Old Oak West

Outline Business Case

Version 2: Revised December 2023

OPDC
OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION

Homes England

Department for Transport

Department for Levelling Up, Housing & Communities



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1. Executive Summary

Old Oak West OBC

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1. Executive Summary

About this document

The 2022 Strategic Outline Business Case (SOBC) for Old Oak West agreed three things: (1) There is a case for central and local Government intervention to counter market failure; (2) there is a need for Government to act now to bring forward economic development and regeneration, aligned with the HS2 delivery programme; and (3) Government needs to effectively bring together and coordinate public sector land interests to deliver the biggest benefits in the shortest timeframe. The SOBC was approved by the Department for Levelling Up, Housing and Communities (DLUHC) Investment Sub-Committee and Department for Transport (DfT) High Speed Rail Group Tier 2 Board.

This Outline Business Case (OBC) builds on the analysis and conclusions in the SOBC, and has been prepared in partnership between local and Central Government. The sponsor group includes: the Old Oak and Park Royal Development Corporation (OPDC, a Mayoral Development Corporation in London), DLUHC, DfT, High Speed 2 (HS2) Ltd, and Network Rail (NR). The Infrastructure and Projects Authority (IPA) has played an overarching role in coordinating the project across senior Government stakeholders, and Homes England has facilitated OBC development. Each of these organisations will play a pivotal role in bringing forward the Old Oak West project.

This is a programme-level OBC, seeking approval from DfT, DLUHC and OPDC for a series of decisions relating to land, funding and delivery, and coordination and partnership. These decisions will authorise various actions to be taken forward by the sponsor group, collectively and as individual organisations. Old Oak West is a complex, long-term project, and further stage gate decisions need to be taken by local and Central Government in future, via approval of Full Business Case(s), Business Plans, or other vehicles as set out in this OBC. However, subject to these decisions, this OBC shows that there is a clear pathway to the project's ultimate delivery and achievement of outcomes aligned with the project's strategic objectives. This pathway is set out overleaf. This OBC is not seeking an investment decision from DfT, and there is no expectation of investment from DfT in the future to deliver the project.

This document was updated in December 2023 to respond to queries and comments from the DfT Centres of Excellence and Tier 2 Board, and DLUHC's Investment Sub-Committee, following initial submission in August 2023.

