed-use development comprising 85 new homes and approximately 1,100 sqm of non-residential (A1/A3/B1/D1) floorspace. Construction has not commenced.
Site 17	Wave 2 - (5) Scrubs Lane East (Mitre Wharf)	Allocated	N/A	Draft Local Plan site allocation 31
Site 18	Wave 2 - (6) Scrubs Lane East (North Kensington Gate)	Full planning permission	16/0118/FULOPDC & 16/0119/FULOPDC	Planning permissions granted and Section 106 agreements completed 30 January 2018 (16/0118/FULOPDC) and 7 June 2018 (16/0119/FULOPDC). The total quantum of development across both sites is 211 new homes and 915 sqm of non-residential (A1/A2/A3/B1) floorspace.
Site 19	Wave 2 - (8) Scrubs Lane West (Mitre Yard)	Full planning permission	17/0055/FUMOPDC	Planning permission granted and Section 106 agreement completed 31 January 2018, for residential-led mixed-use development comprising 200 new homes and 609 sqm of non-residential (A1/A2/A3/A4/B1/D1/D2/artist studios) floorspace. Construction has not yet commenced.
Site 20	Wave 2 - Willesden Junction (incl LOROL Depot)	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 21	Wave 3 - (40) North Pole East	None	N/A	Does not meet threshold for allocation in Local Plan.

Site 22	Wave 3 - (38) Mitre Bridge Industrial Estate	Allocated	N/A	Draft Local Plan site allocation 34
Site 23	Wave 3 - (39) Big Yellow Storage and Tea Crate	Allocated	N/A	Draft Local Plan site allocation 32 & 33
Site 24	Wave 3 - (21) OOC Lane Commercial	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 25	Wave 3 - (26) Midland Gate	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 26	Wave 3 - (24) Shield (Boden)	Allocated	N/A	Draft Local Plan site allocation 10
Site 27	Wave 3 - (25) Shield (HS2 Worksite)	Allocated	N/A	Draft Local Plan site allocation 11
Site 28	Wave 3 - (27) Victoria Road Box (HS2 Worksite)	None	N/A	Does not meet threshold for allocation in Local Plan.
Site 29	Wave 3 - (22) HS2 OSD	Allocated	N/A	Draft Local Plan site allocation 1

What are the proposed tenures of the homes delivered?

	Percentage of units
Affordable sale	26.80%
Affordable rent	11.49%
Market Sale	61.71%
Market Rent	-
Other	-

Our modelling for this business case has been conducted on the basis that all market units will be sold. The reality is that there would be a mixture of 'for sale' and 'rental' products. This mixture would ensure a diversity of house types and would also support a speedier delivery. However, at this stage of financial modelling, and in advance of procuring a development partner, we have assumed all units are 'for sale' and we have not yet attempted to estimate and model these differences.

1.3 Infrastructure requirements

1.3.1 What types of physical infrastructure is the HIF funding required for? Please tick all that apply:

Road/Highway — Strategic Road Network		*Road/Highway - other*	✓	*Bridge*	✓
Rail		*Education*		*Digital infrastructure*	
Health Facilities		*Green infrastructure*		*Flood Defence*	
Public Realm Works		*Water works*		*Land Remediation*	
Land assembly	✓	*Utility Network Extension*	✓	*Utility Capacity Reinforcement*	
Other (please provide details)					

1.3.2 Please provide further details on the HIF infrastructure requirements based on the information provided above and their link to the delivery of housing.

Table to be populated based on selected infrastructure type – description required to be filled in - e.g

Option selected	***Description of infrastructure requirement***	***Amount of HIF funding required***	***Link to Housing***	***Site/s benefitting***
Land Assembly	Land acquisition costs	£121m	Sites will be assembled for infrastructure and development of a contiguous new community; land receipts then recycled into other site-wide infrastructure not funded by HIF	All
Road/Highway-other	New spine road (Park Road)	£37m	Opens access to development sites by providing east-west connectivity across the entire site	All
Bridge	Bridges over canal in east and railway in west as part of Park Road	£64m	Opens access to development sites by providing east-west connectivity across the entire site	All
Utility Network Extension	New energy centre and substation	£28m	Enables efficient and environmentally sustainable site-wide energy strategy and addresses lack of sufficient utilities currently in area	All

1.3.3 Please outline, in further detail, the direct link between the infrastructure scheme/s and how this unlocks the homes identified in your bid.

4,000 characters

Old Oak is industrial brownfield land that has historically been built out over the last 150 years alongside the delivery of the Victorian rail lines. The land suffers from the combined impacts of inadequate road networks and utilities provision, exacerbated by the fragmentation of the site caused by the intersection of several operational railway lines. The site has several major level changes and significant contamination challenges, whilst energy, water, drainage and other utilities are unable to support new mixed-use, residential development. There are currently insufficient green and social infrastructure assets in place to support a new population.

The Old Oak North Programme area has the capacity to deliver 9,848 new homes, but this can only happen by assembling the fragmented land holdings and taking a comprehensive approach to infrastructure delivery.

The overall cost of infrastructure to deliver the OON programme, based on the current level of design work, is estimated at just under £1 billion. The Phase 1A infrastructure package, which would be delivered by OPDC, consists of approximately £440 million of the £1 billion global infrastructure requirements. HIF would fund a key part of that Phase 1A infrastructure package.

Delivering a package of primary pieces of infrastructure will ensure the direct delivery of Phase 1A and will make Phase 1B viable. These interventions will also bring the confidence to the Wave 2 sites needed to bring them forward for development.

Directly this infrastructure is focused on Phase 1A and includes:

1. Park Road is a new east-west access route that includes two bridges and an underpass, as well as a series of pedestrian and cycle bridges into the surrounding communities;
2. Site-wide utilities including energy, electrical, water and gas infrastructure;
3. A package of social infrastructure and off-site highway improvements.

Park Road would connect Old Oak Common Lane in the south-west to Scrubs Lane in the north-east. The road includes a new bridge crossing the Grand Union Canal, an underpass beneath the London Overground rail tracks, and a second bridge crossing the railway tracks near Laundry Lane and landing on Scrubs Lane. This road will include all necessary public transport access and utility infrastructure, and will open-up access to all the sites in Phase 1A. This road will provide the placemaking ‘spine’ for Old Oak North, both Phase 1A and Phase 1B. In addition, the road will connect Old Oak North into surrounding communities, ensuring a joined up and integrated development. This would also be supplemented with new pedestrian/cycle connections to Willesden Junction station and into the Birchwood Nature Reserve.

Sustainable utility interventions would deliver the Mayor’s ambitious sustainability standards set out in the London Plan and London Environment Strategy. This includes a series of strategic site-wide interventions, including;

- a low carbon, resilient heat network to serve the entirety of Old Oak North;
- investing ahead of need in electrical power;
- an Integrated Water Management Strategy; and
- delivering a network of new Healthy Streets and open spaces with embedded green infrastructure that will connect OON into its surroundings and provide amenities for existing and future population

Social infrastructure, off-site highways, green infrastructure and other projects will also serve/benefit the Phase 1B developments, such as sports facilities, primary school, and a ‘super nursery’. These projects, as well as some of the site-wide utilities addressed above, are not funded by HIF but rather through recycled land receipts (refer to the Financial Case for details).

1.4 Wider Development Impacts

Dependent on your answer to 1.3.1, you will be required to answer some or all of the below questions

1.4.1 *Please provide a summary of the impact the scheme will have on the Transport Network?*

You may wish to refer to the Economic Case guidance for a list of the supporting documents that may be relevant to consider as part of your answer. Any supporting documents should be included within the Economic Case.
5,000 characters

Attachments can be added.

A significant amount of work has been undertaken over the past three years to develop a comprehensive understanding of current transport demand and future transport demand generated by background growth, the new Old Oak Common (HS2/Elizabeth Line/GWML) station and development in Old Oak and Park Royal.

OPDC has worked collaboratively with stakeholders including TfL, DfT, HS2 Ltd and the boroughs to jointly agree the level and type of transport infrastructure needed to support a high density new community and to reduce the impact of increased future transport demand on the surrounding area.

OPDC aspires to be an exemplar in implementing many of the Mayor's Transport Strategy policies that seek to reduce the impact of OPDC's development on the surrounding highway and public transport network, via:

- very low car parking and car-free development;
- Healthy Streets;
- embedding active travel in new development: and
- high quality public transport facilities.

The body of work undertaken includes a strategic transport study, multi-modal transport demand forecasting using TfL's London Transportation Studies (LTS) model, West London Highway Assignment Models (WeLHAM) and Public Transport Assignment Model (RailPlan), a Development Infrastructure Funding study, the OPDC Local Plan, the Old Oak North masterplan and further individual studies for specific pieces of infrastructure.

In addition, OPDC has quantified the disbenefit to existing users of the transport impact generated by the scheme. The impact of this is explained in section 4.6.1 of the economic case. See Attachment 4.6b for these calculations.

The attachment 1.6 provides a visual representation of the scale of impact the scheme will have on the transport network. A summary of the key findings is provided below.

The 2026-year output diagrams show the difference the Old Oak development up to that year would have on the base situation. The 2026 diagrams show the proportionally small impacts the development has on the highway network in the peak periods. (New road infrastructure proposed in this bid show no change as they do not exist in the base minus scenario).

Also included in the attachment 1.6 are outputs derived from the 2038 Old Oak strategic transport model. As such these show the transport impact of all development delivered during the Local Plan Period, which includes approximately 20,000 additional homes and 40,000 additional jobs. This scale of residential development is 124% greater than the units delivered in Waves 1 and 2 of the OON programme (8,936 units net) and, therefore, overestimates the transport impact.

Summarised Highway Impacts:

- The junctions and network are already at capacity in the base scenario. Development in Old Oak North has very low car parking and is served by excellent public transport which means the scenario with development does not show a significant additional impact on the base;
- New development adds additional trips to the network but these are low in absolute terms as well as proportionally (to the base minus flows) due to the low car parking provision within the development and because no through-routes are provided through the development area which removes the potential for rat-running traffic;
- Delivery trips generated by the new development are expected to largely take place in off-peak periods, as driven by market forces. Development travel plans will be required to monitor and reduce this demand;
- High future PTAL and good-quality walking and cycling infrastructure will ensure that private hire/ taxi trips remain low.

Summarised public transport impacts:

- New development will increase trips on the local bus network. Taking advantage of the new highway infrastructure proposed in the OPDC Local Plan (which includes the new infrastructure proposed in the HIF Bid), TfL has developed a bus strategy that proposes significant bus network enhancements to ensure excellent bus connectivity and that sufficient bus network capacity is provided across the area as development comes forward;
- New development will increase trips on rail and underground services. The demand forecasting undertaken by TfL and OPDC indicates that the new rail passenger demand is accommodated via the new HS2/Elizabeth Line/GWML station. Furthermore, OPDC, TfL and Network Rail are using the outputs from LTS and Railplan to develop capacity enhancement scheme proposals for existing stations e.g. North Acton, Willesden Junction and proposals for potential new Overground stations.

It is considered that even with the full OPDC Local Plan build-out, the transport impacts can be mitigated through local junction improvements, further public transport enhancement and behavioural change measures. A cost allocation for these mitigations has been included in the strategic infrastructure costs of the scheme.

1.4.2 ***Please answer the following questions on the Education provision related to this scheme:***

If you have highlighted 'Education' as a type of physical infrastructure to be funded through HIF please answer the below questions:

1.4.2.1 How many schools are expected to be funded through HIF?

If you have highlighted that HIF will fund more than one school you will need to complete questions 1.4.2.2 - 1.4.2.6 for each school

Not applicable.

What educational phase will the school(s) concern? (Tick all relevant)

Nursery		*Primary*		*Secondary*	
All-through		*16-19*			

1.4.2.2 What type will the school(s) be? (Tick all relevant)

Not applicable.

Free School mainstream		*Free School Special Education Needs and Disability (SEND)*		*Free School Alternative Provision (AP)*	
LA-led mainstream		*LA-led Special Education Needs and Disability (SEND)*		*LA-led Alternative Provision (AP)*	
Other (please provide details)					

1.4.2.3 What is the anticipated date (month and year) when the school(s) will open for the first time?

Not applicable

1.4.2.4 What is the planned pupil capacity of school(s) and the anticipated timeline for this to be reached? Please include details of initial pupil numbers and the initial form/s of entry (FE) and year-on-year plans for increasing pupil intake.

2,000 characters

Attachments can be added.

Not applicable.

1.4.2.5 What is the pupil yield for site(s) unlocked and how this has been calculated? Please attach relevant documents outlining pupil yield calculation if available.

2,000 characters

Attachments can be added.

Not applicable.

*If you have **not** highlighted 'Education' as a type of physical infrastructure to be funded through HIF please answer the below question:*

1.4.2.6 Please indicate whether the housing development generates a need for new school places and how this will be accommodated, either within the development site or elsewhere.

2,000 characters

OPDC has undertaken a Social Infrastructure Needs Study (SINS) (Attachment 1.5).

The Old Oak North Programme generates a school age population of:

- 1,280 primary school-aged children (4–10/11); and
- 845 secondary school-aged children (11–16).

In collaboration with the area's host Local Authorities, OPDC has converted this school-age population into school place requirements. This takes into account pupils who will be educated by the host authorities, specialist schools or are home-schooled.

The SINS identifies both on and off-site education facilities to meet the needs of the growing population in the OPDC area. It identifies that, in the early phases of development, school place needs can be met through off-site surplus capacity within existing primary and secondary schools. However, there is a need for on-site provision to meet needs in the medium to longer term.

The SINS identifies that an on-site 4-FE primary school in 2030 is needed to meet primary school needs. An assessment of available sites has been undertaken and OPDC's Local Plan identifies that, based on current phasing and available and suitable sites, this school should be delivered within the Old Oak North Programme area within the Cargiant site. However, given that this primary school is not required until 2030, it is not proposed that this primary school is funded by HIF.

The SINS identify that a 9-FE secondary school is required in 2027. A site outside of the Old Oak North Programme area has been identified for the delivery of this secondary school. It is not proposed that HIF funding will be used to deliver this secondary school.

Early Years needs, and provision has also been modelled as part of the SINS. The study identifies the need for a super-nursery within the Old Oak North Programme area. This would be delivered as part of a mixed-use development site and a plot has been identified, however, it is not proposed that the delivery of this nursery space is funded through the HIF.

*1.4.3 **Please answer the following question on utility networks related to this scheme:***

If you have highlighted 'Utility Network Extension' or 'Utility Capacity Reinforcement' as a type of physical infrastructure to be funded through HIF please answer the below questions:

1.4.3.1 How have you engaged with your Distribution Network Operator when developing this scheme? Please provide costs and timescales for connections and upgrading network infrastructure.

2,000 characters

The scheme falls across the franchise boundary of UKPN and SSE. OPDC has engaged with both, as well as Independent Distribution Network Operators (IDNOs), to develop a technical and commercial strategy to provide the required electrical infrastructure.

Through this work OPDC has been advised that there is sufficient supply in the existing networks to serve development to 2021. Without public sector intervention DNO connections are likely to be prohibitively expensive, which would stall development.

The electrical demand for sites coming forward from 2022-33 is forecast to be approximately 29MW. Therefore, to serve this demand a new connection from a DNO is required.

HS2 has procured Electrical Power from UKPN with a new substation planned close to OON. OPDC has engaged extensively with UKPN and HS2 over the last 18 months. As a result, UKPN has agreed to make opportunistic reinforcement of the network, facilitating an upgrade from 45MVA to 60MVA. OPDC has now received a Connection Offer from UKPN for this additional capacity of 15MVA which will provide adequate supply until at least 2026.

Working with HS2, OPDC has secured an additional 14MVA, which will be available after HS2 complete works. OPDC is working to develop a cooperation agreement with HS2 to allow use of this "unused" capacity.

UKPN are also designing the Atlas Road substation to accommodate further upgrades of 20MVA to serve future development in Old Oak.

HIF monies would fund:

- The Connection Offer for 15MVA supply from Atlas Road: £2.3 million – 2019
- A switching station in OON: £1.5 million – 2020
- 11kV cable circuits from Atlas Road to OON and ducts and cables through the strategic corridors: £4.7 million from Q3 2020 – Q4 2026
- Fee to HS2 Ltd for the 14MVA required: £6.8 million – 2020

OPDC will procure an IDNO to design, build, own and operate the new electrical infrastructure. Market engagement has confirmed that OPDC will recover at least 50% of the capital investment from the IDNO.

1.4.3.2 Please demonstrate your assessment of additional utility provision (including but not limited to water, waste water, gas and telecoms) for this scheme and future housing delivery?

2,000 characters

Heat Energy

OPDC intends to deliver a strategically-planned district heating scheme across OON served by heat from the Stamford Brook Sewer and the London Aquifer. To ensure flexibility, the Energy Centre (EC) would be located and designed to also access heat from the canal and Energy from Waste (should a plant come forward) and enable the provision of air source heat pumps at roof level.

Gas

The peak gas demand required is 44,000kW. Working with Cadent Gas, no major offsite reinforcement works are required to serve this demand. It will be necessary, however, to reinforce the existing 8" pressure main in Scrubs Lane and extend the medium pressure gas supply through the main movement corridor to supply the Western EC.

Potable Water

OON will require approximately 2,750m^3 of potable water per day. Based on modelling with Thames Water this will require:

- off-site reinforcement to support a strategic main extending through the OON site; and
- the extension of an on-site supply main through Park Road from the 30" CI in Old Oak Common Lane to the 16" CI main in Scrubs Lane and feed a self-lay local distribution network.

Surface Water

There is no capacity within the existing combined sewers to accommodate the additional foul flows. Working with Thames Water, EA and the GLA, OPDC has developed a surface water strategy that restricts, stores and discharges peak surface water flows as close to source as possible. OPDC is working with Local Authorities to ensure this surface water drainage strategy forms part of any road adoption and maintenance agreement.

Foul Water

To maximise developable area, we have engaged extensively with Thames Water and are working to divert the Stamford Brook Sewer that currently runs through the site.

Telecoms

8 ducts and associated chambers will be installed either side of the main movement corridors to allow 5G, and telecom providers will install fibre infrastructure to ensure SMART technologies are future-proofed.

Power

See Section 1.4.2.1.

*If you have **not** highlighted either 'Utility Network Extension' and 'Utility Capacity Reinforcement' as a type of physical infrastructure to be funded through HIF please answer the below question:*

1.4.3.3 How have you assessed that no new utility infrastructure – electricity capacity, water, waste water, gas and telecoms – will be required for this scheme and future housing delivery or, how additional utility infrastructure will be delivered without HIF funding?

2,000 characters

Not applicable

1.4.4 ***Please answer the following questions on the healthcare provisions related to this scheme:***

1.4.4.1 What consideration have you given to ensuring that the health and care services locally will align with the additional homes to be built?

2,000 characters

OPDC, with the local CCGs, has identified the health and care needs arising from the new population (Attachment 1.5).

The entire OPDC area is projected to generate a residential population of approximately 44,000 people over the next 20 years (OON – 21,886).

As part of the SINS, the CCGs have identified that the primary care needs of the population growth in the early phases of OON and South can be met through off-site expansions to existing primary care facilities. All phases of the population growth in North Acton and Park Royal can be accommodated through the use of existing capacity in the new Park Royal Medical Practice and by increasing the capacity in other existing primary care facilities. From 2024 to 2038, population growth in OON and South will be accommodated by delivering one new primary and community care health facility in Old Oak with a list size of approximately 23,000 patients by 2038.

The SINS identified the need for the facility to have the flexibility to increase to a list size of 38,000 patients by the end of 2048, if required. The CCGs have confirmed that the preferred approach for the delivery of the on-site floorspace is within one building, which allows the provision of primary care services at scale and provides for cost efficiencies. OPDC's Local Plan identifies that this on-site primary care centre should be delivered as part of the Old Oak North Programme, within the Cargiant site. The proposed site was identified following a review of different site options for the new facility in the SINS. However, it is not identified that this facility is funded through the HIF bid.

The primary care facility will provide general practice, multidisciplinary working between health and social care services staff, and a range of community services such as district nursing, health visiting, school nursing, COPD/respiratory, mental health and therapies plus dental services and a community pharmacy.

1.4.4.2 Have you engaged with your Sustainability and Transformation Partnership? More information on STPs can be found here: [NHS England » System change (STPs and ICSs)]

2,000 characters

OPDC has engaged with the North West London Sustainability and Transformation Partnership (NWL STP) through:

- working closely with Brent, Ealing, Hammersmith and Fulham and West London CCGs to determine the health and care infrastructure needs arising from the new population in the OPDC area. These CCGs form part of the NWL STP. The modelling undertaken by the CCGs has determined the need for the 1,564 sqm of on-site health facility space by 2038 and the need for expansions of existing primary care facilities within and around the OPDC area. This work informed OPDC's Social Infrastructure Needs Study.
- presenting to the NWL STP System Leader, Dr Mohini Parmar, at the Ealing Health and Wellbeing Board in March 2017, to provide the STP and Health and Wellbeing Board with information on the development in the OPDC area, including the population projections. Dr Parmar stated that the strategy, to meet the additional need for urgent/acute care arising from population growth in North West London, is to increase capacity at existing Urgent Care Centres and A&E departments.
- engaging with the North West London Collaboration of Clinical Commissioning Groups (NWL CCGs) which oversees all eight of the CCGs within the NWL STP in order that service planning for acute care needs in North West London considers the expected population growth and phasing.
- meeting with the chief executives of London North West Healthcare NHS Trust in June 2018 and Imperial College Healthcare NHS Trust in July 2018, the two acute hospital trusts in NWL that are closest to the OPDC area and form part of the NWL Sustainability and Transformation Partnership. OPDC has written to the chief executives of all seven hospital trusts in the NWL STP to inform them of the expected future population growth in the OPDC area and offered to work with NWL CCGs so that service planning for acute care needs in North West London considers the expected population growth and phasing in the OPDC area.

1.5 Additional Information

1.5.1 If you have any further information to support your project overview, which has not already been captured in the above, please include this here.

This may include additional information agreed during co-development that will be required for assessment.
8,000 characters

Attachments can be added.

Additional Information about OPDC

OPDC's mission is:

"To capitalise on the significant HS2 and Crossrail investment at Old Oak Common to drive forward the delivery of high-quality homes and jobs to facilitate London and UK growth and global competitiveness. To realise the Mayor's vision and priorities for London and Londoners."

OPDC was established in April 2015 to bring forward development of London's largest Opportunity Area. OPDC is a functional body of the Mayor of London and has a yearly operational budget of £6.8 million and is fully funded by the Mayor. There is commitment from the Mayor that, should OPDC be successful in securing HIF, then additional resource would be made available to ensure the Corporation can deliver the agreed programme for Old Oak North (please refer to Attachment 2.1 for OPDC's Strategic Plan).

OPDC has an agreed and funded structure of 50 people across the following Directorates, which provides the skills needed to have an intelligent client that can oversee the planning and delivery of this programme:

- Chief Executive Office
- Corporate Operations and Commercial Directorate
- Technical Directorate
- Planning Directorate

Since its inception, the Corporation has put in place the work and evidence that underpins the activities set out in the HIF business case. This includes:

As the delivery body for Old Oak, OPDC offers:

- **Focus**: OPDC's remit is entirely focused on realising the project vision for Old Oak. Its leadership and resources are solely targeted for this purpose;
- **Local accountability, understanding and market knowledge:** OPDC is politically accountable and, through its relationship with local boroughs, can play an active role in delivering their objectives;
- **Powers**: As an MDC, OPDC benefits from a number of statutory powers designed specifically to deliver regeneration, including our role as Local Planning Authority and compulsory purchase to ensure we can assemble land to facilitate delivery;
- **A remit for infrastructure co-ordination**: OPDC already has the role to plan, fund and potentially deliver strategic infrastructure in the area; and
- **Clarity to investment partners**: OPDC has a remit to encourage and attract investment at Old Oak; transfer to OPDC would enable a single interface with potential partners.

Based on the work completed by OPDC over the last 3 years, OPDC has established the Old Oak North Programme to structure and guide the required public and private sector steps for bringing forward housing delivery. Wave 1 of the programme is divided into two phases – the initial OPDC-led investments and interventions in the western part of the site (Phase 1A) and the development of the eastern part of the site by that area's private landowner, Cargiant, (Phase 1B), with delivery of the catalysed sites (Wave 2) running in parallel.

Phase 1A

Phase 1A is centred on a suite of interventions required to build a new east-west access route, called Park Road, across the Old Oak North site (from Old Oak Common Lane in the south-west, over the canal to Scrubs Lane in the north-east) and to deliver a 'critical mass' of development sufficient to catalyse wider privately-led development in OON and beyond.

To achieve this, OPDC will acquire and control key land ownerships across the route, promote a comprehensive design solution, lead delivery of physical infrastructure investment and work with development partners to deliver new homes and employment space. This will enable OPDC to have significant control over the type and pace of development in this area and provides the opportunity to capture land value uplift to further fund delivery of key infrastructure and affordable housing. Phase 1A would deliver 2,886 homes and 2,009 jobs.

OPDC will assemble 6 key sites in this phase. These sites have been selected based on the alignment of Park Road and to enable the creation of a contiguous development platform that is compatible with the masterplan scheme. A Memorandum of Understanding with the other public-sector landowners in OON allows OPDC to acquire several of these sites at existing use values.

The requested HIF grant will fund some of these acquisitions, as well as the early core infrastructure projects on the site, including bridges and an underpass for Park Road, a new energy centre and an electricity substation.

OPDC will procure a delivery body and contractor to design and deliver the infrastructure identified in the Phase 1A scheme. OPDC will also procure a master development partner to undertake development on the new contiguous platform.

OPDC will recycle the land receipts it receives from this development back into the Programme, funding a suite of other infrastructure projects as part of Phase 1A, including an element of further land acquisitions. This approach allows OPDC to leverage the HIF funding to deliver additional infrastructure beyond what can be funded through the £250 million grant alone, while also ensuring certainty in housing delivery and achievement of OPDC's other strategic objectives. Other sources of funding for Phase 1A are detailed in the Financial Case.

Phase 1B

The direct OPDC-led intervention in Phase 1A is designed to unlock the delivery of the 4,784 homes and 2,278 jobs across the 4 sites owned by the private sector landowner in the eastern part of the site, in Phase 1B. OPDC has carefully calibrated the Phase 1A scheme and investment profile, through extensive modelling and sensitivity testing, to ensure that the public sector is only intervening in OON to the extent required to enable the viability of Phase 1B and wider privately-delivered regeneration beyond OON (which is a core scheme objective; see question 2.4).

OPDC's strategy for Phase 1B is to continue working with Cargiant through pre-application discussions to ensure the Phase 1B scheme is viable and compatible with the overall masterplan and vision for the area. With the preparatory work done to date on their scheme, this will enable Cargiant to submit their planning application in time to ensure that housing delivery can come forward once their site is vacated, as planned, in late 2022. OPDC will use its planning powers to influence the type of development that comes forward and will use other tools within its powers as a Mayoral Development Corporation should such development not be forthcoming.

Note that this submission looks at the overall scheme – delivery of 13,118 homes across the three waves – as a holistic project. However, the detail is focused on the 7,670 homes delivered in the first wave, as delivery of this is dependent upon the HIF funding that is being sought via this submission.

2. Strategic Case

2.1 Strategic Approach

2.1.1 How will this scheme support your long-term housing and economic growth ambitions? Please refer to any development plans and/or associated planning policies.

10,000 characters

The Mayor's London Plan (2016) and draft new London Plan (2017) both identify a significant need for new homes in London. The draft new London Plan and the London Strategic Housing Market Assessment (SHMA) identify a need for 66,000 homes per annum between 2018 and 2038. MHCLG (in 2017) estimate a need in London for 70,633 homes per year between 2016 and 2026, which is approximately 27% of the 266,000 homes needed in England per year. Old Oak and Park Royal can play a vital role in meeting this need.

Old Oak and Park Royal is London's largest Opportunity Area at 650 hectares with the capacity to deliver a minimum 25,500 new homes and 65,000 new jobs. The scale of development in Old Oak is huge and equates to delivery of a New Town in West London. The capacity figures represent 30% of the homes capacity and 65% of the jobs capacity across all West London's designated Opportunity Areas.

This scale of development could generate an additional £7.6 billion Gross Value Added (GVA) per annum to the UK economy. £2.4 billion would also be generated from housing consumption (in addition to GVA) and Stamp Duty could generate £1.2 billion. Most of this mixed-use, housing development is in Old Oak, which has capacity to deliver 24,000 homes and 55,000 jobs.

Old Oak is located within a deprived part of London with communities within and adjacent to the OPDC area in the top 10% of deprived areas nationally. Development in the Old Oak area therefore has a significant opportunity to improve the life choices of local communities, providing much needed homes and affordable homes to meet needs and job opportunities across a range of sectors and skills levels.

OPDC's Local Plan sets an ambitious vision for the future of Old Oak to become a new high density, high quality part of London. The transport access that will be afforded the area in future provides significant opportunities for Old Oak to be at the vanguard of innovation. Old Oak can be a demonstrator for how to create high density developments that are socially cohesive, deliver positive health and well-being outcomes, embrace innovations in smart technology and are resilient to climate change, zero carbon and air quality positive.

Homes

As the statutory Local Planning Authority OPDC is producing a Local Plan with an associated SHMA and SHLAA evidence base. OPDC is due to submit the draft Local Plan to the Secretary of State in early October 2018, with Examination in Public and subsequent adoption programmed in early 2019.

OPDC's draft Local Plan identifies that over the 2018-38 plan period, the OPDC area has the capacity to deliver a minimum 20,100 homes (Policy SP4) and 40,400 jobs (Policy SP5).

The Mayor's draft new London Plan (2017) also sets delivery targets for the OPDC area, requiring the area to contribute a minimum 1,367 new homes per annum between 2019 and 2029. OPDC's Local Plan policy (Policy H1) reflects this 10-year homes target.

The 13,118 homes and 23,741 jobs identified in this HIF business case accord with the policies and capacity content of the Local Plan and are all programmed to be delivered by 2036/37, which is within the 20-year life of the Local Plan. Delivery of these numbers via the HIF programme would make a sizeable contribution to the delivery of the Local Plan housing and jobs targets.

The 13,118 homes proposed could deliver 38% affordable housing (50% on public land and 35% on private land) comprised of

- 30% London Affordable Rent (1,509 homes)
- 30% London Living Rent (1,509 homes)
- 40% Shared Ownership (2,007 homes)

The remaining 62% of homes are currently modelled as being delivered as 'for sale' homes. However, in the next stage of detailed financial appraisal it is more than likely a mixture of these homes would be delivered as private rental homes. The next stage of modelling and design will also present opportunities to further diversify the housing mix to include some student accommodation, co-living and care housing. This variety of type will support a quicker absorption rate.

In addition, the overall housing numbers include a provision of 25% family homes (3 bed+) across all three waves, which equates to 3,280 family homes.

Jobs

The London Plan identifies the Old Oak and Park Royal area has having capacity to deliver 65,000 jobs. OPDC's draft Local Plan identifies that over the 2018-38 plan period, the OPDC area has the capacity to deliver a minimum 40,400 jobs (Policy SP5).

The 23,174 jobs set for delivery via this HIF programme would make a sizeable contribution to the jobs targets in both the London Plan and the Local Plan.

These jobs would be delivered across a range of employment sectors, which is strongly supported by the OPDC Local Plan to ensure a resilient local economy. This will include jobs in the service industry, town centre jobs delivered as part of the Major new Town Centre, industrial jobs in a mix of B1 and B2 uses included within the Old Oak North masterplan and the commercial/office jobs delivered primarily around the new HS2 and other local stations.

Timing

- Waves 1 and 2 homes (9,848) and jobs (5,567) would be delivered by 2036/37
- Wave 3 homes (3,270) and jobs (18,174) would be delivered in full in early 2040s

The Old Oak North Programme is unencumbered by construction activities associated with the construction of the Old Oak Common station, unlike many other development sites in Old Oak. The Old Oak North Programme is therefore vital to delivering early homes and jobs in the OPDC area and to leverage the transport access potential brought to the area through the planned Old Oak Common station.

2.1.2 *What is your assessment of local housing requirements in your area and how will this this scheme address these needs? Please refer to any data and evidence sources you have, including Local Housing Need.*

8,000 characters

Attachments can be added.

Over many years, housing supply in London has not kept pace with housing demand. Between 1997 and 2016, London's population grew by 1.7 million, an increase of 25%. However, London has not been building the homes needed to accommodate the extra demand. Between 1997 and 2016, just 470,000 homes were added to the housing stock, an increase of only 15%.

The housing crisis has become particularly acute in recent years. The 2013 London Strategic Housing Market Assessment (SHMA) identified a need for 49,000 new homes each year, yet just 33,000 homes a year have been built between 2013/14 and 2016/17. In the latest 2017 SHMA (Attachment 2.2) the net requirement for new homes in London between 2016 and 2041 is estimated to be around 65,900 homes a year, whilst MHCLG in 2017 estimated a need in London for 70,633 homes per year between 2016 and 2026. Of the 65,900 figure, the SHMA identifies that 47% would need to be 'low cost rent' (social rent and London Affordable Rent) and 18% intermediate (e.g. London Shared Ownership and London Living Rent).

The GLA's 'Preparing for Brexit' report identifies that although Brexit will impact on London's growth, its impacts will be less pronounced than in other UK regions and that economic growth in London will continue and there will be a continuing strong demand for housing after Brexit.

Old Oak and Park Royal is identified as an Opportunity Area in the Mayor's London Plan, with the capacity to deliver at least 25,500 homes. Catalysed by the planned Old Oak Common station, which will be the largest sub-surface station ever built in the UK, the regeneration of Old Oak and Park Royal can play a significant role in meeting both London-wide and local housing needs, including genuinely affordable homes, homes for families and specialist homes, all provided as part of a mixed and balanced community.

The OPDC Local Plan promotes high-density, mixed-use development, with average densities across the area in the region of 450 units per hectare and with a Floor Area Ratio of circa 6.5 that takes account of the other non-residential floor-space needed to support the future residential population.

OPDC has produced a SHMA (Attachment 2.3) to support its draft Local Plan (2018 to 2038). Identifying Local Housing Need is unique for mayoral development corporations that cross local authority boundaries. Initially, the SHMA considered the objectively assessed housing need on the 650 hectares of land within the Old Oak and Park Royal red line boundary. This is largely industrial land and consequently it generated a low housing need. In recognition of the strategic role the OPDC area can play in meeting housing needs, the SHMA identified a revised housing market area including the combined area of the London Boroughs of Brent, Ealing and Hammersmith & Fulham. Based on this revised SHMA area, the need is for 99,000 new homes between 2018 and 2038. The delivery of 9,848 homes within the Old Oak North Programme would therefore satisfy 10% of this housing need.

House prices in OPDC's housing market area have risen rapidly in recent years, indicating that demand is far outstripping supply. The need for affordable housing is a key strategic issue for London. Data from Nationwide Building Society shows that, in London, average house prices are over 10 times average earnings compared to 5 times average earning elsewhere in the UK.

Within this housing market area the SHMA shows there are 44,400 households who cannot afford market housing, 45% of the net housing requirement. Of these households, 86% can afford London Affordable Rent (equivalent to social rent) and 14% can afford Intermediate housing tenures (assuming one third of income is spent on housing costs). This is reflective of the high-cost of housing in the area, both in terms of renting and buying a home, rather than an assessment of whether individual households would qualify for council housing or any other affordable housing type.

The Mayor has set a strategic target to deliver 50% affordable housing in London and the draft new London Plan requires 50% affordable housing to be delivered on public sector land and former industrial land – development sites in the OPDC area largely consist of public sector land and/or former industrial land.

An Affordable Housing Viability Assessment was undertaken to support OPDC's Local Plan, which assessed the viability of delivering affordable housing and different tenures of affordable housing.

This showed that, in order to achieve the Mayor's strategic 50% affordable housing target, a tenure mix of 30% London Affordable Rent (social rent) and 70% intermediate housing would be required.

OPDC's draft Local Plan Policy H2 therefore includes an affordable housing policy that works towards a 50% affordable housing target, subject to viability and, within this, a target to deliver 30% London Affordable Rent and 70% intermediate housing. The Old Oak North Programme has been modelled with an assumption that meets this policy, with 50% affordable housing on all public sector land.

London and the UK's population are ageing and more people are living with long-term health conditions requiring additional care and support. This is a cost to the NHS and also to councils. Councils already spend 30% to 35% of their budgets on adult social care. It is now widely recognised that the quality of life for older people and people of all ages with a physical disability can be increased and support costs reduced if they can live in homes that can foster their independence but easily accommodate any support needs they may have. OPDC's SHMA has also investigated the need for specialist and supported housing. This shows that, based on the projected growth in population aged 75+ over 2018-38, there is a need for 6.3% of new homes to be specialist and supported housing in the housing market area. To support meeting this need, OPDC's draft Local Plan Policy H9 requires strategic applications providing over 1,000 homes to provide 10% specialist or supported housing.

The latest London SHMA indicates that there is a requirement across London for 29% of all homes to be family homes (3 bedrooms plus) between 2016 and 2041. However, over the past 10 years, new homes in London have only delivered 20% family homes. Locally there is an even greater need for family housing. OPDC's SHMA has identified that there is a need for family-sized housing units across the affordable and market housing tenures of 51% and 64% respectively between 2018 and 2038. To better meet the needs for family homes, OPDC's draft Local Plan Policy H3 includes a target to deliver a minimum 25% family homes. Working to this target, the Old Oak North Programme would aim to deliver 2,462 family homes. OPDC's draft Local Plan Policy H4 includes a policy to ensure that new family homes are designed to an appropriate quality and are appropriate for occupation by families rather than sharers so that housing needs are being genuinely met.

2.2 Local Support

2.2.1 How will the scheme demonstrate effective joint working (e.g. with neighbouring local authorities and other local partners, private sector organisations, Local Enterprise Partnerships, etc.)?

4,000 characters

Investment from the HIF bid in the Old Oak North Programme will be of strategic importance to a wide catchment of private and public authorities and partners. The Old Oak North Programme will help to kick start the wider Old Oak development – London's largest regeneration project. Recognition of the strategic importance of this regeneration project to London is evidenced by the establishment of the Old Oak and Park Royal Development Corporation by the Mayor of London. OPDC has spent considerable time over the last 3 years agreeing the objectives and requirements for the different stakeholders and building the relationships that will enable the Corporation to deliver this bid at speed.

- The Old Oak North Programme will be managed by OPDC, which, as a functional body of the Greater London Authority (GLA) whose Chair reports to the Mayor of London, draws on the sizeable expertise across the Mayor's partner bodies, such as the GLA and TfL and this bid is supported by both of these bodies.

- OPDC's HIF bid is supported by of the Mayor's Local Enterprise Partnership. In London, Local Enterprise Partnerships are represented by the London Economic Action Partnership (LEAP). The LEAP is chaired by the Mayor of London and co-Chaired by the Deputy Mayor for Business.
- OPDC is also democratically accountable to local communities and authorities. OPDC is governed by its Board, which includes the Leaders of the three local authorities, Brent, Ealing and Hammersmith and Fulham, a member from the local business community in Park Royal, a member of the local residential community in Old Oak and the Deputy Mayor for Planning, Regeneration and Skills giving OPDC Board a strong local democratic mandate. OPDC Board also has observers representing the Mayor of London, Transport for London, Network Rail and central government as well as 6 independent built environment experts.
- The majority of the Old Oak North Programme is located in Hammersmith and Fulham but is close to Brent and Ealing. The land also includes Network Rail, TfL and HS2 assets and interests. To ensure joint working across the public sector, OPDC has established a Delivery Steering Group (DSG) comprised of the three local authorities, the GLA, TfL, MHCLG, DfT, HS2 Ltd, NR and others. The DSG meets on a bi-monthly basis and the Terms of Reference are included as Attachment 2.4.
- OPDC has a dedicated Communications and Engagement team, who lead on-going engagement activities with local politicians (MPs and Councillors) as well as local residential and business communities, including the Old Oak Neighbourhood Forum, the Harlesden Neibourhood Forum, the Friends of Wormwood Scrubs and the Park Royal Business Group. Through this engagement, we keep local people informed of our work and give them the opportunity to input into and shape our activities. This dedicated Communications and Engagement team would support OPDC's Old Oak North Programme and the HIF, providing regular updates to key local stakeholders and community groups and seeking on-going buy-in and support for the project.
- OPDC has a positive working relationship with a range of organisations representing economic growth and business in west London, including London First, London & Partners, West London Business, West London Alliance and the Park Royal Business Group. Further details of support from these bodies are provided in section 2.2.3.
- Land ownership within the Old Oak North Programme is a mix of public and private sector landholdings. OPDC is in active discussions with these key landowners and others to ensure a coordinated and comprehensive approach is taken to developing Old Oak North. The freehold ownerships of land in Wave 1 'unlocking the north' include:
    - Network Rail;
    - London Borough of Hammersmith and Fulham;
    - a private second-hand car dealership called Cargiant; and
    - a number of small-scale interests owning parcels of land across the area.

2.2.2 *Can you demonstrate local support for your scheme (for example in Local Plans and policies)?*

4,000 characters

Annex 1 of the Mayor's London Plan (2016) identifies Old Oak and Park Royal as Opportunity Areas. The Old Oak Opportunity Area is identified as having the capacity to deliver 24,000 homes and 55,000 jobs. The Annex states:

> "Old Oak Common has significant regeneration potential for new housing and jobs and could make a major contribution to London's position as a world business centre. Regeneration would centre on a new strategic public transport infrastructure hub at Old Oak Common on the HS2 line between London, and Birmingham and beyond with an interchange with Crossrail 1, other national main lines and the London Overground…Public transport accessibility and availability of amenity space should support high density development which could include a cluster of tall buildings around the interchange."

The Mayor's draft new London Plan (2017) identifies Old Oak and Park Royal as a combined Opportunity Area with the capacity to deliver a minimum of 25,500 homes and 65,000 jobs. The Plan states:

> "The Mayor has established the Old Oak and Park Royal Development Corporation (OPDC) to drive forward regeneration of this area. A Local Plan has been published which recognises the huge regeneration potential of the area and sets out a clear strategy for how redevelopment should help to optimise economic growth and regeneration potential, create a new town centre and bring tangible benefits for local communities and Londoners…Old Oak Common station (connecting HS2, the Elizabeth Line and National Rail) is set to open in 2026. There are significant opportunities to bring forward regeneration in advance of this date around the existing and potential new rail stations in the area. This includes North Acton on the Central line and Willesden Junction on the Bakerloo Line and

London Overground, as well as the potential new local stations at Hythe Road and Old Oak Common Lane on the Overground."

As Local Planning Authority, OPDC is the plan-making authority for the area and is responsible for the production of a Local Plan. OPDC has undertaken three rounds of public consultation on its draft Local Plan, the most recent of which was undertaken in June-July 2018. OPDC is due to submit the draft Local Plan to the Secretary of State for examination in early October 2018.

The draft Local Plan contains a series of policies supporting the proposed Old Oak North Programme. Policies identify that the Old Oak North Programme will deliver almost 10,000 homes, contributing almost 50% towards OPDC's housing supply over the next 20 years covered by the Local Plan. Policies in the Places chapter, Delivery and Implementation chapter and OPDC's Infrastructure Delivery Plan (IDP) set out the infrastructure required to support a coordinated and optimised approach to development within the Old Oak North Programme's development sites and ensure that each developer contributes their fair share towards infrastructure requirements.

The Place Policies for Old Oak North (Policy P2) and Scrubs Lane (P10) comprise the majority of the Old Oak North Programme's development sites (13 of 20). Both the Place Polices and supporting text for these places note these places as being important to early delivery of homes and jobs within the OPDC area and the attainment of OPDC's annual homes target.

The majority of the Old Oak North Programme is within the London Borough of Hammersmith and Fulham (LBHF) and although LBHF is not the planning authority for the area, its Local Plan supports the benefits that the regeneration of this area will deliver, noting within their spatial vision that "the regeneration of the Old Oak Common Area in the north of the borough will have started under the guidance of the Old Oak and Park Royal Development Corporation with phased, comprehensive mixed use development centred on the major HS2/Crossrail and Great Western Main Line interchange".

2.2.3 ***Can you provide evidence of support for your proposal from the following:***

- ***Local MP(s)***
- ***Local community***
- ***Local Enterprise Partnership(s)***
- ***Supporting upper tier local authorities***
- ***Supporting lower tier local authorities***
- ***Any other key stakeholders***

You will be asked to answer 'Yes', 'No', or 'Awaiting Response'.
If 'Yes' is selected you will need provide details of engagement and attach relevant evidence. If 'No' or 'Awaiting Response' is selected you will need to provide reasoning.

1,000 characters per bullet

Local MPs

The Old Oak North Programme crosses three electoral boundaries (Attachment 2.5). 94% of the Old Oak North Programme lies within the Hammersmith constituency, which is represented in parliament by [redacted] MP. A letter of support for OPDC's HIF bid from [redacted] MP has been appended (Attachment 2.6t).

Local Community

OPDC has been actively engaging with a wide variety of stakeholders in the development of the Local Plan and associated masterplan and infrastructure plan. Growing support from stakeholders for OPDC's planning policy approach can be evidenced through the proportionate reduction in the number of comments submitted at each stage of publication on the Local Plan. OPDC received 2,640 responses to its first Regulation 18 consultation. This reduced to 120 responses to the first Regulation 19 consultation and 90 responses on a second Regulation 19 consultation.

The boundary of the Old Oak North Programme overlaps with two Neighbourhood Areas that OPDC has designed – the Old Oak Neighbourhood Forum and the Harlesden Neighbourhood Forum. Letters of support to OPDC's HIF bid have been provided by both forums, which are appended as Attachment 2.6r and Attachment 2.6q.

Local Enterprise Partnerships

OPDC's HIF bid is supported by of the Mayor of London who has the overarching responsibility for Local Enterprise Partnerships in London, represented by the LEAP, which is chaired by the Mayor of London and co-Chaired by the Deputy Mayor for Business. The LEAP has considered and endorsed this HIF bid. A standalone letter from the LEAP is not being submitted.

Supporting upper tier authorities

OPDC is a functional body of the Mayor of London. The Mayor of London has endorsed OPDC's HIF bid via a Mayoral Decision. A letter of support is therefore not required.

Supporting lower tier authorities

The OPDC area and Old Oak North Programme include land within the London Boroughs of Brent, Ealing and Hammersmith and Fulham. The Leaders of the three host authorities are members of OPDC's Board. Letters of support have also been submitted by each host authority and are appended as Attachments 2.6e, 2.6f and 2.6d respectively.

Any other key stakeholders

OPDC has been in proactive discussions with Network Rail's property and operational departments in respect of delivering the Old Oak North Programme, who have written in support of OPDC's HIF bid (Attachment 2.6c).

Transport for London (TfL), as a functional body of the Mayor of London, are supporting of OPDC's HIF bid.

West London Business (WLB) (Attachment 2.6n) and the West London Alliance (WLA) (Attachment 2.6m) both advocate economic growth in West London are supportive of OPDC's HIF bid. London and Partners, who promote London internationally as a leading world city have also written in support of OPDC's HIF bid.

The OPDC area is home to over 2,000 businesses employing over 40,000 people. Businesses within the OPDC area are represented by the Park Royal Business Group (PRBG) who have also provided a letter of support to OPDC's bid.

OPDC has been engaging with Thames Water (TW) in respect of water infrastructure and TW have provided a letter of support to OPDC's HIF bid (also see section 1.4.3.2).

Organisation	Signed by?	Key contact
Transport for London	[redacted]	
Network Rail	[redacted]	
LBHF	[redacted]	
LBB	[redacted]	
LBE	[redacted]	
Cargiant	[redacted]	
Canal and River Trust	[redacted]	
HS2 Ltd	[redacted]	
UKPN	[redacted]	
Thames Water (sewer heat recovery)	[redacted]	
Thames Water (realignment of the Stamford Brook Sewer)	[redacted]	
West London Alliance	[redacted]	
West London Business	[redacted]	
Park Royal Business Group	[redacted]	
Old Oak Neighbourhood Forum	[redacted]	
Harlesden Neighbourhood Forum	[redacted]	
London First		
[redacted] MP	[redacted]	
Sharc Energy Systems	[redacted]	

2.3 Meeting Housing Policy Objectives

2.3.1 How will your scheme support the Government's ambitions for housing, as set out in the Housing White Paper? This could include the following:

- ***Diversifying the housing market through Small and Medium Sized Enterprises (SMEs), Modern Methods of Construction (MMCs), or Self-Build***
- ***Supporting Garden Towns and Villages***
- ***Unlocking public sector and local authority land***
- ***Making effective use of brownfield sites***

6,000 characters

The Old Oak regeneration project is supporting the Government's ambitions for housing in a number of important ways.

Delivering more homes

The draft new London Plan has identified that the Old Oak and Park Royal are has the capacity to deliver at least 25,500 homes of which 13,000 could be delivered as part of the initial three-wave delivery strategy at Old Oak. London is a popular place in which to live, demonstrated by the substantial population growth since the 1990s. The West London Boroughs of Brent, Ealing and Hammersmith & Fulham which cover the areas of Old Oak and Park Royal are no exception, this can be seen in above average house prices and private rents and population growth.

Planning for the right number of homes will take advantage of London's growth to re-balance the housing market and provide homes to meet a range of needs. Planning for mixed-use developments with first class physical and social infrastructure at Old Oak and Park Royal will create a high-quality place and will help to spread the success of London's economy, particularly by virtue of the fantastic transport connections in Old Oak provided through the planned Old Oak Common station.

Diversifying the housing market

OPDC is committed to support those wishing to bring forward custom, self-build and community-led housing. Policy H1C) in OPDC's draft Local Plan supports applications for self-build and custom-build homes. As set out in the draft new London Plan, small sites can play a much greater role in housing delivery and OPDC is looking to diversify the sources, locations, type and mix of housing supply and consider how larger sites can be parcelled up to support small and medium-sized house-builders.

OPDC will be supporting advanced construction methods such as precision-manufacturing, in accordance with Policy SP2 in the draft local Plan where this can speed up delivery of new homes, drive greater quality in environmental standards and support SME builders.

In addition to planning policies that support SME builders/developers, OPDC would also seek to procure SME builders/developers as part of any development procurement exercise.

Unlocking public sector land

Across Old Oak approximately 70% of the developable land is currently within public sector ownership. This public-sector land has the capacity to accommodate approximately 10,300 homes. This provides the public sector with significant opportunities to realise the optimal value from these assets and unlock significant opportunities for investment in homes, jobs, infrastructure and other economic benefits. Approximately 20% of the Old Oak North Programme comprises public sector land and this land has been identified as having the capacity to deliver 2,155 homes.

In the 2015 Autumn Statement the then Chancellor announced his intention to 'pool together' the Government land holdings at Old Oak. This was followed by a specific announcement in the then Chancellor's Budget Statement in March 2016 of his intention to transfer the land holdings at Old Oak to OPDC, and this was the point that OPDC secured agreement in principle from Government to transfer all public sector (Government) owned land to OPDC for redevelopment. Transferring Government owned land to OPDC would merge a number of assets into the ownership of a single entity that also has land assembly, town planning and infrastructure delivery powers. Where interests are combined it is much more feasible to achieve comprehensive transformation and create a coherent new place (a good example of this is what Argent have achieved at Kings Cross). It allows design, value optimisation, infrastructure investment and the phasing of development to be considered strategically across boundaries over a longer period rather than on a site-by-site basis. Factors such as massing, permeability and phasing of development can also be considered more strategically. Land pooling also opens up opportunities for alternative delivery structures, for example partnership(s) with a select number of strategic long-term investor(s) across the area as opposed to dealing with multiple partners on a more piecemeal basis.

Making effective use of brownfield sites

The entirety of developable or deliverable land identified for development within OPDC's draft Local Plan comprises brownfield land and by virtue, the entirety of the Old Oak North Programme comprises brownfield land.

Other White paper priorities

- **Infrastructure:** The scheme will provide essential infrastructure to unlock land for housing where there is currently market failure and where homes otherwise not be built out in a timely fashion. OPDC's Local Plan has set out policies to balance the priorities for affordable housing, infrastructure delivery and sustainability standards. The timely delivery of regeneration of the area is intrinsically linked with the need to deliver the infrastructure necessary to enable development and provide facilities and services to meet the needs of those living working and visiting the area.
- **Supporting Home ownership:** The current tenure modelling for the Old Oak North Programme identifies that development here would deliver 6,078 market homes and 2,640 intermediate homes would be delivered.
- **Reducing TA costs:** Based on current tenure modelling, the Old Oak North Programme would deliver 1,130 London Affordable Rent home/ social rent homes for low income households eligible for social housing and help local housing authorities to reduce the use of expensive temporary accommodation and reduce homelessness.

2.4 Scheme Objectives

2.4.1 What are the overarching objectives of the project? Objectives should be SMART – Specific, Measurable, Achievable, Relevant and Time constrained.

1,000 characters for each objective (table format)

Objective	How can this objective be evidenced?
1. Support the economic growth of UK ~~plc~~ by (1) maximising the public benefits associated with the HS2 and Elizabeth Line investments at Old Oak and (2) enabling a land value uplift of at least £450 million and the creation of at least 7,000 jobs across a range of sectors by 2033.	• Will the option support the economic growth of the UK as a whole, including the Midlands Engine and Northern Powerhouse regions? • Will the option support the creation of an internationally competitive, high-value cluster across the OPDC area through the provision of the right mix and quality of housing, infrastructure, social facilities, and amenities? • Will the option leverage the opportunity presented by proximity to existing knowledge assets and one of the UK's most well-connected transport nodes in order to capture international growth with a high propensity to export? • Will the option support strategies to diversify economic activity in the OPDC area, attract high-paying jobs and inward investment, and improve the general economic well-being of this part of London?
2. Deliver at least 13,000 new housing starts by 2033, with a target of 50% affordable homes on public land.	• Does the option enable the delivery of this quantum of housing starts within the next 15 years? • Is the option financially viable with the provision of 50% affordable housing on all public sector sites?
3. Deliver a new community at Old Oak by 2033 that is based on 'good growth' principles and characterised by high-quality design, that will (1) improve connectivity across the site and into surrounding communities, (2) take a comprehensive, site-wide approach that enables cohesive place-making and efficient infrastructure provision; and (3) deliver an environmentally sustainable place.	• Does the option improve connectivity of Old Oak North to Harlesden (north), Kensal Green (east), North Acton (west), and Wormwood Scrubs / North Kensington (south)? Will the option improve public transport connectivity and encourage use of sustainable travel modes? • Does the option enable a coordinated site-wide approach that is consistent with OPDC's Local Plan and the Old Oak North Masterplan? • Does the option present an approach to infrastructure provision and housing delivery that is responsive to climate change impacts and aligned with London and national mitigation policies and strategies?

	• Does the option provide OPDC with sufficient control and certainty to ensure that high-quality place-making will be delivered?
4. Unlock the regeneration of Old Oak by directly addressing each of the key drivers of market failure at Old Oak North that will enable private sector development activity to commence in Old Oak North by 2023. These key factors include (1) the challenging infrastructure and planning requirements, (2) the viability of comprehensive delivery and (3) the fragmented public and private sector land ownership.	• Does the option address the major site-wide infrastructure challenges, primarily related to access and utilities? • Does the option address the technical challenges of the site, in line with the approaches and strategies defined in the Old Oak North Masterplan? • Does the option support the consolidation of disparate freehold and leasehold interests to enable a coordinated regeneration scheme to move forward? • Does the option provide certainty that the Old Oak North land remaining in private sector control becomes viable for housing development by 2023?
5. Facilitate future growth across the entire OPDC area, including protecting development opportunities in Old Oak South, Park Royal and Willesden Junction and driving sustainable economic activity across the wider region, resulting in the delivery of at least 25,500 homes, 65,000 jobs, and £7.6 billion in annual GVA within the next 30 years.	• Does the option provide confidence in OPDC's ability to bring forward wider regeneration of the site (including with partners such as HS2 and Network Rail?) • Will the option support HS2's plans to bring forward over-site-development above the planned Old Oak Common station? • Does the option preclude or inhibit future development opportunities?

2.4.2 *Please list the criteria (critical success factors – CSFs) against which you will assess the successful delivery of the project and the evaluation of options.*

1,000 characters for each CSF (table format)

The critical success factors (CSFs) are the attributes essential to the successful delivery of the Old Oak North Programme, against which the long list of options are assessed. As with the investment objectives, the CSFs have been established by the OPDC Senior Management Team, together with input from the GLA and TfL.

Critical Success Factors
Provide a scheme that is deliverable and credible: The scheme must realistically be capable of delivery and seen as credible in the eyes of key stakeholders, including funding partners.
Act as a catalyst for wider public and private sector investment and partnership in regeneration: Given the large-scale, long-term nature of the Old Oak regeneration programme, the scheme must ensure that the intervention is sufficiently scaled to act as a catalyst for subsequent development.
Allow for activity to commence within the next 2 years: After many years of stalled activity at Old Oak, it is imperative that the intervention scheme allow for key activities to begin moving forward relatively quickly.
Be attractive to the development and infrastructure markets: The scheme must be credible to the market and attract partners with the right experience and capabilities to enable achievement of the long-term vision for Old Oak and the investment objectives (this is further explored in the Commercial Case).
Be aligned with UK/London/local housing, transport, and infrastructure plans and policies:

The scheme must be compliant with existing policies and aligned with the range of key strategic plans at various levels of Government; however, OPDC is also looking for options to go beyond a mere 'compliance' threshold and to demonstrate how Old Oak can be an exemplar of these policies.
Position OPDC to provide sufficient leadership and certainty to influence the rate, quantum, type, and quality of development that comes forward: The scheme must ensure that, given the significant public sector investments in the area (both already committed and potential future investments), OPDC is in a position of leadership to influence the development that comes forward – in terms of how quickly this happens, how well aligned to the masterplan it is, and how well the objectives of high-quality design are achieved.
Be affordable in terms of cashflow and expected funding availability: The scheme must be reasonably capable of being funded, and any short-term cashflow shortfalls reasonably capable of being addressed.

2.5 Rationale for Intervention

2.5.1 What is the market failure being addressed? Please provide a detailed account of why the existing arrangements, both financial and delivery, are not sufficient to deliver the scheme and the rationale for government intervention (HIF funding).

8,000 characters

Attachments can be added.

Please see guidance on demonstrating market failure in the prospectus for Forward Funding - the HMT Green Book also provides further detail.

The market failure being addressed by this programme is simple – despite a strong local housing market and the impending arrival of HS2 and Elizabeth Line services, the private sector has been demonstrably unable to capitalise on these opportunities and deliver a comprehensive regeneration of the site that is aligned with local, London, and national policies. The chief causes of this market failure are as follows.

Cause 1: development is unviable for the private sector due to the scale of required infrastructure

The existing accessibility to, and connectivity within, Old Oak is poor. The area is severed by multiple railway lines and the Grand Union Canal, both along the site boundaries and through its centre. There is no road connection from the North Acton activity area to Scrubs Lane via Old Oak, and the site has significant level changes which create further challenges to effective movement of people and goods in this area. Although the planned Old Oak Common station will provide unparalleled connectivity to London and other major urban centres, without intervention local connectivity to and around the station will be limited. There are also substantial utilities and social infrastructure requirements that will need to be addressed in order for large-scale regeneration to occur.

The amount of investment in Old Oak required to address these issues is approximately £1 billion. The scale of this investment and the complexity of implementation makes housing development unviable for the private sector to bear alone, particularly when factoring in the provision of significant levels of affordable housing and the delivery of the other strategic objectives for Old Oak, such as high-quality placemaking and public realm.

Existing use values of the sites in Old Oak North are currently higher than land values that would be generated by alternative uses when factoring in this £1 billion worth of site-wide infrastructure requirements. This suggests that a private-sector led redevelopment will not come forward in the medium-term, and potentially not until well after the opening of the new Old Oak Common station, once land values have increased significantly. If this delay were to occur, the public would lose a massive opportunity to capitalise on the catalyst of the planned station.

The National Audit Office published its 'Progress with Preparations for High Speed 2' report in June 2016, which noted: 'The £55.7 billion funding package [for HS2] does not cover funding for all the activity needed to deliver the promised growth and regeneration benefits… Local Authorities… are responsible for helping to create the conditions for driving regeneration activity and local growth benefits through predominantly private sector investment. There is a risk that these wider benefits will not materialise if funding cannot be secured.'

New HS2 and Elizabeth Line services would be serving a station surrounded by primarily industrial and transport uses, and the public sector will have lost (or substantially delayed) the opportunity to capitalise on these 'once-in-a-generation' projects and maximise the potential benefits from these investments.

Cause 2: technical complexity

Related to the accessibility challenge, the site contains multiple railway lines, sites designated for rail-related uses, a canal, level changes and contamination, all of which contribute to substantial technical complexity that inhibits comprehensive redevelopment of the area, given the costs and unique expertise required to deliver housing in this environment (see masterplan – Attachment 1.2).

These technical complexities also extend to issues of governance and policy, as addressing these issues will require coordination and collaboration across a significant number of public sector bodies. Individual private sector developers are highly unlikely to have the capability or influence required to bring these entities together and drive comprehensive site-wide solutions to these technical challenges. This condition reinforces the importance for a single public sector organisation – OPDC – to play a ‘guiding mind’ role in managing and coordinating these challenges in order to bring forward the regeneration of Old Oak.

Cause 3: fragmented ownership patterns across the site

Several public sector bodies and private actors own land or hold leaseholds at Old Oak. For instance, at the Cumberland Business Park site that the Old Oak North masterplan identifies as the ideal location for ‘landing’ the new Park Road bridge from technical, engineering and placemaking perspectives, there are dozens of individual freeholders and leaseholders. Several other sites in Old Oak North have similar characteristics, leading to a coordination failure among the multiple landholders.

There has been some development activity in the Old Oak area over the past two years in peripheral locations, and it has been broadly recognised by the market that the area will be regenerated as a result of public investment in the new HS2 and Elizabeth Line station. However, the fragmented ownership of land/leases and complex arrangements among the public sector landowners, transport operators, and other stakeholders across the site means that any development activity at Old Oak is likely to happen in a disconnected and uncoordinated way – if it happens at all.

As with the market failure causes defined above, this situation creates a condition in which no single private sector developer, or group of developers, has the capability or funding to address this fragmentation and bring forward infrastructure and housing in a comprehensive way. There is a coordination failure because the land can only be made viable for development if all landowners adhere to the same strategy and join efforts and resources to overcome the technical complexities of the site. Without this coordination, there is very limited prospect that these challenges will be solved, and landowners therefore choose the most preferable option, which is to wait for land values to rise.

Rationale for intervention

OPDC has been established as a Mayoral Development Corporation (only the second such public sector body in London) for the explicit purpose of addressing this complex set of factors and unlocking market failure. OPDC has the powers and capabilities required to address all three factors of market failure by investing in and delivering core site-wide infrastructure, coordinating with other public sector bodies to manage policy and technical complexities, and unifying key land interests.

At OPDC’s disposal are a comprehensive suite of statutory regeneration powers, including town planning and compulsory purchase. Furthermore, in the 2015 Autumn Statement the then-Chancellor announced his intention to ‘pool together’ the Government land holdings at Old Oak. Following this announcement, OPDC secured agreement in principle from Government to transfer all public sector owned land to OPDC for redevelopment. This action sent a clear signal of the need for there to be a single ‘guiding mind’ at Old Oak – a site that is critically important to ensuring the realisation of public benefits from the HS2 and Elizabeth Line investments.

Very few regeneration schemes anywhere in the world have been successfully delivered without the public sector playing an active policy and investment role. The implications and impacts of the public sector not ‘intervening’ at Old Oak are set out in the Do Nothing scenario discussed in sections 3 and 4. The core strategic risk is that this area continues to be characterised by low-value brownfield land and industrial uses, and a massive opportunity is lost to capitalise on one of the largest and best-connected new rail stations built in generations.

2.6 Additional Information

2.6.1 If you have any further information to support your strategic case, which has not already been captured in the above, please include this here.

This may include additional information agreed during co-development that will be required for assessment.
4,000 characters

Attachments can be added.

Supporting the local economy

The area has high levels of deprivation, with nearby wards in the top 10% of deprived areas in the UK. Household incomes are lower by around 1/4 when compared to London-wide incomes. Long-term unemployment is also more common, resulting in a higher share of the population claiming benefits through Job Seekers Allowance or Universal Credit. Maximising access to local employment and training is therefore a key priority.

The Old Oak North Programme will make a significant contribution to this, delivering 5,154 new jobs across a range of skills and sectors, from service, town centre, office/commercial and industrial type spaces. This variety will enable local communities to access a genuine choice of career paths. OPDC's Local Plan and the Old Oak North masterplan support the delivery of a vibrant mix of shops, food and beverage uses, office, light industrial, artist studios and affordable and SME workspaces, focused along new and existing key routes including Park Road (which forms part of this HIF bid), Old Oak Street and Scrubs Lane.

Supporting sustainability

OPDC's Local Plan sets out planning policies to support the delivery of a high quality new part of London within the Old Oak and the Old Oak North Programme. In its role as delivery body/developer, OPDC has undertaken a number of technical studies to ensure that a coordinated approach is taken within Old Oak North to deliver on these ambitions. This includes:

- **Open space and green infrastructure:** A masterplan for the area, demonstrating how Old Oak North can deliver a range of green infrastructure, including 30% publicly accessible open space and 2 new local parks, each of 2ha+ in what is currently an area of open space deficiency, along with new connections into Wormwood Scrubs and improvements to the canal edge;
- **Healthy streets:** Technical studies to identify the level requirements for key routes to ensure a fully DDA compliant public realm, which is accessible and inclusive to all that would support a network of new Healthy Streets;
- **Environmental Standards:** A detailed assessment of different spatial and massing approaches to development delivery against a triple bottom line assessment framework comprising of a number of economic, social and environmental criteria, in order to identify the best spatial distribution for development in Old Oak North, to ensure a high-quality public and private development to enable the future population to live in healthy environments;
- **Social infrastructure:** The identification of a range of on-site social infrastructure to meet the needs of the new community in Old Oak North, including a primary school, primary care health clinic, super-nursery, public sports centre with swimming pool and a large community/third sector hub**;**
- **A Sustainable Drainage System strategy:** showing how green-field run-off rates can be achieved. OPDC has been working proactively with the Environment Agency and Thames Water in the development of this study;
- **A district heating strategy:** This has identified the need for two strategic energy centres and has identified potential environmentally sustainable secondary sources of heat, including innovative approaches such as capturing heat from sewers. A letter of support from Sharc Energy Systems is appended, who are delivering a sewer heat extraction system in Aberdeen. The costs for delivering this system and the potential receipts from an ESCO have been included within the financial model supporting this bid;
- **Waste management:** A study to look at approaches to waste management developed in collaboration with the waste collection authority and Greater London Authority. Given the high densities proposed, the study identifies that a pneumatic waste management system such as the Envac system, which has been installed in Wembley, would be the most suitable. The capital costs for this system have been included within the Old Oak North Programme's infrastructure costs.

3. Options Appraisal

3.1 Outline of Options

3.1.1 *Please provide a summary of all the options considered during co-development related to the extent of HIF funding required. Please set out the rationale for why these options were discounted in favour of the preferred option.*

8,000 characters

A range of options for the regeneration of Old Oak was developed early in the project to test a full spectrum of potential public sector interventions. These options were developed on the basis of OPDC delivering against its scheme objectives and represent OPDC's assessment of how best to deliver regeneration and housing at Old Oak, regardless of the availability of HIF funding. The options that were considered are summarised below.

1. **Do nothing**: The first option is the 'do nothing' scenario in which OPDC would continue its role as planning authority for the area, but the organisation would not play an 'interventionist' role in terms of land assembly, infrastructure, or housing delivery. This option does not meet several of OPDC's scheme objectives or critical success factors (defined in question 2.4) but has been taken forward as the required 'HIF Option 3 (No HIF funding)'.

2. **Build the east-west access road (Park Road) only; no additional infrastructure or land assembly**: In this option, OPDC would construct Park Road to connect Old Oak Common Lane in the south-west to Scrubs Lane in the north-east. This would include construction of Park Road Bridge over the canal, Park Road Underpass under the London Overground lines, and Laundry Lane Bridge over the railway tracks in the eastern part of the site. The private sector would then deliver housing at OON based on the market conditions; however there would be no certainty of this occurring, particularly in the near and medium terms. This option also fails to meet several of OPDC's scheme objectives or critical success factors. However, it has been taken forward as the required 'HIF Option 2 (With a reduced amount of HIF funding)'. This has been selected because none of the other long-listed options for unlocking regeneration at Old Oak were financially affordable or commercially viable with a materially lower level of public investment.

3. **Build minimum level of enabling infrastructure (including Park Road) and acquire the sites that are subject to the Memorandum of Understanding with Network Rail**: In this option, OPDC would assemble the three sites currently owned by Network Rail that are subject to the Memorandum of Understanding, which permits OPDC's acquisition at existing use value. These are EMR (site 1 in 1.2.2), Land North of Oaklands (Site 3), and Canal Site (Site 4). These three sites would be assembled and then sold to developers for housing delivery. The infrastructure in this scheme would include Park Road and the associated bridges and underpass as described in Option 2, as well as the Harlesden Bridge pedestrian link connecting the EMR site to Willesden Junction station (and further north to the existing Harlesden community).

   While this option was assessed as minimally meeting the scheme objectives and critical success factors, it did not perform nearly as strongly as the following two options in this assessment. The scale of the potential housing delivery (approximately 1,500 units) was deemed to be too small for the scale of investment required and the disconnected nature of the sites would limit opportunities for a contiguous and holistic placemaking approach. Additionally, financial analysis showed that this option did not provide a sufficient level of public investment to enable the Cargiant land to be viable for bringing forward in a reasonable amount of time, as the infrastructure burden would still be too significant.

   This option would also require the full level of possible HIF funding (or close to the full amount), due to reduced levels of potential recycled land receipts that could be captured by OPDC and used to pay for some of the infrastructure. This financial situation makes this option an unviable candidate for the HIF Option 2.

4. **Build enabling infrastructure and acquire sites in western part of Old Oak North, at a scale sufficient to catalyse the wider regeneration of the area**: This option includes the OPDC-led assembly of a large contiguous development platform on the western part of the site (refer to Attachment 3.1) that will enable a cohesive development to come forward. OPDC-delivered infrastructure in this option is the same as Option 3, with the significant addition of a site-wide energy centre and substation, as well as other site-wide utilities that will allow for a more efficient and environmentally-sustainable approach to energy, drainage, and water management. Not all of the infrastructure is funded through HIF in this option; significant portions will be funded through 'recycled' land receipts that OPDC will receive after selling the development sites. Note that OPDC developed a

series of sub-options to test different potential configurations or development parcels and infrastructure as part of the process of arriving at the base Option 4.

5. **As Option 4, but with the inclusion of the Powerday site**: The only difference between Options 4 and 5 is the inclusion of the Powerday site as an investment opportunity that could provide approximately £2 million annual income stream that could potentially be applied towards future investments in Old Oak. The acquisition of Powerday would be funded by GLA or other non-HIF sources as it is not proposed for housing development or infrastructure and, thus, does not materially change the strategy and analysis as set out for Option 4 above. This is the preferred option and has been carried forward as 'HIF Option 1 (With requested HIF funding)'; as such, significant additional details are provided in The Project section, as well as the Financial Case and question 3.1.2 in this section.
6. **OPDC delivering all of Old Oak North**: This option would entail OPDC assembling all land and delivering all infrastructure in Old Oak North – including everything from Option 5 as well as the significant private sector landholdings on the eastern part of the site (land currently owned by Cargiant). This option was discounted due to being unaffordable, both from a land acquisition and infrastructure perspective. It also carries substantial delivery and commercial risks.
7. **OPDC delivering all of Old Oak (North and South)**: This would be a maximum intervention option with the largest public investment (and consequently the greatest public control). For this option, OPDC assembles all land across Old Oak, including the HS2 worksites in Old Oak South, and delivers all infrastructure. This option was also discounted as it is not affordable and could not credibly be delivered by OPDC in a reasonable timescale. Further analysis also suggested that several of the sites in Old Oak South can come forward with no (or minimal) additional public sector investment after the opening of the planned Old Oak Common station and, thus, the scale of this intervention cannot reasonably be justified at this time.

All seven of these options were assessed against OPDC's scheme objectives and critical success factors for the project. This was undertaken in a series of facilitated workshops by the OPDC Senior Management Team working with its external technical and commercial consultants. The shortlisted options were then tested further in consultation with the OPDC Investment Committee.

The outcome of the initial assessment was that Options 3, 4 and 5 were all considered for further assessment in terms of their deliverability, affordability and commercial viability to determine the preferred option to put forward in this submission. Following this review, OPDC has subsequently confirmed its preferred option as Option 5.

3.1.2 Please summarise shortlisted options considered and how these meet the required objectives of the scheme detailed earlier in the Business Case. As a minimum should include:

- ***Option 1: With requested HIF funding***
- ***Option 2: With a reduced amount of HIF funding***
- ***Option 3: Do nothing (no HIF funding)***

2,000 characters per option

Please refer to Attachment 3.1 for diagrams of each of the three options.

Option 1

The preferred option has been calibrated to ensure that the public sector is making the minimum level of intervention required to catalyse the private sector bringing forward regeneration of Old Oak. This calibration has been tested through an ongoing iterative financial appraisal process in coordination with the masterplan and business case. OPDC believes that this option provides an affordable and commercially deliverable approach to unlocking approximately 13,000 homes.

Phase 1A is centred on a suite of OPDC-led investments required to build a new east-west access route across Old Oak North and provide other site-wide infrastructure and to deliver a 'critical mass' of development that creates a new community and is sufficient in scale to catalyse wider privately-led development.

To achieve this, OPDC will acquire and control key landownerships, promote a comprehensive design solution, lead delivery of physical infrastructure and work with development partners to deliver new homes and employment space. This will enable OPDC to have significant control over the type and pace of development in this area and the opportunity to capture land value uplift to further fund delivery of infrastructure and affordable housing.

The OPDC-led intervention in Phase 1A is designed to both deliver a high-quality mixed-use regeneration opportunity and to unlock the delivery of 5,000 homes by the private sector landowner in the eastern part of the site in Phase 1B. OPDC's strategy for Phase 1B is to continue working with Cargiant through pre-application discussions to ensure the 1B scheme is compatible with the overall masterplan and vision for the area. With the preparatory work done to date on their scheme, this will enable Cargiant to submit their planning application in time to ensure that housing delivery can come forward once their site is vacated, as planned, in 2022.

An analysis of how Option 1 meets the objectives and CSFs is provided in question 3.3.1.

Option 2

As described above, OPDC has considered a number of scenarios but has not identified a comprehensive scheme that can deliver the same outcomes, in terms of unlocking market failure and delivering a significant number of homes, for a substantially lower level of upfront public investment. Financial assessments indicate that without a full amount of HIF funding, insufficient infrastructure can be delivered to make the Cargiant scheme viable and therefore likely to come forward, as well as to deliver on the other scheme objectives. However, we have included an alternative option that requires a reduced amount of HIF funding in order to further test this proposition.

Option 2 entails OPDC building the new Park Road to open up east-west access across the site. OPDC (and other area stakeholders) consider that this is the single most critical infrastructure project required at Old Oak as, without this cross-site accessibility and connectivity, it will be nearly impossible for multiple individual private developers to coordinate, fund, and deliver a similar project. Without the 'spine' road, only smaller sites on the fringes of the area would have sufficient access to develop new housing and most of the 'interior' parts of the site would be unable to secure planning permissions.

This option is entirely reliant on the private sector to deliver all housing at Old Oak North. There would be limited certainty of this happening at any significant scale, particularly in the near and medium term, given OPDC would have no control over any of the land (except land required solely for infrastructure delivery). This issue is discussed further in the analysis of how Option 2 addresses the scheme objectives and critical success factors in question 3.3.1.

Option 3

This option takes account of the 'deadweight' of housing delivery that is likely to come forward regardless of any HIF or other public sector funding. In the absence of HIF funding for spending in 2018-23, OPDC will continue to make the case to bring forward comprehensive regeneration at Old Oak North in line with its scheme objectives and will look to other potential sources of public funding and private partnerships whilst also maintaining its statutory role as a Mayoral Development Corporation.

However, none of these other potential funding sources are currently available and, thus, this option assumes that no further public sector investment is made in Old Oak. In this scenario, only approximately 900 housing units are projected to be brought forward by the private sector in the next 10 years. These are:

- Approximately 300 units in Wave 1 on two sites that have existing access to Old Oak Common Lane: Land North of Oaklands (Site 3) and Canal Site (Site 4). These sites do not have significant barriers to development and are close to the planned Old Oak Common station. However, market failure would continue to be a factor on the remainder of the sites across OON. In particular, the large Cargiant sites would continue to be unviable due to the significant infrastructure burden required to bring forward development.
- 600 units in Wave 2 on Oaklands South (Site 11). No other sites are likely to come forward in this wave without the certainty and confidence generated by the OON development.

All the Wave 3 homes (nearly 3,300) are assumed to come forward in this scenario. These sites are all located outside of OON and do not have the same access challenges and technical complexities as that area. Additionally, these sites are mostly located adjacent to the Old Oak Common station and will benefit from the close access to HS2 and Elizabeth Line services.

An analysis of how Option 3 addresses the scheme objectives and critical success factors is provided in 3.3.1.