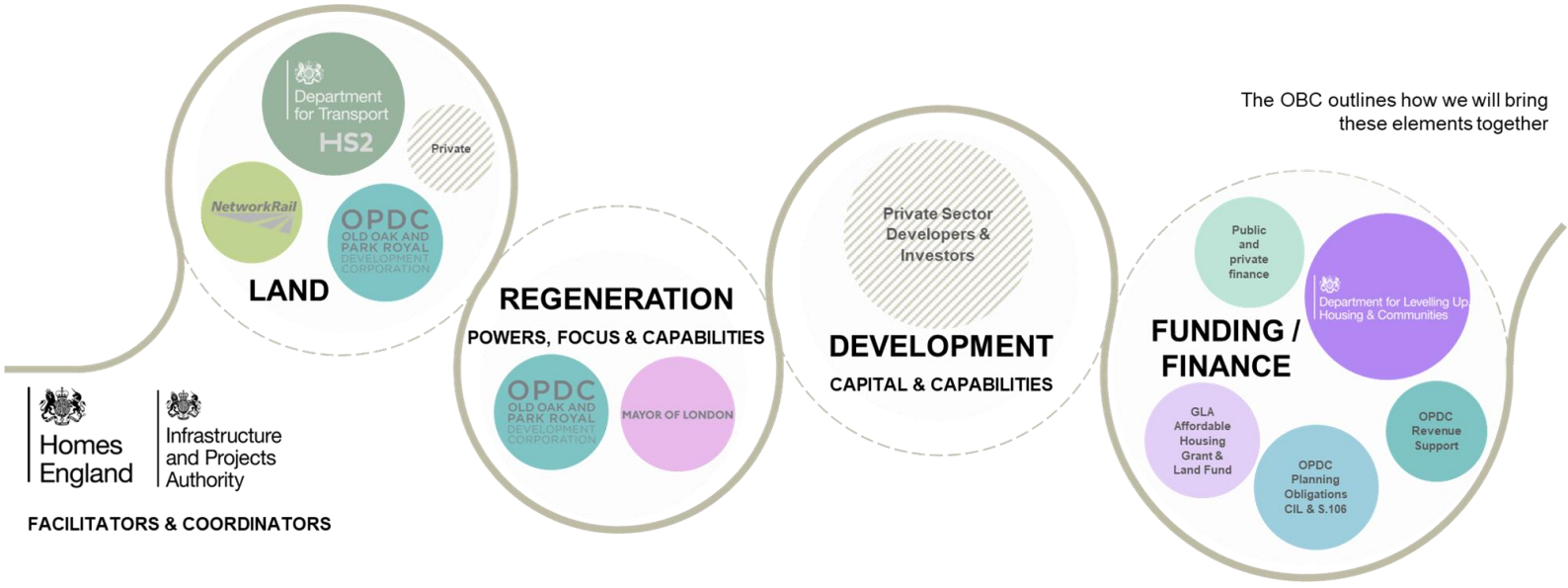


Figure 1 Old Oak West partnership

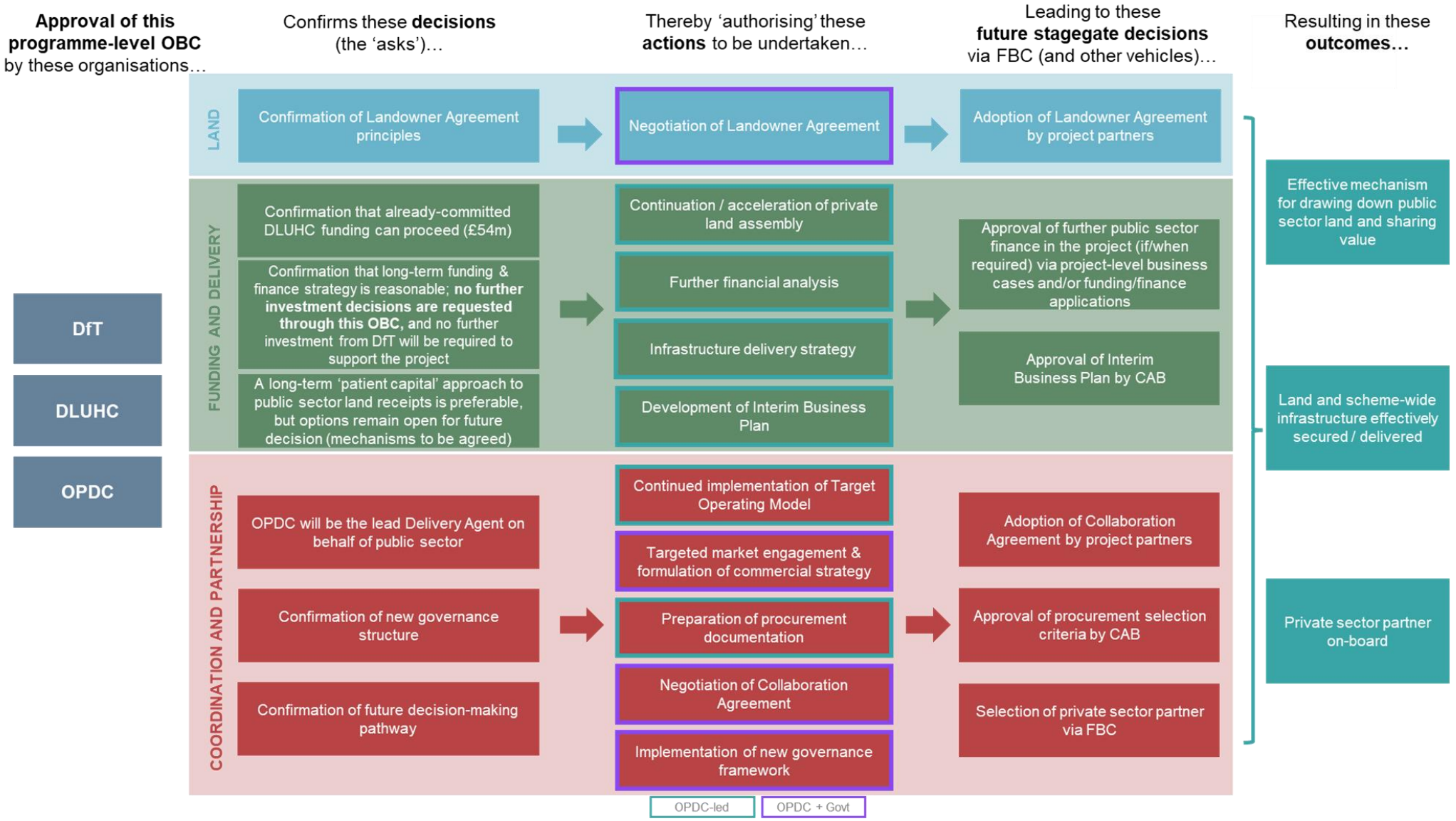


Figure 2 Old Oak West OBC decision pathway | Source: Arup

Old Oak West

Old Oak West is a major regeneration project located across multiple sites in west London. The development area is adjacent to the under-construction Old Oak Common (OOC) Station which, when opened between 2029 and 2033, will be the interchange between HS2 and the Elizabeth Line – two of the nation's most significant and transformational transport investments in generations. [redacted]

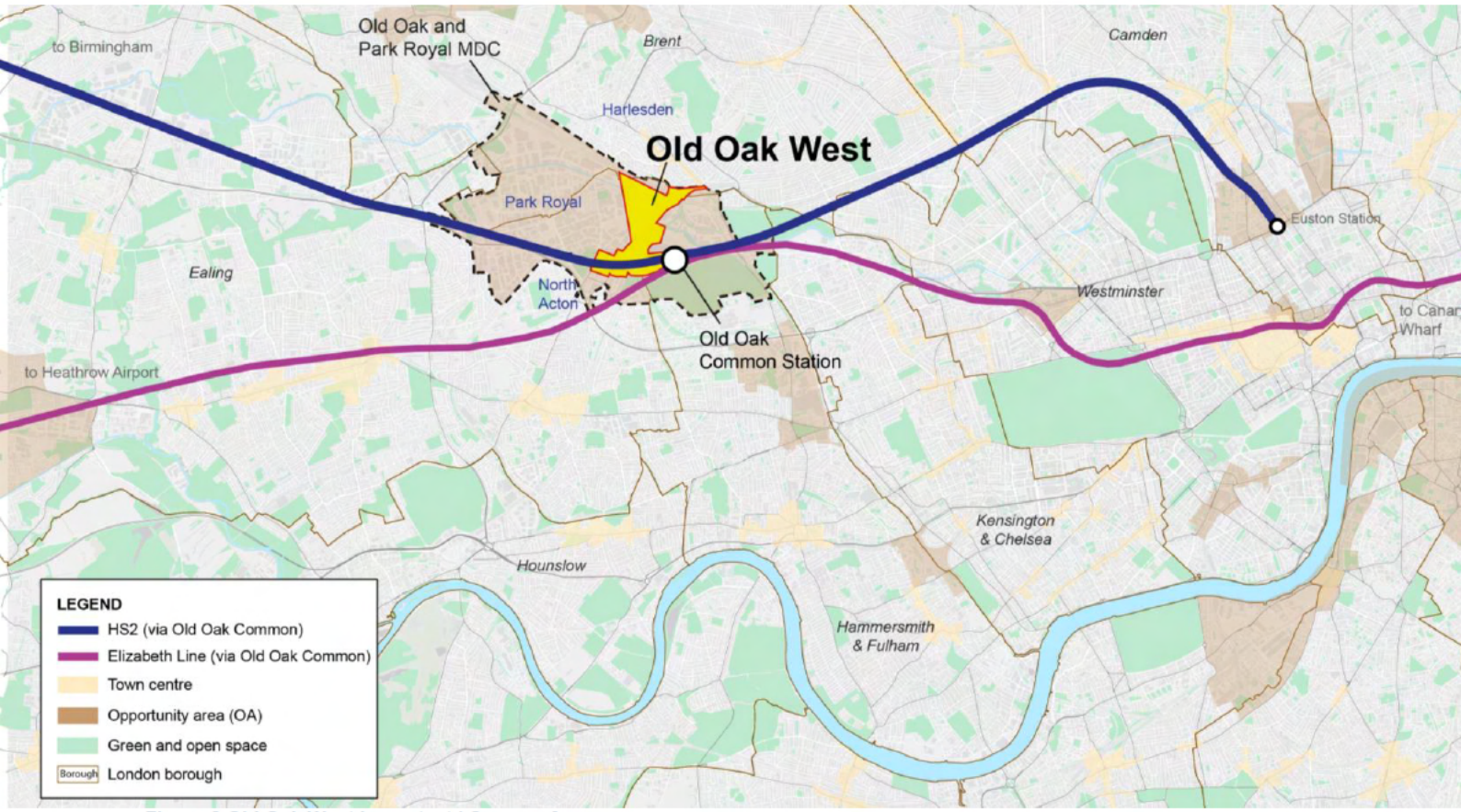


Figure 3 Old Oak West in context | Source: Arup

Old Oak West lies in a strategically important location. Park Royal, the UK's largest industrial estate and a major London employment centre, lies to its west and plays a key role in the supply chain for food, film, theatre, construction and retail. When Old Oak Common (OOC) Station is operational, there will be rapid rail links (via HS2, Elizabeth Line and Great Western Railway connections) to established innovation zones including Euston, Barts Life Sciences, Birmingham Innovation Quarter, the Thames Valley corridor and Oxford. The local area benefits from rich and diverse communities in Harlesden, Willesden Junction, Scrubs Lane and North Acton.