3.1.3 *Please provide the following key metrics for all options:*

	Option 1	Option 2	Option 3
HIF funding required	£250,000,000	£141,000,000	£0
Total scheme cost	£8,982,529,000	£1,651,951,000	£0
Housing units delivered	13,118	13,118	4,182
Estimated % affordable	38%	35%	35%
Units started up to 2022	1,101	911	911
Units started 2023-25	981	300	300
Units started 2026-30	5,395	1,047	1,047
Units started 2031-35	4,016	2,815	1,033
Units started in future years	1,625	8,045	891
Amount of other Central Govt. Funding	£28,300,000	£0	£0
Amount of LA funding (inc. LGF)	£87,832,000	£0	£0
Amount of private sector funding	£8,616,397,000	£1,510,951,000	£0

3.2 Options Analysis

3.2.1 *What strategic risks do the shortlisted options carry? Please outline strategic risk / likelihood and impact of the shortlisted options.*

For likelihood and impact please use categories: High / Medium High / Medium Low / Low

Option	Strategic Risk	Likelihood	Impact
1	*1,000 characters* The primary strategic risk for Option 1 is related to successful delivery of the project. Inherently, Option 1 is 'doing more' than the other options through assembly of land for development and design and delivery of several infrastructure projects. The scale of the ambition is larger, and thus it is more complex to manage with several spatial and financial interdependencies amongst development and infrastructure projects. The greater level of land acquisition in this option carries a number of risks related to timings, costs, resources, and process. However, the risks of not meeting OPDC's strategic objectives are significantly lower in this option, as the scale of the intervention recognises and capitalises on the huge potential for regeneration at this location. Additional specific risks for each shortlisted option are analysed in the response to question 4.8.	Medium Low	Medium High
2	*1,000 characters* In this option, OPDC will only be building a road, including two bridges and an underpass. While these are not 'simple' infrastructure projects, they are straightforward and thus overall delivery risks are low and manageable. However, there are substantial risks to meeting OPDC's strategic objectives, as this option does not enable comprehensive regeneration of Old Oak and any housing delivery will be significantly delayed. The scale of the investment is not sufficient to improve the viability of the	Medium High	High

	sites within OON (Wave 1) or in the immediate vicinity (Wave 2). There is a real and significant risk that Old Oak remains 'as-is' for the foreseeable future, and the opportunity to capture and leverage the immense potential presented by the planned Old Oak Common station is lost or delayed for many years. This option holds some reputational risk for OPDC, as many stakeholders would be expecting an MDC to play a more active role in spearheading regeneration. Specific risks for each option are analysed in the response to question 4.8.		
3	*1,000 characters* Whilst there are no delivery-related risks to the 'do nothing' option, there are massive risks to achievement of the strategic objectives for Old Oak, including meeting the policies and aspirations set out in the Local Plan. As described in question 2.5 in this document, there is demonstrable market failure on this site, which can be expected to continue in the foreseeable future without public intervention. If OPDC were to continue as purely a planning authority, there would be a very high risk (a near-certainty) that none of the scheme objectives would be achieved, which would have a significant impact on delivering comprehensive regeneration at Old Oak. Specific risks for each option are analysed in the response to question 4.8.	High	High

3.2.2 *What are the constraints related to the shortlisted options?*

Option	Constraints
1	*1,000 characters* • Sufficient capital funding to deliver the land assembly and infrastructure that is required to unlock housing delivery at Old Oak • Securing funding to finance the real cash flow requirements in the early years of the project during infrastructure delivery, as HIF funding alone will not cover the full cost • Reaching agreement on land assembly with public sector land owners whose sites are part of the Memorandum of Understanding on land transfer and with Cargiant • OPDC receiving sufficient resources to build additional capacity and skills to staff the project to meet the project delivery timescales • Market confidence in the area and the public sector's ability to unlock the opportunity • Obtaining planning consent in a timely manner to deliver the proposed masterplan • Ability of the private sector landowner to mobilise and bring forward housing delivery
2	*1,000 characters* • Reaching agreement on land assembly required to deliver the road and bridges. • Ability of the landowners at OON to mobilise, deliver the other required infrastructure (utilities, etc) and bring forward housing delivery
3	*1,000 characters* N/A

3.2.3 *Please provide details of any inter-dependencies related to the shortlisted options.*

Option	Inter-dependencies
1	*1,000 characters* • Reaching development agreements with Cargiant and other land owners • Completing the transfer of land that is included in the public sector MoU • Reaching agreement to purchase private land sites required to deliver Phase 1A, and failing that, securing a successful CPO and dealing with potential objections from land owners and tenants • Obtaining sufficient receipts from the OPDC developments in Phase 1A to be recycled into the delivery of infrastructure • Obtaining GLA support to provide grant for affordable housing

	• Other projects that are outside OPDC's control and whose success will directly impact Old Oak North e.g. completion of HS2
2	*1,000 characters* • Reaching agreement to purchase private land sites required to deliver Park Road, and failing that, securing a successful CPO and dealing with potential objections from land owners and tenants • Other projects that are outside OPDC's control and whose success will directly impact Old Oak North e.g. completion of HS2
3	*1,000 characters* N/A

3.2.4 *Please provide details of the exit strategy for the shortlisted options.*

Option	Exit Strategy
1	*1,000 characters* In summary, OPDC's main role will be in land assembly and infrastructure delivery before it looks to deliver new homes on public sector land via development partners. OPDC's role is most critically linked to the successful delivery of the infrastructure and, once this has been committed contractually, it will require OPDC or other public bodies to oversee its delivery. However, OPDC will retain an exit option before this stage of the project simply by not acquiring the key sites that are identified in the preferred option. Once OPDC does become a landowner it will be able to exit the project, if required, by disposing of its landholdings either to other public bodies operating locally or on the open market to private sector investors. This would be at best-value consideration. In any event, OPDC will be looking to sell its land holdings to developers for housing delivery once the serviced plots have been created following implementation of the key enabling infrastructure e.g. new road, utilities, bridges.
2	*1,000 characters* Similar to Option 1 but on a lesser scale.
3	*1,000 characters* In the 'do nothing' scenario, OPDC would not own or manage any land, infrastructure assets or development platforms/completed buildings, and thus there is no need for an exit strategy.

3.2.5 *Please summarise any economic appraisal conducted for the shortlisted options, relative to the do nothing (no HIF funding) option.*

For the preferred option, the full economic appraisal should be outlined in the Economic Case.

Option	Summary Economic appraisal
2	*2,000 characters* Option 2 is assessed against the scheme objectives and critical success factors in section 3.1.1. The assessment illustrates that this option fails to meet many of the objectives and critical success factors, due to several key factors: it fails to provide the level of intervention required to make the sites in Wave 1 and Wave 2 viable for the private sector to develop and it fails to maximise the housing and regeneration opportunity of the area. It has also been appraised in terms of its non-monetised benefits and risk assessment. This analysis is presented and discussed in the respective sections of the Economic Case chapter (4.5.2 and 4.8.1). This option is assessed as the riskiest option, largely because it deploys public funding however it is not enough to ensure housing and regeneration benefits materialise. It creates great risks in terms of financial viability for the wider sites to come forward, as well as reputation risks to OPDC. Because Option 2 fails to deliver against the scheme objectives and CSFs, and scores poorly against the non-monetised benefits and risk assessment, it was ruled out as the preferred option. No further economic appraisal has been conducted on this option.
3	*2,000 characters*

	The do-nothing option was fully appraised to the same extent as the preferred option. This was a requirement of the economic case, since all analysis of the preferred option must be presented as net of the do-nothing. Further detail on the do-nothing scenario is provide in the Economic Case, Section 4.1.5. This outlines the assumptions underpinning the do-nothing, including the quantum of housing that would come forward and the associated benefit streams. It delivers residential and commercial LVU (£21 million and £1 million, respectively), social housing health benefits (£1 million), CIL and SDLT (£9 million) and Wave 2 wider benefits from residential and commercial LVU (£34 million and £1 million, respectively). The do-nothing delivers a total NPV of £66 million, in discounted 2018 prices. The same additionality assumptions applied to the preferred option are applied to the do-nothing (further detail in Section 4.1.5). The do-nothing option has also been appraised in terms of its non-monetised benefits and risk assessment. This analysis is presented and discussed in the respective sections of the Economic Case chapter (4.5.2 and 4.8.1). The do-nothing is ruled out as the preferred option for several reasons: it fails to deliver against most of the scheme objectives and critical success factors (section 3.3.1), nor does it meet the wider policy objectives of maximising housing delivery, particularly around major transport nodes in London.

3.3 Options Summary

3.3.1 Please summarise why the preferred option, with the requested HIF funding, has been chosen and why the other shortlisted options have been discounted – this should make reference to advantages and disadvantages of the options in relation to scheme objectives and CSFs.

8,000 characters

Only Option 1 fully meets all OPDC's scheme objectives and CSFs (see 2.4), as shown below:

- **Objective 1:** The larger development capacity under OPDC control enables a more cohesive economic development strategy to take shape. The OPDC-led development sites have sufficient critical mass to achieve regeneration and act as a catalyst for other sites to come forward.
- **Objective 2:** OPDC's consolidated land ownership will overcome the coordination failure between disparate landowners and will enable the delivery of units using public subsidy not otherwise available. This will deliver 2,900 homes (50% affordable) in a short timescale. Development of Phase 1A will bring forward 4,800 additional homes on the privately-held land in Phase 1B, and catalyse a further 2,200 homes around the site.
- **Objective 3:** A 'reasonable mass' of development will be directly controlled by OPDC, ensuring good growth principles can be adopted and applied across a significant portion of OON, setting the tone and providing a compelling model for the balance of the site and beyond.
- **Objective 4:** Delivery of homes and commercial development across a larger number of sites (a 'reasonable mass' of development activity), will generate funds that can be further recycled and reinvested back into Old Oak, and instill confidence in the other players in the area that the public sector is committed to playing a leadership role and investing in the area. These two outcomes will unlock the wider regeneration objectives across OON.
- **Objective 5:** In addition to the planned infrastructure package, which will provide significant connectivity improvements for the wider community beyond OON, confidence will be generated through delivery of a significant large-scale development. It will generate positive externalities through agglomeration, such as increased productivity. OPDC will have sizeable receipts that can be recycled to deliver additional infrastructure, supporting connectivity to and further growth in areas beyond OON.
- **CSF 1:** The scheme is credible and backed by a robust financial, commercial and management plan as detailed elsewhere in this submission. Sensitivities have been run to ensure the deliverability of the scheme and risks and mitigation actions identified.
- **CSF 2:** The road and utilities infrastructure would be a first step to demonstrate confidence in the area's potential and will address a sufficient portion of the infrastructure burden in OON to enable viability of other sites. The development sites will enable initial housing delivery at a sufficiently substantial scale to kick-start wider regeneration.

- **CSF 3:** Early infrastructure work could commence once land is assembled via the MoU transfer process, private treaty, or CPO as a fallback measure. Development plots are of sufficient scale that early procurement of a development partner could be progressed, to inform the vision and masterplan for the site.
- **CSF 4:** Top-tier developers with significant placemaking expertise would be attracted to the much greater development potential that the land would provide in this option. Infrastructure delivery partners would be attracted by the sizeable scale of infrastructure investment occurring in Phase 1A (more than £400 million.)
- **CSF 5:** The option enables significant delivery homes, 50% of which will be affordable. The site-wide approach to heating, energy, drainage, and water management is aligned with important policies in the Local Plan and London Plan.
- **CSF 6:** OPDC takes a strong leadership role in shaping and delivering the Old Oak regeneration project, through direct control as a landowner and infrastructure deliverer, as well as through influencing the development that will come forward on private sector sites.
- **CSF 7:** The option has been financially tested, with several sensitivities, to ensure it is affordable. The resulting cashflows show that Phase 1A is affordable to the public sector, and that Phase 1B is then viable for private sector-led development.

Option 2 partially meets some objectives and CSFs, but does <u>not</u> meet:

- **Objective 2:** Park Road will help to create a more viable opportunity for existing landowners, however the fragmented freeholds/leaseholds and other site constraints are likely to lead to delivery of far fewer than 10,000 homes and less than 50% affordable homes on viability grounds.
- Landowners would still favour individualised strategies to maximise their own returns, which would not maximise the housing and regeneration benefits that could be achieved through coordination. The timescales for housing delivery are also likely to be significantly longer than Option 1.
- **Objective 3:** Provision of Park Road alone, combined with existing planning controls over the area, will not provide certainty that 'good growth' principles will be widely adopted and that a new cohesive community will be created at Old Oak North. If development comes forward in future (assuming land values increase significantly enough to make development viable), it will most likely do so in a disconnected way in which each landowner/developer is seeking to maximise returns on their individual plots.
- **Obj 4:** Park Road only partially delivers the overall infrastructure requirements of Old Oak North and would not be sufficient to fully address market failure and unlock wider regeneration across the whole of the area.
- **CSF 4:** The infrastructure market would deliver the road; however, top-tier developers who are more familiar with and experienced in delivering the quality of placemaking envisioned at Old Oak in the Local Plan are less likely to find this a sufficient intervention that attracts them to this opportunity. The land will continue to be in fragmented ownership across several sites, creating significant barriers to the consolidation of a cohesive development platform.
- **CSF 5:** The option does not deliver a coordinated site-wide energy, drainage, and water management approach in line with Mayoral strategies.

Option 3 partially meets some objectives and CSFs, but does <u>not</u> meet:

- **Objective 1:** The currently-committed public infrastructure will not unlock the potential of the Old Oak North sites, and there is a risk that the wider potential economic opportunities brought by Old Oak Common Station will not be realised.
- **Objective 2:** There is a significant infrastructure burden that impacts the viability of all sites, which means that, without any intervention, development of scale will not happen and market failure will continue.
- **Objective 3:** Any development that does come forward will do so in a disconnected way. OPDC's influence over the adoption of 'good growth' principles will be limited to whatever it can exert through its role as planning authority.
- **Objective 4:** There will be a complete reliance on landowners and developers to obtain the funding needed to unlock the site; will not address market failure that development is financially unviable given the scale of infrastructure required or provide any confidence that the wider area will be regenerated.
- **CSF 3:** Without intervention in critical infrastructure and land assembly, it is highly unlikely that any significant development activity will take place in the next 2 years at Old Oak.
- **CSF 4:** Developers who are more familiar with and experienced in delivering the quality of placemaking envisioned at Old Oak in the Local Plan are unlikely to be attracted to developing at Old Oak without some unified development and infrastructure strategy. The land will continue to be in

fragmented ownership across several sites, creating significant barriers to the consolidation of a cohesive development platform.

- **CSF 6:** OPDC's ability to directly influence the pace and type of development is significantly limited to its role as planning authority; its ability to play a leadership 'guiding mind' role for the whole of Old Oak is likewise limited.

3.3.2 *Please provide a summary of the impact should funding not be received.*

6,000 characters

The lack of existing infrastructure and complex nature of the site mean that there is a significant gap between the cost of infrastructure required to unlock the site and available funding, including CIL, section 106, section 278 and HS2/TfL assurances and undertakings. It is expected that further receipts could be generated over time through potential mechanisms for land value capture and retention of uplift in business rates generated by the commercial development but still not at a level sufficient to address the infrastructure burden. While borrowing has been considered, this may be difficult against uncertain income streams and the long timescales mean that borrowing costs are unacceptably high in any event.

Discussions with HMT, MHCLG and DfT to date have failed to identify any other sources of central government funding that could be made available to OPDC. In discussion with the GLA, only a small amount of capital investment could be made available at this time. Discussions with TfL are ongoing regarding inclusion of transport infrastructure within their business plan, particularly in relation to stations, but this is likely to be longer-term as short-term constraints on funding are significant. This leaves borrowing as the only other option and this has been ruled out for the reasons stated above.

Through the planning process OPDC will secure infrastructure funding from CIL, section 106, section 278, and on-site direct-delivery, which will need to be balanced against the Mayor's affordable housing requirements. This approach will leave a shortfall in infrastructure funding needed to unlock development. OPDC is working with the public sector (TfL, GLA, DfT and HS2) to identify how public bodies could support delivery of infrastructure to deliver housing, affordable housing and jobs. Upfront infrastructure costs are significantly impacting OPDC's ability to kick-start development. HIF will be instrumental in addressing this challenge and in leveraging additional private and public funding.

4. Economic Case

4.1 Net Present Value (NPV) of housing benefits.

4.1.1 *Please provide the estimated NPV (in 2018/19 prices) of the additional housing benefits (as monetised using land value uplift) of the preferred option relative to the do-nothing option.*

£552,755,000 residential LVU, 2018 prices, 2018 values, additionality adjusted, net of do-nothing

4.1.2 *Please provide the estimated NPV (in 2018/19 prices) of the current use land value for the scheme overall (before additionality adjustments).*

£295,905,000 residential land existing use value, 2018 prices, and 2018 values

4.1.3 *Please provide the estimated NPV (in 2018/19 prices) of the site specific residential land value for the scheme overall (before additionality adjustments).*

£5,564,706,000 residential land gross development value for the scheme overall, 2018 prices, 2018 values

4.1.4 *Please provide the following details of residential land value calculation across all sites.*

Assumptions should be consistent with the guidance for completing the HIF economic case.

Residential Land Value Calculation Details	
GDV £11,282,193,693	• GDV is calculated on a plot-specific basis, and assumes 100% private residential sales along with income from commercial units • Affordable housing has been considered equal to 'open market' value • Residential sales values have been grown at 5.5% per year. This is supported by specific market data and analysis of regeneration schemes across London, as described in the financial case • Commercial values have been grown at approximately 5% per annum to 2021 and by 3.3% per annum thereafter
Build Costs £4,236,836,749	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions • A detailed cost plan for each individual plot has been prepared by AECOM • The build costs are calculated on the gross internal areas • Build costs are inflated by 2.0% in 2019, 2.6% in 2020, 3.0% in 2021 and 3.5% per annum thereafter • NB: Developers contingency has been included at 5% of total development cost

Externals
 	
£280,683,754
	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions
	• The cost plan prepared by AECOM provides a detailed breakdown of additional cost items included in the on-plot costs, these are:
	  • Transfer structures
	  • Vertical circulation
	  • External works (highways and landscaping)
	  • Decontamination
	  • Drainage
	  • Services

Professional Fees £423,683,675	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions • Professional fees are included at 10% of total development cost
Sales Costs £307,040,943	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions • Sales costs comprise 0.5% of net capital value as legal fees, and 1% of net capital value are agents fees

Finance Costs £1,265,004,867	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions • Finance costs are applied at 6% per annum
Developer profit £1,981,938,720	• Scheme specific information has been used instead of the MHCLG Land Value Estimate for Policy Appraisal (2017) general assumptions • A blended profit rate has been calculated on a plot basis by applying 8% on affordable residential units and 17.5% on private residential units • On public land, where 50% of the residential units will be affordable, a blended rate of 12.75% has been applied • On private land, where 35% of the residential units will be affordable, a blended rate of 14.18% has been applied • The profit is calculated as a percentage of Gross Development Value

4.1.5 *Please provide the additionality % assumed for the scheme*

90%

Additionality assumptions, covering both deadweight and displacement, are accounted for and applied to all benefit streams. Deadweight is addressed through the do-nothing option, which considers what development would still occur without the planned intervention.

Displacement is considered as a percentage assumption that is applied to all benefit streams. Specifically, it reduces the benefit stream by a certain percentage dependent upon the level of assumed displacement. Further detail on both the deadweight and displacement assumptions are provided below.

Deadweight

The do-nothing scenario models what development would still likely come forward in the absence of the HIF funding. The do-nothing is subtracted from the preferred option, to identify the net additional impact the Old Oak North programme would deliver, beyond what will happen regardless of the intervention. The do-nothing considers the first two phases of the programme: Wave 1: Old Oak North and Wave 2: Catalysed sites.

The housing, which comes forward in the Future Sites phase, is not quantified in the economic case. This is because the benefits associated with the Wave 3 sites are not fully attributable to the OON programme intervention, as the HS2 station will play an important role in unlocking these sites. Any positive impact that the OON programme may have on bringing these sites forward *earlier* than in the do-nothing scenario are addressed in section 4.5: Non-Monetised Impacts.

The residential provision in the do-nothing and Option 1 is set out below:

Do-Nothing

Wave 1: Old Oak North – 307 units

Wave 2: Catalysed Sites – 605 units

Wave 3: Future Sites – 3,270 units (not quantified)

Option 1 (gross)

Wave 1: Old Oak North – 7,670 units

Wave 2: Catalysed Sites – 2,178 units

Wave 3: Future Sites – 3,270 units (not quantified)

Other assumptions made in the do-nothing scenario include:

- No public funding would be required for any element of this scenario. The private sector would develop sites as and when they become commercially viable, however a large portion of the sites in the Old Oak North area and the Catalysed sites would not become viable due to the aforementioned site complexities (disparate land ownership, restricted accessibility, contamination and transport complexities such as major rail lines);
- The Powerday site would continue to provide an income to Network Rail, as it does presently;
- The minimal amount of affordable housing as required by the planning authority would be provided (35%);
- There would be limited public realm investment and any associated welfare benefits have not been quantified;
- OPDC's only role would be to act as the planning authority.

In the analysis, which follows, Option 1 is presented as net of the do-nothing scenario, thereby taking into account deadweight associated with the scheme.

Displacement

Displacement assumptions specific to each benefit stream are set out in more detail below:

Residential Land Value Uplift

A 10% displacement assumption is applied to residential LVU. While it is recognized that this figure is at the lower end of the residential displacement spectrum recommended to OPDC by GLA Economics, the rationale for this assumption is supported by several factors. Firstly, it reflects the scheme's central London location, where there are existing pressures to increase the overall housing supply, and in particular, affordable housing.

The London Housing Strategy (September 2017) confirms this, citing the ongoing 2017 Strategic Housing Market Assessment, which notes that "London will need to build substantially more new homes a year than the previous SHMA identified, and that around 50 per cent will need to be affordable." It notes that the capital was already falling 30,000 homes short per year according to the previous SHMA. This clearly demonstrates the existence of latent demand for housing in London, especially affordable housing. Significant latent demand implies that demand forthcoming at OON will not displace demand elsewhere in the area, or throughout the rest of London, perhaps even freeing up space for more productive uses elsewhere (which is not factored into the analysis as a positive benefit, as has been the case for some similar business cases).

The OPDC owned plots will deliver 50% affordable housing. When this is considered alongside the other sites in Wave 1, which will come forward through the private sector, this equates to 3,116 affordable units being delivered in Wave 1, or 41% affordable housing. The Green Book guidance, in addition to guidance received from GLA Economics specific to this bid, suggests that this level of affordable housing in a residential scheme merits a lower displacement assumption, given the latent demand for affordable housing in the capital.

The displacement assumption was also informed by considering how it may affect other sites coming forward within the three boroughs. Specifically, whether it would cause other schemes to be scaled down or blocked as a result of Old Oak North happening. It is unlikely that any other schemes in the surrounding local boroughs would be scaled down or blocked as a result of Old Oak North. This assumption supports a low level of displacement and is informed by the Deloitte Market Research Study produced for OPDC in July 2017. This report identified a trend of increase demand for housing in nearby areas including Park Royal, North Acton, White City, Ladbroke Grove, Kensal Green and Willesden/Harlesden over the last several years. It also identified a number of schemes, which already have planning consent and developers on-board. Given the known demand for housing not just in this area, but the city as a whole, it is unlikely that the homes in Old Oak North would prevent other schemes from coming forward.

The rationale set out above supports the 10% displacement assumption applied to residential LVU. This displacement assumption is tested in the sensitivity scenarios, recognizing the impact it has on the residential LVU benefit stream, specifically by estimating the switching value of residential LVU additionality (for NPV = 0).

Commercial Land Value Uplift

A 40% displacement assumption is applied to commercial LVU, suggesting that 60% would be additional. This assumption recognises that some level of displacement would likely occur. However, the rationale for assuming 40% is based on the specific characteristics of the commercial provision. The commercial space provided as part of the Old Oak North programme is targeting firms that can compete at the national level and can capitalise upon the HS2 and Crossrail connectivity from which the site will benefit. This provision will be only 40 minutes from Birmingham and an even shorter distance to central London. Therefore, it is differentiated from much of the current commercial provision that is more local in nature.

Social Housing Health Benefits

A 0% displacement assumption is applied to the health benefits of social housing. This assumption is informed by the same rationale, which supports a low displacement for the overall residential LVU: supply is currently not meeting demand for housing in London, particularly for affordable housing. There is latent demand for affordable housing, so it is assumed that any benefits stemming from the provision of affordable housing would be 100% additional.

Public Realm Welfare Benefits

A 15% displacement assumption is applied to the public realm welfare benefits. The public realm includes investment into green space and open space. The public realm investment is delivered in conjunction with the residential provision and similarly, would be unlikely to detract or prohibit additional public realm investment coming forward elsewhere given its link to the residential component. Additionally, this provision is part of a wider mixed-use scheme of national significance and therefore differentiated from similar local provision.

Community Infrastructure Level (CIL) and Stamp Duty Land Tax (SDLT):

A 15% displacement assumption has been applied to CIL and SDLT. This displacement assumption is a weighted average of the displacement assumed for the residential and commercial LVU (90% and 60%, respectively). Application of this displacement figure is in line with previous guidance received from MHCLG and DfT for other similar business cases, so this guidance has been followed to maintain consistency. It results in a more conservative estimate of this benefit stream.

4.1.6 *Please provide a detailed explanation of the method and assumptions underlying the estimates above, as outlined in the Economic Case guidance.*

20,000 characters

You may add attachments to support your explanations – please refer to these in your answer.

Note: Section 4.1 of the HIF template asks for the NPV of housing benefit – the values provided are the present value of benefits. NPV is an aggregate construct relative to all costs, so the individual benefit would be PV rather than NPV. It would not be possible to disaggregate all the costs and net them off for each respective benefit in isolation.

Residential LVU is the only benefit stream included under the ‘Housing Benefit’ heading. The health benefits of social housing are included under the ‘External Impacts of Additional Housing’ heading.

Residential LVU is calculated in accordance with MHCLG guidance and guidance received from MHCLG advising authorities and GLA Economics. The calculation is undertaken as follows:

> LVU = GDV – (Developer Costs, excl. payment to Govt for land but including CIL and SDLT elements + Developer Profit + Original Value)

A development appraisal was used to estimate the gross development value (GDV) as well as the developer costs. The developer costs include contingency and cover: build costs, external costs, professional fees, sales costs and finance costs. They have been provided in nominal terms and converted into real, 2018 prices in the economic case. More detail on the assumptions underpinning the figures calculated in the development appraisal are provided in Section 4.1.4.

As suggested by MHCLG advisors and in accordance with the LVU guidance, the affordable housing has been treated as private, for the purpose of the LVU calculation. As such, the GDV value assumed for the affordable units reflects the private sector price, rather than the affordable value. It should be noted that the GLA affordable housing grant has been accounted for as a cost to Government associated with the affordable housing provision.

The LVU calculation is undertaken over a time continuum rather than in a fixed year. The calculation stretches over the development period, with costs being accounted for in the year they occur, and GDV being realised incrementally as units are completed and go on the market. The original value of the land is accounted for in the year that the first tranche of GDV is realised.

It was agreed with MHCLG and advisors that in this case, CIL and SDLT are a transfer payment since they are developer contributions which are re-accruing to the public purse rather than going directly towards the cost of infrastructure as part of the scheme. While CIL and SDLT are subtracted from the LVU calculation as a cost to developers, they are added back in as a separate benefit stream to the public sector.

4.2 NPV of external impacts of additional housing

4.2.1 *Please provide the estimated NPV (in 2018/19 prices) of external impacts of additional housing from the preferred option relative to the do-nothing option.*

Type	Summary of Impact	NPV of Impact
Social Housing Benefit - Health	*Details provided in method below*	4,234,000
Total		

4.2.2 *Please provide a detailed explanation of the method and assumptions underlying these estimates, as outlined in the Economic Case guidance.*

20,000 characters

You may add attachments to support your explanations – please refer to these in your answer.

The health benefits of social housing are the only benefits considered in this section. The methodology to calculate this benefit follows the MHCLG guidance (The DCLG Appraisal Guide, December 2016), which suggests that one can measure the annual net savings on health costs due to the provision of affordable housing, which helps to alleviate overcrowding and rough sleeping. Based on an assumed £125 benefit per unit per annum and a planned number of 3,878 affordable units, an annual benefit of £0.49 million is realised once all units are completed. As explained in Section 4.1, this benefit is considered to have 0% displacement given the low supply of, and latent demand for, affordable housing in London.

The timing of this benefit is linked to the delivery of the housing units. The annual benefit builds gradually year-on-year until the full quantum of affordable housing units are delivered in 2038. It continues delivering the full annual benefit of £0.49 million for the remainder of the appraisal period.

4.3 NPV of infrastructure impacts

4.3.1 *Please provide the estimated NPV (in 2018/19 prices) of infrastructure impacts, and any other monetised impacts not captured above, from the preferred option relative to the do-nothing option.*

Type	Summary of Impact	NPV of Impact
Commercial LVU	*Details provided in method below*	£ 3,890,000
SDLT and CIL	*Details provided in method below*	£ 124,387,000
Public Realm Welfare Benefits	*Details provided in method below*	£ 4,265,000
Wider impacts – Residential LVU	*Details provided in method below*	£ 38,204,000
Wider impacts – Commercial LVU	*Details provided in method below*	£ 732,000
Total		

4.3.2 *Please provide a detailed explanation of the method and assumptions underlying these estimates, as outlined in the Economic Case guidance (including Annex A).*

20,000 characters

You may add attachments to support your explanations – please refer to these in your answer.

Five additional benefit streams are included within the infrastructure and wider monetised impacts section: commercial land value uplift, the return to public realm investments, SDLT and CIL, wider impacts – residential LVU and wider impacts – commercial LVU. Again, per the previous explanation, these represent PVB rather than NPV.

Commercial LVU

Commercial LVU is calculated following the same guidance and methodology as the residential LVU. The calculation is undertaken as follows:

> LVU = GDV – (Developer Costs, excl. payment to Govt for land but including CIL and SDLT elements + Developer Profit + Original Value)

A standard development appraisal was used to estimate the gross development value (GDV) as well as the developer costs. The developer costs include contingency and cover: build costs, external costs, professional fees, sales costs and finance costs. They have been provided in nominal terms and converted into real terms in the economic case.

The calculation itself is undertaken over a time continuum rather than in a fixed year. The calculation stretches over the development period, with costs being accounted for in the year they occur, and GDV being realised incrementally as units are completed and go on the market. The original value of the land is subtracted in the same year that the first tranche of GDV is realised.

CIL and SDLT

It was agreed with MHCLG and advisors that CIL and SDLT are a transfer payment since they are developer contributions, which are re-accruing to the public purse rather than going directly towards the cost of infrastructure as part of the scheme. While CIL and SDLT are subtracted from the LVU calculation as a cost to developers, they are added back in as a separate benefit stream to the public sector. This reflects the fact that part of the value created is captured in benefits to wider society. The value for this benefit stream is calculated in the development appraisal.

Public Realm Welfare Value

The welfare value of the public realm is calculated using the Outdoor Recreation Value (ORVal) Tool recommended in The Green Book (HM Treasury, 2018). This online application allows one to plot a new recreation site in its actual location on a map and estimates the visitation and welfare values that may be generated by the new greenspace in that particular location. The welfare values are derived from a Recreation Demand Model that sits behind the ORVal Tool. Further detail on the methodology underpinning the tool can be accessed in the Outdoor Recreation Valuation (ORVal) User Guide (Day, B. H., and G. Smith (2018). Outdoor Recreation Valuation (ORVal) User Guide: Version 2.0, Land, Environment, Economics and Policy (LEEP) Institute, Business School, University of Exeter).

Using ORVal, the welfare benefits of the new greenspace provided through the OON programme has been estimated. The provision amounts to a total of 7.8 hectares of new greenspace, including two new local parks (Old Oak North Park and Grand Union Canal Park) and the Birchwood Nature Reserve. The ORVal tool estimates that this new greenspace would support an annual welfare value of £540,176 and 179,200 visits annually, 32% of which would be new visits. The annual welfare value has therefore been apportioned to exclude new visitors, recognising that these benefits do not apply to new residents of OON.

It should be noted that this method has been used as per guidance received from MHCLG and advisors. A previously endorsed MHCLG methodology to calculate the return to public realm investment (Valuing the Benefits of Regeneration, Economics paper 7: Volume 1 – Final Report, CLG, 2010) was originally used, as it was recently accepted by Government on other similar business cases for major residential regeneration schemes in London. The return on public realm investment method returns a higher benefit, which is demonstrated in a sensitivity test in Section 4.6. Therefore, the approach taken in the base case yields a more conservative benefit estimate.

Wider Impacts – Residential LVU: This benefit stream relates to 10 sites on Scrubs Lane, which border the Old Oak North programme area. These sites currently hold planning consent for residential development, however, they have not come forward and are unlikely to without a catalyst shock. OPDC estimates that the Old Oak North programme would provide the necessary shock to market conditions to bring forward these sites, which would provide 2,178 units in gross terms and would not require any additional Government funding to come forward.

Given their dependency on the Old Oak North programme to come forward, the benefits associated with these units have been quantified using the residential LVU method. The methodology recognises that these units fall within a 'wider impacts' category, since they are sites outside the direct influence of the Old Oak North programme area. As such, a conservative approach has been taken to not include these within the core housing benefit calculation in Section 4.1.1.

The methodology used to calculate the Wider Impacts – Residential LVU follows the same LVU methodology outlined in Section 4.1.6.

The methodology used to calculate the Wider Impacts – Commercial LVU follows the same LVU methodology outlined at the beginning of this section.

4.4 NPV of scheme costs

4.4.1 Please provide the estimated NPV (in 18/19 prices) of infrastructure scheme costs (and revenues) as incurred by the following groups under the preferred option relative to the do-nothing option.

Type		Total Nominal Amount	NPV (18/19 prices)
HIF funding	Cost	250,000,000	204,859,000
	Revenue	-	-
Central Government	Cost	-	-
	Revenue	63,211,000	56,390,000
Local Authority	Cost	110,332,000	87,277,000
	Revenue	93,584,000	19,072,000
Other public sector	Cost	-	-
	Revenue	-	-
Private Sector (not developer contributions)	Cost	-	-
	Revenue	6,385,000	3,570,000
Private Sector (developer contributions)	Cost	1,083,299,000	712,192,000
	Revenue	-	-

REAL NET PRESENT PUBLIC SECTOR COST	These will be calculated from numbers provided above
REAL NET PRESENT PRIVATE SECTOR COST	These will be calculated from numbers provided above

4.4.2 *Please provide a detailed explanation of the method and assumptions underlying all estimated costs, as outlined in the Economic Case guidance.*

20,000 characters

You may add attachments to support your explanations – please refer to these in your answer.

The costs and income quoted above have been estimated in the financial cashflow model. These costs are fed through the economic model in nominal, non-discounted terms. The economic model then discounts these costs to the year 2018 and converts them to real 2018 prices.

Further detail is provided below on each cost and revenue category. Additional detail can also be found in section 6.2.4 of the Financial Case. Although there may be some discrepancies between economic case and financial case values, the analysis is fully consistent and any difference is accounted for by the specific treatments required of the economic case per HMT Green Book.

HIF Funding

The HIF funding cost is £250 million. This funding will go towards the early land acquisition (£121 million) and the early infrastructure (£129 million). These costs include contingency and this ask is recognised as a fixed funding amount.

Central Government

There are no additional costs borne by Central Government associated with this scheme. The remainder of the public sector costs correspond to Local Government.

UK Central Government would however receive a transfer payment from the initial land acquisition. Several of the plots that OPCD will acquire and consolidate will be acquired from the public sector, and the receipts for these purchases have been included as income to Government. This includes the GLA purchase of the Powerday site, which is currently owned by Network Rail.

Given the signed memorandum of understanding (MoU) which is already in place for this land to be used by OPDC, there is no opportunity cost to Government for transferring this land rather than selling to the private sector. The MoU therefore removes the possibility that this land could be sold to the private sector. The price OPCD pays for the land is therefore recognised as a transfer payment and accounted for as income to Central Government in the nominal amount of £63,211,000.

Local Authority

The cost to the Local Authority comprises four different costs, which correspond to three different local government organisations.

1. GLA: The costs borne by the GLA include the nominal £25 million paid for the acquisition of the Powerday Site and the affordable housing grant funding (a nominal total of £54 million).
2. Transport for London: Transport for London will bear the nominal cost of £9 million to be used for the design and construction of the Hybrid Bridge/Pedestrian Link.
3. OPDC: The development corporation will incur running costs as an organisation throughout delivery of the Preferred Option. These costs are treated as revenue costs and estimated to be in the region of a nominal £22 million.

The Local Authority will also receive two revenue streams, which will flow to the GLA. These include the nominal £2 million per annum revenue that Powerday will pay upon acquisition by the GLA as well as the ESCO/IDNO revenue (a nominal total of £40 million over eight years beginning 2023), which will flow to GLA upon completion of the energy centre.

Private Sector

The private sector will assume a nominal cost of £1,083 million. These include the costs that Cargiant will incur to develop their site and the cost that other private sector actors pay to acquire the land from OPDC to develop.

4.5 Non-monetised impacts

4.5.1 Are there any impacts it is not feasible, or proportionate, to monetise? Yes/No?

Yes.

4.5.2 If 'Yes', please provide details, including an indicative scale of impact and why these have not been monetised.

20,000 characters

Non-monetary criteria have been defined below and each has been weighted according to their relative importance in achieving the objective of the project.

Weighting and Scoring

The list below identifies the criteria used to assess the non-monetary benefits of the short-listed options and provides a weighting and rationale for each. Both the weighting and scoring of these benefits relative to the options were undertaken jointly by OPDC and Deloitte.

A. A nationally exemplar new community – 20% weighting

This criterion relates to the ability of OPDC to capitalise upon its leadership position and decision-making control within the Old Oak North programme in order to incorporate policy and delivery innovation into the scheme.

Specifically, with greater control over decision-making, OPDC can embed the principles of sustainable and smart city development into the programme. This would range from the quality of the public realm and community spaces, to high density residential and the way in which the development fully takes advantage of the HS2 and Crossrail connectivity benefits. Similarly, with control over decision making in the delivery phase, exemplar procurement practices can be incorporated in areas relating to supply chain diversification and incorporation of SMEs.

This criterion cannot be monetised since it relates to the degree of influence and leadership position that OPDC assumes in each shortlisted option.

B. Market confidence and momentum – 20% weighting

This criterion relates to the extent to which the infrastructure delivered through Wave 1 can sufficiently generate market confidence in the site and open-up commercial opportunities that can be acted upon in the short-term. This reflects a significant benefit of the programme, which is the potential it creates to catalyse development in the near term for the Car Giant site as well as the Wave 2 catalysed sites, which would otherwise be unattractive to the private sector.

The extent to which this programme can act as a catalyst for the wider area is partly one of timing – if the HIF investment allows the private sector to invest in the short-term in both Wave 1 and Wave 2, it will serve as a successful catalyst for additional investment and provide certainty of delivery. Minimising the time it takes to build market confidence and to leverage in private investment will also be an important factor in helping to bring forward the Wave 3 Future Sites sooner than in the do-nothing scenario. This will ensure there is a critical mass of mixed-use development in place around the HS2 station upon opening, thereby fully capturing the benefits of the transport connections from day one.

This benefit also relates to the potential to positively impact on the land values and property markets beyond the area of OON itself. The surrounding area reaching into Harlesden and Willesden, for example, would likely see land value uplift resulting from the investment into Old Oak North.

It is not feasible to measure this benefit, partly because it considers market confidence and the opening up of commercial opportunities in a qualitative fashion. The likely benefits that OON will support in helping to bring forward the Wave 3 sites sooner than in the do-nothing have not been quantified, since it is recognised that OON is an important factor but not the only factor responsible for the development of these sites. It would be inaccurate to apportion these benefits to the OON programme.

C. Housing delivery: quality and diversity of tenure – 20%

This criterion relates to the quality and diversity of tenure of the housing delivered through the OON programme. The total quantum of housing delivered is a benefit quantified using the LVU methodology, as are the health benefits of affordable housing. However, this non-monetised benefit considers the quality of the housing development delivered and the diversity of tenure that would be achieved under the OON programme. The leadership role and decision making control that OPDC will retain in Option 1 will allow them to deliver high quality residential that is part of a wider scheme that has been designed and coordinated to a very high standard, which maximises local transport connections and opens the sites to the wider area. The

OON programme would also facilitate the delivery of 50% affordable housing on the OPDC acquired sites in Wave 1. This proportion of affordable housing exceeds the minimum required by planning and would not be achieved in the do-nothing scenario.

D. Regeneration and community building – 20% weighting

This criterion relates to the fact that the programme itself has the potential to not just unlock surrounding sites by making them more attractive to the private sector, but also to support the social, economic and physical regeneration of wider areas such as Harlesden and Park Royal.

There are specific ways in which the development can address the social regeneration issues of social exclusion, public safety and local connectivity through elements of the public realm and wider infrastructure design and delivery. For example, the Green Bridge will create new access to Wormwood Scrubs park and recreational space, which was previously inaccessible from the site. Physical regeneration will be supported in part by the delivery of a new town centre as well as leisure and community space that will be accessible to all communities.

Economic regeneration can also be supported through the new jobs that would be supported in the commercial elements of the programme, the quality of these jobs, and the employment opportunities that can be captured by local residents. The extent to which OPDC can retain a leadership position in shaping the nature and quality of these jobs will greatly affect the extent to which this benefit is realised.

It is not feasible to quantify this benefit given the wide range of regeneration outcomes and impacts, which could be supported by the programme.

E. Sustainability – 20% weighting

This criterion relates to the potential of the option to deliver environmental sustainability benefits through specific planned initiatives aimed at improving environmental outcomes and standards. Specifically, low-carbon initiatives and improvements to air quality. In addition, the sustainability criterion includes the provision of area wide utilities, reduction of noise pollution and the delivery of healthy streets for residents and visitors alike. It supports the investment objectives and CSF related to creating a community rooted in ‘good growth’ that supports local and national policy.

Results of Weighting and Scoring

The potential for each of the short-listed options to deliver these non-monetised benefits was assessed using a scoring framework. Each option has been scored according to the degree to which it satisfies each criterion on a scale of one to five (where one denotes a low score and five denotes a high score). Weighted scores have then been calculated and the options ranked accordingly.

The table below profiles each of the options against the non-monetary criteria and provides a total weighted score for each shortlisted option.

Each of the criteria has been assigned a weighting, which reflects the relative emphasis that is placed on each criterion. Each option is then scored against each of the five criteria. The maximum, non-weighted score for each criterion is 5. Multiplying this by the weighting of each criteria then yields the maximum weighted score. For example, the weighting for Criterion A is 20%, so the maximum weighted score for this criterion is 20% x 5, or 1.

The weighted score against each criterion for the options and the scoring justification is provided in the Attachment 4.5.

Commentary on the Non-Monetary Analysis

Criterion A – A Nationally Exemplar New Community

This criterion is concerned with the ability of an option to deliver a nationally exemplar new community, which has policy and delivery innovation embedded in its core. Such a development would have high quality public realm and community spaces, high density residential and a design, which fully maximises the benefits of the nearby transport links.

The preferred option scores highest since OPDC retains most control over decision-making of all aspects of the project lifecycle. It is likely OPDC would use a development agreement to control the desired level of quality and design of the project. Similarly, OPDC would retain the position as an intelligent client for any infrastructure delivery partner hired, allowing it control over how contracts are delivered.

Option 2 scores second lowest since OPDC would have minimal control over the development that would come forward since it would only deliver the road infrastructure. Although there would be no land acquisition, there is a possibility they could extract concessions from individual landowners through provision of the road. For this reason, Option 2 scores slightly above the do-nothing.

The Do Nothing option scores lowest since OPDC's only control over the development of the programme area would be as a planning authority. This option would provide little certainty that this would lead to a coordinated, nationally exemplar development.

Criterion B – Market Confidence and Momentum

This criterion relates to the potential of the programme to build market confidence, maximise attractiveness to development and infrastructure markets and act as a catalyst for wider investment into both Old Oak as well as surrounding sites.

The preferred option scores the highest on this criterion. The Old Oak North programme has been designed to deliver the precise amount of development using public funding to serve as a tipping point, which will unlock private sector investment in the Wave 1 and Wave 2 sites. The sites brought forward by the initial HIF funding would therefore act as catalysts not only by unlocking the Wave 2 sites which otherwise would not come forward, but also by likely supporting the Wave 3 sites to come forward sooner than they would in absence of the intervention.

Option 2 scores second lowest against this criterion because it does not provide a sufficient level of development to make sites in the Wave 1 OON area viable. It would also fail to provide enough of a catalytic impact to bring forward the Wave 2 sites and would unlikely support the earlier delivery of Wave 3. While the road will help improve access, it will not be a large enough intervention to address the market failure and alleviate the site complexities, which are preventing the private sector from investing. These complexities include fragmented land ownership and technical complexities, such as contamination, level changes and multiple crisscrossing rail lines.

The do-nothing option scores the lowest against this criterion because it would not provide any catalytic force to kick-start the area's regeneration. The opening of the HS2 station in 2026 is the only major catalytic event known to date that may unlock development in the area. In this scenario, it would be unlikely that there would be a critical mass of development and economic activity surrounding the station upon opening, which would not maximise the benefits of the station from day one. While the Wave 3 sites may still come forward, they will come forward at a later date under this scenario and there would be no certainty as to if or when the Wave 1 or Wave 2 sites would come forward.

Criterion C – Housing Delivery

This criterion relates to the extent to which a greater diversity of housing tenure could be achieved, as well as the quality of the residential development provided.

The preferred option scores the highest against this criterion since it would support the maximum diversity of tenure in housing delivery. 50% affordable housing would be delivered on OPDC owned sites. Under this option, OPDC would maintain control over decision-making and would therefore have the control to ensure the high design standards to which they aspire are achieved. This would entail developers following design guidelines in order to create a high quality sense of place in the residential environment.

Option 2 and the do-nothing tie for the lowest score against this criterion. Neither of these options would create the opportunity for OPDC to maximise the diversity of tenure. It is most likely that the minimum amount of affordable housing would be delivered as and when individual plots are brought forward. Under these scenarios, the only power and ability to influence the development that OPDC would have under these scenarios are those of a planning body. They would be unable to put in place measures such as the design agreement or to exceed minimum requirements in relation to affordable housing or quality of provision.

Criterion D – Regeneration and Community Building

This criterion relates to the potential of the project to support the social, physical and economic regeneration of not just the scheme area, but also the surrounding neighbourhoods such as Harlesden and Park Royal.

The preferred option scores highest against this criterion because the leadership position OPDC would retain would allow the organisation to ensure high quality design and placemaking in the physical aspects of the development. It would also have control to shape the quality of the jobs targeted for the commercial space and to ensure provisions are in place that would facilitate local residents having maximum access to these employment opportunities.

Furthermore, OPDC's leadership position would allow them to develop an integrated, site wide approach to community development, including the provision of a super nursery, sport facilities and other community spaces. The pedestrian bridges included within this option would provide access to and open up OON to neighbouring areas such as Harlesden and Willesden, which have historically struggled with pockets of deprivation. The road would help improve east-west connectivity and bus movements, providing better accessibility through the site for surrounding communities.

Option 2 scores second lowest against this criterion since it does not provide the opportunity to maximise the regeneration impact of the programme. It would not allow for a coordinated approach to delivery of high quality public realm that connects the development to surrounding area. It would also fail to provide any certainty around the type, quality and quantum of new jobs in the area. Community planning, placemaking and infrastructure development would occur in a piecemeal way, if at all. While the road would provide a link across a number of sites with multiple landowners, it would offer the potential to become the backbone of a new community. The road itself would provide improved east-west connectivity to an area, which is currently restricted.

The do-nothing option scores lowest because it provides no additional benefits towards regeneration and community building in the area. Any benefits realised would occur in a piecemeal fashion and without any certainty in the immediate term. Isolated development near the station may occur, but there would be no large-scale cohesive development, leaving local plan aspirations unmet.

Criterion E – Sustainability

This criterion relates to the potential of the option to deliver environmental sustainability benefits through specific planned initiatives aimed at improving environmental outcomes and standards.

The preferred option scores highest against this criterion. The OON programme would see a holistic site-wide approach to all environmental considerations. In addition to the delivery of a site wide energy centre supported directly through HIF funding, wider environmental considerations would be articulated in a sustainable drainage strategy and an integrated water management strategy.

Option 2 and the do-nothing tie for the lowest score in relation to delivering any sustainability related non-market benefits. Option 2 would see the delivery of the spine road with no wider interventions. Given OPDC's lack of leadership role in this option, as well as the do-nothing, there is little to no scope for the organisation to embed sustainable development or climate change mitigation initiatives into the development that comes forward on the individual sites in a piecemeal fashion.

Conclusion

The weighting and scoring approach of each option against the defined non-monetary criteria indicates that the Preferred Option scores highest with a weighted scored of 4.6 out of a possible 5 across all categories. This is higher than the other two options and demonstrates the large scale of non-monetary impact that the Old Oak North programme is likely to have at both a UK and local level.

4.6 Sensitivity Analysis

4.6.1 Please describe sensitivity analysis conducted (if not covered above).

10,000 characters

Sensitivity testing has been conducted on the Old Oak North Preferred Option. These tests focus on the key benefit streams and assumptions, which have the largest impact on the scheme's NPV.

All sensitivities are performed on Option 1, net of the do-nothing.

The analysis considers the impact that the sensitivities have on the following metrics:

- Present value benefits (PVB),
- Gross cost to Government,
- Net present value (NPV)
- Gross value for money (VfM) metric: calculated as NPV / gross cost to Government
- Net VfM metric: calculated as NPV/net cost to Government

The VfM metric is calculated in line with previous guidance received from MHCLG. This metric differs from DfT's preferred BCR calculated as PVB / PVC (cost to Government), which would result in a metric one unit higher. The net cost to Government considers income that flows back to Government and is therefore lower than the gross cost.

The economic case considers five sensitivity tests for the preferred option:

1. Optimism bias: this sensitivity assumes an optimism bias of 66% on capital costs (excluding HIF) rather than 44%
2. Residential LVU breakeven value: the switching value test identifies the lowest level of additionality that can be assumed on residential LVU for the NPV to equal 0 with other assumptions, costs and benefits held constant

3. Wider benefits: assumes 0% additionality for the public realm benefits as well as the wider benefit commercial and residential LVU. This sensitivity effectively eliminates these benefit streams from the total net present benefits figure
4. Housing growth: assumes 4.5% residential growth rather than 5.5% assumed in the base case
5. Public realm: uses the alternative, older MHCLG methodology to calculate the return on public realm investment. This is a positive sensitivity, which illustrates the impact that the change in methodology has in uplifting the benefits associated with the public realm.

Optimism Bias

This sensitivity test increases the optimism bias on capital costs from 44% to 66%. This results in increases in the costs to TfL and the GLA. Although the HIF ask is considered a capital cost to Government, optimism bias is not applied since it is a fixed funding ask. The OPCD on-going management costs are a revenue cost to which optimism bias is not applied.

The impact of this sensitivity is to increase gross cost to Government from £323 million in the preferred option base case to £339 million. While the benefits remain the same, the NPV of the scheme falls from £405 million to £390 million. [redacted]

Residential LVU Breakeven Value

This sensitivity test identifies the lowest additionality assumption that can be applied to the residential LVU benefit stream before the NPV equals zero. In other words, it identifies the minimum amount of residential LVU that must be additional in order for the project to deliver a positive NPV, assuming all else remains equal.

The Old Oak North programme will deliver a positive NPV as long as a minimum of 35% of the residential LVU is additional. Expressed in a different way, up to 65% of the residential LVU could be displaced before the project no longer delivers positive net benefits. Assuming 35% additionality on residential LVU would cause this component of the benefit stream to fall from £573 million to £220 million. This would lead to a decrease in total PVB from £728 million to £324 million and an NPV equal to 0.

Wider Benefits

This sensitivity penalises aggregate PVB by excluding the wider benefits associated with residential and commercial LVU from Wave 2, as well as the public realm welfare value. The purpose of this sensitivity is to understand how the scheme would perform if the Wave 2 site benefits do not come forward, since there is less certainty around these sites than those in Wave 1. Eliminating the public realm benefits further penalises the PVB, therefore only considering benefits associated with the core LVU delivered through the Wave 1 sites, the social housing health benefits and CIL/ SDLT.

Eliminating the LVU associated with the Wave 2 site and the public realm welfare value causes a drop in PVB from £728 million to £685 million and a fall in NPV from £405 million to £362 million. Without these benefits the scheme still delivers value for money, since marginal benefits still outweigh marginal costs. [redacted]

Housing Growth

This sensitivity assesses what the impact would be if residential growth is less than expected – 4.5% rather than 5.5%. This impact affects the residential LVU calculations, causing the core housing benefit to drop from £553 million in the base case to £268 million. The residential LVU stemming from the Wave 2 sites would also fall from £38 million to £1 million, leading to an overall drop in PVB from £728 million to £384 million. The scheme's NPV would fall from £405 million to £60 million. [redacted]

Public Realm

This is a positive sensitivity, which considers the impact of using an alternative methodology to assess the benefits associated with the public realm investment. In the base case, the public realm welfare value is calculated using the ORVal tool and apportioned to exclude new residents of the OON area. This yields associated benefits of £4 million.

The alternative MHCLG method differs in that it considers the return on the public realm investment itself. Applying a conservative multiplier of 0.9 to the total public realm investment of £7 million yields an annual benefit of £6 million. This benefit is realised incrementally until the full public realm investment has been completed in 2026, and then reoccurs annually for the remainder of the appraisal period. This method would suggest that benefits associated with scheme's public realm provision could be as high as £69 million, increasing the scheme's NPV from £405 million to £470 million. [redacted]

Transport Impacts

This sensitivity includes a preliminary quantification and transport appraisal of the transport dis-benefits, which was undertaken by Steer Group on behalf of OPDC. This appraisal responds to comments received from DfT via MHCLG's advisors. Further detail on OPDC's response to these comments and work done to-date is included in Attachment 4.6a.

This is a preliminary calculation based on the 2038 Old Oak strategic transport model. This modelling is based on the Local Plan development scheme, which includes a much higher level of development than that which comprises the OON scheme and was used for the purpose of producing an estimate in a short period of time. There are therefore several important caveats cited below, which indicate that the dis-benefit quantification is likely to be overestimated:

- This model calculates the transport impact of all development delivered during the Local Plan Period, which includes approximately 20,000 additional homes. This scale of development is 124% greater than the units delivered in Waves 1 and 2 of the OON programme (8,936 additional homes);
- The model also includes significant levels of new employment, retail and leisure activity, which is greater than the small amount of commercial delivered in Waves 1 and 2 of OON;
- The calculation currently accounts for the dis-benefit accruing to both existing residents and new residents, while it should only take into account the dis-benefit to existing residents.
- The model assumes a greater percentage of vehicle trips from residential units than is accurate for the OON development only (24% compared with 11.5%)

Additional methodological details of the dis-benefit calculation can be found in Attachment 4.6b.

The preliminary calculation, which is recognised as overestimating the dis-benefit, suggests an annual value of £19 million. Manual adjustments have been made to align this figure more closely to the OON housing unit figure (a 55% reduction) and to account only for the existing users (a 50% reduction). These adjustments are high-level, and used in absence of more detailed transport TUBA appraisal of the transport costs, which it was not feasible to undertake in the given timescales. Incorporating the adjusted figure into the economic case yields a total dis-benefit of £49 million in discounted, 2018 prices, over the lifetime of the appraisal period. The preferred option NPV would drop from £728 million to £679 million, [redacted]

4.7 Optimism Bias

4.7.1 Please describe how optimism bias has been applied in line with HMT Green Book (and where relevant DfT WebTAG) guidance (if not covered above).

10,000 characters

An optimism bias of 44% has been applied to all capital costs to Government in the Economic Case, with the exception of the HIF funding. Optimism bias has not been applied to the HIF funding in accordance with guidance received from GLA Economics and MHCLG advisors. This guidance suggested that since OPDC's £250 million HIF ask includes contingency allowances (our analysis has included contingency of 66% or 44% for different infrastructure items), the 44% optimism bias should not be applied, recognising that HIF is a fixed funding amount and therefore any cost overruns will need to be met by other project partners.

The 44% optimism bias was calculated in line with the Green Book Guidance, which suggests a range of between 15% and 66%, depending upon the complexity of the infrastructure being delivered. The chosen rate of 44% is the weighted average of the optimism bias for each respective infrastructure element, which vary in complexity.

4.8 Risk analysis

4.8.1 Please describe how risk has been assessed and appraised in line with HMT Green Book guidance (if not covered above).

10,000 characters

Risks that could impact delivery of the Old Oak Northern Programme are considered below for Option 1, Option 2 and the do-nothing. The following risks have been identified, grouped under category headings and described in detail below:

Delivery

Challenges to land assembly: Land will need to be acquired by either MoU or CPO in Option 1 and the level of risk increases with the greater amount of land that is held privately. Difficulties in land assembly could lead to overall programme delivery delay and complications. This would impact upon the critical success factor that the programme allows for activity to commence within the next 2 years. There would be less land acquisition required in Option 2 and the do-nothing, significantly lowering this risk for these two options.

Lack of stakeholder coordination and wider Government support for the scheme: There is a risk for Option 1 that key stakeholders challenge or do not support a particular option. This relates to land owners, neighbouring landowners, local authorities, Government departments, business and community. However, this risk is assessed as higher for Option 2: while it does not bear the same risk to stakeholder coordination since there is minimal coordination required, it would be unlikely to garner support from Government since delivering just the spine road will not maximise the regeneration and economic development opportunity at Old Oak. The do-nothing does not carry a great risk in relation to stakeholder coordination or garnering Government support since the sites would be left to come forward individually and without any Government funding or coordination support.

Delays to design and town planning consent: Planning certainty decreases as the options become larger and more complex. While the do-nothing has the lowest level of risks, Option 2 and Option 1 increase in risk, respectively. The impact of this risk also becomes more significant in Option 2 and Option 1, since delays in planning will erode the time benefits of these options bringing forward housing and wider benefits sooner than if no intervention occurs.

The Local Authority will seek to achieve maximum benefits through redevelopment and will favour more comprehensive solutions rather than segmented ones. Delays in the planning and design process would delay the wider programme and cause difficulties in building momentum and attracting investment in the short term. For this reason, the impact of this risk also increases with the project complexity and risk likelihood.

Inadequate market appetite to deliver desired programme: OPDC is hoping to attract the right supply chain delivery partners that will enable the delivery of a high quality, nationally exemplar new development. There is a risk that Option 1 fails to attract the desired delivery partners due to its size, scale and/or potential financial returns. However, Option 1 has been designed with a Strategic Objective of delivering a programme that is attractive to the market, thereby addressing the site's market failure. At present, the site comprised of multiple landowners and other complexities such as contamination and connectivity challenges, is not attractive to be developed by the market. For this reason, this risk is assessed as highest for the do-nothing scenario, since no intervention would occur to fix this market failure. Option 2 is assessed at a similar risk level to the do-nothing, since the spine road is unlikely to be a large enough intervention to address the market failure and make the sites viable for the private sector to bring forward.

Operational and reputational risks to OPDC: OPDC's leadership role in delivering Option 1 will require resource, specialist skills and funding from the organisation. There is an operational risk related to the demands that this puts on the organisation, which will increase with the complexity of each option.

The operational risk to OPDC and the public sector is accompanied by the reputational risk that the public sector acquires land, however development plans do not materialise as expected and the full range of expected benefits are not realised. This relates to the objective of capitalising upon the £1 billion+ capital infrastructure investment already committed to the area, as well as the CSF that OPDC has the ability to provide sufficient leadership and certainty to influence the rate, quantum, type and quality of development that comes forward. Option 2 and the do-nothing carry a different reputation risk to OPDC: in these options, OPDC would fall short in meeting expectations as a Mayoral Development Corporation, to harness and maximise the regeneration potential of Old Oak and the HS2 station.

Finance

Lack of available public sector funding: This risk relates to the inability to secure the quantum of public sector funding necessary to enable the development to proceed. This risk could impact upon quality and characteristics of the programme that is ultimately delivered and directly relates to the critical success factor of the programme being affordable in terms of funding availability. Option 1 and Option 2 carry the same level of risk associated with securing public sector funding, since neither option would be feasible without it. This risk is much lower in the do-nothing scenario since it would be left to the private sector to bring forward when it becomes viable to the market.

Failure to generate the anticipated financial returns for the public sector: There is a risk that the programme will not deliver the capital and revenue expected. This could be caused by a variety of factors, ranging from the strength of the residential market to wider macro-economic factors. The impact of this risk would affect OPDC and potentially other public sector bodies to the extent that they are financially exposed. It would also affect OPDC's ability to proceed with additional pieces of infrastructure whose funding relies on future receipts. This risk is assessed as highest for Option 1 and minimal for Option 2 and the do-nothing, which do not include any anticipated financial returns to the public sector.

Failure to provide sufficient public sector intervention (Phase 1A) in order to ensure viability of the potential private sector-led development in the near-term (Phase 1B): Financial analysis suggests that Cargiant (Phase 1B) is only viable in the near-term through the Phase 1A intervention in Option 1. This option thus provides greater resiliency and certainty for the overall Old Oak North programme and therefore carries the lowest likelihood of putting the viability of Cargiant (Phase 1B) at risk. Options 2 and the do-nothing are assessed as having a higher risk in this category, since neither option would provide enough confidence and momentum to the market to make the private sector land viable. In other words, it is highly unlikely that Cargiant (Phase 1B) would come forward under Option 2 and the do-nothing.

Community and Regeneration

Failure to deliver high quality public realm and housing: There is a risk that the programme delivers sub-optimal quality, design and sustainability principles in the public realm as well as residential elements of the scheme. This risk is affected by the scale of delivery, the leadership role assumed by OPDC and the coordination and control that can be achieved amongst all delivery partners. This risk is assessed as highest for Option 2 and the do-nothing, since OPDC would have the least amount of control in these options to ensure the high standard and quality of public realm and housing delivery. This risk is lowest in Option 1 since OPDC would maintain control and use a contractually binding developer agreement to ensure the delivery of these project objectives.

Missed opportunity to stimulate wider social and economic regeneration: This risk relates to the ability of each option to contribute to the strategic objective of unlocking wider regeneration both in Old Oak as well as the communities such as Harlesden and Willesden. The regeneration vision encompasses social, physical and economic regeneration, relating to affordable housing, community uses, the creation of quality jobs and the physical connections to open a link between the development and communities to the north.

This risk is assessed as highest in the do-nothing option and lowest in Option 1. Option 1 presents the opportunity to maximise the regeneration opportunity at Old Oak and allows OPDC to maintain a leadership role and control over the quality and coordination of delivery. The do-nothing option would likely cause the sites in the area to come forward in a piecemeal fashion and at a later date, which would undermine its ability to maximise the opportunity to create critical mass of economic activity around the HS2 station when it opens.

This risk would impact upon the objectives of unlocking wider regeneration as well as facilitating future growth and sustainable economic activity in surrounding areas of Old Oak South, Park Royal and Willesden.

Conclusion of Risk Scoring

The preferred option scores second highest against the ten risks assessed (please refer to Attachment 4.8 for further details). The highest risks for this option are associated with delivery, since it is the most complex scheme of the options assessed. It is considered however that these risks can be managed through effective mitigation actions.

The preferred option is less risky compared to Option 2 in financial terms because it would deliver enough of a catalyst to make the sites in phase 1B and Wave 2 viable to the private sector in the short term, something that is not achieved with just the construction of the spine road in Option 2. Similarly, the preferred option would provide more assurance that the community and regeneration benefits would be realised, whereas these are less likely to materialise with the minimal intervention proposed in Option 2.

4.9 Supporting Material and Additional Economic considerations

4.9.1 Please provide any other information not covered above to support the economic case

10,000 characters

Conclusions

Based on the analysis set out in the Economic Case, OPDC has selected Option 1 as its preferred option for the Old Oak North programme. This option produces the highest economic benefits, as well as having the greatest potential to maximise (non-monetised) wider economic benefits. Of the options, it has the greatest chance of achieving the wide range of project objectives, and is in line with broader local and national housing, regeneration and economic development policy objectives and critical success factors.

Specifically referring to the monetary and non-monetary analysis, Option 1 delivers a NPV of £405 million, compared to £66 million in the do-nothing. While the delivery risks are higher in Option 1, due to the complexity of the scheme, careful mitigation will minimise the likelihood of these risks and their impacts on a successful delivery.

The market would not provide the quantity, quality, density and timings for the residential community the Old Oak North programme proposes. Without the OON programme, there is no guarantee as to when the Wave 1 and Wave 2 sites would become commercially viable to the private sector. The do-nothing option would fail to provide any regeneration catalyst to the area and the opportunity to unlock housing on one of London's most important strategic regeneration sites.

4.9.2 *Please attach all economic modelling done as part of the economic case.*

[redacted]

4.9.3 ***<u>SCHEMES WITH TRANSPORT IMPACTS</u> - For any transport modelling conducted, please refer to Annex B of the guidance and attach.***

5. Commercial Case

5.1 Market Analysis

5.1.1 Please provide details of how the proposed scheme fits with the local housing market and with local demand. Please provide supporting evidence of relevant value assumptions in the area, including:

- **trends and patterns in the local housing market**
- **market absorption and sales rates**
- **average house prices and comparables**
- **local demographics**

8,000 characters

Attachments can be added

Over the last 15 years, there has been a clear east-west divide in the number of new dwellings built across London, with a significant number of new units built from the City eastwards in comparison to West London. Some wards in the OPDC local area have actually seen a net decrease in housing stock, a trend rarely seen in London and highlighting the pressing need for regeneration. However, the core area of the proposed OON scheme is currently industrial in nature and so there is a limited existing housing market in the immediate site area. A key objective of the scheme will be not only to provide the physical infrastructure that facilitates the delivery of new communities, but also to create a sense of 'place' so that Old Oak becomes somewhere that people choose to live, work and spend their leisure time.

The SHMA from 2016 identified a total need for 99,000 homes in the Old Oak Local Plan area over the next 20 years, including 44,400 affordable homes. The proposed acquisition of land and the direct delivery of infrastructure will help ensure 58 hectares of brownfield land is brought forward by the public and private sector for mixed use, high-density residential development. The redevelopment of this land will help enhance the quality, certainty and speed of delivery of over 13,100 homes. Delivery of this amount of housing equates to 51% of the overall housing potential within the OPDC area. It also equates to meeting over 13% of the 99,000 overall housing need within the OPDC's wider housing market assessment area.

OPDC has gathered a wealth of analysis on the local area, which has fed into the Local Plan. This has enabled OPDC to build a deep understanding of local communities and housing market as summarised below:

<u>Local demographics and housing provision</u>

Cultural diversity - The OPDC area, (including some areas outside of, but immediately adjacent to, the OPDC administrative boundary) includes a series of culturally rich and diverse local communities, with particularly prominent African, Caribbean and Asian communities. However, it also contains some of the most deprived areas in the country and is disadvantaged across a number of different socio-economic measures when compared to the Greater London area. Refer to Attachment 5.1.

Deprivation - The local area contains a number of LSOAs within the 10% most deprived nationally, primarily in locations such as Harlesden and Stonebridge. Deprivation is most pronounced in levels of income and employment, education, health and access to housing and services.

Household income - Household incomes in the area are lower by around one-quarter when compared to London wide incomes, despite having experienced similar growth in incomes over the past decade. The median household income of the OPDC area is £29,927, compared to £39,100 across London.

Employment - Residents in the OPDC area are less likely to be economically active, with 67.8% of residents economically active compared to 71.7% across London. Residents are also more likely to be long term unemployed, with 2.8% of residents in long term unemployment compared to the London average of 2%.

Education - Local residents are less likely to have a degree level qualification, with 31.1% of residents having a Level 4 or higher qualification, compared to 37.7% across London. There is also a higher proportion of residents with no qualification (21%) compared to the London average (17.6%).

Health - The health of the community in the OPDC area is below London average levels with higher rates of disability, long-term health problems and childhood obesity. The life expectancy for a male in the OPDC area is 76.6 years - 3 years shorter than the average life expectancy across London. The local population is also younger than the London average, with a lower share of people aged 60 years or older.

Home ownership - Residents in the local area are less likely to own their own home and more likely to socially rent. 46.7% of households in the OPDC area are socially rented, compared to 23.6% of households in the three adjoining boroughs. The average household size is slightly larger than the London average, with households also more likely to be overcrowded.

House prices - The cost of housing in Brent, Ealing and Hammersmith and Fulham is high. In 2016 lower quartile house price to earnings ratios were 14.68 in Brent, 14.46 in Ealing and 19.40 in Hammersmith and Fulham. Average private rented sector rents are also above the London average.

Market Analysis – Market Conditions

Current market conditions are on a knife-edge with general economic uncertainty impacting on both supply and demand. There have been reported declines in house prices across the majority of sub-markets and reports from estate agents and market commentators suggest that the current market trends will continue in the short term. Despite general negativity impacting the market, particularly in the upper ends, there are fiscal easements i.e. Stamp Duty relief and interventions such as Help to Buy which has propped up the first-time buyer markets.

The proposition OPDC offers is one of regeneration. In a similar vein to LLDC in Stratford, OPDC is tasked with facilitating market-changing development. Despite the uncertain market conditions, real estate commentators have suggested that the already committed infrastructure at Old Oak (i.e. the Elizabeth Line and HS2) will enhance values in the coming years. Both Knight Frank and CBRE have issued reports looking at house price growth in regeneration locations and the premiums to market averages that could be achieved and supporting OPDC's views on what could be achieved.

The commercial market in the Old Oak area is underpinned by a wide spectrum of commercial uses. While these uses perform relatively strongly, OPDC has set out its objectives to intensify industrial uses in the most appropriate areas and have residential-led mixed use communities in areas such as OON. OPDC has prepared a detailed market insight report that reviews the market conditions for each use class (see Attachment 5.2).

Old Oak faces market failure as described in the Strategic chapter of this document and the nervousness of landowners/developers to invest in the area is an additional barrier to the delivery of housing coming forward. The situation is complicated further by the significant infrastructure investment required to make sites viable and the fragmented land ownerships that exist, particularly across public sector bodies.

At present, Old Oak Common does not have an established residential market. The market dynamics, north, east, south and west of the site are very different submarkets with huge price differentials. The scale of the proposition across Old Oak Common is that of a new town and in response to the surrounding markets, will need to have diversity to integrate the new neighbourhoods created within it. OPDC through its local plan has set out the ambition of high density envisaged together with high levels of affordable housing to help to address London's housing.

OPDC has produced an Absorption Rate Study, which assesses typical delivery rates across London over recent years, including delivery rates in other large regeneration schemes (e.g. Nine Elms, Wembley and Docklands) and whether the capacity identified in the Development Capacity Study was achievable within the timeframe of the Local Plan. Given the scale of the site, the research concludes that there are multiple markets within Old Oak and Park Royal and therefore promotes an average delivery rate of up to 700 private homes a year. Combining this with non-competing tenures (private rented and multiple affordable tenures), the sturdy suggests that up to 1,400 units could be delivered and absorbed into the market giving an estimated total number of homes annually of up to 1,400. Please refer to Attachment 5.3 for the full study.

5.2 Delivery strategy

5.2.1 Please provide details of who will be delivering the infrastructure.

16,000 characters

Background and Approach

Pursuant to its strategic objectives, OPDC has developed a scheme for Old Oak North in which it is seeking the comprehensive redevelopment of underutilised industrial and railway land to create a high quality, high density residential led development. This scheme has been developed in line with master planning and other supporting work that OPDC has undertaken across the whole of its area. OPDC's delivery strategy has been developed alongside the masterplanning design work and tested financially throughout its evolution to ensure the entire programme is deliverable and viable. In parallel, OPDC has undertaken market soundings with infrastructure and housing providers to ensure that its approach will be structured in a way that is commercially attractive to the market whilst allocating risk appropriately.

The overall delivery strategy for the preferred option comprises four parts, the first three of which are addressed in this section:

1. **Land Assembly** – this will require the consolidation of land interests to obtain a deliverable development. In an area where there are currently multiple ownerships, and complexities in terms of freehold/leasehold arrangements and operational use designations, comprehensive redevelopment cannot be achieved without OPDC intervention, in particular control of the required infrastructure and housing delivery programme.
2. **Infrastructure Delivery** – OPDC will lead the design, planning approvals, other consents and the procurement (and delivery) of key strategic infrastructure items such as the Park Road and bridges/underpasses. Remaining infrastructure items at development plot level will be provided by the private sector as part of the housing delivery phase and this approach has been tested for viability.
3. **Town Planning** – OPDC is the statutory planning authority for the Old Oak area and has additional Mayoral Development Corporation powers that it can use to help deliver comprehensive regeneration. As the body responsible for the delivery of infrastructure and early phase housing, OPDC will be the applicant for town planning consent for these works and will draw on its current masterplanning work for the area.
4. **Housing Delivery** – OPDC will undertake the procurement of a master development partner for its land holdings through a structured and controlled process to realise the investment in land and infrastructure. OPDC will retain control over the delivery of housing through land sales to the developer(s) and will further facilitate the delivery of housing on privately owned land which will have been made viable due to OPDC's initial implementation of infrastructure at Old Oak.

Land Assembly

OPDC has identified a clear regeneration strategy that is comprehensive and meets it objectives. Land is essential to fulfilling OPDC's objectives providing it with the ability to control the delivery of development. OPDC will ensure its ability to deliver the first phase of its Old Oak North scheme by assembling the required land and rights on which it is seeking to deliver infrastructure, housing, employment space and other necessary amenity including public open space.

The land assembly strategy addresses existing public and private land ownerships:

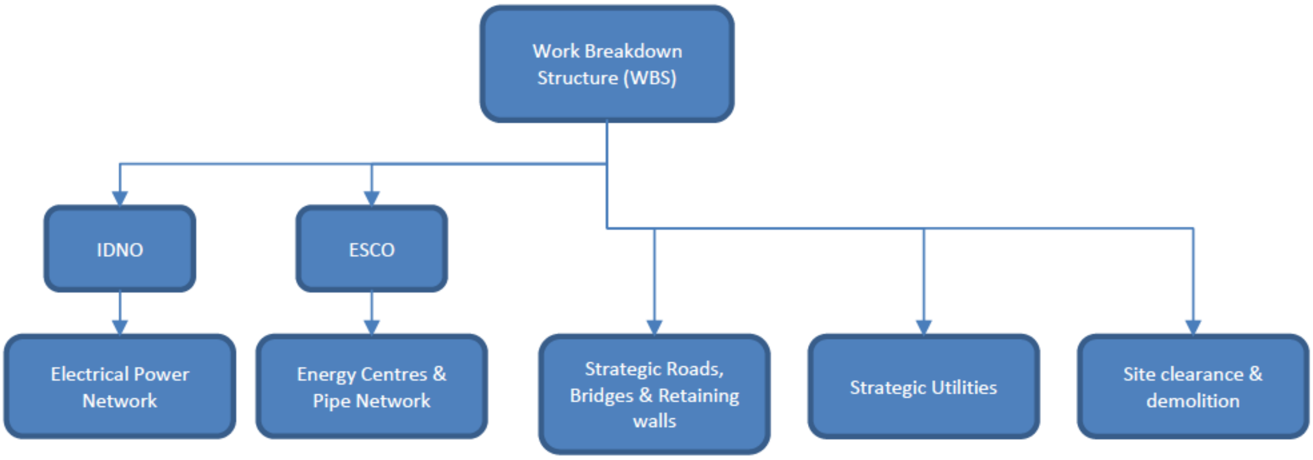
- ***Public Land*** – OPDC aims to obtain the transfer of the freehold for land currently owned by Network Rail through the agreed Memorandum of Understanding with Government that was agreed in 2016. OPDC is currently in negotiations for the transfer of this land. OPDC is also in discussions with Network Rail and its stakeholders (Freight Operating Companies, Train Operating Companies etc) to mitigate any operational impact from the scheme. In parallel, OPDC is in discussions with other public bodies with land interests in the masterplan area such as LB Hammersmith and Fulham.
- ***Private Land*** - OPDC has engaged with a number of major private sector landowners, in particular Car Giant. It is OPDC's intention to continue this engagement to acquire the necessary land by agreement where practicable.

In parallel with both the public and private land strategies to acquire land by agreement, OPDC is considering the use of a Compulsory Purchase Order (CPO) for the first phase of Old Oak North. In line with OPDC's strategic delivery programme it anticipates that if required, the CPO would allow OPDC to make the first acquisitions in 2020 following the confirmation of a CPO. The parallel progressing of the CPO should minimise land assembly delay and will enable OPDC to commence (and in many cases complete) the critical enabling infrastructure inside the 2023 HIF spend window.

Infrastructure Delivery

In parallel with the Land Assembly programme, OPDC is developing an infrastructure delivery plan and is in the process of preparing for design and technical work to be completed.

The strategic infrastructure requirement for the preferred option for Old Oak is summarised in the following work breakdown structure:



In developing an infrastructure delivery strategy that would align with the housing delivery programme, OPDC had identified three potential delivery models. It has undertaken extensive market engagement exercises to test these models with Delivery Partner (DP) organisations, Contractors, Energy Service Companies (ESCOs) and IDNOs. The market engagement included a full spectrum of infrastructure delivery organisations with necessary skills including design engineers, contractors and cost consultants such as Jacobs/CH2M, Gardiner & Theobald, Turner & Townsend and AECOM.

The market feedback was consistent and provided helpful insights leading to agreement that the three potential delivery models for Old Oak North are:

Option a) - Single Development Partner - OPDC procures a single development partner who manages the infrastructure delivery (and the development of housing and employment space) through a Joint Venture (JV) Development arrangement;

Option b) - Separate Infrastructure Delivery Partner and Development Partner - OPDC procures a Delivery Partner to focus on the direct delivery of the strategic site-wide infrastructure and in parallel procures a development partner(s) to deliver plot development of housing and employment space, including plot level infrastructure needs; and

Option c) - Hybrid Approach – OPDC appoints a delivery partner to manage the initial phases of direct infrastructure delivery and then assigns/novates/transfers infrastructure delivery to a development partner at a suitable point down-stream for completion, alongside the integrated delivery of housing and employment space.

These three models vary in their balance between the level of risk transfer and the amount of client control over delivery. For example Option a) allows for a greater level of risk transfer from OPDC to the private sector but as a consequence means that OPDC would lose control over the speed, phasing and assurance of infrastructure delivery. Choosing a model that strikes the right balance between risk transfer whilst allowing for client control during the crucial early implementation work is of critical importance for OPDC.

Additional important considerations for OPDC has been the approach to delivering utility infrastructure particularly as OPDC is committed to complying with the London Plan and London Environment Strategy. In support of this, OPDC has assessed the delivery of those utilities which will take a strategic site-wide approach. For example, OPDC is:

1. proposing to bring forward a low carbon, resilient heat network to serve the entirety of Old Oak North;
2. investing ahead of need in electrical power (a lack of availability of electrical power is often a constraint on development); and
3. designing and delivering an Integrated Water Management Strategy.

These objectives will not be secured on a piecemeal basis, which would be a risk in instances where utility infrastructure delivery is divided amongst plot level developers.

OPDC has also assessed how it could procure (and contract directly with) an ESCO and an IDNO. It is important for OPDC to contract directly for two reasons: firstly, the opportunity for an ESCO/IDNO to buy the Infrastructure from OPDC in the future when Development and associated Energy/Power demand has reached a sufficient level. This re-investment can be recycled to support future Infrastructure delivery, and secondly, contracting directly with an ESCO allows OPDC to have the opportunity to change, in the future, the operating model of the energy centre(s) and heat network as the, currently volatile, energy environment inevitably changes. This will allow the aspiration of improving the carbon footprint of the regeneration of Old Oak over time to be achieved without the additional cost of variations to any development agreements.

Based on the market engagement exercises with potential Delivery/Development Partners and the ESCO and IDNO market, the feedback received and the considerations set out above, OPDC has concluded that delivery Option b) offers the optimum approach for infrastructure delivery for the preferred scheme. The advantages include:

- **Market appetite** - there is clear market appetite from the infrastructure market to support OPDC on Old Oak in this way;
- **Speed of mobilisation** - procurement can be commenced relatively quickly from Spring 2019;
- **Capacity and capability** - the procurement of a delivery partner will provide additional capital programme capacity and expertise to OPDC – this is an approach that was successfully used for London 2012 and Queen Elizabeth Park infrastructure delivery;
- **Control** - OPDC will be able to directly control infrastructure design and delivery in the critical early phases of work;
- **Market confidence** - Early commencement of infrastructure design, planning and delivery will build confidence in the development market;
- **Integration with development expertise** - OPDC will be able to work with the infrastructure delivery partner to capture input and insight from the development partner that OPDC will also have direct client influence over; and
- **Flexibility** - OPDC can maintain flexibility as the approach does not preclude OPDC from adopting Option c) over time as the strategic infrastructure is delivered should a development partner demonstrate clear programme and commercial benefit from assimilating later infrastructure delivery with the development of housing and employment space.

OPDC will ultimately be the organisation that is responsible for delivering the infrastructure. It will do by adopting an '*intelligent thin client'* delivery model supplemented by the professional programme and project management skills of the Delivery Partner (DP) organisation. The DP will manage the procurement of all design consultants and contractors on OPDC's behalf using the TfL shared service procurement team to manage individual procurement packages. Although designer and contractor suppliers would be managed by the DP, all suppliers will contract directly to OPDC. The DP will also support the procurement and establishment of commercial agreements with an ESCO and IDNO.

Subject to funding and viability, OPDC will continue down an Option b) path, however this model will be reviewed after the initial infrastructure is delivered. After initial public money has been spent, OPDC will address the cashflow risks associated to the interaction between land sales (income) and further infrastructure spend (costs) and make a decision as to how best and most efficiently both the housing and remaining infrastructure could be delivered.

Town Planning

OPDC is responsible for securing the wholesale regeneration of its area. It is the Statutory Planning Authority for the Old Oak and Park Royal Opportunity Area and is therefore responsible for the adoption of a new Local Plan. In using its broader regeneration powers OPDC will develop its strategies in response to the Local Plan and associated policies (as well as having due regard for NPPF and London Plan policies).

As a Mayoral Development Corporation, OPDC has further powers to directly deliver regeneration. This will also include progressing the design, development, technical and town planning consents for the first phase of infrastructure required in Phase 1A of the Old Oak North Programme.

OPDC will be responsible for seeking planning consent for any scheme promoted by it as an applicant. For the Old Oak North scheme, substantial background master plan and technical work has already been completed to ensure that a first tranche of development can be delivered as an enabling phase.