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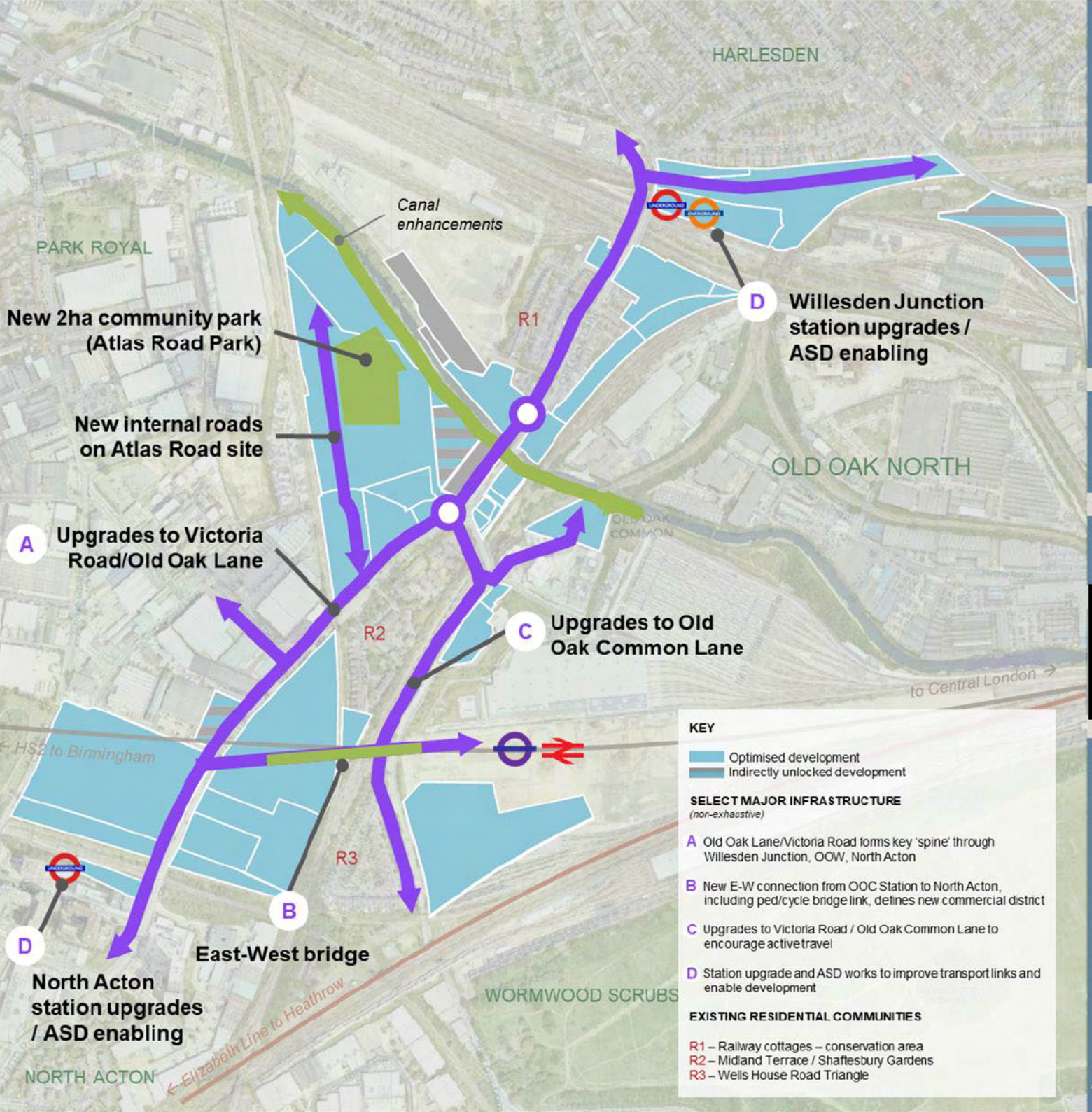
Scheme summary

Comprehensive regeneration at Old Oak West could deliver up to 9,000 homes and 2.8m sq ft of commercial space. To achieve this, a comprehensive development platform is needed. There is just over 22 acres of privately-owned land that must be assembled, alongside a clear plan for collaboration on the 57 acres of public sector-owned land. There is also a need for high-quality infrastructure to address connectivity, severance, transport capacity, placemaking, and utilities requirements. One or more industry leading private sector Master Development Partner (MDP) will be needed to plan, fund and deliver the scheme.

Table 2 Summary of housing potential

Homes	Units
Directly delivered through this project	7,498
Unlocked by this project for delivery by other parties	1,504
Total homes delivered at Old Oak West	**9,002**
...of which, affordable homes	*3,901 (70% shared ownership, 30% rent)*
...of which, built on current public sector-owned land	*4,200*
Total housing target in OPDC's Local Plan for wider OPDC area	25,500

[redacted]



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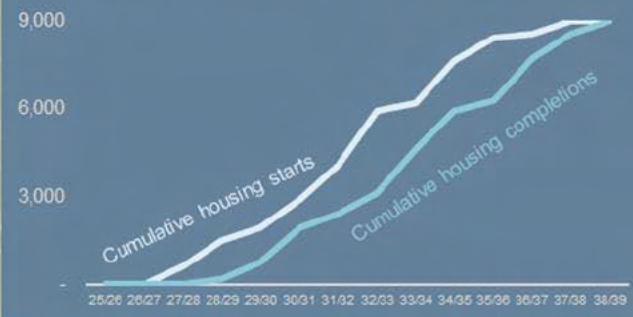
Old Oak West

LAND OWNERSHIP	
Total land	79 acres
Total current public sector	57 acres (72%)
Department for Transport	40 acres (51%)
Network Rail	13 acres (16%)
TfL and LB of Ealing	3 acres (4%)
OPDC	1 acres (1%)
Private land	22 acres (28%)

FLOORSPACE AND HOMES	
Homes	9,002 homes (7,498 direct)
Affordable homes	3,901 homes (45.5%)
Homes on public sector land	4,200 homes (46.7%)
Commercial development (incl. community space)	3.0m sq ft NIA

ATTRACTIVENESS AND PUBLIC REALM	
Quality public realm	25 acres
New parks and green corridors	6 acres
Canal enhancements	1km

ECONOMIC OUTPUTS	
Gross jobs	11,100
Land value uplift	£390m
Benefits of affordable housing	£65m
Wider area impacts	£50m



The numbers presented here should be considered in accordance with important notes, caveats, and exclusions, highlighted in the OBC

Strategic Case

Old Oak West is one of the UK's largest urban development opportunities. It is on a scale comparable to King's Cross and the Olympic Park, with the unique benefit of being connected by both HS2 and Elizabeth Line services. Currently, however, redevelopment of the area is inhibited by severance, functional land uses (including rail and industrial operations), and fragmented land ownership. These generate market failure in the form of public good requirements and coordination failure. The wider Old Oak area is characterised by high levels of deprivation, housing costs, and unemployment, though with a young and diverse population with huge potential to support growth. London as a whole continues to have an acute need for new housing across a range of tenures and to meet affordability pressures.