5.3 Procurement strategy

5.3.1 Please provide details of engagement with contractors to date and the procurement strategy for delivery of the infrastructure scheme.

16,000 characters

Market Engagement – Tier 1 Contractors

To inform OPDC's Major Civils procurement strategy for the development of the Western Wedge, OPDC and our Infrastructure Advisor (AECOM) undertook an early market engagement exercise with 6 Tier 1 civils contractors. The purpose of this engagement exercise was to:

- Gauge the level of market interest in the project;
- Gain feedback on our work package structure/size;
- Understand how the market would engage with SME's;
- Discuss how the market propose to leverage supply chain expertise;
- Discuss appetite for Novation to Master Developer;
- Discuss approach to interface management; and
- Understand how best to procure a supplier.

The meetings were designed to be an open forum for discussion, with both sides able to freely discuss the scheme and contract types without prejudice.

OPDC met with the following organisations:

- BAM Nuttall Ltd
- Costain
- Morgan Sindall
- Hochtief
- Volker Fitzpatrick
- Buckingham Group Contracting

5 out of the 6 Organisations expressed an interest in bidding for the Old Oak North Civils packages. All agreed in principle with our overarching delivery strategy and approach and agreed to be novated to a Master Developer later in the programme lifecycle.

<u>Market Engagement – Delivery Partner Organisation</u>

OPDC carried out a market engagement exercise with the following Delivery Partner organisations:

- Jacobs/CH2M
- Turner & Townsend
- Gardiner & Theobald
- AECOM

All organisations confirmed that they would not be averse to being novated to a Master Developer once the Strategic Infrastructure Programme was nearing completion and coordination of development and on-plot infrastructure became more of an issue.

<u>Market Engagement – Energy and Power Supply Chain</u>

OPDC undertook an extensive market engagement exercise (Attachment 5.9) with the IDNO and ESCO supply chain to present our approach and gain feedback and comment. Please refer to Attachments 5.8a and 5.8b for ESCO and IDNO Market Testing reports.

<u>Energy Service Companies (ESCO)</u>

Six ESCOs, who had previously expressed interest in the scheme and were known to be interested in operating in the London area, were selected for this market engagement exercise and a meeting was held with each company individually. The six companies were:

- Metropolitan
  - a subsidiary company owned by Brookfield Asset Management;
- Vattenfall Heat
  - a subsidiary company owned by the Swedish Government;
- Scottish & Southern Energy
  - one of the top 6 UK Energy Companies;
- ENGIE
  - UK & Ireland subsidiary of the Engie Group, a global utility company with some 150,000 employees;
- EOn
  - one of the top 6 UK Energy Companies;
- Veolia
  - A global utility and facilities company with some 179,000 employees;

The purpose of this early market engagement exercise was to:

1. Set out the scale of development and opportunity in Old Oak and Park Royal and the objectives of the decentralised energy strategy for Old Oak North;
2. Engage early and widely with the supply side, ensuring openness of access to OPDC officers and information;

3. Establish good communication channels with ESCOs;
4. Gain greater focus and knowledge about the market which will help to further define and develop our technical and commercial strategy; and
5. Gauge the level of interest in the ESCO market to design, build, fund, own and operate the energy infrastructure for Old Oak North.

The key points emerging from the market engagement meetings can be summarised as follows:

- All ESCOs expressed a keen interest in participating in the scheme;
- All ESCOs have proven experience in the design, build, fund, own and operate delivery models;
- The ESCOs confirmed they would consider all delivery model options e.g. design, build, adopt and operate and the procurement lot approach under consideration. Details on the proposals for the recovery and 'clawback' of early investment by OPDC has been discussed. A reinforcement levy as part of the connection fee is a viable model, based on discussions;
- OPDC wish to recover some or all of the early investment in the district heating infrastructure. Initial funding is planned from the HIF grant. Discussions with the ESCOs have confirmed that recycling of early investment is possible.
- The ESCO discussions provided feedback whereby based on experience of existing schemes and a level of candidness, early investment could be recovered up to a level of 80% (range 40%-80%);
- At this stage the level of estimated funding recovery is set prudently at a level of 60% in the business case.

<u>Independent Distribution Network Operators</u>

Five IDNOs who had previously expressed interest in the scheme and were known to be interested in operating in the London area were selected for this initial market engagement exercise and a meeting was held with each company individually. The five companies were:

- Eclipse Power (IDNO)/g2 Energy (ICP)
- GTC
- Leep Utilities
- UK Power Solutions (UKPS)
- Vattenfall

The purpose of this early market engagement exercise was to:

1. Set out the scale of development and opportunity in Old Oak and Park Royal and the objectives of the electrical power strategy for Old Oak North;
2. Engage early and widely with the supply side, ensuring openness of access to OPDC officers and information;
3. Establish good communication channels with IDNOs;
4. Gain greater focus and knowledge about the market which will help to further define and develop our technical and commercial strategy; and
5. Gauge the level of interest in the IDNO market to adopt the electrical infrastructure for Old Oak North.

Feedback from the initial engagement with the IDNOs was positive, and all five companies expressed an interest in participating in the procurement process for this opportunity.

The key points emerging from the early market engagement meetings can be summarised as follows:

- IDNOs will typically work with either a preferred ICP or a pool of ICPs who have an understanding of the IDNO's requirements and specifications and can therefore design and deliver a network the IDNO can adopt. This helps the IDNO leverage experience from across their business, including the opportunity for innovative solutions;
- The IDNOs confirmed they would consider all delivery model options e.g. design, build, adopt and operate. However, for residential developments the preferred model is to fund (via the provision of an asset valuation (AV)), adopt, own & operate.
- In each meeting it was explained that OPDC has bid for capital grant funding through the Housing Infrastructure Fund (HIF) to invest ahead of need in the strategic infrastructure required to bring forward the electrical power needed to unlock Old Oak North. All IDNOs indicated that early investment by OPDC was welcomed and de-risked private sector investment;
- IDNOs typically propose to release asset value (AV) either as phased instalments or instalments as metered connections are energised. The actual level of payments and time of release is subject to negotiation on individual projects. Typically, this may mean much of the primary and or 11kV

infrastructure has to be funded and installed well before AV is released. It is expected the Housing Infrastructure Fund (HIF) will fund the initial works for providing the new HV infrastructure and these monies will be re-funded by a combination of connection fees, reinforcement charges and AV payments from the IDNO as the metered connections are energised over time;
- From commercial experience on other recent and current London development projects the AECOM team have considered the Old Oak North scheme and forecast that the available asset value from an appointed IDNO, following a competitive procurement could recover up to 50% of the early infrastructure investment into the electricity network;
- IDNO feedback suggests that any asset value payments would be made in line with the commitment and/or connection of development plots i.e. in accordance with the development programme;
- Recovery of early investment from the IDNO will be from a combination of reinforcement costs as part of the plot connection fee levied by the IDNO to the plot developer and the asset payment from an assessment of the long-term revenues available from the Old Oak development as a whole by the IDNO.

Records of all the market engagement meetings are appended to this business case at Additional Information Section, as an Attachment 5.6

<u>Procurement Strategy</u>

OPDC will procure a delivery partner organisation to build its capacity to deliver the infrastructure requirements for the Old Oak scheme. The delivery partner will work alongside OPDC's in-house infrastructure team (supported by GLA and TfL infrastructure experts where relevant) to define the detailed scope of infrastructure requirements, manage the design process with OPDC's external design team and procure and then mange the Tier 1 contractors for infrastructure. Specifically, OPDC's procurement activity will cover:

- Phase 1A infrastructure planning;
- Design development for individual infrastructure components;
- Planning consents for infrastructure works;
- Construction of the infrastructure components (as set out in the work breakdowns structure in 5.2.1 above); and
- Programme management and cost control of the various infrastructure works packages.

Whilst the GLA Group is an experienced client-side procurer of major real estate projects, the full range of specialist technical and legal skills required to deliver a project on the scale of Old Oak North are not immediately available within the OPDC team. Hence, as part of the delivery strategy OPDC will be working alongside the wider GLA Group's specialist teams to procure specialist advice covering:

- Legal matters;
- CPO advice;
- Real Estate commercial advice
- Architects/master planners;
- Engineering consultancy
- Cost consultancy; and
- Project management.

<u>Principles guiding the procurement strategy</u>

In section 5.2, we have set out the alternative delivery options for the core Old Oak Programme that will be public sector led. Option 1b is the preferred approach and requires OPDC to procure a delivery partner, which in turn will work with OPDC to secure the various contracts to deliver the different aspects of the infrastructure requirements. The initial priority will be to secure the services of a delivery partner with the capability and experience for managing a high profile complex infrastructure programme in a complex public-sector environment.

In developing the procurement strategy, OPDC has considered a number of options for the optimum procurement route for the various elements of Old Oak infrastructure. OPDC will contract the suppliers delivering this infrastructure and so has referenced some guiding principles to support its decision-making:

a) **Management of risk and risk transfer between the parties** – identify who will be best placed to manage programme specific, delivery and market risks;

b) **Control** – assess which party is best placed to implement the physical outcome within the context of OPDC's project objectives, the target to deliver 13,100 new homes, private sector leverage in subsequent phases, and the wider commercial delivery objectives;

c) **Change control** – consider how changes to specifications may be accommodated and funded during the programme, whether through contractors, private landowners or development partners;

d) **Capability and capacity to deliver** – determine which party is best placed to deliver various components of the Old Oak development, having regard to experience, capability and capacity within their organisation;

e) **Funding and political imperatives** – OPDC is cognisant that following the HIF application process, conditions may be imposed in connection with funding of Old Oak, or aspects of it. The ability to allocate and oversee any public funding necessary for the delivery of the infrastructure scheme is an important factor;

f) **Market and supply chain considerations** – market capacity and maturity to deliver various components of the development;

g) **Addition or novation of partners** – maintaining flexibility to novate or procure new partners or collaborators to fully exploit opportunities over time;

h) **Legal obligations** – the requirement to follow specific legal obligations impacting the delivery of the development e.g. OJEU as it relates to procurement;

i) **Planning consents** – providing confidence that planning consents for the option being proposed can be obtained within the programme's required timescales; and

j) **Partnerships and collaborations** – how these might impact delivery models for ownership and occupation e.g. impacting the technical brief for specific partners' specialist requirements.

Infrastructure procurement strategy

Subject to confirmation of the requested HIF funding, OPDC proposes to immediately commence the process of procuring a Delivery Partner via the TfL shared service procurement team and OJEU-qualified frameworks to allow expedient appointment of a suitable partner. The subsequent strategy for delivering key components of the infrastructure required at Old Oak North will be as follows:

Infrastructure work component	Procurement strategy
Delivery partner	• OPDC will procure the Delivery Partner via an OJEU procurement for services. • The delivery partner will be procured to deliver fee-based services with an option to provide contracting services in the last resort event that there is a need to 'step in' to ensure delivery of committed infrastructure.
Design Team	• OPDC will procure design consultants via an OJEU process to progress the design to RIBA 3. • The appointed contractors will continue design to detailed stage for construction.
Other advisory services: • Legal matters; • CPO advice; • Real Estate commercial advice; • Cost consultancy; and • Project management.	• OPDC will procure all services via call of arrangements against its existing supplier frameworks. • Where existing frameworks are time limited, value constrained or do not meet full scope requirements, OPDC will either use suppliers from other GLA Group frameworks or undertake new procurements with the TfL shared serve procurement team.

Infrastructure work component	Procurement strategy
Electrical Power	• A full OJEU process will be undertaken to procure an IDNO to undertake the detailed design of the Switch Room and network as well as connecting to the primary DNO network. • The procurement process will include evaluation criteria that prioritises capital repayment to OPDC.
Energy	• A full OJEU process will be undertaken to procure an ECSO to undertake the detailed design of the Energy Centres and pipe network as well as connecting to the Gas network. • The procurement process will include evaluation criteria that prioritises capital repayment to OPDC.
Strategic Roads, Bridges and Retaining Walls	• OPDC will procure design consultants to progress the design to RIBA 2. • OPDC will then procure, with the help of the Delivery Partner, Design and Build Contractors to undertake detailed design and construction. • The contracts will be between OPDC as client and the contractors. Each contract will have appropriate t4rms in place that enable OPDC to novate the delivery of smaller infrastructure items to the development partner should this be appropriate in the future.
Strategic Utilities	• OPDC will commission infrastructure advisors to develop concept designs and will then commission the relevant statutory undertakers to undertake the required work. • OPDC has consulted all the statutory undertakers through the current masterplan design development process and they are all fully aware and supportive of OPDC's proposals.
Site clearance and demolition	• OPDC will commission ground investigation and geotechnical studies as required to inform the earthworks concept design and will then procure through OJEU process design and build contractors to carry out the works.

5.3.2 ***Please outline the procurement strategy to ensure build out of the wider housing scheme, including engagement with development partners to date and use of SPVs, other joint ventures and legal proposals to bring forward homes.***

16,000 characters

In section 5.2.1, OPDC's delivery strategy for land assembly, infrastructure delivery and town planning has been set out. However, delivering new homes at Old Oak remains the ultimate goal for the project and this section focuses on OPDC's strategy to build out the wider housing scheme on the land that it would assemble and therefore control.

OPDC's procurement strategy for housing is focused on four key outcomes:

- Delivery of quality in line with its regeneration objectives;
- Delivery of homes at scale to help meet London's housing need across all tenures with an emphasis on the Mayor's requirement to deliver 50% affordable housing;

- Establishment of Old Oak Common as a place; and
- Accelerated delivery of homes ensuring they can be delivered in the Old Oak area at pace whilst mitigating against market risks.

The strategy recognises OPDC's thin client model and therefore limited capacity to directly deliver the new housing itself. Instead, OPDC will focus on its key areas of expertise in strategy, policy, planning, procurement and stakeholder engagement but ensure that it engages with appropriate partner organisations to plan, design, deliver and market new housing. Having already established a detailed masterplan and local plan (currently in consultation stages) which forms the backbone for any new development, OPDC proposes to embark on the procurement of a development partner to deliver the development aspects of the project with emphasis on:

- Partnering with an organisation that is aligned with OPDC's overarching project objectives;
- Being able to tap into resource and expertise as required; and
- Providing the financial means for delivering the project.

During initial market testing with developers (Attachment 5.7), several options and approaches have been discussed with different parts of the development market who have varying approaches to housing delivery and appetites for additional scope such as delivering strategic infrastructure. Organisations consulted have included Berkeley Homes, U+I, Bouygues, Lendlease, L&G and Greystar and details of the key messages are attached as Additional Information in Section 5.6.

The consultees have different delivery models and specialisms and this enabled OPDC to gather a range of views. In particular, the testing was used to question the appetite and capability of all organisations to deliver infrastructure as well as housing and to help OPDC identify how a comprehensive development could take place, whilst still allowing OPDC control. This has also enabled OPDC to further test its approach to delivering the project infrastructure via a separation of responsibility between the infrastructure providers and housing developer whilst retaining the ability to integrate planning and design.

Options assessed include:

a) **OPDC Direct Delivery** - OPDC would carry out all "master developer" functions including securing detailed planning consents, the delivery of all primary and secondary infrastructure and public realm and the direct delivery of housing and employment space. This would require OPDC to procure and manage the construction of all of the above. (not tested as development market input to this option was not required)

b) **OPDC procures a Master Development Partner** – the partner would be in a Joint Venture or Development Agreement to allow OPDC to retain influence over the housing scheme. Key obligations would be determined upfront during the procurement process. Procurement would be undertaken early alongside the procurement of the delivery partner to enable the master developer to feed into the infrastructure being planned by OPDC and then delivered by the infrastructure contractors overseen by the delivery partner on OPDC's behalf. As with the procurement of a delivery partner, a master developer would also provide OPDC with crucial additional commercial skills and development innovation during the critical early years when design fixes are made.

c) **OPDC acts as Master Developer and Procures Plot Developers** – in this option OPDC would carry out all master developer functions including outline planning consents. OPDC would also deliver on primary infrastructure, public realm and public open spaces. OPDC could procure plot developers through plot sales to deliver individual plots including obligations to the deliver on-plot infrastructure and public realm and sufficient affordable housing. OPDC would procure plot developers either on a single or multi-plot basis in line with an optimum housing roll our plan.

The market testing suggested that all parts of the development market would be interested in the proposition, understand the complexities of the project and were receptive to its scale, if delivered in the right way.

The market testing process concluded that a single master development partner would help OPDC define its scheme and provide a more holistic and comprehensive approach to housing delivery alongside commercial space and improved public realm. As it is anticipated that OPDC-controlled land would deliver the first development platforms, setting the correct tone and detailed vision at the outset is crucial.

OPDC would remain responsible for delivering the strategic infrastructure (most likely to a set scope) working with the development partner and the infrastructure delivery partner. This approach would help limit on-site interfaces particularly where accelerated delivery would see infrastructure being delivered alongside housing. Market feedback suggested that their involvement in infrastructure was important from an overall perspective.

Through continued land ownership of sites in the western part of Old Oak North, OPDC can exercise its control over the eventual scheme and both influence and participate in key decisions on the eventual output, outside of its role as a planning authority and in a manner that is proactive. OPDC will make it a requirement for housing units to be delivered within a reasonable timeframe as part of the procurement and will ensure that it can step-in should development not be forthcoming. OPDC will use a development agreement to cement its principle objectives with its development partner and these terms will flow into any subsequent development agreements with other developers and house-builders within Phase 1A.

OPDC will therefore have a vital early role in acting as overall client for the land assembly and early infrastructure whilst also seeking to create platforms that encourage early housing development. Through this approach OPDC can ensure delivery at a scale, quality and speed that will help meet the Old Oak North objectives and catalyse the subsequent developments OPDC wishes to see on the Cargiant private land holdings and in the eastern Scrubs Lane area. OPDC will facilitate design integration between its delivery partner team and the master developer and will set up the required governance structure to support this delivery model ahead of any procurement.

OPDC is of the firm belief that the master developer should be procured at the outset of the programme, commencing in Spring 2019 and concluding in December 2019. This would align with OPDC’s pan to submit a planning application for the infrastructure in 2020 and for receipts from the first sites to occur in 2020/21.

In order to achieve comprehensive delivery and ensure OPDC gets the right type of organisation, OPDC will undertake a procurement exercise using an OEJU process, to identify a development partner. It is most likely that this would be via a competitive dialogue procedure, which would have the following advantages:

- A wide market can be explored which increases the possibility of sourcing a solution to best fit OPDC’s requirements;
- Requirements can be refined throughout the competitive dialogue process;
- A larger number of suppliers can respond to the tender increasing competitiveness and the potential to obtain best value; and
- Procurement would be within the current OJEU rules for public procurement and would help minimise the risk of challenge.

Once appointed and following its initial design input and review of the overall scheme masterplan, OPDC anticipates that the master development partner would submit a hybrid planning application with a detailed application for its first sub-phase and an outline consent for the remainder of Phase 1A. The development partner would then draw down land on a sub-phase basis to deliver the housing.

OPDC would seek to control key metrics of the development including the level of affordable housing, quality of design and timing of delivery. Structurally, OPDC would have the ability to choose how it aligns itself with developers and whether it wants to take a more participative approach to returns. OPDC envisages that decisions on the proposed financial and risk structure could vary between each sub-phase.

OPDC intends to procure its master development partner during 2019 at the earliest opportunity to both provide additional development insight and capacity and also to ensure that commercial development considerations are built into the early infrastructure design process. The advantages of this approach to early master developer procurement are compelling and evidenced by our market testing:

- **Market appetite** - The development market feedback supports OPDC’s approach and so early developers’ involvement will encourage greater competition during procurement and attract most groups of developers;
- **Input to infrastructure design** - The master developer will be able to influence the infrastructure design process early on to ensure that no infrastructure elements compromise the developer’s ability to optimise the housing and regeneration outcomes;
- **Early sites opportunities** - Early involvement will help with quicker understanding of the commercial opportunities and quicker delivery mobilisation for housing delivery as sites become available and infrastructure is completed;
- **Supported place-making** – Early involvement would help OPDC ensure that any outline consent would be commercially deliverable including that the right place-making opportunities are delivered at the right time;
- **Infrastructure knowledge** - The developer will be able to commence its own town planning applications based on a strong insight on infrastructure at the site which should help secure quicker consents to maintain programme momentum;
- **Co-ordination of sites delivery** - The master developer and OPDC can better co-ordinate the timing of when sites are brought forward for development in line with the cashflow forecast for the scheme;
- **Flexible commercial structure** – An early procurement for an undefined scheme allows for a partner to be procured on more simplistic metrics such as percentage returns rather than absolute values

therefore enabling the selection of a partner with a quality and experience-led assessment without too much distortion created by financials.

- **Missed opportunity if left late** - The opportunity for a master developer to add value to the design process diminishes the longer it is left;
- **Best practice** - Early developer involvement aligns with the approach taken on recent public sector projects such as the over-station development at the Euston HS2 terminal where the master development partner was procured before the infrastructure design was completed to help optimise the long-term commercial outcomes from early developer input; and
- **Alignment to the 'Thin Client' strategy** – using the expertise of a development partner, OPDC's role is one of management and maintaining the integrity of the project. This model will help bring in the best-in-class resource without the need to directly recruit a large number of people.

OPDC's housing approach during Phase 1B on Cargiant's land is centred on viability. Through OPDC's investment in infrastructure and place creation in Phase 1A, the viability of Cargiant's land holding will have improved to the point that it would reasonably deliver its sites for housing. Currently, the Cargiant sites remain unviable due to its existing operation and the high costs required to enable development. Cargiant is, of course, supportive of investment in the area, indicating that they plan to vacate their current site in 2022, and OPDC has undertaken a significant amount of work to be comfortable that the Cargiant land can come forward for development. OPDC will however use its powers as the planning authority and as an MDC to intervene should development not be forthcoming.

For the Wave 2 activation sites OPDC will adopt a more passive role initially with the landowners. These sites will only come forward once the key Park Road has been committed. OPDC will look to work with the landowners to ensure that these sites come forward in a manner that is consistent with the wider masterplan for the area. Again, OPDC will use its statutory power to intervene where necessary.

5.3.3 *Please attach any supporting evidence from contractors / developers which support your proposal.*

As set out in the responses to questions 5.2 and 5.3 above, OPDC has already commenced an engagement programme with a wide range of delivery organisations in order to identify the optimum strategy for Old Oak North. The focus of this engagement has been OPDC's desire to rigorously test its approach to procurement and delivery of Phase 1A which requires the building of key infrastructure projects to unlock the subsequent housing development in the area. The project is complex and is dependent on the early assembly of land from both public and private landowners. A further key success factor will be the close integration of proposals from the infrastructure contractors and development partners so that the scheme outcomes are optimised.

In section 5.6 we have attached the findings from the consultations with contractors and developers.

Attachment 5.5

5.4 Implementation Timescales

5.4.1 *Please provide an overview of the implementation timescales for your procurement strategy.*

8,000 characters

The major milestones for the Old Oak North programme covering the three phases for the delivery of 13,100 homes are set out in the Management Case. OPDC's initial direct intervention including use of HIF investment funds will be in Phase 1A. The timeline covers the design, planning, infrastructure delivery, and housing phases of this core western part of Old Oak North and the timescales for subsequent housing delivery on private sector land and sites where development will come forward as a result of the initial HIF funding.

The current working timeframe for OPDC to conclude the principal commercial agreements for the programme is set out below and reflects the procurement strategy that has been set out in the response to questions in section 5.2 and 5.3 above. The timeline covers the proposed commercial agreements that must be put in place with the delivery partner for infrastructure and the master development partner who will work with OPDC to deliver the infrastructure and housing.

In parallel, OPDC will be procuring key advisors such as an ESCO and IDNO design teams so that all design work for the infrastructure in Phase 1A is progressed and integrated. The delivery partner will co-ordinate the design programme across all of the various infrastructure work areas overseen by the OPDC Infrastructure team. OPDC will look to continue with its existing design teams that are already procured where viable as this will enable progress to be made whilst all capital funding sources are being finalised. No investment funds will be committed for capital works until appropriate final business case approvals are in place. Individual contractor appointments for infrastructure will be managed by the delivery partner and the drawdown of land plots for development will be co-ordinated by OPDC with the master development partner.

The key milestones for the CPO programme have also been included below as the early land assembly of sites required for the key enabling infrastructure remains on the critical path for delivery. Currently OPDC aims to commence its CPO process in January 2019, which will then progress in parallel with the procurement of both the delivery partner and master development partner through 2019.

The procurement strategy target timescale for Phase 1A of the Old Oak North Programme is as follows:

Date	Programme area	Procurement milestone
Dec 2018	Infrastructure	Commence procurement of delivery partner organisation
Jan 2019	Land assembly	CPO process launched
Jan 2019	Infrastructure	Commence procurement of infrastructure design team
Feb 2019	Infrastructure	Commence procurement of ESCO/IDNO design teams
April 2019	Infrastructure	***Delivery partner procured***
April 2019	Housing	Commence procurement of master development partner
May 2019	Infrastructure	***Infrastructure design team procured***
June 2019	Infrastructure	***ESCO/IDNO design teams procured***
Sep 2019	Land assembly	Canal sites secured by agreement
Nov 2019	Housing	***Master development partner procured***
Dec 2019	Land assembly	Confirm CPO for all land in Phase 1A
May 2020	Infrastructure	Submit planning application for infrastructure
2020	Land assembly	Commence land acquisition
Q3 2020	Planning	Planning application confirmed
Q1 2020	Housing	First parcel of land for housing released (Canal Site)
Q1 2021	Infrastructure	***Main infrastructure contractors procured***
Q2 2021	Infrastructure	Construction commences on site
Q2 2023	Infrastructure	End of current HIF spending window

*5.4.2 **Please provide an overview of your phasing and implementation strategy for the wider scheme.***

8,000 characters

Phasing strategy

OPDC has a three-part strategy for the wider scheme to regenerate Old Oak into a new mixed-use community with circa 13,000 new homes (see question 1.1 and refer to Attachment 5.4 for more detail):

1. The first wave, '**Old Oak North**', will consolidate a number of sites across Old Oak North (OON) into unified public sector ownership to enable a large, contiguous development platform to be brought to the market. This development will be supported by the delivery of a new east-west access route across the area, as well as an energy centre and other critical site-wide infrastructure. This wave is divided into two phases: the OPDC-led and partially HIF-funded investments and development in the western section of OON (Phase 1A), and the potentially private sector-led development in the east as part of Phase 1B. The land in this eastern section is predominately held by a single private landowner, currently Cargiant. This wave has the potential to deliver 7,670 new homes and 134,000 sqm of commercial employment space. HIF funding is being sought to support activities in Phase 1A of this wave only, though this funding is also intended to facilitate the delivery of Phase 1B.

2. The second wave, ‘**Catalysed Sites**’, includes several sites around Old Oak North (primarily along Scrubs Lane and to the west of Willesden Junction Station) that currently have planning consents for delivery of 2,178 units of housing. However, these consents have not been implemented, and OPDC in its planning capacity has not seen meaningful progress to suggest that these sites will come forward in the near future without the certainty and momentum generated by the initial wave of activity in Old Oak North.
3. The third wave, ‘**Future Sites**’, includes a series of sites primarily in Old Oak South that are expected to come forward for delivery after completion of the new HS2/Elizabeth Line station in 2026. Several of these sites are worksites for the HS2 project and will be released for development upon completion of the HS2 works. These sites are expected to deliver 3,270 housing units as well as significant amounts of commercial space and will integrate seamlessly with the new community that is emerging at Old Oak, following the initial waves of activity described above.

As noted, Wave 1 is divided into two phases – the initial OPDC-led investments and interventions in the western part of the site (Phase 1A) and the development of the eastern part of the site by that area’s private landowner, Cargiant (Phase 1B). Importantly, OPDC’s analysis shows that the Cargiant development is unviable without the minimum level of public sector intervention undertaken in Phase 1A.

The OON Programme is based on an integrated masterplan spanning all of Phases 1A and 1B, supported by a site-wide infrastructure strategy that considers the transport, energy, utilities, and social infrastructure requirements of the entire development. OPDC has assessed various options for the spatial locations and cost apportionments of this infrastructure between the two phases and has landed on this preferred scheme as the one that offers the best value for money and delivery of the strategic objectives.

Phase 1A

Phase 1A is centred on a suite of interventions required to build a new east-west access route, called Park Road, across the Old Oak North site and to deliver a ‘critical mass’ of development sufficient to catalyse wider privately-led development in OON and beyond.

To achieve this, OPDC will need to acquire and control key landownerships across the route, promote a comprehensive design solution, lead delivery of physical infrastructure investment and work with development partners to deliver new homes and employment space. This will enable OPDC to have significant control over the type and pace of development in this area and provides the opportunity to capture land value uplift to cross-subsidise delivery of key infrastructure and affordable housing.

Specifically, OPDC will assemble 6 sites in this phase. These sites have been selected based on the alignment of Park Road and to enable the creation of a contiguous development platform that is compatible with the masterplan scheme. A Memorandum of Understanding with the other public sector landowners in OON allows OPDC to acquire several of these sites at existing use values. The requested HIF grant will fund some of these acquisitions, as well as some of the core infrastructure projects on the site, including bridges and an underpass for Park Road, and a new energy centre and substation.

OPDC will procure a master development partner to undertake development on the new contiguous platform. OPDC has undertaken work to examine the absorption rates within the area. OPDC, through its direct ownership of land, can control the speed of delivery of the programme; the dates for the release of land assumed within the cashflow (see Financial Case) are reflective of this condition. OPDC will recycle the land receipts it receives from this development back into the Programme, funding a suite of other infrastructure projects as part of Phase 1A including an element of further land acquisitions. This approach allows OPDC to leverage the HIF funding to deliver additional infrastructure beyond what can be funded through the HIF grant alone, while also ensuring certainty in housing delivery and achievement of OPDC’s other strategic objectives.

The direct OPDC-led intervention in Phase 1A is intended to facilitate the delivery of phase 1B, a scheme of approximately 5,000 homes on land predominantly owned by a private landowner, currently Cargiant. The Phase 1A scheme has been devised to create a high-quality development with a catalytic impact to bring about additional development on adjacent land.

Phase 1B

OPDC’s strategy for Phase 1B is to continue working with Cargiant through pre-application discussions to ensure the 1B scheme is compatible with the overall masterplan and vision for the area, while at the same time getting comfortable that their proposed scheme is viable such that housing delivery can come forward once their site is vacated in 2022. Through the planning process, OPDC seek to influence the type of development that comes forward and will use other tools within its powers as a Mayoral Development Corporation should appropriate development not be forthcoming in a reasonable timescale.

OPDC understands that the majority of the Cargiant site will be available for development after 2022 when Cargiant intends to move its operation to an alternative location. The first parcels of land will overlap with the Phase 1A programme, however delivered within the capacity of absorption estimates.

5.5 Contract Management Approach

5.5.1 Please provide details of your approach to contract management and any details of any arrangements already in place – this should include charging mechanisms.

16,000 characters

Overview of OPDC approach

The delivery of the Old Oak programme will span several years requiring the management of many different forms of contract. This will include contracts for professional services (legal, design, etc), delivery partner, contractors, master developer and estate management as well as agreements to be put in place with private sector landowners such as Cargiant.

The Old Oak programme is at an early stage of development and as yet there are no final contracts currently in place other than contracts with the service providers that are currently supporting OPDC with masterplanning, business planning and the proposed CPO process. All such advisors have been procured via either OJEU competition for services or from OPDC's existing framework of technical advisors. Over the coming months OPDC will be accelerating its work to conclude contract forms and to develop the key contractual terms for the following:

- The Delivery Partner;
- Design Teams (including ESCO);
- The Master Development Partner; and
- Services providers.

OPDC together with the GLA and TfL has extensive experience of managing all of the forms of contract that will be required for Old Oak North. This experience has been gained new capital works of several hundred million pounds alongside complex development agreements with partners to deliver homes, public realm and associated facilities across London. In addition, via the GLA and TfL developer frameworks, the GLA Group has procured some market leading, innovative development frameworks that are now leading to the delivery of thousands of new homes.

OPDC proposes to adopt standard forms of contract that it is already familiar with and which the market understands and can respond to. Contract management will extend right throughout the life cycle of procurements starting prior to appointment when the agreement of terms will be a key factor for the evaluation of prospective suppliers. OPDC will draw on the extensive experience of TfL's procurement and legal teams when negotiating contract terms. Procurement and contract management will follow OPDC's procurement policies.

Infrastructure contracts

OPDC expects that it will use the NEC suite of contracts for all construction contracts required for enabling work and the main infrastructure works. This form of contract has been used successfully in major public sector regeneration contracts for the last 10 years and OPDC's Senior Management Team is familiar with his form of contract and has already started to establish the necessary client management processes that are essential to deliver the NEC's aim of avoiding disputes and contractual confrontation. When establishing the terms of NEC contracts, OPDC will engage expert advice from its Delivery Partner particularly around issues such as deliverability and allocation of risk but expects to use NEC3 Option A contracts to obtain fixed prices as far as is contractually possible.

During construction, OPDC will liaise closely with the Delivery Partner to monitor contract performance each month and report on issues to OPDC's Senior Management Team, Investment Committee and Board. The Delivery Partner will play a vital role in providing expert contract management support which will include a quantified risk management approach to manage contingency.

Contract management

For all contracts and development agreements that OPDC establishes for the Old Oak programme, it will utilise the Commercial and Contract Management Procedures provided by the TfL shared service. The procedures are grouped into three related aspects, each of high significance to delivering the new homes, which the programme is targeting.

Delivery and performance management

The following will be requested or established on commission of a supplier:

- Assignable Parent Company Guarantees, Performance Bonds in place, acceptable, and provided to OPDC;
- Professional Indemnity Insurance, Public Liability Insurance and other suitable indemnification of OPDC;
- Assignable warranties and reliance;
- All permits in place;
- Start-up meeting (including QUENSH requirements);
- Contract review meetings (and frequency);
- Project/Programme review meetings (and frequency);
- Obligation delivery by OPDC to its obligation management plan;
- Inspections, commissioning and acceptance tests;
- Red Button events (Supplier Accreditation) for declining or dramatic shortfalls in supplier delivery/performance;
- Provision of data by supplier (including cost data for RIB estimating system); and
- Acceptance into use.

Relationship management

The following approaches will be adopted where appropriate:

- Open and collaborative working;
- Facilitating safe working;
- Keeping promises (meeting objectives and doing what is agreed or reasonably expected) and promoting right first-time delivery;
- Early warning of issues;
- Encouraging and capturing ideas for value improvement;
- Respecting others, keeping confidences and exhibiting appropriate behaviours;
- Implementing policies (Equality & Inclusion, Strategic Labour Needs and Training, Responsible Procurement etc.);
- Lessons learned and shared with those best placed to act on them;
- Engaging with dedicated relationship managers (where these are established); and
- Setting out of governance for each interface with OPDC and between third parties.

Contract administration

OPDC will adopt good practice with respect to contract administration, including:

- Prompt and accurate requests for payment/invoice submission, with all necessary supporting information;
- Prompt and proper rejection of invalid payment requests;
- Prompt processing of valid invoices, Service Entry Sheets and Contract Payment Application Forms;
- Prompt submission of credit notes;
- Cost management, including spend forecast, cash flow and commitment control;
- Preparation and issue of notices and instructions to supplier;
- Records of meetings and events;
- Timely and accurate data capture and proper safekeeping;
- Contract, project/programme reporting;
- Data input into information management and related systems (e.g. SharePoint, RIB etc.);
- Filing/storage of correspondence and contract related information;
- Archiving of records and information;
- Manuals, code etc. into ESCROW;
- Retention money release;
- Release on Bonds, guarantees, and warranties;
- Settlement of final account/payment in full;
- Contract closure to the contract exit strategy; and
- Compilation of handover to operational maintenance/user (documentation, training, change management etc.).

Additional contract management actions

Other aspects of OPDC's contract management approach for Old Oak will include:

- Use of standard GLA Group framework contracts for all professional services;
- Development Agreements to set out clear commercial terms and obligations on all parties;
- Break clause to be built into all contracts and step-in rights as appropriate;
- Inclusion of contract requirements to target SMEs and embed terms relating to local employment and apprenticeship targets;
- Use of Modern Methods of Construction;
- Formal control processes with all partners to manage change; and
- Ongoing evaluation and monitoring of performance.

A final important aspect of contract management will be the requirement to link it the delivery of the Old Oak programme benefits. For example, OPDC will be seeking to include targets within contracts, wherever legally possible, around important benefits such as skills training, apprenticeships, employment of local people, SMEs, access for local suppliers and provision of living wages for workers.

5.5.2 ***Please provide details of the proposed key contractual clauses.***

8,000 characters

OPDC is not currently able to provide specific details of the contractual clauses for the main contracts and agreements that it will enter into. This work is extensive and will be developed further in the coming months leading up to the commencement of the procurement processes that OPDC will launch at the end of 2018 and into early 2019. OPDC can therefore incorporate any conditions imposed by the funding requirements through the HIF application process with minimal constraints.

Infrastructure

OPDC will be the contracting authority for the infrastructure works and proposes to adopt industry standard contracts, such as the NEC suite of contracts. Bespoke terms will only be included where necessary if it is in the interest of delivering value for money. The delivery partner will be procured via a services arrangement but incentives built in with respect to completion on time, to budget and achievement of key performance metrics aligned with OPDC's project objectives and critical success factors.

The current draft of the proposed commercial risk allocation matrix for the infrastructure work is summarised below. This will be further informed by the final design of the contracting model and the relationships between OPDC, the delivery partner, contractors and design teams. This will be tested in a further round of market testing this Autumn.

Risk Category	Proposed allocation			
	OPDC	Delivery partner	Contractor	ESCO/IDNO
Land assembly risk	✓			
Planning risk	✓			
Design risk • *Infrastructure* • *Energy centre*			✓	✓
Construction delivery risk • *Infrastructure/service works* • *Energy centre*			✓ ✓	
Maintenance risk	✓			✓
Infrastructure cost risks		✓	✓	
Funding risks	✓			
Legislative risks	✓			

Risk Category	Proposed allocation			
	OPDC	Delivery partner	Contractor	ESCO/IDNO
Integration with developer requirements	✓	✓		
Timing for housing delivery		✓	✓	

Housing

OPDC proposes to enter into a long-term contractual relationship with the master development partner for the Old Oak opportunity. OPDC will ask interested parties to bid against a set of defined evaluation criteria, including commercial and financial terms and the integration of development proposals with the wider masterplan.

The exact contract for the master development partners is yet to be determined but the contract will be structured in a similar manner to a Development Agreement, with an option to develop, subject to milestones being met. The contract at this stage is primarily for services, resources and commitment to delivering the key pre-development milestones.

The document will set out the key roles and responsibilities of both OPDC and its Partner. This will allow OPDC to retain sufficient controls and place obligations on both parties regarding performance throughout the project. A developer will expect a clear and structured framework within which to work and will expect a streamlined decision-making process and means of recourse for all.

The commercial component of the agreement will set out the financial terms under which the master development partner will be granted the right to draw down development plots in accordance with the overall programme.

A summary of the key activities captured within the contractual clauses is set out below. It is not exhaustive at this early stage and will be developed further with key stakeholders and legal advisors:

- Principal parties;
- Master Development Partner obligations (i.e. scope);
- Timeframe for the project;
- OPDC obligations (particularly with regards to infrastructure delivery and land assembly);
- Initial Business Plan approval – partially developed by OPDC;
- Obtaining outline planning consent;
- Obtaining detailed planning consent(s);
- Land valuation/payment mechanism of plots/parcels;
- Obligations to develop and security provided;
- Completion and on-going long-term management

Detailed terms will include:

- Access and entry rights;
- Development programme, plot release schedule, draw down mechanism;
- Start on site pre-conditions;
- Asset protection;
- Building licences;
- Old Oak scheme approvals;
- Design codes, affordable housing, S106 responsibilities, specifications;
- Securing planning consent and discharge of reserved matters;
- Role and responsibilities with integration of infrastructure works;
- Warranties and indemnities for all works;
- Estate management responsibilities;
- Management of interfaces with energy and utility providers;
- Contracting authority approval rights and monitoring;
- Appointment of professional teams;
- Land valuation protocols;
- Costs and fees for development management activity;
- Alienation;
- Termination and step in rights;
- Dispute resolution;
- Confidentiality and freedom of information;
- Intellectual property rights;

- VAT and taxation; and
- Insurance

The current draft of the proposed commercial risk allocation matrix for the housing delivery work is summarised below. This will be further developed in the Autumn in advance of the proposed procurement process in 2019 to secure a master development partner.