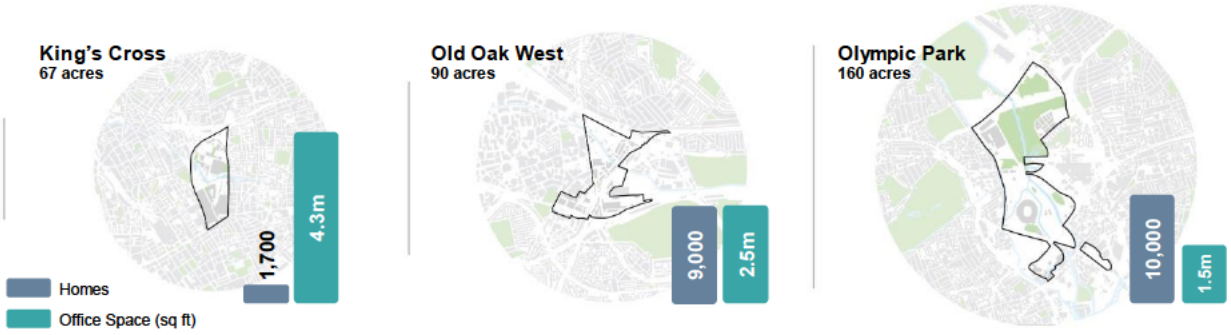


Figure 5 Comparator schemes | Source: Arup

There is a need to act now to ensure that when OOC station opens (2029-2033) it is knitted within the fabric of a wider functioning place. OOC Station will operate as the London terminus for HS2 until HS2 Euston is delivered, serving an estimated 250,000 daily passengers when fully operational. There is a supportive planning framework for development, including an adopted local plan. Local, regional, and national policies recognise the need to maximise the impact of major investments in HS2 and the Elizabeth Line. The Levelling Up Secretary has also recently set out his vision for housing,[6] which stressed the vital role that London plays in our national productivity and growth. He made clear that Government, working with the Mayor, will play an active role in driving forward development, including at Old Oak West.

There is an aligned vision for Old Oak West. The project aims to maximise the impact of investment in HS2 and the Elizabeth Line by creating one of the most inclusive and accessible places in the country. By the time OOC Station opens, a new canal-side district will be emerging that delivers high-quality housing and provides a healthy environment for residents, passengers, and visitors. It will respond to the historic fabric of surrounding communities like Harlesden and Park Royal, whilst looking to the future by connecting economic clusters across London (White City, Heathrow) and the nation (Birmingham, East Midlands, Manchester).

Clear strategic objectives have been agreed: drive economic growth; build more homes; create a place to be proud of; ensure value; create a better environment; and deliver at pace. The combined intention is that intervention at Old Oak West will be holistic, with social, environmental, and economic benefits assessed in equal measure alongside factors including pace of delivery, cost efficiency and scalability. Current 'business-as-usual' plans would deliver some benefits, but a piecemeal approach would not fully deliver on these objectives.

[redacted]

[6] https://www.gov.uk/government/news/long-term-plan-for-housing

[redacted]

Financial Case

Significant funding has already been committed to the project. In recognition of the importance of Old Oak West in delivering local, regional and national objectives and unlocking the full benefits of the HS2 and Elizabeth Line investments, the Mayor of London and DLUHC have partnered to pump-prime the project through a combined £104m capital investment committed to following the SOBC (comprising £53m from DLUHC's BIL programme, £1m from DLUHC's Capital Regeneration Fund, and a £50m recoverable grant from the GLA's Mayoral Land Fund). This investment provides critical funding to continue assembling land to create a comprehensive regeneration platform. This OBC is not seeking an investment decision from DfT, and there is no expectation of investment from DfT in the future to deliver the project.

Key OBC decisions

Agreement that DLUHC's already-committed funding can proceed.

Agreement that the long-term funding and finance strategy is reasonable (no funding or finance is being requested through this OBC).

Agreement that a longer-term 'patient capital' approach to public sector land receipts is preferrable and acceptable in-principle, given this approach catalyses significant social and economic benefits and results in a net financial surplus to the public sector. However, options related to the timing of land receipts remain open following approval of this OBC.

Attracting private sector investment is critical to the financial affordability of the project. Old Oak West will be one of the most significant regeneration projects in London, with an estimated Gross Development Value (GDV) of nearly £10bn. The scheme is at an early stage, and this analysis is based on a detailed capacity study for the site that will differ from what the private sector ultimately delivers at Old Oak West as part of their masterplan. It is also based on numerous assumptions on long-term costs, values and overall commercial strategy which will change as the scheme progresses.

[redacted]



The range of potential financing requirement is plausible based on recent lending precedents, and there are appropriate sources of finance available to the project, including Homes England, UK Infrastructure Bank and Public Works Loan Board. In the next phase, the project team will analyse levers for optimising finance requirements, including more detailed assessment of the phasing strategy for infrastructure and land release. The timing and extent of private sector investment in the project, to be established during developer procurement, will also materially affect any potential finance requirement. Additionally, depending on the availability of private finance sources at the time of procurement, it may be that the MDP has other more innovative and cost-effective means of financing early-stage infrastructure requirements. Across the financial appraisal, a range of options remain open to the public sector over time – confirmation of this OBC does not 'lock in' commitments to future investment decisions.

This overall financial outlook is based on taking a long-term investment horizon, or 'patient capital' approach, to public sector land holdings. In the BAU scenario adopted for this OBC, it is assumed that land would be sold as soon as it is no longer required for HS2 works (recognising there are various other potential BAU pathways, as set out above). Such an 'early exit' approach would impact on the financial viability of a comprehensive regeneration scheme. A longer-term approach to extracting value from public landholdings, which would mean delaying land receipts by approximately four to six years, would enable a more viable and financially stronger scheme, while also allowing Government to maximise returns through more strategic timing of exit positions in response to market conditions. It would also maximise economic benefits to society, generating gross benefits of around £600m, as demonstrated in the Economic Case.[11] Based on the modelled 'patient' profile, the public sector would begin to receive payments from the MDP in 2028, with most receipts (70%) received between 2033 and 2037 and a final payment in 2039. Such an approach will require agreement from HM Treasury in light of the impact it could have on the HS2 Phase 1 budget.

Nonetheless, approval of this OBC does not constrain HM Government's options related to the timing for realising value from public sector land. The analysis has been based on a long-term investment approach, which as described above catalyses high levels of social and economic benefits; results in a net financial surplus to public sector landowners; and enables a viable scheme. However, should an earlier exit model ultimately be preferred by HMG, the scheme could be re-scoped to maintain viability, with a likely impact on the timing, scale, and nature of economic benefits that could be delivered. The precise mechanisms and parameters for maintaining this optionality will need to be confirmed as a part of the developer procurement process.

[10] Nominal terms (incl. inflation), undiscounted

[11] Sum of initial and adjusted impacts in economic appraisal. 2023/24 prices, discounted

Commercial Case

Key OBC decision

Agreement to principles of Public Land Agreements

This OBC proposes that DfT, NR, and OPDC land will be brought together under a series of Option Agreement(s) with a wraparound Landowner Agreement. This will provide a watertight contractual basis for making land available to the MDP, subject to agreed conditions being satisfied, while avoiding a potentially costly and administratively complex exercise of consolidating all land under a single owner. Robust arrangements will be in place prior to launching procurement to give reassurance to potential private sector partners regarding how this land collaboration will operate in practice. This is a key element of the potential 'commercial model' i.e. the proposed arrangements for collaborating across the public sector and partnering with the private sector, which has been developed to take account of the priorities and red lines of all project partners. A set of other public sector agreements are likely to be needed, including a Collaboration Agreement, Asset Protection Agreements, Funding or Facility Agreements, and Joint Venture (JV) or Development Agreements (DAs). Negotiations for the Public Land Agreements will commence following approval of this OBC, and will address details related to the distribution of receipts across public sector landowners. Approval of the Public Land Agreements will sit with each landowning party's existing organisational governance.

A balanced approach to partnering with the private sector is proposed. Three partnering options have been retained following detailed assessment: DA with a developer partner, a form of joint venture with a developer partner, and appointment of a development manager (DM). Under any of these there could be a shared risk and reward profile that reflects the red lines of each organisation and is cognisant of the specific risk appetites for each landowner. This is necessary to balance the need for public sector control over delivering the strategic objectives and protecting landowner interests, whilst also harnessing the best of the private sector's expertise and resources to deliver high quality development.

Further market engagement will be used to explore the market's perspective on optimal commercial structures for each of these. In practice, the optimal solution for Old Oak West will likely combine a number of the retained structures, either over time or by applying different delivery routes to different parts of the site. Based on previous market engagement and commercial real estate advice during OBC development, it is expected that there will be significant market appetite in the opportunity from high-quality UK and international developers. Competitive Dialogue (CD) and Competitive Procedure with Negotiation (CPN) have been shortlisted as potential procurement routes, both of which allow for the private sector to bring innovation and ideas to the procurement process. The final commercial and procurement strategy will be captured in the approved Interim Business Plan and signed off by the Old Oak West Collaboration / Assurance Board prior to launching the procurement process. The following diagram illustrates a potential 'end-state' commercial framework across public and private sector parties. This framework will be further tested with the market and refined during the procurement process.

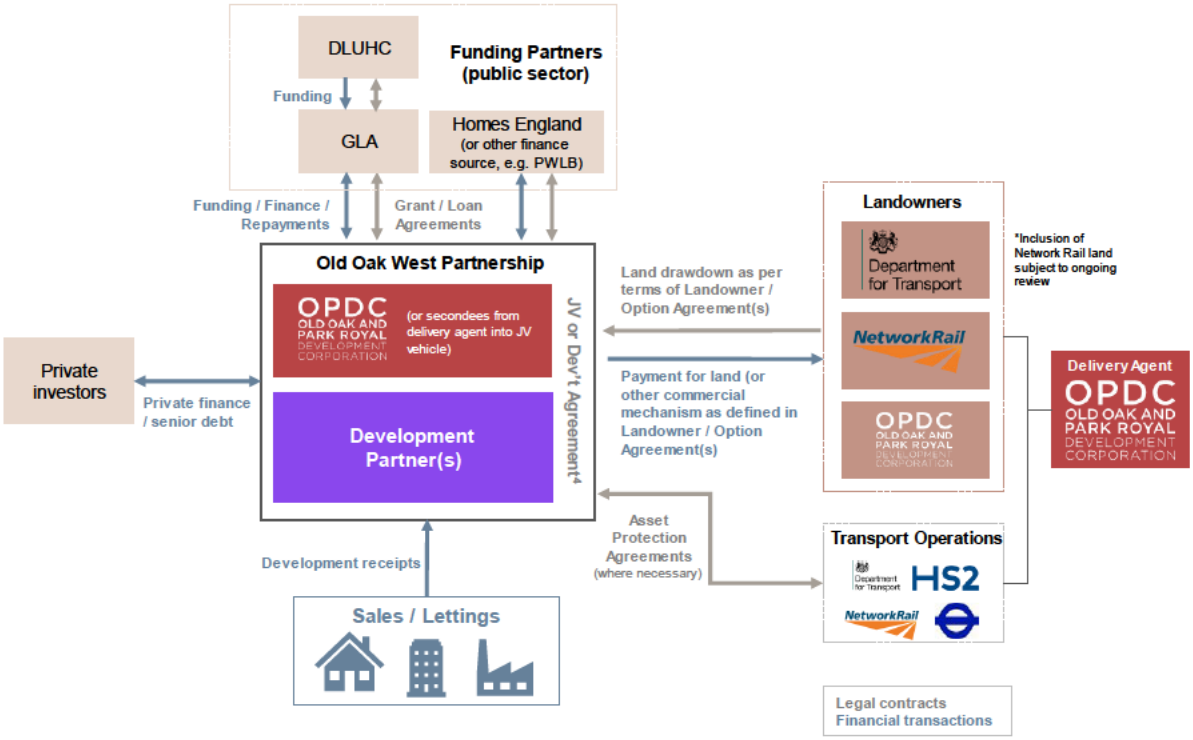


Figure 7 Potential Long-Term Commercial Model | Source: Arup

Management Case

Key OBC decisions

Agreement that OPDC will be the lead Delivery Agent on behalf of public sector partners and landowners.

Agreement to the new governance structure.

There is an agreed need for a single Delivery Agent to act on behalf of public sector partners and landowners and provide a clear interface to the private sector. A key question for the Management Case is the identification of the optimal Delivery Agent, with the powers and capabilities needed to drive forward the project on a day-to-day basis. Several options were appraised, concluding that, with further organisational enhancements that are currently underway, OPDC is best-placed to perform this role and meet public landowner expectations. OPDC is a Mayoral Development Corporation, established to lead regeneration at Old Oak and Park Royal and with defined statutory functions and supporting powers, including planning and land assembly powers. Other public sector partners will have a key role to play throughout the project and their respective financial positions will be protected through a combination of public land agreements and a Collaboration Agreement.

OPDC is currently implementing a 'target operating model' to take on this role. This effort is further building the organisation's capacity and capability, backed up by a significant operating budget increase from the Mayor of London. A new Executive Director of Development was appointed in Spring 2023 and several other key appointments have followed. OPDC has acquired two strategic sites and four further sites have been approved for acquisition. A 'readiness review' of the Delivery Agent will be undertaken by the landowners prior to any future investment decisions being made (principally the signing of a contract with the MDP). The remit for this review will be agreed by the Old Oak West Collaboration / Assurance Board, which will also receive regular updates from OPDC's leadership team on their progress in implementing the target operating model.