Risk Category	Proposed allocation		
	OPDC	Master Development Partner	Plot developers
Strategic infrastructure works	✓		
Plot infrastructure works		✓	✓
Land assembly risk	✓		
Planning consent risk – masterplan area	✓	✓	
Planning consent – plot level		✓	✓
Design risk		✓	✓
Construction risk		✓	✓
Development risk – residential			✓
Development risk – commercial			✓
Estate management risk		✓	
Infrastructure financing risks	✓		
Development financing risks		✓	✓
Legislative risks	✓		
Integration with infrastructure works	✓	✓	
Delayed plot release	✓		
Property market fluctuation	✓	✓	✓
Project cancellation	✓		

5.6 Additional Information

5.6.1 If you have any further information to support the Commercial Case for your project, which has not already been captured in the above, please include this here.

This may include additional information agreed during co-development that will be required for assessment.

8,000 characters

Attachments can be added

6. Financial Case

6.1 Scheme Costs and Cost Plan

6.1.1 What are the total scheme costs?

The total scheme costs assume land acquisition costs and all infrastructure costs for Wave 1. Wave 2 costs and income are not considered as OPDC does not play a financial role and the sites are catalysed by the market confidence created by the Wave 1 intervention.

- Wave 1 infrastructure = £1,132 million (including finance and profit)
- Wave 1 land = £358 million (including £25 million for Powerday acquisition)
- Wave 1 housing costs = £7,493 million (see table 6.1.7 for a breakdown of the costs)
- Wave 2 – excluded

  Total: £8,983 million

6.1.2 Will the infrastructure costs be 100% funded through HIF? Yes/No

No.

6.1.3 Please provide a summary of the total infrastructure costs of the project. If you would wish to provide a further breakdown (i.e. by site / by phase) this can be included in 6.1.4.

To note: You should complete a line for each individual cost. If your infrastructure scheme is fully funded by HIF you will only need to complete the 'funded through HIF' column in the table.
Under 'type' you should choose from the following categories: Sunk Costs / Land (exc. Sunk costs) / Infrastructure / Construction / Abnormals / Professional fees / Finance Costs / Contingency / Preparation costs (design and planning) / Allowance for developer profit / Other

Type	Description	Cost	Amount Funded by HIF
Land (exc. Sunk costs)	Land	£332,541,000	£121,000,000
Infrastructure	Streets and Structures	£683,755,000	£101,000,000
Infrastructure	Energy and Utilities	£123,746,000	£28,000,000
Infrastructure	Foul and Surface Water Drainage	£11,032,000	0
Infrastructure	Telecommunications	£3,057,000	0
Infrastructure	Social Infrastructure	£61,045,000	0
Infrastructure	Offsite Highways	£57,001,000	0
Infrastructure	Other	£46,255,000	0
Land (exc. Sunk costs)	Powerday Acquisition	£25,000,000	0
Finance	Financing	£54,330,000	0
Allowance for Developers profit	Developers Profit	£91,638,000	0
	Total	**£1,489,400,000**	**£250,000,000**

6.1.4 Please provide a summary evidencing how you have assumed these costs. Please include details of any consultancy advice, cost plans, feasibility studies or comparables used to provide these assumptions.

8,000 characters

Attachments can be added

In 2016 OPDC appointed AECOM as Infrastructure Advisors (IA) to advise on all aspects of infrastructure development, design, planning and costing.

To aid assessments of viability, AECOM have provided two cost reports: one for the Strategic Infrastructure (Attachment 6.1) and one for the 'On Plot' works (Attachment 6.2).

The cost estimates reflect the developed OON Masterplan and infrastructure design including (i) strategic infrastructure works, which would typically be provided by a master developer to provide serviced parcels/plots and (ii) on plot works, covering all buildings and associated infrastructure within the plots.

The cost estimates for both the strategic infrastructure works and on-plot works have been informed by AECOM's extensive database of cost information covering live and completed projects. This database is managed by AECOM's dedicated cost-research department, who publish Spons Pricing Book, covering building and infrastructure costs. The team also publish articles in leading journals on cost models for different building types, trends in the construction market, inflation forecasts etc. The IA team has provided cost estimates on strategic infrastructure works covering demolition, site preparation, transport and highways, utilities, drainage and social infrastructure.

Streets and Structures

OPDC commissioned the IA team to undertake concept design and feasibility work for all the Bridges and Structures required to deliver the OON Masterplan and facilitate development. The IA team undertook sufficient design development to allow OPDC to engage with key stakeholders and relevant land owners and inform conversations on over-sailing rights and positioning of abutments and sub-structures. This level of design development also fed into the costing work, allowing the cost team to use more accurate deck areas and types of foundations to inform cost estimates. OPDC consulted NR, TfL, CRT, Crossrail and London Borough of Hammersmith & Fulham.

Decentralised Energy/District Heating

With the support of the IA team, OPDC has undertaken extensive concept design of the Energy Centre and network and carried out a comprehensive market engagement exercise to socialise the emerging strategy and ensure market buy-in. The IA team have undertaken sufficient design to inform the economics, viability and deliverability of the heat network. We have presented to the GLA Environmental team and the Deputy Mayor for Environment and Energy and received full support for our proposals.

Through their extensive database of benchmark projects, the IA team have been able to provide costs for the Energy Centre, the Thermal Generation fit-out and the District Heating Pipe Network.

Electrical Power

Based on a detailed development trajectory provided by the Masterplan team, the IA team have calculated the electrical power demand for OON over time. We have then used this to inform conversations with the local Distribution Network Operators (SSE and UKPN) to understand the capacity within the area and the plans for grid reinforcement over the coming years.

With the support of the IA team, OPDC has worked extensively with HS2 Ltd and UKPN to come up with a collaborative approach, which allows OPDC to 'piggy back' off the Power provision procured by HS2 Ltd to support their early construction works. OPDC has made a formal request for the first 15MVA requirement from the Atlas Road Primary Sub-Station, which will have a total capacity of 60MVA. Through collaboration with HS2 and UKPN, this initial supply will be increased to circa 40MVA over time to provide sufficient Power to serve the needs of the entire OON development. The infrastructure required to connect to Atlas Road and serve the development has been designed to concept level to inform costing and feasibility analysis.

Gas, Potable Water and Foul

The IA team have calculated Gas and Water demand based on the Masterplan Development schedules and have consulted with Cadent Gas and Thames Water to understand off-site reinforcement requirements. The Foul drainage requirements have also been designed and pipe networks mapped out, with required Sewerage system extension and capacity expansion detailed. Connections points have also been set out.

Surface Water Drainage (SuDS)

The development is within an area with a combined foul and surface water pipe network, which limits the system's ability to take additional storm water capacity without flooding downstream. AECOM have undertaken extensive design work to ensure maximum attenuation through the provision of Strategic SuDS and possibly by discharging into the Grand Union Canal. AECOM have provided costs for the SuDS system and new outfalls to the Canal. The proposals have been presented to and discussed with the GLA, LBHF and the Environment Agency.

Social Infrastructure

Building on the Development Infrastructure Funding Study carried out in 2015, AECOM were commissioned to consider the Social Infrastructure needs of the development based on the development capacity figures provided by the Masterplan team. The study assessed the infrastructure requirements for education, health, community and emergency services.

The AECOM team prepared revised population projections based on the new development trajectory to form a basis for analysis. They used these updated population projections to derive child yield from the development to cover all educational needs provision including early years (0–4), primary (4–11), secondary (11–19) and Special Educational Needs. They also identified space requirements for onsite education, health, community and emergency service facilities, along with analysis of off-site improvements to existing facilities.

The report also identified trigger years for education, health, community and emergency service facilities to meet population increase over the development period, including both on-site and any capacity identified off-site; provided a clear approach to population and child yield for health, education, community and emergency service needs and how this relates to what OPDC will seek from developers in terms of floor-space provision or S106/CIL contributions; provided advice on funding and delivery routes for health and education and

OPDC's role in each method/route; advised on consequential changes to the infrastructure requirements for education, health, community and emergency service facilities including, where appropriate, identification of locations in the OPDC development area for required on-site facilities.

The outputs from this report fed into the cost work undertaken by the AECOM team to inform cost estimates included in the Business Case.

Assumptions

Base costs include professional fees of either 17.5% or 25% and either 44% or 66% optimism bias (contingency), as well as inflation in line with AECOM estimates (starting at 2% p.a. in 2019, increasing to 3.5% by 2022. and being held constant for the remainder of the project.)

Costs have been apportioned to the development in one of three ways:

- Allocated 100% to Phase 1A if HIF funded;
- Allocated to phases according to the extent of infrastructure in each phase; or
- Allocated to phases in proportion to plot numbers in each phase.

Phasing of Costs

On award of the HIF, OPDC will procure a Delivery Partner and then procure design teams to take the current conceptual and early stage design to RIBA 3. In parallel with this, we will progress work on planning applications and procurement of Design and Build Contractors. The majority of the spend will commence in late 2020, early 2021 when the Contractors will mobilise. Due to accessibility constraints, OPDC will focus on the key bridges, namely Park Road Bridge and Laundry Lane Bridge. Park Road Bridge is a priority, as the utility services will be coming from the south-west of the site and need to cross the Canal. Infrastructure works can then progress north-east, subject to land availability.

6.1.5 *Can you provide detailed costing for the housing element of the wider project that form part of your total scheme costs? Yes/No*

Yes.

6.1.6 *If No, please explain why these are not currently available and when you expect them to be more developed.*

4,000 characters

Not applicable.

6.1.7 *If yes, please provide a summary of the costs related to the housing. If you would wish to provide a further breakdown (i.e. by site / by phase) this can be included in 6.1.8*

To note: You should complete a line for each individual cost.

Under 'type' you should choose from the following categories: Sunk Costs / Land (exc. Sunk costs) / Infrastructure / Construction / Abnormals / Professional fees / Finance Costs / Contingency / Preparation costs (design and planning) / Allowance for developer profit / Other

Type	Description	Cost
Construction	Residential	£3,334,592,000
Construction	Commercial	£302,673,000
Infrastructure	Plot wide costs	£230,008,000
Professional Fees	Professional Fees	£348,241,000
Contingency	Contingency	£210,776,000
CIL	CIL	£60,587,000
Total Development costs	Total Development costs	£4,486,876,000
Allowance for Developers profit	Allowance for Developers profit	£1,032,708,000
Land	Developer land acquisition	£1,137,929,000
Purchasers costs	Purchasers costs	£66,000,000
Finance Costs	Finance	£769,615,000
	TOTAL	£7,493,129,000

6.1.8 *Please provide a summary evidencing how you have assumed these costs. Please include details of any consultancy advice, cost plans, feasibility studies or comparables used to provide these assumptions.*

8,000 characters

Attachments can be added

OPDC appointed the AECOM Masterplan consortium consisting of AECOM, Maccreanor Lavington, Spacehub, PBA, Weston Williamson, East, Gort Scott and Prior and Partner to advise on all aspects of Masterplanning, development and cost analysis. OPDC also appointed AECOM as infrastructure advisors to advise on all aspects of infrastructure development, design, planning and costing.

AECOM have prepared a series of cost estimates to reflect the developing master plan and infrastructure design covering strategic infrastructure works, which would typically be provided by a master developer to provide serviced parcels / plots and, on plot works, covering all buildings and associated infrastructure within the plots. On plot building costs for Phase 1A are provided in Attachment 6.1.

The cost estimates for both the strategic infrastructure works and the on plot works have been informed by AECOM's extensive database of cost information covering live and completed projects. This database is managed by AECOM's dedicated cost research department, who publish Spons Pricing Books covering building and infrastructure costs and who also publish articles in leading journals in the Construction Industry on cost models for different building types, trends in the construction market, inflation forecasts etc.

AECOM's work has also been informed by a series of benchmark studies for key building types in London including residential and offices. These provided a range of comparable building costs per square metre of Gross Internal Area and also associated information including sales value assumptions, area efficiencies in relation to Gross Internal Area-to-Gross External Area and Net Internal Area-to-Gross Internal Area.

Construction costs are based on construction schedules provided by AECOM and are average base costs (i.e. excluding inflation). The costs assume a good standard of fit-out for all residential units and take into consideration the values assumed to be generated. The costs assume a tenure blind scheme. There are no specific adjustments made to the scheme to reflect location other than height.

For private residential construction a base rate of £3,050 psm has been assumed, with a 20% premium applied to all floor area above 20 storeys; equating to £3,650 psm.

For affordable residential construction a base rate of £2,950 psm has been assumed, with a premium as above equating to £3,500 psm.

Commercial construction costs are as follows:

- Office floor area below 20 storeys = £2,690 psm; while above 20 storeys = £2,960 psm;
- Industrial = £1,100 psm;
- Retail / hospitality = £1,115 psm;
- Leisure = £1,525 psm;
- Hotel = £3,900 psm;
- Car parking = £380 psm (above ground) and £760 psm (basement).

In addition to site wide infrastructure costs, individual plots have direct infrastructure costs. The following costs have been included:

- Transfer structures = £500 psm;
- Vertical circulation = fixed sum per site;
- Decontamination = £50 psm;
- External works (highways and landscaping) = 2% of construction cost (excluding direct costs);
- Drainage = 1.5% of construction cost (excluding direct costs);
- Services = 1.5% of construction cost (excluding direct costs);
- Contingency is included at 5% of total cost, and professional fees have been set at 10% of the total cost;
- A blended developer's profit on GDV of 12.75% has been applied based on 17.5% on private sales, and 8% on affordable sales (assuming 50% affordable on Phase 1A – public land);
- A blended developer's profit on GDV of 14.2% has been applied based on 17.5% on private sales, and 8% on affordable sales (assuming 35% affordable on Phase 1B – private land);
- Purchaser's costs are included at 5.8% of land value;
- Demolition costs are excluded from the plots and included within the infrastructure items;
- Inflation has been applied within the financial model based on AECOM forecasts of 2% p.a. starting in 2019 and increasing to 3.5% by 2022 and held at that level for the remainder of the project;
- Phasing of development and delivery of units has been aligned to market absorption rates for private residential sales, assuming development from west to east across Old Oak North.

6.1.9 ***Please provide a detailed cost plan for the scheme proposed to be fully or part funded by HIF. If you have included the housing costs above, please include these.***

This should include any costs associated with land assembly or access, design costs and professional fees, financing costs, construction costs, and contingency.

Cost plans for both the infrastructure and housing components of the scheme have been provided as attachments with the methodology described in 6.1.4 and 6.1.8 above.

6.1.10 Please provide detail on how the Land Cost, included in your scheme costs, has been arrived at and the basis of this assumption (if you have included these costs in either your infrastructure or housing costs).

4,000 characters

Land costs featured in Wave 1 of the project are treated differently between Phase 1A and Phase 1B of the project in the master cashflow. No land costs are assumed in Wave 2 as this does not feature as part of our financial analysis as described in 6.1.1.

Phase 1A

Phase 1A requires land acquisition and as such we have made a prudent assumption that the land cost would reflect the compensation payable under a Compulsory Purchase Order (CPO). We have undertaken a Property Cost Estimate (PCE) for the necessary land and property interests. The PCE has been prepared in two stages. The first stage involved the instruction of a land referencing firm to prepare a plan showing the existing Title information and a schedule setting out the identity of the freeholders, leaseholders and occupiers with an interest in the area. The second stage considered the levels of compensation that may be payable to each interest, in accordance with the "compensation code", if a CPO were confirmed and implemented. Although it is envisaged that land assembly will be partially achieved by agreement, we have assumed that the costs payable to acquire land and property by agreement will be consistent with the compensation that would be payable following a CPO.

The PCE exercise has identified a value under each of the following headings for each property interest:

- **Property value**: market value of the property interest for its current use (i.e. excluding alternative uses or redevelopment). Land and building areas have been estimated from mapping software, the valuation office agency (used for the calculation of rateable values) and other publically available sources. We have undertaken external inspections (from public highways only), and considered comparable transactions and property specific details, to consider an appropriate assessment for each property. We have assumed each property is let at a market rent, i.e. that the freehold interest holds the full value of the property. In practice some of the leasehold interests may have value (i.e. the rent payable is less than the market rent), but such cases the amount of value should be deducted from the freehold assessment and the total will remain constant;
- **Disturbance:** this principally relates to the costs of businesses being displaced from occupation and is based on the assumed costs of moving to suitable relocation premises. We have not internally inspected but based on occupier details available from our site inspection or on-line searches, we have applied a disturbance payment as a percentage of property value. This is established as an appropriate and generally accurate methodology (particularly on a large sample size, as we have here) at the early project stages when full occupier details, requirements and risks are not known;
- **Statutory Loss Payments:** Certain additional payments are payable to reflect the compulsory nature of acquisition, and these are included in our costs;
- **Fees:** We have included a provision for the reasonable professional fees (surveyors and solicitors costs) incurred by landowners in reaching agreement on the compensation to be paid, and a provision for SDLT, which although is likely to be removed, has been included at this stage for prudence.

Phase 1B

On Phase 1B, because we assume that the current owner will vacate the site and make it available for development, we have applied the Benchmark Land Value as the land cost. In order to determine the level of affordable housing deliverable, we have applied the market value of the property interest on an existing use value with an allowance of a 20% uplift to reflect the incentive to the landowner. This is an estimate at this stage based on comparable transactions and assessments of price per acre calculated using rent and yield.

6.1.11 Please attach any evidence to support how the Land Cost has been assumed.

The Property Cost Estimate prepared by OPDC contains materially sensitive and commercially confidential information and has not been attached to this submission. OPDC welcomes the opportunity to discuss the land cost methodology further with MHCLG as necessary.

6.2 Funding and Financing Sources

6.2.1 *Have you applied for, or received, any other public funding or financing for the scheme? Yes / No*

Yes

6.2.2 *If yes, what type of public funding or financing has been secured and /or applied for and please provide details.*

If funding has been awarded, or is expected, you will need to provide the amounts in the funding sources table below.
500 characters for description of each public funding

OPDC has assessed the project requirements through the cashflow and has matched the funding required accordingly:

GLA – OPDC, as a Mayoral Development Corporation, is funded by the GLA, which is the first point of call for funding. OPDC has discussed the following funds with the GLA:

- **Acquisition of Powerday -** The GLA is considering funding the acquisition as an investment, which would help control a key piece of land in Old Oak North. Though not an immediate development platform, the site comes with key access routes. At the time of submission, this is being considered by the GLA but has not been confirmed. **GLA funding; Applied for - decision unknown**
- **Cashflow Support** - The GLA has committed to £35 million of cash-flowing between 2022 and 2026 and would work with OPDC to avoid slippages and additional borrowing. This support has been modelled at an illustrative interest rate of 3.2%. **GLA funding; Applied for - successful**
- **Affordable Housing Grant** - agreed in principle by the GLA at £28k per intermediate unit and £60k per affordable rent unit for Phase 1A, assuming 50% affordable housing. This amounts to a total of approximately £55 million. This grant is incorporated within the plot appraisals and is therefore implicitly included within the land values to OPDC. The affordable housing grant is not applied to Phase 1B as it is assumed this phase will deliver 35% affordable housing. **GLA funding; Applied for - decision unknown**

HS2 – HS2 Ltd are committed to providing £28.3 million towards the delivery (including design) of the Hybrid Bridge across the canal and providing access from the Old Oak Common station through to Old Oak North. **Other – High Speed 2 Ltd funding; Applied for - successful**

TfL – TfL currently has £8.6 million secured in its business plan towards the delivery (including design) of the bridge. **Other – Transport for London funding; Applied for - successful**

6.2.3 *What are the overall funding sources for the infrastructure scheme? If you would wish to provide a breakdown (i.e. by site / by infra) this can be included in 6.2.4.*

You will need to provide the total amount of funding against each funding source, how much of this has been secured and when the funding is expected to be spent.
For any other public sector funding please provide description of type and amount for each.

Source – Phase 1A	Total Amount	Amount Secured	Amount to secure	2018/19	2019/20	2020/21	2021/22	2022/23	Future Years
HIF (this bid)	£250,000,000	£0	£250,000,000		£30,000,000	£76,000,000	£51,000,000	£93,000,000	£0
Local Authority									
LGF									
PWLB									
Other Central Gov	£28,300,000	£28,300,000					£28,300,000		
Other non-central Gov.	£25,000,000		£25,000,000	£25,000,000					
Other non-central Gov.	£54,232,000		£54,232,000			£5,724,000	£9,780,000	£0	£38,728,000
Other non-central Gov.	£8,600,000		£8,600,000				£8,600,000		
CiL									
S.106									

Private Sector (Developer)	£1,083,299,000		£1,083,299,000			£18,333,000	£45,962,000		£1,019,004,000
Private sector									
(Debt)									
Private Sector (Other)	£39,969,000		£39,969,000						£39,969,000
Total	£1,489,400,000	£28,300,000	£1,461,100,000	£25,000,000	£30,000,000	£100,057,000	£143,642,000	£93,000,000	£1,097,701,000

6.2.4 *What is the proposed funding and financing strategy for the infrastructure scheme? If funding sources have not been secured you should also provide commentary of how this is expected to be secured and progress against this – please reference the above table in your answer.*

12,000 characters

Full cashflow details for the infrastructure scheme is included at Attachment 6.4. The funding and finance strategy has been approached in a holistic way across the entirety of Phase 1A and Phase 1B taking account of the delayed start of Phase 1B due to Cargiant land only being available from 2022. For the purpose of where the HIF will be spent, the cashflow analysis for Phase 1A and Phase 1B has been split, which also reflects the delivery strategy. Within Phase 1A, due to the number of overlapping funding sources, it is difficult to absolutely silo how infrastructure is specifically being paid for and OPDC would like to maintain a degree of flexibility.

By dissecting the cashflow in terms of the HIF spend period, early infrastructure within the period is assumed to be £201 million and funded by approximately £129 million of HIF, HS2/TfL contributions of £37 million and GLA cashflow support (repaid through land sales) of £35 million. The remainder of the HIF money (£121 million) will be spent on land with early land receipts being used to fund further acquisitions and debt repayment. Should there be deviation from the timetable – OPDC would want to swap HIF funding for infrastructure to land acquisition and use land receipts to pay for infrastructure with the same net result.

Phase 1B has been assessed in terms of its financial viability on the assumption that HIF funding is obtained to invest in infrastructure and land assembly, which will benefit the wider area. On a prudent land sale basis, i.e. a master developer approach where Cargiant sells serviced land parcels assuming that Phase 1B infrastructure works is debt financed, the project is financially viable and generating a profit on the infrastructure. It is likely that Cargiant as a landowner will participate to a greater extent in the development through its partnership with London and Regional as its development partner.

All sources of infrastructure funding and financing for Phase 1A are set out below:

- **HIF:** The money secured through HIF will fund the early land acquisition (£121 million) and early infrastructure (£129 million). As described above OPDC would like to maintain some flexibility to potentially switch some infrastructure funding to land acquisitions;
- **Recycled Land Receipts:** To support the delivery and provide resource, capacity and skills to achieving the projected sales receipts, OPDC intends to procure a development partner. OPDC working with its development partner will enhance the value of the area by investing in the infrastructure and securing the planning consents needed to generate the projected receipts. The development partner will use its expertise to help with place creation and ensure that the planning consents are deliverable, maximising the receipts to OPDC. OPDC will manage its cashflow through the sale of land parcels but could defer some land payments should the upside risk be limited. The projected land receipts take into consideration both prevailing market conditions as well as evidenced regeneration premiums that a scheme of this scale would benefit from (See section 6.4.1 below). The release of sites is dependent on land acquisition and infrastructure delivery, however, within the programme there are opportunities to achieve some early wins;

- **Other Central Gov:** HS2 Ltd are committed to providing £28.3 million towards the delivery (including design) of the Hybrid Bridge, which includes £4.5 million outside their limits of deviation and the remainder within their limits of deviation;
- **Other non-central Gov.:** Powerday is a site owned by Network Rail with a long leasehold interest to Powerday. Although it is not an immediate development platform it is a key strategic site within Old Oak North and one that is important to control in terms of waste strategy and access routes. The GLA

is considering providing £25 million to fund the acquisition as an investment asset, with the income generated travelling directly back to the GLA;

- **Other non-central Gov.:** agreed in principle by the GLA at £28,000 per Intermediate unit and £60,000 per Affordable Rent unit for Phase 1A assuming 50% affordable housing. This amounts to a total of approximately £55 million. This grant is incorporated within the plot appraisals and is therefore implicitly included within the land values to OPDC. Affordable housing grant is not applied to Phase 1B as it is assumed to deliver 35% affordable housing;
- **Other non-central Gov.:** TfL currently has £8.6 million secured in its business plan towards the delivery (including design) of the Hybrid Bridge;
- **Private Sector (Other):** Soft market testing has been undertaken, which suggested that between 60-80% of capital costs can be covered via ESCO/IDNO. A prudent assumption has been applied of between 50-60% of capital costs are recovered over a period of 8 years once there is certainty of development coming forward, this creates a total revenue of approximately £40 million.

The GLA will be financing the project between 2022 and 2026 through a loan at an interest rate assumed to be 3.2% based on PWLB loan rates that have been used by the GLA for lending to LLDC. The loan will be required in FY 22/23 and is repaid in FY 25/26 and comes at a time when the project peaks in terms of infrastructure spend. This is not shown in table 6.2.3 as this debt will be repaid

Phase 1B – Through OPDC intervention on Phase 1A and the infrastructure and regeneration investment in this area Phase 1B is expected to become financially viable. OPDC would have undertaken c45% of the total infrastructure costs in Old Oak North to deliver the core infrastructure route that would enable Phase 1B to progress with minimal financial intervention. Cargiant is a successful operation and together with its experienced development partner, London and Regional will have the means of accessing the financing required to deliver its scheme.

It is assumed that the £315 million of private sector financing required between FY 22/23 and FY 25/26 is supported by a projected residual land value of £819 million representing a loan to value of 38%. An interest rate of 5% has been applied, equating to £52 million of financing costs assuming that all deficits are funded with debt. According to the analysis, it is assumed that the debt can be repaid by FY 27/28 assuming that a master developer approach is taken and that land receipts form the income for the project.

Cargiant and its development partner are likely to explore a more direct/participative approach to Phase 1B, which will yield better financial returns than the land sale model assumed. This however, is a prudent assumption at this early stage.

Private Sector (Developer): The total amount of funding that is required to support the total infrastructure costs of £1.49 billion, as set out in table 6.1.4, Private Sector (Developer) funding of approximately £1,083 million is required.

Additional Funding and Finance Opportunities

There are a number of funding sources that are at relatively early stages of exploration with a view that some will be contingency measures:

- **Alternative debt sources:** Should OPDC require additional cashflow support it could consider further borrowing in line with the Prudential Code to provide finance for infrastructure. This could potentially be secured through the development partner, though that would be a more expensive source. Sources could include Homes England.
- **Business Rates:** OPDC has begun to explore the opportunity for business rates retention as either income or a capital sum for the project, and has begun discussions with the relevant authorities. To date, discussions have been held with the three local authorities, the GLA and London Councils and a detailed proposal will be worked up in collaboration with these bodies.
- **Affordable housing grant:** OPDC has been exploring opportunities for enhanced grant levels from the GLA. The business case has been prepared in line with the GLA's affordable housing grant criteria and, if an appropriate Registered Provider is procured and the timing of delivery is acceptable, then the GLA would be prepared to commit to this allocation within the current programme. Commitments following that would need to be determined in line with the next programme, which has not yet been defined.

6.2.5 ***What are the funding sources for the housing scheme? If you would wish to provide a breakdown (i.e. by site / by infra) this can be included in 6.2.6.***

You will need to provide the total amount of funding against each funding source, how much of this has been secured and when the funding is expected to be spent.
For any other public sector funding please provide description of type and amount for each.

Source	Total Amount	Amount Secured	Amount to secure	2018/19	2019/20	2020/21	2021/22	2022/23	Future Years
Local Authority									
LGF									
PWLB									
Other Central Gov. 1	£54,232,000		£54,232,000		£5,724,000	£9,780,000	£0	£26,812,000	£11,916,000
Other Central Gov. 2									
Other non-central Gov.1									
Other non-central Gov.2									
CiL									
S.106									
Private Sector (Developer)	£7,438,896,000		£7,438,896,000	£0	£0	£18,333,000	£48,960,000	£105,059,000	£7,266,544,000
Private sector (Debt)									
Private Sector (Other)									
Total	£7,493,128,000	£0	£7,493,128,000	£0	£5,724,000	£28,113,000	£48,960,000	£131,871,000	£7,278,460,000

6.2.6 *What is the proposed funding and financing strategy for the housing scheme? If funding sources have not been secured you should also provide commentary of how this is expected to be secured and progress against this.*

12,000 characters

Phase 1A

Through the opening of the new HS2 and Crossrail station and the intended investment in primary infrastructure, confidence in the local market will be stimulated. This confidence will help to increase values and therefore support the financial viability of the scheme.

Phase 1A and 1B plot appraisals, which have been reviewed by multiple consultants, suggest that the funding for the housing scheme will all be private sector funded (through debt or equity). The exception to this is Phase 1A where the contribution of an affordable housing grant is assumed. The grant would be secured from the GLA at a value of £28k per unit for intermediate housing and £60k per unit for affordable rent. This equates to approximately £55 million and will be passed on to developers on a site-by-site basis.

OPDC will begin a procurement exercise to seek a development partner in 2019. The partner will be primarily used to deliver services and resources to OPDC to further the masterplanning work undertaken by OPDC leading to an outline planning consent for Phase 1A. The development partner would then have the option of developing or will help facilitate the sale of plots to housebuilders ensuring both place creation and commercially deliverable land parcels.

Through this procurement OPDC will set out a timetable for plot release in-line with the cashflow. Within the sites acquired there are a number of early opportunities for housing delivery and it will contractually oblige its partner to ensure that plots are forthcoming.

The risk associated to the delivery of the housing scheme is limited as the key strategic infrastructure and the greater visioning of the area would, to a large degree, have been provided by OPDC and its delivery and development partners.

OPDC will ensure that the development partner and any other developer they are engaged with have the financial capability to deliver the scheme. Financial tests will be undertaken to show that they have the cash reserves and financing ability to undertake the development. OPDC will retain step-in rights should development not come forward.

Appraisal assumptions in arriving at the assumed land values are included in Attachment 6.3.

Phase 1B

In a similar way to Phase 1A, OPDC's intervention on the site immediately adjacent to the Cargiant land would make the Phase 1B proposition financially viable assuming the most prudent delivery model – master developer land sales. The financial appraisal of each development plot shows that the Phase 1B scheme is viable assuming developers will have access to funds through either debt or equity. Financial assumptions that underpin this analysis are provided in Attachment 6.3.

6.3 Gross Development Value

6.3.1 *How much is the assumed Gross Development Value (GDV) for the scheme?*

This should be the actual GDV estimated for the scheme (as opposed to the GDV given in the Economic Case – please see guidance)

£2,397 million in Phase 1A.
[redacted] million in Phase 1B.
[redacted] million in total.

6.3.2 *Please provide a breakdown of the assumed GDV of the scheme in relation to the below:*

Type	Amount (£)
Private Sale	[redacted]
Rental income	-
Affordable sales income	[redacted]
Commercial income	[redacted]
Other	-

6.3.3 *Please provide a summary evidencing how you have assumed the GDV subject to this bid.*

8,000 characters

Please include details of any consultancy advice, cost plans, feasibility studies or comparables used to provide these assumptions.

The values are informed by a combination of market transactions and broader regeneration principles. OPDC's advisors have an in-depth database of market evidence in all of the surrounding locations together with land transactions, which it has been monitoring for three years. While this provides some evidence of value, fundamentally there are no direct comparables in close proximity that align with the large-scale regeneration that will take place in the area. The site is much like LLDC prior to the Olympic Games, where surrounding residential values were low and the high-quality environment created together with the infrastructure investment caused a step increase in price.

Similarly, a recent market report from Knight Frank suggested that values in Old Oak, which are currently at c£750 psf, would increase to c£1,000 psf by 2021 if development happens at scale. CBRE has also suggested that price growth in regeneration areas increase at a rate much higher than normal market growth suggesting premium growth of between 3.8% and 8.5% p.a. (i.e. above normal growth). General house price growth appears to be static in the near term, however the enhancement created through regeneration which is evidenced above has led us to adopt a conservative price growth of 5.5% p.a. throughout the life of the project.

Private residential GDV is constructed from an average unit size of 71.8 sqm multiplied by a blended average base sales value of £8,400 psm (current day value). A 5% premium has been applied to private sales values for sites that would benefit from the proposed Hythe Road Station. All values are grown to the mid-point, at 5.5% p.a.

All sites in Phase 1A are assumed to provide 50% affordable housing, with an affordable housing tenure mix in each site to be 30% affordable rent and 70% shared ownership. Sites in Phase 1B comprise 35% affordable housing with the same affordable tenure mix as Phase 1A.

Affordable rented units have a blended average base sales value of £1,599 psm across all sites, and shared ownership is assumed to be £5,747psm.

Blended average base capital values for commercial uses across all sites:

- Office = £5,626 psm;
- Retail = £3,645 psm;
- Hospitality/ Leisure = £4,891 psm;
- Industrial = £3,418 psm;
- Hotel = £150,000 per room.

These capital values are based on rents and yields in line with market research – growth rates are included in section 6.4 below.

6.4 Cashflow

6.4.1 Please provide a cash flow for both the infrastructure and the overall development or housing scheme (if available). Please provide details on any growth and inflation assumptions made.

Please refer to guidance.

See Attachment 6.4.

6.5 Recovery Expectations

6.5.1 Do you aim to recover any of the HIF funding (to be retained locally)? Yes / No

No

6.5.2 If no, please explain why you think recovery is not possible.

2,000 characters

The analysis contained within the business case demonstrates the market failure of the regeneration project and therefore the need of a grant subsidy to make the project viable. The multiple land ownerships and heavy infrastructure burden requires money to be invested into the area from the public sector.

The requirement to repay money would put significant financial pressure on the project and one that would most likely delay the delivery of housing, provide significantly less affordable housing or compromise the quality of the scheme.

OPDC would be open to a structure that would see the HIF money paid back should the scheme perform better than expected. This would need to be considered in the latter sub-phases of the project when the infrastructure required has been delivered, any overages due to land owners is paid and primary OPDC objectives met. Furthermore, OPDC could consider repayment if funding sources such as business rates retention be achieved.

Surpluses shown in the cashflow provide flexibility to OPDC to enable a master developer to charge an incentivised fee working alongside OPDC.

6.5.3 If yes, please provide the following:

- ***assumed profile of recovery***
- ***explanation of how funding will be recovered*** *4,000 characters*
- ***how you intend to use recycling to support future housing delivery in your area*** *4,000 characters*

6.6 Additional Information

6.6.1 If you have any further information to support the Financial Case for your project, which has not already been captured in the above, please include this here.

This may include additional information agreed during co-development that will be required for assessment.
8,000 characters

Attachments can be added.

Additional information on the cashflow

Model construction

There are two components to the financial models that produce the figures presented as part of this bid. The first part is to produce serviced land values and is informed by the masterplanning work in terms of areas and costs. Both costs and values are grown within the financial model and phased as appropriate. Standard appraisal assumptions are adopted (see Attachment 6.3) to produce residual values as the key output which is then fed into the 'Master Developer' cashflow. The Master Developer cashflow then phases the residual values according to market absorption rates and the availability of the site in terms of acquisition and requirement for infrastructure. Site acquisition costs and infrastructure costs are also included and are effectively netted off against land receipts, other funding and financing sources.

The cashflows presented are for the whole of Wave 1 and also broken down into Phase 1A and Phase 1B.

Growth rates

The rationale behind the growth rates used is summarised in section 6.3.3 for values. Private residential sales values have been grown at a fixed rate of 5.5% per annum and assumed to be conservative when considering regeneration premiums and growth achieved in other London schemes.

Affordable residential sales are grown at RPI+0.5% in line with standard market practice. Note - RPI is assumed to be c3% as per ONS data

Office values are grown at 4.5% till 2021, and at 3.3% thereafter.

Retail values are grown at 5.2% for 2019 and 2020, 5.1% for 2021 and 3.3% thereafter.

Industrial values are grown at 5.7% for 2019, 7% for 2020, 5.4% for 2021 and 3.3% thereafter.

Office, retail and industrial growth rates are in line with market commentators' expectations.

Construction costs are inflated by 2% in 2019, 2.6% in 2020 and 3% in 2021. Thereafter inflation is fixed at 3.5% per annum. This has been informed by historical trends as assessed by AECOM.

7. Management Case

7.1 Project Dependencies

7.1.1 *Please outline any project dependencies.*

Please include details of how many are critical and ones which are outside of your direct control
2,000 characters per dependency

The major dependencies for the Programme are:

- Delivery of the necessary land (and rights) with vacant possession and clean title, by agreement or, if required, through the use of OPDC's compulsory purchase powers. These activities run in parallel with design and approvals work for strategic infrastructure, however any prolonged delay in delivering land for infrastructure delivery will have an impact on construction. **Critical; in our control**
- The completion of Atlas Road sub-station to provide Power to the OON Development. This is not deemed critical as it needs to be energised in 2019 to support the HS2 Tunnel Boring works. This is outside of OPDC's control but we have excellent relationships with UKPN and HS2 Ltd and believe the extensive float in the programme and the pressure on HS2 to deliver provides sufficient confidence that this will be available on time. **Non-critical; outside our control**
- Statutory Undertaker Connection works – OPDC has undertaken extensive work to understand the demand created by the new development and provided the trigger points for required upgrades to the appropriate Statutory Undertakers. OPDC has engaged extensively with the Statutory Undertakers and has letters of support appended to this Business Case. **Critical; in our control**
- Procurement of appropriately qualified suppliers – OPDC has undertaken extensive market engagement to understand capacity in the market and the level of interest. This exercise has demonstrated that across all procurement areas there is significant capacity, capability and interest in the market. **Critical; in our control**

7.2 Project Governance, Organisation Structure and Roles

7.2.1 *Please outline the authority's approach to governance and oversight of the delivery of the proposal. This should include how you will work with any other key delivery partners (such as other landowners).*

16,000 characters

Governance and oversight - overview

OPDC was established in April 2015 to bring forward development of London's largest Opportunity Area at Old Oak Common and Park Royal. The proposed Old Oak North (OON) Programme set out in this HIF application will be led by OPDC, which is a Mayoral Development Corporation established under the Local Government Act 2011. OPDC is also the Local Planning Authority and has Development Corporation status with the prime objective of developing and delivering the overall scheme.

OPDC is able to draw on considerable expertise within the GLA Group, not least TfL's legal, property and transport expertise, the relevant knowledge and experience of the Homes for Londoners team and the London Legacy Development Corporation (LLDC). Indeed, many of the team working at OPDC has gained experience of delivering major complex projects on the Queen Elizabeth Olympic Park, which faced similar challenges in the early stages of planning the legacy development.

OPDC's governance framework details the processes by which OPDC is directed and controlled at its most senior levels, in order to achieve its objectives whilst meeting the necessary standards of accountability and probity. The framework provides OPDC with the structures and processes to ensure that the organisation is managed in the most effective and efficient manner (Attachment 7.4c).

OPDC has a Senior Management Team (SMT), which constitutes all the directors within the corporation which will sponsor the programme (Attachment 7.4b). A Programme Board for delivery of the scheme will be established under the direction of the SMT. Decision making, depending on the level of delegation, will flow from the Mayor, to the OPDC Board, to the Chief Executive and SMT, and down to the Programme Board. This will be set out clearly in the Terms of Reference for the Programme Board.

OPDC Board

The OPDC Board is formally appointed by the Mayor of London. The Board is responsible for providing leadership, advice and support to the organisation, setting strategic direction and overall policy, approving expenditure in line with the scheme of delegations, monitoring performance and corporate governance, and representing the Corporation with other stakeholders. There are four committees of the OPDC Board: Audit, Investment, Appointments and Planning, Chairman's and Planning.