A robust programme has been developed with four distinct phases (see right). A strategic 10-year programme has been developed, alongside a more detailed 2.5-year view. There is some flexibility in the sequencing of these critical early milestones and elements of the programme will evolve over time.

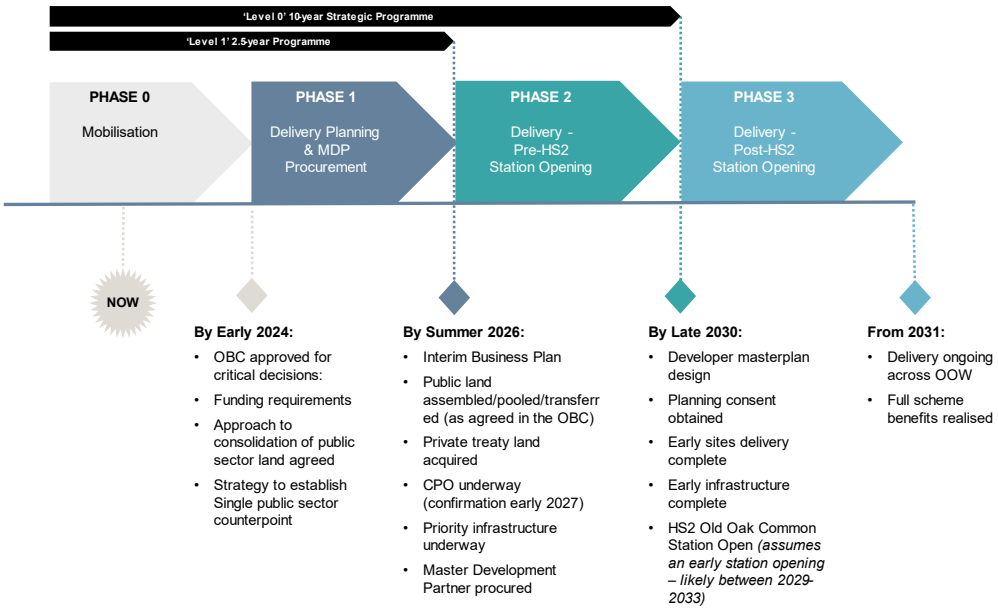


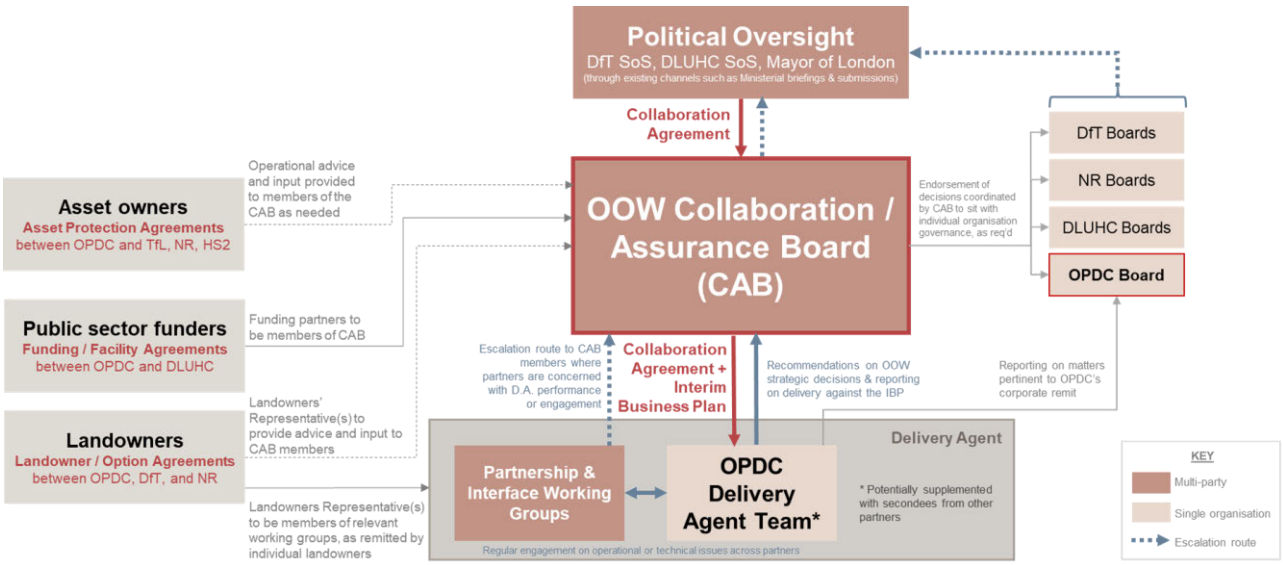
Figure 8 OOW programme phasing | Source: OPDC

An Interim Business Plan (IBP) will guide the project in Phase 1. Given the complexity and number of partners involved in Old Oak West, there is a clear need for an overall aligned vision, strategy, and objectives. The IBP will provide this, bringing together further detail on the funding and finance strategy, draft financial metrics for the project, infrastructure delivery strategy, and procurement strategy. OPDC will develop the IBP to guide activities prior to the MDP being appointed. Once a MDP is appointed, they will take on responsibility for preparing the Business Plan, adapting and building upon the IBP, with updates as required under the proposed governance arrangements.

A robust governance framework has been agreed, with a new Collaboration / Assurance Board (CAB) at its core. The Old Oak West CAB will be the primary governance forum for driving 'common purpose' across the public sector participants in the project – reinforced and supported by alignment at political level. Members of the CAB will be senior representatives from each organisation, with the ability to represent both their organisation's role as landowners in the scheme alongside wider Government/Departmental objectives. A shadow CAB is already in the process of being established as of August 2023.

A Collaboration Agreement will be implemented between the Delivery Agent (OPDC), landowners (DfT/HS2 and NR) and funding partners (DLUHC). The CAB will oversee this. Most day-to-day decisions in Phase 1 will be taken by the Delivery Agent in consultation and coordination with other project partners. Select 'reserved matters' with strategic implications for wider Government interests will be taken to the CAB for agreement. (Approval of the draft Interim Business Plan, which will authorise the developer procurement process, will be agreed by the CAB, with the appointment of the MDP then subject to a Full Business Case approved by DfT and DLUHC through existing governance.)). Operational issues and requirements will be incorporated into this structure via Partnership & Interface Working Groups as well as advisory input to the CAB; Asset Protection Agreements will further specify any particular operational interface requirements.

Figure 9 Phase 1 governance structure | Source: Arup



Next steps following OBC approval

Approval of the OBC by OPDC, DfT, and DLUHC will be a major milestone, but represents just the next step in a long-term programme. Several activities will need to be undertaken on the back of this approval, many of which will lead to a series of future decisions and approvals by these (and other) organisations in the months and years ahead. Below is a non-exhaustive summary of the key next steps in relation to this business case, which will be undertaken by OPDC and the other government partners, to further advance the thinking and analysis presented in this document.

Commercial next steps

1. Negotiate and adopt a Collaboration Agreement, including scheme of delegations, to establish the governance framework and provide remit to Delivery Agent.
2. Negotiate the Public Land Agreements, in order to ensure an effective mechanism for drawing down public sector land and sharing value.
3. Undertake further targeted market engagement and formulate the final commercial strategy to identify the preferred route to partnering with the private sector.
4. Prepare procurement documentation and approve procurement selection criteria.

Financial next steps

1. Complete infrastructure delivery strategy, building on work to-date. This will provide a more detailed understanding of costs, phasing, and funding mechanisms for individual infrastructure requirements.
2. Undertake further refinement of the underlying financial model.
3. Undertake further engagement with DfT, NR and TfL on the funding and delivery approach to station upgrades.
4. Undertake further negotiation with private landowners.

Delivery next steps

1. Implement the new governance framework to provide the basis for coordination and partnership.
2. Develop the Interim Business Plan, to include a delivery plan for the project's strategic objectives, including finalised KPIs against which progress can be monitored, as well as further detail on the infrastructure delivery strategy.
3. Continue to implement OPDC's target operating model.



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2. Strategic Case

Old Oak West OBC

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2. Strategic Case

2.1 SOBC Strategic Case conclusions

The Old Oak West SOBC Strategic Case set out the case for intervention at Old Oak and the reasons why action is required now. It highlighted that coordination and investment are required to optimise public sector land ownership and that investment is needed to assemble privately controlled sites, which are sub-optimal for development on a stand-alone basis.

It set out a programme which highlighted that work on all predevelopment activity (land assembly, compulsory purchase, masterplanning, etc.) would need to start urgently in order to ensure key sites can be developed before the opening of the station. This programme suggested that if action were not taken to support comprehensive development, it was likely that development would be reduced and delayed for an estimated four years, beginning once the new station had already opened. The case for change concluded that if no action were taken, development around the station would occur on a piece-meal basis, resulting in sub-optimal and slower development and a reduction in regeneration outcomes.

The SOBC Strategic Case also made the case for why the public sector is well poised to deliver this opportunity, with over 70% of the land in public sector ownership and OPDC holding planning and regeneration powers. The presence of the Development Corporation is a major strength in Government's ability to successfully deliver this opportunity.

2.2 Strategic context

2.2.1 Spatial conditions

Overview

Today, Old Oak West is under-populated, polluted, noisy and fragmented, and lacking in green and amenity space, as shown in Photograph 1. While Old Oak West benefits from the Grand Union Canal and proximity to Wormwood Scrubs (the largest open space in North-West London), these assets are largely inaccessible from the Old Oak West area and sometimes unsafe. Neighbouring communities including Park Royal, North Acton, Harlesden and Willesden Junction, and Scrubs Lane are isolated from one another. Old Oak West, which connects all these locations, does not have a town centre or focal point. There are few residential properties and the ability for local culture and economy to take root is severely hindered by the (temporary) disruption from HS2 construction.

In addition to these general conditions, there are three specific spatial conditions that have the potential to impede comprehensive regeneration: severance, fragmented land ownership, and existing functional land uses. These are detailed below, with more detail in the Spatial Conditions Note at Appendix 13.



Photograph 1 The current Old Oak West site, looking south west towards North Acton with HS2 construction sites in the foreground | Source: OPDC

Severance

Old Oak West is severed by rail infrastructure and the Grand Union Canal. The legacy of rail and industrial uses has resulted in a poor quality and seriously degraded local environment. Industrial areas, Wormwood Scrubs and transport arteries including the A40 and A406 all add to the physical fragmentation of the OPDC area more broadly. Figure 10 below shows where severance occurs in Old Oak West; more detailed analysis of where severance occurs is included in Appendix 13.

Severance has significant negative impacts on the local area. There are no direct walking routes from OOC Station to key areas of the development sites, whilst many roads in Old Oak West are congested, polluted and noisy. Many routes are unsafe and unattractive for pedestrians and cyclists, with particular difficulty for users with reduced mobility. Walking between North Acton and the future OOC Station is currently a 1.8km route but could be 800m with new connections in place. The HS2 OOC Station will not, in itself, address this severance, but well-planned development in the surrounding area could bring significant improvements.