Senior Management Team

The Chief Executive is responsible for the effectiveness and efficiency with which OPDC discharges its functions and expends funding and additional revenues as OPDC acquires through its business actions.

The Senior Management team (SMT) supports OPDC's Chief Executive in delivering the Corporation's strategic direction and ensuring that OPDC delivers its objectives and manages its resources efficiently. It focuses on the review and resolution of strategic issues, risks and decisions ensuring visibility and engagement across all teams. It makes sure it is kept up to date with developments, delays and key issues affecting programme. It reviews board and committee papers prior to submission and reviews all programme plans and business cases before these are approved. An SMT member will sponsor each of OPDC's major investment programmes and lead on all reporting to the Board for the Old Oak North Programme.

OPDC sponsorship

Programme sponsorship within OPDC involves providing top-level endorsement to the rationale and objectives of a particular programme, championing its implementation and ensuring appropriate programme governance is implemented. For Old Oak, OPDC's Chief Finance Officer is the Senior Responsible Officer (SRO) and is responsible for ensuring that the programme will meets its objectives and delivers the projected benefits. OPDC's Commercial team will be responsible for the crucial early land assembly and will ultimately lead the programme day to day in ensuring that the forecasted 13,100 new homes are delivered.

OPDC will also appoint project level sponsors to act as its representative for individual elements of the overall programme. For example, currently this is anticipated to cover major elements of land, infrastructure and housing such as land assembly, the roads programme, energy supply etc. The project sponsors will have responsibility for providing the key link between project ownership and delivery of their respective areas to achieve the desired outcomes for timely completion, cost management and benefits delivery.

Programme Board

The Old Oak North Programme Board will oversee the programme from land assembly through to housing delivery. It will meet regularly and is chaired by OPDC. Core membership will comprise representatives of OPDC, the GLA and TfL. OPDC will also welcome participation from Homes England as a key funder of the scheme. Over time, as new stakeholders potentially have a role on the programme, they will be invited to sit on this Board which will be the primary steering group for the project.

Key responsibilities will be:

- To provide direction, decision making and issue resolution;
- To ensure integration of decision making across both the land assembly, infrastructure and housing delivery components of Old Oak;
- To refer decisions back to, and co-ordinate decisions by, partners' own governance structures as required; and
- To oversee the programme, risks, issues, review business cases and ensuring value for money is provided.

Working with other partners

OPDC's vision for the site is to deliver homes and jobs that support London's growth and the nation's competitive position in the global economy. While achieving this vision will be challenging, OPDC understands that the key to success is working in partnership with Government Departments, Homes England, the Local Authorities, private landowners and transport bodies including TFL, Network Rail, High Speed 2 and the Elizabeth Line in a coordinated way to delivery outcomes. The scheme being delivered will provide the land, transport and utilities infrastructure necessary to make Old Oak North accessible, linking it to surrounding communities and enabling development of this largely brownfield site to deliver 13,100 homes and new public realm and commercial space.

The success of the scheme will depend on development being brought forward in a coherent and well-planned way resulting in better place-making, coordinated social and utility infrastructure and greater returns to the public sector. OPDC will play a significant role in delivering and coordinating development to achieve this aim.

Much of the land in the scheme is owned by Network Rail and is the subject of the MoU between DfT and OPDC. The MoU is a key tool for OPDC, which sets out a framework for OPDC to acquire public sector land in the area to ensure greater certainty of development and value capture for the public sector. However, in addition to working closely with Network Rail to maximise the development opportunities from publicly owned assets, OPDC will work with private sector landowners in the area, including Cargiant which owns 20 hectares (plus a variety of long leasehold interests).

The delivery strategy is based on 'unlocking' sites that can benefit from the new infrastructure such as the Elizabeth Line and High Speed 2 station. OPDC has defined a first phase of infrastructure and land assembly that delivers exemplary development and addresses the most important infrastructure deficiencies of surface transport access and utilities capacity. In defining the scheme, OPDC has undertaken masterplanning and viability work to establish:

- Placemaking principals, development capacity of the sites and maximised affordable housing delivery;
- A robust programme for timely delivery and plans for key build-out phases;
- Interfaces between development and infrastructure delivery; and
- A viable and deliverable scheme.

OPDC's holistic and robust approach to development, infrastructure and design means that it is well placed to efficiently procure development partners, contractors, ESCO/IDNO partners and other members of the supply chain in order to deliver best value, appropriately transfer risk and manage cost.

Additional governance structures

OPDC acknowledges that as Old Oak progresses through its various stages, governance structures and reporting arrangements will need to evolve. In particular, during the infrastructure construction phase modified arrangements may be necessary at a time when there is significant capital spend underway. OPDC also works collaboratively with other public sector bodies, in particular Network Rail, HS2 Ltd and the three Local Boroughs sharing the results of studies commissioned by them. For example, OPDC has been working in partnership with the London Borough of Brent to review connectivity between Harlesden and the Old Oak regeneration area stretching south from Willesden Junction.

Detailed management arrangements for the development phase will include definition of the roles of clients, delivery partner and development partners. This will include definition of responsibilities for:

- Health, safety and environmental management;
- Planning and delivery control;
- Contract management;
- Risk and issue management;
- Design management and change control;
- Construction oversight and co-ordination;
- Development co-ordination;
- Testing, commissioning and close-out;
- Document control and archiving; and
- Support in procurement, stakeholder engagement and communication strategy.

In addition, OPDC will encourage new multi-stakeholder governance bodies to emerge and support the process for the optimisation of the benefits from the public investment in Old Oak North. OPDC envisages that it will be able to provide greater definition on additional governance arrangements as part of any Final Business case, which will be required before approval to commence infrastructure works at the site.

GLA Group – HIF Programme Board

MHCLG has agreed to devolve accountability and funding for successful MVF schemes in London to the GLA. The GLA will receive the funding from Government to act as the accountable body for MVF in London, in accordance with functions set out in a Memorandum of Understanding (MoU) between the GLA and MHCLG. OPDC's Old Oak North scheme is one of eight London Forward Funding schemes that were selected for co-development by MHCLG. Subject to the award of a successful HIF bid, it is anticipated that the GLA will enter into a Grant Determination Agreement with MHCLG to deliver the London schemes and will, in turn, procure delivery by entering into Funding Agreements with partners including local boroughs and TfL.

The GLA will establish a Programme Board to provide oversight across all of the London Forward Funding schemes. This Board will:

1. Provide the leadership and support necessary to ensure successful delivery of the HIF Programme in London by identifying and leveraging synergies, mitigating risks and managing dependencies;
2. Oversee programme management of the Marginal Viability Fund in London on behalf of MHCLG, proactively monitoring and managing underspends and, where necessary, proposing substitute schemes for approval by MHCLG;
3. Ensure a robust programme assurance framework is in place to ensure value for money in relation to project outputs and outcomes, including the delivery of a significant number of new homes;

4. Receive quarterly reports on FF and MVF projects and monitor progress in the delivery of infrastructure and spend against project profile and programme longstops;
5. Provide quarterly reports to the GLA's Housing and Land Management Team on project risks and progress in delivery;
6. Review proposed changes to FF projects and agree change requests prior to submitting to MHCLG for approval; and
7. Commission evaluation surveys of London HIF projects, as necessary, to meet MHCLG requirements.

The Board will meet quarterly as a minimum and will be chaired by the GLA's Executive Director of Housing and Land. Membership will include representatives from TfL and London Councils (Attachment 7.4a).

Government Liaison Board

Given the significant central government funding and its strategic role in new homes delivery, OPDC proposes the establishment of a new group to facilitate government communication and liaison. It would meet quarterly and be chaired by the nominated government accounting officer. MHCLG is the lead Government Department for new housing delivery.

Membership could include:

- The Departmental accounting officer;
- Infrastructure and Projects Authority;
- HM Treasury;
- OPDC/GLA/TfL; and
- Other government departments as required.

*7.2.2 **Please provide details of the authority's resourcing for the proposal.***

6,000 characters

When OPDC was established in 2015, it was structured on the 'thin, intelligent client' model, drawing on the considerable resources available to the GLA group through shared service arrangements wherever appropriate.

OPDC has a core establishment headcount of 50 (excluding non-executive Board and Committee members). These are organised as follows:

- The Chief Executive is directly responsible for communications and engagement, government relations and health;
- The Planning Director has responsibility for the policy and development management planning teams, together with design, transport and the Park Royal programme;
- The Commercial Director leads on land assembly, funding and financing, and development;
- The Technical Director leads on masterplanning and infrastructure delivery;
- The Chief Operating Officer is responsible for all corporate support functions, deputises for the CEO and fulfills the statutory role of Chief Finance Officer.

Our establishment is forecast to increase by 12 if our HIF bid is successful, to enable us to provide the necessary skills and resources to effectively manage the HIF programme.

Support through shared services with other members of the GLA group (primarily the GLA and TfL) encompasses all, or aspects of:

- Land & Property Services;
- Committee Services;
- Legal Services;
- Financial Systems;
- Human Resources;
- Information Technology;
- Facilities Management;
- Insurance; and
- Internal Audit.

The Board of OPDC, whose members are appointed by the Mayor, is chaired by [redacted] and comprises:

- [redacted], Deputy Mayor for Planning, Regeneration and Skills;
- [redacted], Leader of the London Borough of Hammersmith & Fulham;
- [redacted], Leader of the London Borough of Brent;
- [redacted], Leader of the London Borough of Ealing;
- A representative of the local residents in Old Oak;
- A representative of local businesses in Park Royal; and
- Independent experts in the fields of property, regeneration and commerce.

OPDC's Planning Committee is chaired by [redacted] and comprises 4 borough representatives (2 from Hammersmith and Fulham and 1 each from the other boroughs) plus a further 3 independent members.

The Investment Committee is chaired by [redacted] and has a further 3 members.

The Audit and Risk Committee has 3 members and is chaired by [redacted], while the Appointments and Remuneration Committee, chaired by [redacted], also has 3 members.

OPDC's net operating costs and revenue programmes are funded by the GLA and the annual budget is currently £6.8 million. This budget requirement is forecast to increase by between £1.25 million and £1.5 million per annum from 2019/20 to fund additional staffing costs and expenses that cannot be capitalised, such as estates management, some additional legal services and future business case development.

7.2.3 *Please attach an organogram depicting the governance structure and/or roles and responsibilities within the authority.*

Please see Attachment 7.2.

7.3 Project Management Arrangements and Project Plan

7.3.1 *Please provide details of the overall project management delivery arrangements for the project, including any challenges or constraints to delivery of the project.*

16,000 characters

OPDC was established on 1 April 2015 as a Mayoral Development Corporation (MDC) under the London Mayor's powers from the Localism Act 2011. The OPDC is the second of its kind in London.

The OPDC is a part of the GLA group and sits alongside other functional bodies: Transport for London (TfL); Mayor's Office for Policing and Crime; The London Fire Commissioner and The London Legacy Development Corporation (LLDC). Like the LLDC, the OPDC has the authority to deliver a regeneration strategy which cuts across a number of London Borough boundaries. The OPDC site cuts across the London Boroughs of Hammersmith and Fulham, Brent and Ealing.

The OPDC endeavour spans 35 years and will need to accommodate changes in direction and approach as public policy and economic conditions evolve and change. OPDC will use the principles of best practice Programme Management to provide a framework of control to ensure the Programme is on track to deliver the Strategic Objectives.

OPDC aims to deliver the Old Oak North programme on time, within budget and in such a way that the Infrastructure, places, business communities and new homes delivered meet the targeted numbers, stakeholder requirements and OPDC's own objectives and critical success factors. OPDC has a Programme and Project Management Guide which is in line with GLA and other good practice guidance.

The OPDC Programme and Project Management guide sets out the approach to programme governance and assurance. This approach, in line with best practice, structures our management processes, boards and panels, internal and external audits, according to the 'Three Lines of Defence' principles recommended by Her Majesty's Treasury (HMT).

This approach will improve the likelihood of delivering the Programme to the cost and schedule agreed whilst delivering the expected benefits in line with the agreed objectives and critical success factors set out in the Business Case. It will also:

- Identify potential problems before they materialise or become intractable;
- Identify solutions or corrective action;
- Minimise the risk of cost or time overrun;
- Minimise the risk of failure to meet the new homes targets; and
- Maximise confidence, internally and externally of the timely delivery of the desired benefits within the agreed budget envelope.

The OPDC Programme & Project Guide defines the processes and procedures that will be used to deliver the programme, sub-programmes and projects in compliance with the stated requirements. These include internal checks and reviews by the Project Management teams.

The set of activities to deliver the Phase 1a Programme will follow a standard lifecycle which includes, Programme Development, Programme Delivery and Hand Over. Progress will be measured against the agreed Business Case.

Each of the projects within the OPDC portfolio will go through a stage gate process. They will all follow an approach which is compliant with the IPA and HMT's approach to project development and delivery. This standard lifecycle approach, with key gates and decision-making points set out will ensure the progressive development of projects allowing for challenge and assurance at key points throughout the lifecycle. This could be adapted to incorporate any assurance review points that MHCLG requires as part of its HIF investment.

The Gated Project Lifecycle provides the opportunity for the progressive management, monitoring and assurance of projects as they progress through their respective lifecycles. Each project will have an agreed funding envelope relating back to the agreed HiF Business Case. This will be set out in the early stages (PID) of each project and approved by the relevant authorising body.

Project progress in terms of actual spend and forecast to completion against the agreed budget will be monitored on a monthly basis as will risks, issues, progress against agreed key milestones and alignment with project objectives.

The Delivery Partner PMO will act as the 'engine room' for all data across the programme, collecting data on a monthly basis and consolidating it into an easily digestible form such as Dashboards and Highlight Reports. The Programme Assurance team will provide challenge across the Programme Sponsors to understand the level of risk and compliance on a monthly basis.

The Delivery Partner will bring their own expertise in Project Controls, including Cost control, schedule management, risk & issue management, interface management, logistics and reporting as well as supporting stakeholder engagement and management. They will also lead on the planning approvals and consents required to deliver the various projects across the Phase 1a Programme.

All systems, tools and procedures provided by the Delivery Partner will need to fit into the OPDC systems in a seamless fashion to allow a 'waterfall' approach to dissemination and data capture ensuring the proliferation of a 'single source of the truth' philosophy.

OPDC is split into four distinct directorates, namely, Planning, Corporate Operations, Commercial and Technical. The Delivery 'arm' of the Corporation will be led by the Technical and Commercial Directorates with support from elements of Corporate Operations.

The overarching scheme at Old Oak will be managed as a programme to ensure that multiple workstreams are effectively coordinated and remain in line with the strategic delivery plan, key milestones and scheme objectives. The milestone schedule set out in Section 2.4 provides a high-level summary that underpins the delivery strategy. This is supported by a more detailed programme schedule which highlights the key dependencies in the delivery plan.

OPDC will assume the role of an intelligent, thin client with the 'intelligence' in terms of capability and capacity enhanced through the procurement of a professional 'Delivery Partner' who will bring skills in programme delivery management, project management, design management, planning, construction management and logistics.

OPDC's Technical and Commercial Directorates will act as an 'intelligent client' and provide clear direction to its delivery partner, development partner and supplier teams. The delivery programme and the constituent projects/workstreams will be initiated, developed, delivered and monitored in accordance with the OPDC's Project Management Framework, which is in accordance with IPA best practice.

OPDC's Commercial Directorate will be responsible for the programme's funding, land acquisition, development and land disposal/developer procurement activities. Working in integration with the Technical Directorate's strategic infrastructure delivery programme, it will manage specialist advisors in property, legal, compulsory purchase and planning. It will ensure that the scheme is assembled, and housing delivered on public and private landholdings to maximise social and financial returns for the public purse.

OPDC will procure a Delivery Partner, with early focus being on design development, infrastructure planning approvals and supporting the land assembly programme where necessary. OPDC will also progress an early procurement of its development partner to ensure that placemaking, coordinated housing development and maximum value are delivered as efficiently as possible alongside infrastructure delivery.

OPDC has a full suite of programme, project and risk management arrangements in place and has fully functioning governance with reporting lines through the Programme Board, Senior Management Team, OPDC Board and Committees, and the Mayor.

OPDC has a full project development and delivery process in place. Once the HIF grant is awarded, OPDC will progress projects, in accordance with our currently set out Work Breakdown Structure through Project Initiation and Final Business Case development to allow full visibility of each specific project's objectives, finances, procurement strategy and management approach. This will be signed off at the appropriate approval body before procurement commences and before contract award.

The Corporate Operations Directorate includes a programme assurance function which will provide assurance that all project activity is carried out in accordance with the audited and approved project management guidance.

Although we expect the Delivery Partner to bring in a suite of best practice in design, project and construction management as well as providing a Project Management Office, they will be expected to comply with our internal project management guide, governance and approved protocols.

Although OPDC has set up a high quality Delivery Team, Old Oak still has numerous challenges and complexities that will need to be overcome over the coming months and years:

- **Poor accessibility and connectivity** – Despite good transport connections around the edges of the site, accessibility and connectivity through the site at Old Oak is poor. The area is severed by multiple railway lines and the Grand Union Canal. Consequently, there are limited crossing points and no through routes. The site also has significant level changes which create further connectivity challenges;
- **Lack of utilities and social infrastructure** – Significant investment in utilities and social infrastructure is also needed to support larger-scale development coming forward;
- **Future development around Old Oak Common station** – the HS2 station designed at Old Oak for the Hybrid Bill made no provision for development over or adjacent to it. OPDC has been working with DfT and HS2 Ltd to ensure enabling infrastructure which will supports future development is included into the final design of the station;
- **Complex landownership** – While nearly 70% of the underlying freehold across the site is in public ownership (Network Rail, DfT and the LB Hammersmith & Fulham), there are various complexities in relation to current leasehold arrangements, operational use/designation and temporary use for the construction of HS2. There is also a strong reliance on a single private landowner (Cargiant) to facilitate development at the core of the site. OPDC has also seen some private activity over the past 2 years in periphery sites, which is evidence of landowners, developers and investors seeking to capitalise on the public sector's investment in HS2/Crossrail.

7.3.2 *Please summarise your project delivery plan to deliver the infrastructure, this should include your anticipated land ownership/control strategy.*

16,000 characters

Project delivery plan to deliver infrastructure

The High-level Plan for Infrastructure delivery in Old Oak North (OON) is set out in the attached schedule (Attachment 7.8). The plan shows how post HiF award OPDC wil procure a professional Delivery Partner through the TfL Programme, Project & Commercial framework, with the intention to have them in place by March 2019. Once they are on board the early focus will be on procuring designers to progress the RIBA 3 design of the bridges; the procurement of the IDNO and ESCO and progressig all the technical detail required to support the Infrastructure planning application. The Infrastructure planning application will require the production of an Environmental Impact Assessment (EIA) and a Transport planning assessment. This work will also be required for the Developer planning applications. The EIA, Tansport assessments, transport RIBA 3 design as well as the design development for the Energy and Power networks will be combined into a single planning application in May 2020. During this period we will be working with the Statuatory Undertakers to ensure all planned utility works are planned and submitted to the appropriate body for approvals.

The core Infrastructure design is planned to be complete by March 2020, this is followed by our Tier 1 Contractor procurement which will be completed by September 2020. The Strategic Infrastructure construction works will commence in October 2020, although some site clearance and mobilisation activities might happen before subject to access arrangements.

The construction work is expected to commence in the South West of the site (Park Road Bridge) providing access from Old Oak South across the Canal to Old Oak North. The key access road will continue across the site with the Underpass and Laundry Lane bridge. During this intensive period of construction all key utility connections will be made and the Power, Energy and SuDs networks will be installed along the key routes.

Land ownership/control strategy

In section 5.2.1, OPDC's delivery strategy for land assembly, infrastructure delivery and town planning has been set out. However, this section sets out how land will be acquired and controlled to allow infrastructure delivery.

OPDC will assemble the land for Phase 1A to allow the delivery of critical infrastructure required both to service residential development in Phase 1A and to unlock Phase 1B for subsequent development. The assembly of this land will include the acquisition of land interests as required. Where necessary, it will also include the creation of new rights to support utilities servicing, temporary construction operations or other rights where freehold ownership is not required to deliver the scheme.

The Land Assembly Strategy has been formulated around the whole of Old Oak North (Phases 1A and 1B). Within that scheme, OPDC is seeking to deliver Phase 1A as a deliverable initial phase. Phase 1A has been conceived to not only create strategic site-wide infrastructure for Phases 1A and 1B but also to ensure that it is a meaningful stand-alone mixed-use scheme delivering a critical mass of homes, social infrastructure, public open and green spaces and other amenities.

Phase 1A contains infrastructure that addresses the most fundamental short-fall for both phases 1A and 1B, being physical access and utility capacity (including the ability to transmit those utilities over/under railway or canal corridors). The delivery of these strategic infrastructure needs is underpinned by OPDC's ability to assemble the corridor of land to create access and bring utilities connecting Old Oak Common Lane (West) and Scrubs Lane (East) and the potential to do so using compulsory purchase powers if necessary. Around that core infrastructure corridor, OPDC will assemble land to deliver social infrastructure, public open and green space, including the Birchwood Nature Reserve. OPDC will also assemble the development land and will procure the development of that land to ensure timely delivery of homes alongside the infrastructure.

OPDC is in negotiations with a number of parties. These include the significant public sector land owners with whom OPDC has a Memorandum of Understanding (MOU) to transfer the land. OPDC is working within the framework of the MOU to achieve that land transfer. OPDC is also in discussions with other public-sector land owners and statutory undertakers.

OPDC is also in negotiations with private sector land owners to secure the necessary ownerships and/or rights. In the case of Car Giant, OPDC is progressing this alongside discussions on how Car Giant will bring forward Phase 1B with recognition of the significant benefit OPDC's investment in Phase 1A creates.

These negotiations are led by the OPDC's Commercial Directorate with support drawn in from the GLA's Homes for Londoners Team (Housing and Land expertise), TfL Property's specialist legal, procurement and compulsory purchase experts, property agency and further commercial property legal advice as required.

OPDC's programme currently allows for the statutory process of a CPO, assuming OPDC will have to vest the land required following confirmation. This is a "worst case" programme assumption; should OPDC be successful in acquiring parcels of land by agreement, it will have the opportunity to accelerate and/or de-risk delivery through the earlier delivery of vacant possession (by L&T means if available), demolition, site clearance, remediation and any other beneficial enabling works it can procure. Should OPDC need to rely on its compulsory purchase powers, the programme allows it will be able to vest land in sufficient time to ensure that HIF funded infrastructure can be delivered within the HIF programme window. Notwithstanding current negotiations OPDC is considering making a CPO and intends to work to be in a position make a CPO in a timely manner, if required. This will ensure that OPDC can deliver the land for infrastructure and development in Phase 1A.

OPDC's CPO formulation and assembly strategy (including consideration of the potential for CPO) is being led by its Commercial Directorate with support from specialist CPO advisors drawn from the GLA Homes for Londoners and TFL Property teams, Deloitte and Ashurst.

OPDC has established a Land Assembly Group, chaired by its Commercial Directorate to coordinate workstreams and decision making related to Land Assembly. This group will work within OPDC's delegated authority levels for the recommendation and approval of acquisitions. OPDC has developed a process for ensuring all necessary acquisition and disposals due diligence is completed including site and/or building conditions, title information, tenancy information, environmental and health and safety information.

OPDC will be able to draw on the expertise of GLA Estates (within the GLA Homes for Londoners) team to ensure it manages all asset management and property management requirements following acquisition of land interests. This includes being able to act as Competent Landlord for all Landlord & Tenant matters, managing tenancies in line with OPDC's requirements for vacant possession, dealing with any security of practical considerations and managing all environmental or health and safety obligations on OPDC as the owner of land. This will include the granting of possession of the site for contractors to undertake works.

7.3.3 *Please provide details of your project delivery plan to deliver the homes unlocked by the infrastructure. Please detail any expected controls or levers you will put in place to ensure the delivery of housing on the sites.*

16,000 characters

OPDC has developed a three-step strategy to regenerate Old Oak into a new mixed-use community of 13,118 new homes:

1. The first wave, '**Old Oak North**', promotes delivery of 7,670 homes and 134,000 sqm of new employment space. Landownership is mixed between the public and private sectors. Delivery is split into Phase 1A and Phase 1B. Phase 1A would be led by OPDC (public-sector) and would deliver 2,886 homes and 2,009 jobs. Phase 1B would be led by Car Giant and their development partner (private-sector) and would deliver 4,784 homes and 2,278 jobs. HIF would be used to fund delivery of a key new east/west road across Old Oak North, along with a package of associated utility infrastructure. HIF funding would also be used to assemble land in Phase 1A to give certainty of delivery. These interventions will deliver the infrastructure necessary to open up the whole of Old Oak North, it will give certainty to the delivery of Phase 1A and addresses the viability issues making delivery of Phase 1B viable.

2. The second wave, '**Catalysed Sites**', includes several privately-owned sites around the periphery of Old Oak North. These sites have the capacity to deliver 2,178 homes. Planning consent has already been granted for 1,101 of these homes, but only 605 of are under construction. The remainder are unlikely to come forward due to a lack of market confidence in the wider Old Oak North area. No HIF funding would be spent directly onbringing forward these homes, but the additional homes secured are captured as part of our economic case benefits.

Note: These first two waves combined would deliver 9,848 homes and 5,569 jobs.

3. The third wave, '**Future Sites**', comprises a series of sites in Old Oak South that are expected to come forward for delivery after completion of the new HS2/Elizabeth Line station in 2026. Several of these sites are worksites for the HS2 project and will be released for development upon completion of the HS2 works post 2026. These sites are expected to deliver 3,270 housing units as well as significant amounts of commercial space and would be hugely supported by the delivery on waves 1 and 2.

The focus of this business case submission is on spending HIF to deliver infrastructure and assemble the land needed to support the speedy delivery of new homes in Old Oak North.

Planning

OPDC is the statutory local planning authority and has put in place a framework that address all necessary planning requirements to ensure the development is acceptable and will secure planning permission. This includes a Local Plan, masterplan and infrastructure plan.

Timely Land Assembly

OPDC will need to be on site delivering infrastructure in Q1 2021 to ensure sufficient time to deliver Park Road and the associated utilities. To achieve this OPDC will need to assemble the land needed to support delivery of this infrastructure in a timely manner and demonstrate that there is sufficient surrounding land to ensure delivery of new homes (Attachment 7.8).

OPDC is already in discussions with all the key landowners that make up Phase 1A and Phase 1B of the Old Oak North Programme including;

- Car giant
- Network Rail
- Hammersmith and Fulham Council
- Canal and River Trust
- Multiple leasehold interest

In the first instance OPDC is seeking to secure agreement from all freehold and leasehold interests. This is comprised of two elements;

- Demonstrating how we can mitigate the operational impacts from delivering infrastructure and development on land currently occupied by other users in the short term, for example how infrastructure could be delivered in advance of Car Giant moving off site in late 2022; and
- Development and value sharing agreements, setting out how existing interests are valued and potentially pooled.

If it is not possible to secure agreement with all the existing lease and freeholders OPDC will consider using its Compulsory Purchase Powers to assemble the land needed to deliver on time and has appointed a consultant team to advise.

Infrastructure Delivery

OPDC would procure a 'Delivery Partner' and design team using existing frameworks. This would supplement the existing team and skills within OPDC and the wider Mayoral family. The initial priority would be to progress the design and secure the consents, for both transport and utilities.

In this business case, OPDC has identified that it would procure a contractor to directly deliver the strategic infrastructure identified. This would make it possible to start on infrastructure delivery early and coordinate between key stakeholders. However, OPDC has also highlighted its ability to potentially assign/novate the design and delivery of infrastructure at a later stage, subject to the appointment of the development partner. As a result, all surveys, design, consents and approvals will be procured in a "ready-for-sale" state with assignable warranties, comprehensive and appropriate liabilities from the supply chain and clear and transferable contract documentation.

Development Delivery

The commercial controls and levers set out will be overseen by OPDC's Commercial Directorate, reporting the Senior Management Team, Investment Committee and Board. This remains separate to OPDC's powers as planning authority to control development within its area in accordance with the Local Plan and policy.

The strategy recognises OPDC's thin client model and limited capacity to directly deliver the new housing. Instead, OPDC will focus on strategy, policy, planning, procurement and stakeholder engagement but ensure that it engages with appropriate partner organisations to deliver new housing. Having already established a detailed masterplan and local plan which form the backbone for any new development, OPDC proposes to embark on the procurement of a development partner to deliver the development aspects.

During initial market testing with developers (Attachment 5.7), several options and approaches have been discussed with the market who have varying approaches to housing delivery and appetites for additional scope such as delivering strategic infrastructure. Organisations consulted have included Berkeley Homes, U+I, Bouygues, Lendlease, L&G and Greystar and details of the key messages are attached as Additional Information in Section 5.6.

The consultees have different delivery models and specialisms. This enabled OPDC to gather a range of views and to test the appetite and capability of all organisations to deliver infrastructure as well as housing, whilst focussing on place making and allowing OPDC control. This has also enabled OPDC to further test its approach to deliver project infrastructure via a separation of responsibility between the infrastructure providers and housing developer whilst retaining the ability to integrate planning and design.

Options assessed include:

a) **OPDC Direct Delivery** - OPDC would carry out all "master developer" functions including securing detailed planning consents, the delivery of all primary and secondary infrastructure and public realm and the direct delivery of housing and employment space.

b) **OPDC procures a Master Development Partner** – the partner would be in a Joint Venture or Development Agreement to allow OPDC to retain influence over the housing scheme. Key obligations would be determined upfront during the procurement process. Procurement would be undertaken early alongside the procurement of the delivery partner to enable the master developer to feed into the infrastructure being planned by OPDC and then delivered by the infrastructure contractors overseen by the delivery partner on OPDC's behalf. As with the procurement of a delivery partner, a master developer would also provide OPDC with crucial additional commercial skills and development innovation during the critical early years when design fixes are made.

c) **OPDC acts as Master Developer and Procures Plot Developers** – in this option OPDC would carry out all master developer functions including outline planning consents. OPDC would also deliver on primary infrastructure, public realm and public open spaces. OPDC could procure plot developers through plot sales to deliver individual plots including obligations to the deliver on-plot infrastructure and public realm and sufficient affordable housing. OPDC would procure plot developers either on a single or multi-plot basis in line with an optimum housing roll our plan.

The market testing suggested that all parts of the development market would be interested in the proposition, understand the complexities of the project and were receptive to its scale, if delivered in the right way.

The market testing process concluded that a single master development partner would help OPDC define its scheme and provide a more holistic and comprehensive approach to housing delivery alongside commercial space and improved public realm. As it is anticipated that OPDC-controlled land would deliver the first development platforms, as setting the correct tone and detailed vision at the outset is crucial.

OPDC would remain responsible for delivering the strategic infrastructure (most likely to a set scope) working with the development partner and the infrastructure delivery partner. This approach would help limit on-site interfaces particularly where accelerated delivery would see infrastructure being delivered alongside housing. Market feedback suggested that their involvement in infrastructure was important from an overall perspective.

Through continued land ownership of sites in the western part of Old Oak North, OPDC can exercise its control over the eventual scheme and both influence and participate in key decisions on the eventual output, outside of its role as a planning authority and in a manner that is proactive. OPDC will make it a requirement for housing units to be delivered within a reasonable timeframe as part of the procurement and will ensure that it can step-in should development not be forthcoming. OPDC will use a development agreement to cement its principle objectives with its development partner and these terms will flow into any subsequent development agreements with other developers and house-builders within Phase 1A.

OPDC will therefore have a vital early role in acting as overall client for the land assembly and early infrastructure whilst also seeking to create platforms that encourage early housing development. Through this approach OPDC can ensure delivery at a scale, quality and speed that will help meet the Old Oak North objectives and catalyse the subsequent developments OPDC wishes to see on the Cargiant private land holdings and in the eastern Scrubs Lane area. OPDC will facilitate design integration between its delivery partner team and the master developer and will set up the required governance structure to support this delivery model ahead of any procurement.

OPDC is of the firm belief that the master developer should be procured at the outset of the programme, commencing in Spring 2019 and concluding in December 2019. This would align with OPDC's pan to submit a planning application for the infrastructure in 2020 and for receipts from the first sites to occur in 2020/21.

To achieve comprehensive delivery and ensure OPDC gets the right type of organisation, OPDC will undertake a procurement exercise using an OEJU process, to identify a development partner. It is most likely that this would be via a competitive dialogue procedure, which would have the following advantages:

- A wide market can be explored which increases the possibility of sourcing a solution to best fit OPDC's requirements;
- Requirements can be refined throughout the competitive dialogue process;
- A larger number of suppliers can respond to the tender increasing competitiveness and the potential to obtain best value; and
- Procurement would be within the current OJEU rules for public procurement and would help minimise the risk of challenge.

Once appointed and following its initial design input and review of the overall scheme masterplan, OPDC anticipates that the master development partner would submit a hybrid planning application with a detailed application for its first sub-phase and an outline consent for the remainder of Phase 1A. The development partner would then draw down land on a sub-phase basis to deliver the housing.

OPDC will review its ability novate and/or assign infrastructure packages on a "case-by-case" basis with regard to any synergy benefits of coordinating delivery and the transfer of outturn cost risk if available at an acceptable premium. Subject to detailed review this could offer time and money savings and secure the transfer of risk to the private sector. Should OPDC transfer the delivery of any HIF-funded infrastructure, it will do so with clear governance against the transfer of funds to a developer upon successful delivery of the infrastructure to OPDC. This can be subject to the same controls (off-set, retention, defects liability periods) as would be expected of a contractor.

OPDC would seek to control key metrics of the development including the level of affordable housing, quality of design and timing of delivery. Structurally, OPDC would have the ability to choose how it aligns itself with developers and whether it wants to take a more participative approach to returns. OPDC envisages that decisions on the proposed financial and risk structure could vary between each sub-phase. The advantages of this approach are:

- **Market appetite** - early developer involvement will encourage greater competition during procurement and attract most groups of developers;
- **Input to infrastructure design -** The master developer will be able to influence the infrastructure design process early;
- **Early sites opportunities** - Early involvement will help with quicker understanding of the commercial opportunities and quicker delivery mobilisation for housing;
- **Supported place-making** - Early involvement would help OPDC ensure that any outline consent would be commercially deliverable and achieve the best place-making outcomes;
- **Co-ordination of sites delivery** - The master developer and OPDC can better co-ordinate timing;
- **Flexible commercial structure** - An early procurement for an undefined scheme allows for a partner to be procured on more simplistic metrics without too much distortion created by financials.
- **Best practice** - Early developer involvement aligns with the approach taken on recent public-sector projects such as the over-station development at the Euston HS2 terminal; and
- **Alignment to the 'Thin Client' strategy** - using the expertise of a development partner, OPDC's role is one of management and maintaining the integrity of the project. This model will help bring in the best-in-class resource without the need to directly recruit a large number of people.

OPDC's housing approach during Phase 1B is centred on viability. Through public investment in infrastructure and place creation in Phase 1A, the viability of Cargiant's land holding will have improved to the point that it would reasonably deliver its sites for housing. Currently and without public investment, the Cargiant sites remain unviable due to its existing operation and the prohibitive costs required to enable development. Cargiant is, of course, supportive of investment in the area, indicating that they plan to vacate their current site in 2022, and OPDC has undertaken a significant amount of work to be comfortable that the Cargiant land can come forward for development. OPDC will however use its powers as the planning authority and as an MDC to intervene should development not be forthcoming.

For the Wave 2 activation sites OPDC will adopt a more passive role initially with the landowners. These sites will only come forward once the key Park Road has been committed. OPDC will look to work with the landowners to ensure that these sites come forward in a manner that is consistent with the wider masterplan for the area.

7.3.4 ***Please summarise your maintenance strategy for the scheme.***

4,000 characters

OPDC's strategy covers:

Utilities

Procure an IDNO to leverage new investment in distribution infrastructure. Procure an ESCO to leverage investment in energy assets and achieve low-carbon sustainable performance through a de-centralised generation strategy. These will be Design-Build-Own-Operate contracts, making a single entity responsible for the long-term performance and maintenance of infrastructure.

Other utility services impacted by the scheme will remain in the control of statutory undertakers, with all work being undertaken directly by them (non-contestable works) or to their approval (contestable works) in order to allow them to maintain long term ownership and responsibility for management and maintenance.

All private connections to utilities will be managed by developers with ongoing maintenance being subject to an appropriate service charge for the development.

OPDC has carried out engagement with statutory undertakers and market testing with potential ESCo and IDNO operators to validate these strategies.

OPDC intends to reduce storm water back to greenfield run off rates through the use of SuDS. The ongoing maintenance of SuDS features on development plots will be the responsibility of individual developers. It is anticipated that SuDS in the public highways and areas of public open space will be adopted and maintained by the highway~~s~~ authority.

Transport

OPDC has carried out engagement with the relevant transport bodies, including early discussions regarding adoption of new structures and decommissioning of structures or assets due to become redundant.

All highways within the scheme are appropriate for adoption by the LBHF, with whom highway adoption has been discussed.

The adoption of new structures is being discussed with all parties, with recognition of each asset's particular operational environment.

OPDC has made allowances for commuted sums to allow authorities to accept the long-term maintenance liability, benchmarked against other major London regeneration schemes (Attachment 7.11).

Social

Police Office: It is assumed that the authority would take a peppercorn lease and manage their facility.

Public sports centre: Assuming run by the Borough or private sector operator.

Community Centre: Assuming a lease with a peppercorn rent to allow a community group, local authority or charitable/social enterprise operator to manage the facility.

Super-nursery: To be delivered by a private sector operator.

Health Hub: OPDC has engaged the CCG and private sector health facility investors regarding the commissioning and professional management of the facility.

OPDC has engaged with the LBHF regarding the adoption of public open spaces. Where private development, publicly accesible open space and public realm will be managed and maintained in accordance with Local Plan Policy D2 to ensure unrestricted public use and free 24/7 access.

OPDC is reviewing opportunities for the Birchwood Nature Reserve to benefit from more pro-active management and programming through partnership with a charitable or social enterprise partner such as the London Wildlife Trust, RSPB or other partner.

OPDC has also engaged extensively with the CRT regarding improvements to and management of the Grand Union Canal.

Private Development

The approach to long-term management will be a clear selection criterion for OPDC's procurement of a master developer to ensure the long-term success of the area and the careful management of interfaces with statutory authorities.

7.4 Project Milestones

7.4.1 Please provide actual or estimated dates for achieving the following infrastructure delivery milestones for your project:

• All land assembly completed (if required)	October 2020
• First infrastructure planning permission granted	November 2020
• Last infrastructure planning permission granted	November 2020
• Project infrastructure works started	January 2021
• Project infrastructure works completed	January 2033

7.4.2 Please provide actual or estimated dates for the following housing delivery milestones:

• First residential units commenced	January 2019
• Last residential units commenced	January 2030
• First residential completion	January 2020
• Last residential completion	January 2033

7.4.3 Please attach an outline delivery programme for your proposal and the key milestones required to achieve it.

Attachment 7.3

Critical Path

Activities currently on the Critical path include:

- Land Assembly
- OPA submission & Determination

- EMR & RMA Delivery

<u>Near Critical</u>

Activities currently close to being on the Critical path include:

- Developer Procurement
- Highway Design
- Infrastructure Procurement
- Site Clearance

Car Giant West
EMR (lease)
EMR (freehold – NR)
LBHF Triangle (freeho
Car Giant Triangle (lea
Car Giant Scrubs Lan
Cumberland Business

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Key Milestones

Description	Completion Date	Delivered by HIF Deadline (March 2023)
VP Land Acquired by Agreement	September 2019	🟢
VP Land Acquired by CPO	October 2020	🟢
OPA Submitted	May 2020	🟢
Developer Contract Completion	February 2020	🟢
Earliest Infra Start on site – Site clearance, Earthworks etc.	January 2021	🟢
Primary Sub-Station	February 2022	🟢
Earliest Electrical supply available to Developers (CG West)	January 2023	🟢
Energy Centre (West)	June 2023 Operational March 2023 Physical Completion	🟠
Park Bridge	August 2022	🟢
Park Road Underpass	February 2023	🟢
Laundry Lane Bridge	March 2023	🟠
Harlesden Link (Willesden Junction Connection)	July 2024	🔴

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7.4.4 *Please list planning references for the infrastructure works.*

If application is not yet submitted, please provide further details on planning progress

3,000 characters

Planning applications for the infrastructure have not yet been submitted for the infrastructure to be delivered through the HIF bid.

OPDC's current programme envisages planning applications being submitted in May 2020 and their determination in November 2020 (see section 7.4.1). The May 2020 submission date has been derived based on assumptions around the likely timeframes that would be required to acquire land through compulsory purchase. This would be a 'worst case' in terms of land acquisition and, if land could be acquired by agreement, the timescales for the submission of planning applications could be brought forward.

There are a series of planning policies in OPDC's Local Plan (in OPDC's role as local planning authority) that provide clear planning support for all the infrastructure identified for delivery as part of the HIF bid. This includes:

- Park Road, which is supported within OPDC's Local Plan planning policies SP7, SP10, P2, T1, T2 and T3. The infrastructure requirements for Park Road are set out in OPDC's Infrastructure Delivery Plan, which supports the Local Plan.
- The electrical substation and energy centre, which is supported by Policy SP10 and EU10 and both the substation and energy centre are included in OPDC's Infrastructure Delivery Plan.
- The western canal bridge, which is supported by Policies SP7, SP10, P2, T2 and T3. This is also included as an infrastructure item in OPDC's Infrastructure Delivery Plan.

7.4.5 ***Please list all statutory powers or consents required and already obtained to deliver the HIF works. Please include details of any challenge period, date of expiry and conditions attached to them.***

5,000 characters

Summary of consents and approvals required for infrastructure (Attachment 7.10):

Park Bridge, Park Road Underpass and Laundry Lane Bridge

Oversailing rights

Consent from HS2, Crossrail, Bombardier, TfL and Network Rail;

Consent from the Canal and Rivers Trust.

Approval from Adopting Authority and Planning approval

Approval in Principal (AIP) and Design and Check certification from the adopting authority;

Adoption of the highway corridor by the adopting authority under Section 38 of the Highways Act 1980, including traditional drainage system(s) or SuDS as required;

Permission will be needed to construct bridges/underpass, in line with the Town and Country Planning Act (T&CPA).

Statutory Authorities

Consent from Thames Water that suitable access is provided to allow future maintenance of the re-aligned Stamford Brook Sewer;

Consent from existing utilities firms, if existing utilities require severing, diverting or protecting;

Consent from utilities firms who will be adopting new utility routes to service the development, including gas, mains water, foul water, on-plot drainage systems, electricity, telecoms, district heating and potentially a waste system.

Land Ownership

Land Ownership, the structures impact Cargiant, EMR, H&F, Oaklands North, Powerday and Network Rail;

Temporary rights required for construction.

Park Road: connection with Oaklands South to new junction connection with the existing A219 Scrubs Lane

Adoption of the highway corridor by the adopting authority under Section 38 of the Highways Act 1980, including traditional drainage system(s) or SuDS as required and highway retaining walls with their maintenance access strips;

Consent for Park Road to connect with the Oaklands South highway corridor under Section 278 of the Highways Act 1980;

Consent for Park Road to connect with the existing A219 Scrubs Lane via a new signal-controlled junction under Section 278 of the Highways Act 1980;

Permission will be needed to construct the highway corridor, under the T&CPA;

Consent from TfL as their bus network will utilise Park Road;

Temporary rights required for construction;

Consent from existing utilities firms, if existing utilities require severing, diverting or protecting;

Consent from utilities firms who will be adopting new utility routes to service the development, including gas, mains water, foul water, on-plot drainage systems, electricity, telecoms, district heating and potentially a waste system;

Land Ownership, the highway impacts Cargiant, EMR, H&F, Oaklands North and Network Rail.

Miscellaneous

Stopping Up Orders, to sever existing adopted highways and public footpaths;

Traffic Regulation Orders, required to enforce the 20mph speed limit through the Old Oak North development;

Consent with the Canal and River Trust should some form of Land Drainage Consent be required to discharge surface water into the canal waterway;

Consent with Thames Water to re-align the Stamford Brook sewer and for foul and surface water drainage connections;

Agreement with NR for a number of Retaining walls required on their land;

Agreement with NR for the Road Rail Vehicle access point off Park Road in the Oaklands North site;

Consent for the access for the Canal Site (plot 18) to connect with the existing A4000 Old Oak Lane via a new junction under Section 278 of the Highways Act 1980;

Consent and commercial agreement from Canal and River Trust (CRT), to extract heat energy from the Grand Union Canal;

Consent from CRT, to route high voltage (HV) cables (from the Atlas Road substation) in the southern towpath adjacent to the Grand Union Canal;

Consent from CRT, to over-bridge HV cables (from Atlas Road substation) over the canal via existing or proposed structures;

Consent from CRT, to realign the Stamford Brook sewer along the canal. This may require the rebuilding/strengthening of the canal north bank wall in this section of the canal;

Consent from Thames Water, to realign the Stamford Brook sewer along the canal;

Consent from Thames Water, to extract heat energy from Thames Water sewer assets in the area (namely the Stamford Brook sewer). Agreement on commercial terms also needed to extract heat energy;

Consent from Environment Agency, to attain Abstraction Licence for drilling an open-loop borehole so that ground water can be extracted from the London Aquifer;

Consent from Environment Agency, to attain an Environmental Permit for returning ground water to the London Aquifer (via boreholes). Heat energy will be extracted from the ground water (meaning the returned water will be cooler than the extracted water, see above bullet);

Consent from CRT to discharge surface water to the Canal;

Consent from Thames Water to discharge foul and surface water to public sewers;

Consent from Highway Authority, to coordinate district heating pipework and other utilities into adopted highways and structures;

Consent from landholders, to coordinate district heating pipework and other utilities into non-adopted highways.

7.5 Stakeholder Management

7.5.1 Please summarise how the key delivery partners will work together effectively.

8,000 characters

OPDC is the second Mayoral Development Corporation and forms an important part of the GLA Group. OPDC Officers work closely with colleagues at the GLA and the Mayor’s functional bodies, including Transport for London and the London Legacy Development Corporation, to ensure advice, intelligence, foresight and ideas are shared. Officers also meet regularly to identify dependencies between programmes of work and to ensure opportunities to collaborate are maximised. Throughout the development of the Old Oak North Masterplan and associated infrastructure strategies, OPDC has worked closely with key partners across the GLA group and we now have their full support as we move into a delivery role. OPDC recognise the GLA Group will a key stakeholder supporting the delivery of the Old Oak North scheme and are committed to continuing established practices of early and meaningful engagement.

The Old Oak North Programme will be delivered by the "Delivery" arm of OPDC which includes the Technical and Commercial Directorates, as well as a discrete part of the Corporate Operations Directorate. Given that the Directorate responsible for OPDC's role as Local Planning Authority will receive planning applications from the Delivery part of the Corporation, it is our intention to establish a robust 'Ethical Wall' at an appropriate point in time.

OPDC will operate as a 'thin, intelligent client' with the 'intelligence' supplemented by a Delivery Partner. OPDC intend to procure a Delivery Partner organisation who will bring additional capacity and capability in programme and project management, cost management, logistics and town planning as well as commercial and procurement and PMO support. We have undertaken an early market engagement exercise with organisations that fulfil this role on similar large-scale projects and have had very positive responses. The organisations were interested in bidding for this work and were very supportive of our intended Operating model.

In the early years of the programme lifecycle, the primary focus will be on Land Assembly, Infrastructure design, site clearance, Environmental Impact Assessments, town planning, procurement and construction logistics planning (please see Attachment 7.5 for further details). As the programme evolves and the Strategic Infrastructure works near competition, the focus of work will shift and move towards the delivery of development 'plots', each with their own associated infrastructure requirements. We anticipate these activities will be led and managed by a Master Developer. This 'Master Developer' role could be provided by a Private Sector entity or OPDC.

Crucially, the mobilisation of the 'Master Developer' would be once the major civils elements e.g. Bridges, Underpasses, Primary Road, Major Utility corridor and Retaining walls have been substantially completed. Having engaged with organisations responsible for the role of "Master Developer" on other projects, it is clear that these types of organisations do not want to manage the types of 'heavy infrastructure' work outlined above and would prefer this work to be separately undertaken by a Delivery Partner and Major Civils Contractors.

As shown below, the intention is to appoint a Delivery Partner early in the Programme lifecycle but with the option to later novate them to a Master Developer if one was appointed by OPDC. As part of our market engagement exercises with Delivery Partner and Master Developer organisations, this model was presented and received positive support. We understand it has also worked well on schemes of a similar scale.

Our current thinking in terms of major procurement packages is set out in Attachment 7.6. Following positive confirmation of the HIF grant, OPDC intend to procure a Delivery Partner. With the Delivery Partner then in place, it is our intention to work together to commence the procurement of design consultants, an Independent Distribution Network Operator (IDNO) and Energy Service Company (ESCO).

The intention is for OPDC to lead the Programme Management of all activities across the programme, with the support of the Delivery Partner who will coordinate and manage the interfaces between the various work packages. OPDC will contract directly with all the procured suppliers but with the expectation that the Delivery Partner takes responsibility for the coordination and interface management role on OPDC's behalf.

To ensure effective, collaborative working between all parties, OPDC has (during an extensive Market Engagement exercise with Delivery Partners, IDNO & ESCO companies, designers and major Contractors) discussed this way of working. We have received positive feedback and support as well as confirmation that this is a tried and tested model that works, as long as one organisation takes the lead on Programme Integration.

To further promote effective working and collaboration we are also in the process of working with our TfL shared procurement service to design an incentivisation mechanism that can be built into the procurement of the Delivery Partner. We understand this incentivisation mechanism will drive forward collaborative working whilst also encouraging innovation and a focus on programme and whole life cost.

As we move from design, consents and planning into major construction activity there will be an increased number of key interfaces requiring efficient management. During our Market Engagement with Contractor Organisations we discussed our contracting strategy and specifically asked whether breaking the work packages down to two or more work packages would be beneficial. During the meetings the cons, benefits and opportunities between the two differing approaches were discussed and it was concluded that the size and complexity of the work required on this programme for the major Civils element would be better delivered by a single Contracting Organisation. This reduces the number of external interfaces involved and allows the Tier 1 Contractor to support in the site management, logistics and integration activities required once work commences on site.

Effective working between all the parties involved in delivering this programme will be delivered through a clear articulation of the governance, organisational set up and decision-making processes within the programme, with clear and effective leadership provided from OPDC as the Intelligent Client. All organisations appointed by OPDC will go through an on-boarding process to ensure they are fully briefed on ways of working and collaborative working. This process will be effectively communicated using a 'train the trainer' process whereby each appointed organisation will be required to demonstrate the roll out of all necessary information to enable effective working with all entities involved in delivering the programme.

OPDC recognises the important role Statutory Undertakers will play in delivering the scheme and in bringing forward major elements of the Infrastructure required. With the support of our Infrastructure Advisor at AECOM, OPDC has undertaken extensive engagement with the Statutory Undertakers on site including the Distribution Network Operators (SSE and UKPN), Thames Water and Cadent Gas. These organisations have been briefed throughout the development of the Old Oak North Masterplan and kept informed of key milestone decisions, such as the proposed development quantum, areas of initial development focus (i.e. Western Wedge) and key programme timescales. OPDC has worked closely with the Statutory Undertakers on site to identify trigger points for network reinforcement activities and devise utilities strategies that are technically feasible, commercially viable and deliverable. OPDC is committed to working collaboratively with Statutory Undertakers throughout the development of the project and intend to step up engagement activities once a Delivery Partner has been procured.

7.5.2 ***Please summarise how you will work with other key stakeholders to ensure project success (i.e. Local residents / businesses / landowners).***

8,000 characters

OPDC has engaged extensively with stakeholders during the development of the Masterplan, Utilities Infrastructure, Social Infrastructure and Transport Infrastructure. Stakeholder engaged/consulted include the following (note this is not an exhaustive list):

Decentralised Energy Strategy

- GLA:
  - Regular meetings with GLA Officers;
  - Presentations to Deputy Mayors including recent presentations to Shirley Rodrigues (Deputy Mayor for Environment and Energy) and Jules Pipe (Deputy Mayor for Planning, Regeneration and Skills);
- Gatekeepers for accessing low carbon heat solutions in OON:
  - Thames Water;
  - Specialist technology providers including Sharc Energy;
  - Scottish Water who have successfully delivered sewer heat recovery schemes;
  - Powerday;
  - Canal and River Trust;
  - Environment Agency re the use of bore holes;
- Meeting with Cory Energy re potential heat recovery from waste recycling facilities;
- Lessons Learned meetings and site visits with London Legacy Development Corporation, Battersea Power Station Development Company, Ebbsfleet and Argent, Kings Cross;
- Market Engagement with Energy Service Companies:
  - E.ON;
  - Vattenfall Heat;
  - Engie;
  - Metropolitan;
  - Veolia (scheduled);
  - Heat Trust (scheduled).

Electrical Power

- Meetings with GLA Officers;
- Presentation at a GLA "Infrastructure Investment Ahead of Need" working group;
- Ongoing engagement and collaboration with HS2 Ltd;
- Meetings with National Grid and DNO's including UK Power Networks and SSE;
- Continuing work and collaboration with UK Power Networks;
- Market engagement with INDO's including Vattenfall, Leep, GTC, UK Power Solutions, Energetics and UK Power Distribution;
- Series of stakeholder engagement meetings and market engagement activities to develop our Electric Vehicle strategy for Old Oak North, key meetings include those with:
  - GLA Officers;

  - TfL;
  - Fastned, Chargemaster, ESB, Centrica, Eclipse Power LTD (all TFL appointed suppliers to fund, maintain and deliver electric vehicle charging across London).

Telecoms

- Series of meetings with GLA Officers from the Digital Connectivity team;
- Hosted an informal, early market engagement Open Day to understand the technical options and market interest. Attendees included: E-Wire, Virgin Media, Hyperoptic, Openreach and Velocity;
- Undertook a 'lessons learnt' exercise with London Legacy Development Corporation, Battersea Power Station Development Company, Ebbsfleet and Argent, Kings Cross;
- Ongoing engagement with the Independent Cooperative Networks Association (INCA).

Potable Water

- Thames Water.

Gas

- Cadent Gas.

Drainage

- Thames Water;
- Canal and River Trust;
- Meeting scheduled with the GLA Environment Team;
- LB Hammersmith & Fulham.

OPDC has engaged extensively with stakeholders during the development of the Masterplan, Utilities Infrastructure, Social Infrastructure and Transport Infrastructure. Stakeholder engaged/consulted include the following (note this is not an exhaustive list):

Transport Infrastructure

- GLA Officers;
- TfL;
- HS2 Ltd;
- DfT;
- Local Boroughs of Brent, Ealing and Hammersmith and Fulham;
- Network Rail;
- Crossrail;
- Bombardier (operator of Crossrail Depot);
- CRT.

Masterplan Development

- GLA Officers;
- Environment Agency;
- Historic England;
- OPDC planning team;
- OPDC Policy team;
- HS2 Ltd;
- Local Boroughs;
- TfL;
- DfT;
- MHCLG;
- HS2 Growth Partnership;
- Network Rail;
- OPDC Commercial / Land Assembly;
- Cargiant;
- Imperial College London;
- Natural England;
- GLA – planning, environment, regeneration, Housing & Land teams;
- OPDC Board;
- OPDC Planning Committee;
- OPDC Design Review Panel;
- HS2 Design Review Panel.

Social Infrastructure

- LB Brent education officers;
- LB Ealing education officers;
- LB Hammersmith & Fulham education officers;
- GLA School Places Strategy Delivery Manager;
- NHS North West London Collaboration of Clinical Commissioning Groups (NWL CCGs) (NWL CCGs includes Brent CCG, Ealing CCG, Hammersmith and Fulham CCG, and West London CCG);
- NHS England - London Region;
- Imperial College Health Partners (on behalf of North West London CCGs);
- London Borough of Hammersmith & Fulham, Head of Health Partnerships;
- London Fire Brigade;
- Metropolitan Police Property Services;
- GLA Demography and Policy Analysis Group.

7.6 Project Assurance

7.6.1 What are your project assurance processes, such as gateway reviews, to ensure project delivery against the business case?

12,000 characters

Introduction

OPDC recognises that good programme assurance processes will be integral to the delivery of the Old Oak North scheme. It is also recognised that due to the scope, complexity and number of interdependencies across the scheme, a suite of assurance processes will be necessary to ensure that all aspects of the programme are adequately covered and there are no blind spots e.g. planning and scheduling, finance and performance.

OPDC is committed to driving project success and aim to deliver the Old Oak North programme on time, within budget and in a way that ensures the new infrastructure, places, business communities and homes meet a number of critical success factors, including:

- Meeting stakeholder requirements;
- Meeting OPDC's objectives;
- Achieving the vision set out in OPDC's Old Oak North Masterplan;
- Supporting the delivery of the agreed development quantum; and
- Aligning with Mayoral policy objectives.

OPDC has a Programme and Project Management Guide which is in line with GLA and other good practice guidance. OPDC's Programme and Project Management Guide sets out the organisation's approach to programme governance and assurance, and structures OPDC's management processes, boards, panels and internal and external audits, according to the 'Three Lines of Defence' framework recommended by Her Majesty's Treasury (HMT).

Our Assurance Model

OPDC is committed to embedding lifecycle assurance and learning across the Oak North scheme and ensuring the optimisation of risk and delivery management. It is widely accepted amongst OPDC's Senior Management Team (SMT) that the 'Three Lines of Defence' framework provides a cohesive, coordinated and helpful approach to risk management and assurance by organising essential roles and duties into three levels.

Through a cascading responsibility structure, the 'Three Lines of Defence' framework will allow OPDC to maintain a clear distinction between the Directorates delivering the Old Oak North scheme and the organisation's assurance and support functions. It will also ensure that Management have oversight of the scheme's risk profile and that risk functions are not siloed.

Given the nature and complexity of the Old Oak North scheme, the 'Three Lines of Defence' model will ensure that OPDC has a holistic and consistent approach to project risk management. This is beneficial in so far as it will allow OPDC's SMT to ascertain a comprehensive view of the risks facing the scheme and map the key risks across the organisation.

Employing the 'Three Lines of Defence' approach improves OPDC's ability to deliver the Old Oak North scheme to scope, time, cost and quality objectives whilst also allowing the organisation to:

- Identify potential problems before they materialise or become intractable;
- Identify solutions or corrective action;

- Minimise the risks of cost or time overrun;
- Minimise the risk of failure to meet the new homes targets; and
- Maximise confidence amongst stakeholders, sponsors and the local community.

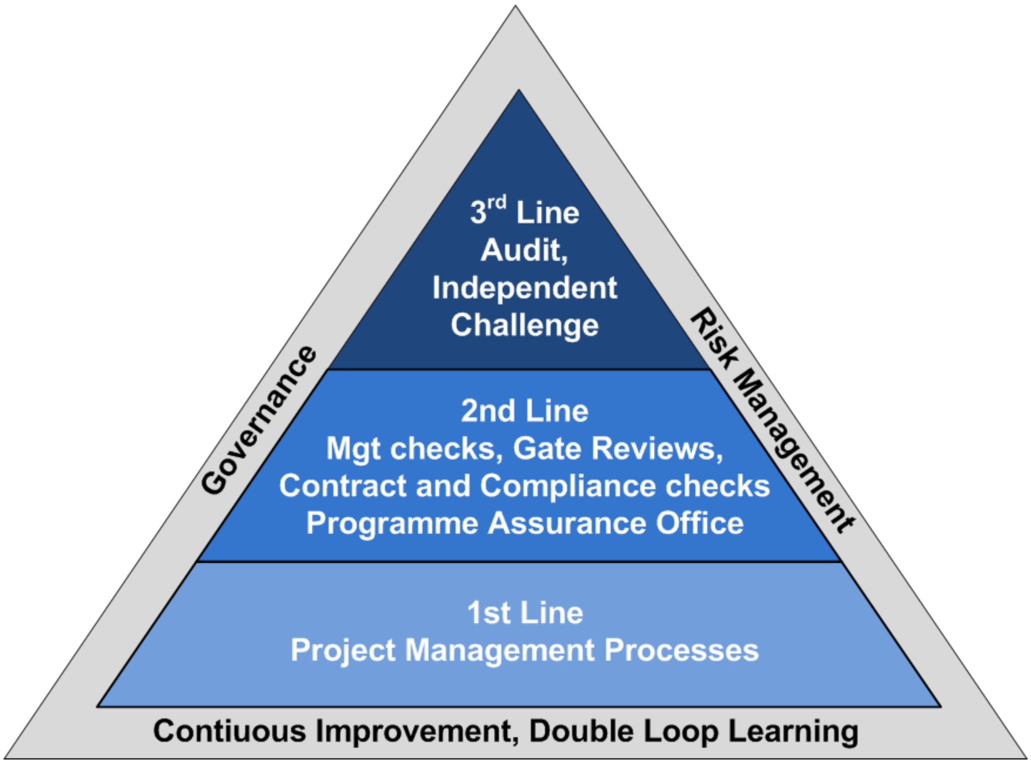

Figure 7.7 – OPDC 3 Lines of Defence

First line – management processes and internal checks

In line with OPDC's Programme and Project Guide, the first line of defence (in terms of project risk management) for the Old Oak North programme and any sub-programmes and projects, is the project teams. The project teams will ensure that risks are identified, analysed, owned and managed. The processes and procedures by which this is done are set out in OPDC's Programme and Project Guide and Risk Management Strategy. OPDC include internal checks and reviews, referred to as 'assured delivery', in this first line of defence.

Second line – boards, steering groups and internal reviews (programme assurance office)

The second line of defence for the Old Oak North scheme will provide subject matter expertise and oversight functions. OPDC's SMT are committed to ensuring second line project assurance by:

- Ensuring that project scope, deliverables, cost, forecast schedule and risks are reviewed and signed off by the appropriate Board.
- That Steering Groups are established (or those already in place continue to meet regularly) to enable non-executive board members to provide input.
- That the OPDC Delivery Steering Group (DSG) continue to meet and provide oversight on the progress of the Programme, Sub-Programme and Projects, providing support from their respective Departments or Organisations allowing potential external barriers to be removed as appropriate. They can also escalate risks through their respective organisations.
- Continue to convene OPDC's Design Review Panel to offer expert oversight to designs as they progress and ensure designs are in line with OPDC aspirations.

The OPDC programme assurance team will also monitor the progress of all projects and provide internal challenge and benchmarking activities across the programme These challenge sessions will include a combination of compliance assessments, peer reviews and benchmarking carried out to determine that policy or quality expectations are being met in line with expectations across the Corporation.

Stage gate reviews – comprising largely of quality or compliance checks and will be supplemented with additional or tailored reviews to ensure the strategic and enterprise risk profile and continuous improvement performance fully informs and supports subsequent decision-making.

Third line – Independent challenge, Internal or External Audit

OPDC is a member of the GLA Group and as such the Old Oak North scheme will be audited by the GLA at agreed intervals throughout the programme lifecycle. External Gateway Reviews may also be scheduled at critical points to give further assurance to the OPDC Board and MHCLG that the Programme is progressing as planned and that risks are being mitigated appropriately.

Gated programme lifecycle

The set of activities to deliver the Phase 1a Programme will follow a standard lifecycle which includes Programme Development, Programme Delivery and Hand Over. Progress will be measured against the agreed Business Case.

Each of the projects within the OPDC portfolio will go through a stage gate process. They will all follow an approach which is compliant with the IPA and HMT's approach to project development and delivery.

Responsibilities for review and evaluation

The 1st line of defence or delivery assurance activity will be undertaken by OPDC's project team for Old Oak North, working alongside teams from the delivery partners, development partner, as well as staff from other parts of the GLA Group, as required.

Project managers in OPDC's technical and commercial Directorates will be responsible for providing assurance that their individual projects are operating in line with the agreed policies, processes and Governance as set out in the OPDC guidance. They will also be required to confirm that projects are delivering the agreed objectives to time and cost whilst monitoring, and where appropriate escalating, risks to delivery.

The 2nd line of defence will be provided by the Programme Assurance Manager reporting to the Chief Finance Officer. The Programme Assurance team will provide greater visibility of performance on projects and programmes and higher levels of confidence in the accuracy of management information and predicted outcomes. The 2nd line of defence includes oversight by a number of Boards and Groups including:

- OPDC Phase 1A internal Programme Board
- OPDC Senior Management Team (SMT)
- OPDC Delivery Steering Group
- OPDC Investment Committee
- OPDC Board
- GLA HIF Programme Board

The roles and responsibilities of each of these bodies is set out in their approved Terms of Reference (ToR). These ToRs will continue to be regularly checked and updated as necessary. All TORs will be updated when the focus of the programme changes.

The hierarchy of decision making and peer review is set out in OPDC's Programme Governance document. The document also sets out levels of delegation down the hierarchy. This level of delegation may change through the lifecycle of the programme and will be reviewed as appropriate.

The 3rd line of defence will be overseen by the OPDC Risk & Audit Committee. The committee will plan a series of assurance activities which will could include internal or external audit and Gateway Reviews.

Performance within OPDC is monitored by the Programme Assurance Office, which forms part of OPDC's Corporate Operations Directorate and sits under the control of the Chief Operating Officer. Workstream leads report progress to the Programme Assurance Office on a monthly basis, providing an assessment of risks, issues and the status of key delivery milestones. Key risks and issues are escalated to the Programme Board for consideration as appropriate. This process is critical when working on a complex portfolio of activities where technical, legal and commercial matters are intrinsically linked.

The key internal controls at OPDC are:

- OPDC has an agreed Programme and Project Management framework, a Risk & Issue Management Strategy and a Governance framework which is applied to all activity across the Corporation;
- OPDC's Senior Management Team meets weekly and considers escalated items and reviews Project Initiation Documents, Change Control forms, Business Cases and Commercial papers;

- An internal OPDC Programme Board meets monthly to considers progress against plan, recommends for approval new project initiation documents, discusses key risks and issues and recommends approvals to the SMT or OPDC Board, subject to approval level; and
- An OPDC Programme Delivery Steering Group (DSG), where all key programme stakeholders are represented, meets every two months to allow oversight and support to be provided to the Corporation's activities.

The DSG maintains a register of 'Key Working Assumptions' and 'Risks and Issues' and these are discussed as standing agenda items, while key corporate risk is a standing item for the Audit Committee. OPDC's Investment Committee facilitates a clear decision-making process between Executive Team and Board for development and investment decisions.

At a senior level, the OPDC Chair and the Mayor's Chief of Staff meet every two months to ensure that the Mayor is fully appraised of key updates and any issues arising on the Old Oak scheme.

7.6.2 ***Please provide details of your proposed internal monitoring approach for the scheme.***

6,000 characters

All projects within OPDC follow a standard lifecycle approach, with key gates and decision-making points as set out in Attachment 7.7. This will be adapted to incorporate any assurance review points that MHCLG requires as part of its HIF investment.

The OPDC's 1st Line of defence constitutes our internal monitoring and management process. The Technical Directorate within OPDC will 'Sponsor' all projects as set out in the agreed Work Breakdown Structure (WBS). OPDC will break the Phase 1a Programme into a number of discrete sub-programmes either by functional area or by geography or a combination of both. All Project Sponsors (Client-side Programme managers) will be responsible for the development, planning approval, consents and delivery of the projects within their respective sub-programmes. This small client-side team will be supplemented by a Delivery Partner that will bring capacity and capability in project planning, cost management, town planning, interface management, logistics and PMO services. The Technical Directorate, together with the appointed Delivery Partner, will work in a 'matrix' fashion with clear accountability for each individual project established early in the process with key 'support' functions operating across the portfolio of projects to provide support in areas such as logistics, town planning, consents, risk management and PMO support.

OPDC has an audited and approved Programme & Project Management Guide as well as a Risk & Issue Management Strategy. Together with the '3 Lines of Defence' model outlined above, this sets the Governance, Processes and Systems under which all project activity will operate across the Corporation.

The Gated Project Lifecycle provides the opportunity for the progressive management, monitoring and assurance of projects as they progress through the lifecycle. Each project will have an agreed funding envelope relating back to the agreed HIF Business Case. This will be set out in the early stages (including in the Project Initiation Document) of each project and approved by the relevant authorising body.

Project progress in terms of actual spend and forecast to completion against the agreed budget, will be monitored on a monthly basis as will risks, issues, progress against agreed key milestones and alignment with project objectives.

The Delivery Partner PMO will act as the 'engine room' for all data across the programme, collecting data on a monthly basis and consolidating it into an easily digestible form such as Dashboards and Highlight Reports. The Programme Assurance team will provide challenge across the Programme Sponsors to understand the level of risk and compliance on a monthly basis.

The Delivery Partner will bring their own expertise in Project Controls, including Cost control, schedule management, risk and issue management, interface management, logistics and reporting as well as supporting stakeholder engagement and management. They will also lead on the planning approvals and consents required to deliver the various projects across the Phase 1a Programme.

All systems, tools and procedures provided by the Delivery Partner will need to fit into the OPDC systems in a seamless fashion to allow a 'waterfall' approach to dissemination and data capture ensuring the proliferation of a 'single source of the truth' philosophy.

Through a clearly set-out Management structure, the Delivery Partner team will support OPDC in the procurement of all the necessary technical resources including, but not limited to, Architects, Planners and Engineers. They will also provide commercial and procurement support in the tendering and selection of an Energy Services Company (ESCO) and an Independent Distribution Network Operator (IDNO).

Though commercial structures are important considerations in all procurement exercises, OPDC appreciate that the imposition of appropriate commercial structures are going to be essential for the procurement of an ESCO and IDNO. This is because although OPDC is using the HIF grant to invest ahead of need in the Electrical Power and Energy Infrastructure required to unlock Old Oak North, OPDC is working to ensure a 50-80% return on upfront investment to reinvest in further Infrastructure work. This assumed return has been confirmed through OPDC's extensive market engagement exercise with IDNO's and ESCO's.

7.7 Risk Management Strategy

7.7.1 Please outline key risks to delivery and mitigations including known delivery constraints and blockages.

For likelihood and impact please use categories: High / Medium High / Medium Low / Low

Delivery Risk	Risk description	Likelihood	Impact	Mitigation
1	**Land Assembly delayed and/or delivered at cost higher than forecast** Land is required to allow delivery of infrastructure and development. Challenges to the compulsory process or complications in land assembly could lead to overall programme delivery delay and complications. These could arise from issues around OPDC's ability to make the CPO through lack of resource and appropriate support, Further delay in securing an inspector, delay in securing a date for Inquiry, delay in the Inspectors Report or Secretary of State's decision could also delay OPDC's delivery programme. Risk/opportunity of negotiated acquisition cost and/or compensation under the CPO being higher/lower than anticipated. Risk of long delay in crystallising OPDC's final compensation liability due to claims being referred or appealed	Medium-high	Programme Delay Cost Increase Reputational High	Comprehensive Land Assembly Programme, adequately resourced with detailed plan; negotiate land deals were possible including early strategic acquisitions where available. OPDC has developed a land assembly programme highlighting the key stages required for the successful use of its statutory powers. This includes sensible planning periods that fully recognise resourcing workstreams, governance and decision-making and mandatory timescales set out through statutory process. OPDC has also commenced negotiations with key landowners and occupiers and has begun to set out negotiation tactics and impact mitigation for all interests. Successful negotiations create the opportunity to secure land at lower cost and more quickly than through compulsory means. Most freehold land is owned by Network Rail. Through its Memorandum of Understanding with the Department for Transport, OPDC can transfer land from Network Rail and is in negotiations with NR as guided by the MoU. OPDC continues to engage with statutory undertakers and the owners of "Special Land" to ensure agreement can be reached, if possible, with the avoidance of parliamentary process. OPDC will seek to acquire all of the land and new rights required for the scheme through negotiation. However it will have the ability to use its statutory powers. OPDC is taking advice on the use of its powers from specialist commercial and legal experts. OPDC is also in the process of instructing Counsel to ensure any future formulation is robust and ultimately successful and provides the ultimate mitigation in ensuring all of the land can be assembled in a reasonable time and without "ransom".
2	**Planning approvals and**	High	Programme Delay	To date the OPDC master plan has been developed to be in compliance with the

	consents delayed or refused Despite its role as Local Planning Authority, when acting as Applicant OPDC will require planning consent with that consent to go through due process. As such there is a material risk that if the application is not acceptable it could fail to achieve the recommendation of officer and/or ultimately be refused. Given the relative complexity and scale of the scheme there is also a risk that as applicant OPDC does not submit a suitable application or the submission is made later than anticipated. Any substantial delay and/or requirement to resubmit or vary the planning consent will result in further (unanticipated) fee expenditure.		Cost Increase (fees) High	Local Plan and other superior policy within the London Plan, NPPF etc. Further engagement with the Boroughs, GLA Policy Teams (Environment, Planning, Regeneration), the London Environment Agency, TfL and other stakeholders to ensure proposals are understood. OPDC will continue this approach as it develops design further. OPDC (Applicant) intends to agree its planning strategy in full with the LPA and has allowed for substantial pre-application work with planning officers to ensure the work underlying OPDC's application is understood and meets policy requirements. OPDC may seek flexibility in its planning strategy to consent works sequentially to allow it to accommodate any change in programme – subject to agreement with the LPA. OPDC's planning and design workstreams will be fully resourced with the advice of expert designers, planning specialist and legal input as required. OPDC will have the opportunity to undertake certain works including site clearance, demolition, remedial works, asbestos removal and other decontamination works, improvements to the Birchwood Nature Reserve and the Grand Union Canal without planning consent should it need to mitigate any minor delay in receive a planning consent.
3	**Market conditions worse than anticipates:** Expected returns are not high as forecast in modelling, construction cost inflation rises higher than underlying property values, investor, occupier and homebuyer appetite is below expectation. Borrowing and finance costs increase for OPDC, or its Development Partner(s) eroding returns.	Medium-high	Cost Increase (value erosion) High	OPDC has run a range of robust sensitivity analyses on the financial modelling carried out to date. OPDC's model has been built as a "live" model that allows assumptions and input variable to be quickly manipulated, allowing OPDC to quickly predict the impact of changes and support sound commercial decision making. This is managed by OPDC's commercial directorate and allows it to manage risk through timely forecast in order to make decisions, or escalate issues within OPDC, or with key partners and stakeholders. Construction cost inputs, value assumptions for sales, rents and investor appetite (rates of capitalisation) have been robustly benchmarked. Similarly all other sources of funding including grant, GLA lending and potential Housing Infrastructure Fund grant have been tested and assumptions validated. OPDC maintains flexibility with development and procurement allowing it to, where necessary, make changes to its masterplan and vary the mix of PRS, Social & Affordable, Shared Ownership and Private Sale,- as well as the mix of commercial uses depending on market conditions (although subject to policy including levels of affordable).

4	**Statutory undertakers fail to perform or reach agreement with OPDC:** OPDC fails to reach agreement to protect/relocate assets, agree new investment and/or adoption of new infrastructure assets for rail, highways, public transport and utilities. Statutory Undertakers object to OPDC's Planning Application and/or CPO.	Medium-low	Programme Delay Cost Increase Medium-high	Comprehensive engagement undertaken with all statutory undertakers including utilities, LB Hammersmith & Fulham, TFL, Crossrail, HS2, Network Rail to anticipate requirements and reach agreement on key aspects of the scheme. OPDC is also engaging with key sponsoring departments including MHCLG and DFT to ensure the approach across agencies can be coordinated. OPDC is similarly coordinating liaison with GLA departments and policy teams including for planning, transport, environment and regeneration. OPDC will continue a policy of open dialogue and stakeholder liaison. However OPDC is also ensuring its approach is justified with robust technical, expert and legal input as required to ensure OPDC's position is justified and if ultimately required it can make use of its statutory powers as a Mayoral Development Corporation.
5	**Infrastructure outturn costs higher than anticipated:** OPDC's substantial infrastructure programme is at a relatively early stage of design and there is a risk that outturn cost is higher than anticipated.	Medium-high	Cost Increase High	Cost estimating undertaken by AECOM Quantity Surveyor based on Masterplan and RIBA Stage 2 infrastructure design. Costs are based on real-world benchmarked projects and seek to ensure full delivery costs are reflected. This includes reflecting the high cost of access, logistics and operations in difficult and complex sites. OPDC's cost estimates also include the cost of commuted sums for adoption where it is assumed OPDC will seek the adoption of assets by other bodies. These commuted sums reflect the reasonable cost of requiring another body to take on the long-term maintenance of an asset. OPDC's estimating of commuted sums is based on benchmarks of real world projects. Costs also reflect fees and other costs. Construction cost forecasting has been built into OPDC's financial modelling. A range of robust sensitivity analyses have been carried out. OPDC's model has been built as a "live" model that allows assumptions and input variable to be quickly manipulated, allowing OPDC to quickly predict the impact of changes and support sound commercial decision making. This is managed by OPDC's commercial directorate and allows it to manage risk through timely forecast in order to make decisions, or escalate issues within OPDC, or with key partners and stakeholders. For infrastructure costs the flexible modelling ensures cost and value are managed through a design stage and proposed changes are fully considered. This will allow robust value engineering through each subsequent design stage. OPDC maintains flexibility with development and procurement allowing it to, where necessary, make changes to its masterplan should it need to find cost savings and/or defer aspect of the scheme. OPDC also maintains flexibility

				through developer procurement to potentially assign or novate construction delivery of infrastructure and transfer cost risk, if available at an acceptable cost premium.

7.7.2 *Please outline your approach to managing risk.*

8,000 characters

OPDC has a documented Risk Management Framework, which has been approved by the OPDC Risk and Audit Committee as well as the external auditors.

The purpose of this framework is to help OPDC manage its risks: to scan the horizon, understand the commercial environment, take informed and proactive decisions and identify where and how things might go wrong – so that OPDC can put in place measures that will reduce risk and increase the chances of success.

The framework uses a structured approach to risk management (Attachment 7.12). However, it also aims to embed a culture of ongoing and proportionate risk management. OPDC views managing risk as about much more than filling out risk registers, important though they are. It is about being open about the risks OPDC faces and then exercising good judgement and ensuring risk is considered as an integral element of how OPDC conducts its business.

While a risk foresees an event that may happen, an issue is something that has actually happened and is having an ongoing impact. The issue may previously have been a risk. OPDC also follows a structured process to identify, communicate, manage and track issues – and the second purpose of this framework is to promote a methodical approach to issue management.

The Risk Management Framework helps OPDC achieve its objectives by:

- Communicating the value derived from, and the importance that OPDC places on, effective risk and issue management;
- Encouraging an open approach to proactively identifying risks and hazards and reporting issues and incidents when they do occur;
- Being clear about what OPDC expects of its staff – their roles and responsibilities – in managing risks and issues;
- Providing practical guidance, grounded in best practice, for staff to follow as an important and embedded element of OPDC's overall approach to delivery, performance management and assurance; and
- Establishing a risk architecture to support regular and proactive management of risk – and with risks escalated to and managed at the most appropriate level (Attachment 7.13).

The framework is reviewed at least annually and is subject to approval by the Senior Management Team and the Audit and Risk Committee.

7.7.3 *Please attach a copy of your current risk register for the scheme.*

7.8 Additional Information

7.8.1 *If you have any further information to support the Management Case for your project, which has not already been captured in the above, please include this here.*

This may include additional information agreed during co-development that will be required for assessment.
8,000 characters

Attachments can be added.

8. Project sign-off

Please set out how you have considered your duties under the Equalities Act 2010 (Public Sector Equality Duty) and State Aid risks.

2,000 characters

Please attach your Section 151 officer sign off for your proposal.

Noting that the GLA's Land Fund has yet to consider and approve the purchase of the Powerday Site and on the basis that:

- governance processes between the GLA and OPDC will be enhanced to ensure that the GLA's cash flow commitment to the project is no more than £35m over the period 2022-23 to 2025-26;
- the Affordable Housing Grant assumptions made are reasonable;

as the GLA's s127 officer I am happy to support this HIF bid.

Martin Clarke
Executive Director of Resources