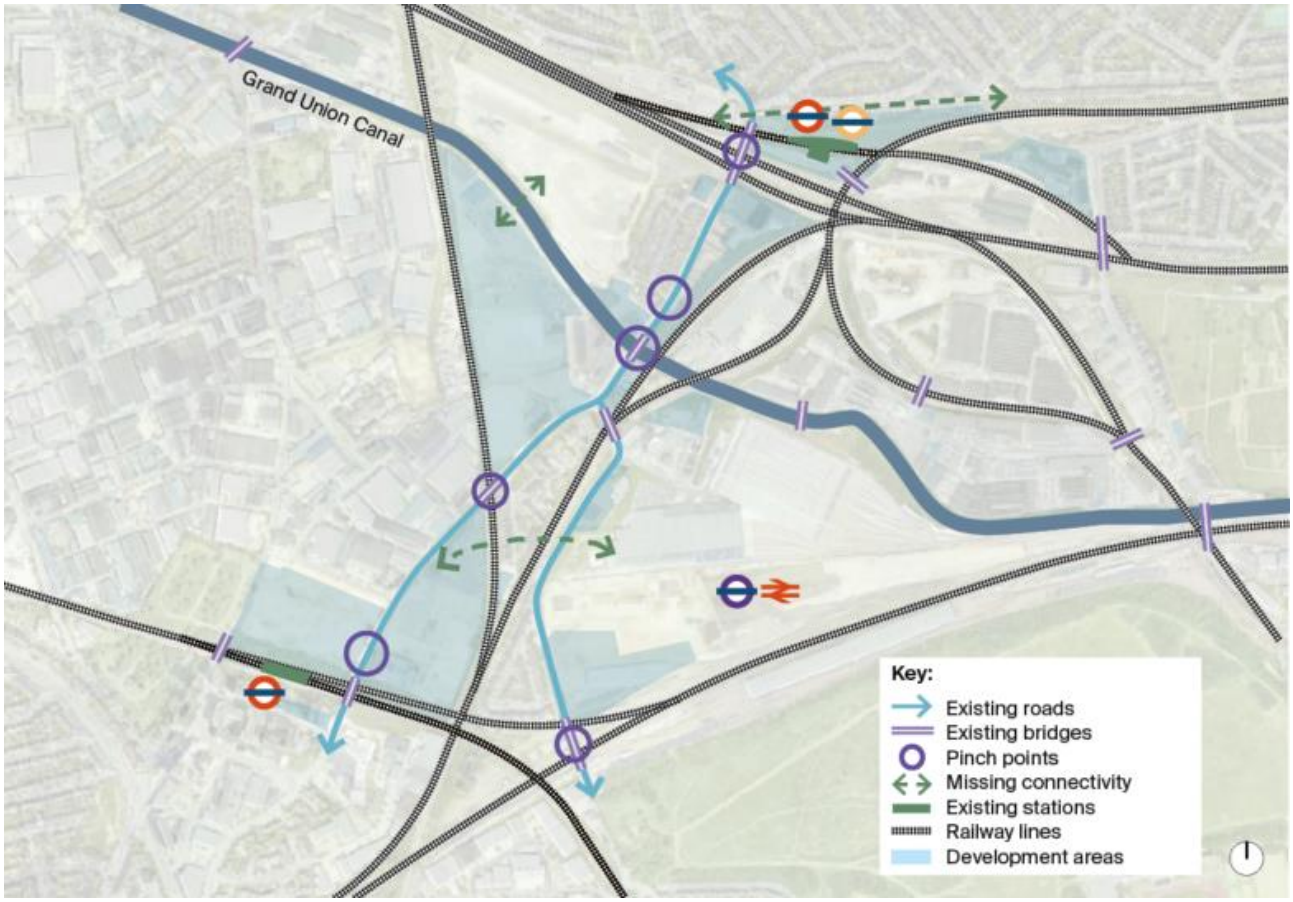


Figure 10 Old Oak West severance: 'Pinch points' are where pavements are narrow and poor quality in congested areas | Source: Arup

Land ownership

Fragmented land ownership impedes the comprehensive development and regeneration of Old Oak West. No single landowner currently has the incentive or resources to comprehensively masterplan a cohesive place, deliver site-wide infrastructure, or maximise development capacity across the whole area. This is compounded by the fact that many operational sites in Old Oak West are subject to leases that benefit from security of tenure and freight designations. This business case does not seek approval to consolidate the freehold ownership of all sites; instead, it proposes a legally binding agreement for coordinating public sector land (see section 5.3).

[redacted]

[redacted]



Whilst the land uses described are essential to support a functioning city, some of them can be polluting, noisy and disruptive. Their proximity to new residential or mixed-use development is expected to depress property values. In simple terms, people do not generally choose to live next to a waste site, bus garage or freight depot, given their negative impacts on wellbeing and amenity.

Without relocating (and potentially consolidating) these functional land uses, future development value and quality will be affected and development capacity will be substantially reduced. These functional uses are essential and must be preserved to support a functioning place, but their location can be planned within the wider masterplan to ensure their positioning is use-appropriate and does not inhibit the development of new homes and the wider public realm.

[15] In order to redevelop sites which include London Plan waste allocations, would need to be reviewed through the West London Waste Plan.

[16] Sites with telecoms infrastructure may benefit from enhanced tenants' rights under the Electronic Communications Code 2017. According to that Code, terminating telecoms operator's rights on a site requires following an Ofcom process, which includes 18-month notice period, and must cite one of four statutory grounds for termination, which include a well evidenced intention to redevelop.

[17] The Office of Rail and Road regulates how Network Rail Infrastructure Limited (Network Rail) disposes of its land through Condition 17 of its Network Licence. The objective of this condition is to prevent the disposal of land against the public interest and accordingly Network Rail must seek consent for any disposal not covered by a general consent. Network Rail's obligations are set out in the document *Land Disposal by Network Rail: The regulatory arrangements*.

[18] London Bus Services Limited (LBSL) is part of TfL and manages bus services in London. Whilst the bus services are operated by privately owned operating companies, these bus operators work under contract to LBSL. London's bus network is regulated enabling TfL to manage services in a co-ordinated way. Route services are provided by the operator in accordance with the terms of their agreements with LBSL for a fixed period of time and services are to be maintained during this period.

There are regulatory barriers to redeveloping sites with existing uses, such as telecoms and waste processing, and it can be difficult for landowners to bring forward these sites in isolation. Sites with uses that require relocation stand the best chance of coming forward for development as part of a comprehensive plan.

2.2.2 Socio-economic conditions

Demographics

Old Oak is currently under-populated but home to a growing population, comprising a young and diverse catchment. Its surrounding communities are diverse; the 2021 Census indicates large proportions of the local populations are Black, Asian and Minority Ethnic (BAME) groups (57% in Old Oak West, 62% in OPDC compared to 46% in London and 19% nationally).

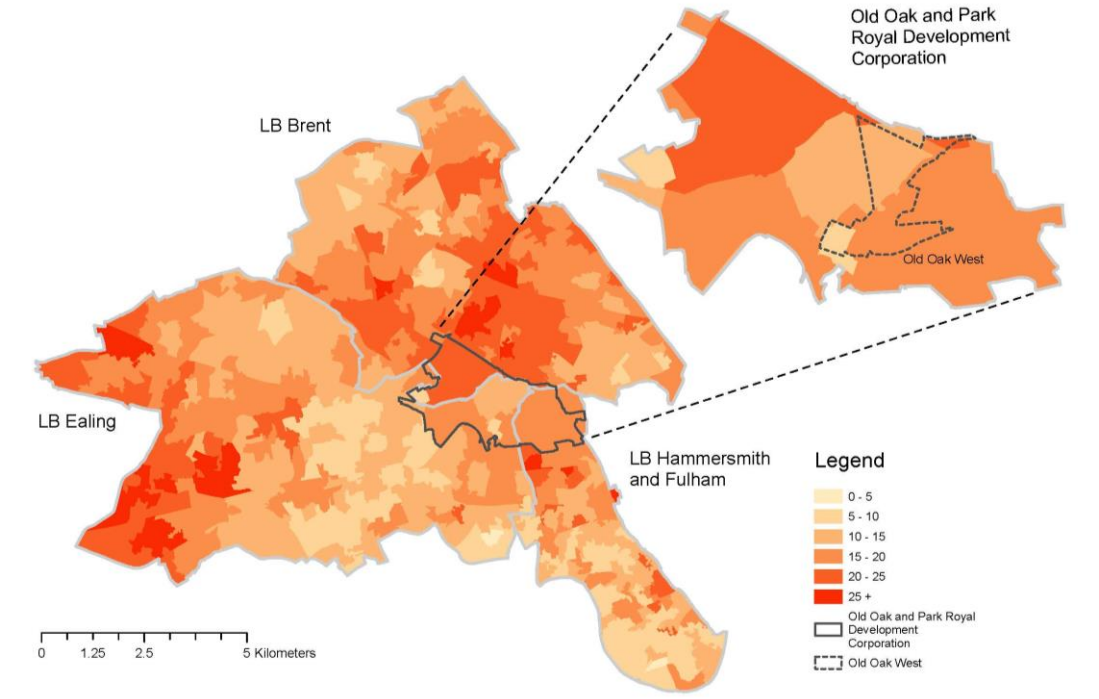
In Old Oak West and OPDC there is a higher proportion of younger residents compared to London and national figures. The 2021 Census identifies that 18% of people in Old Oak West are aged 16-24, compared to 11% across London. Old Oak West can drive cutting-edge, innovative, and high value commercial and economic activities in the area, with its young, digitally enabled population providing the nucleus of the workforce for future industries.

In the ten years between 2011 and 2021, population growth in the OPDC area has outstripped population growth in London by 6% (in Old Oak West it was 7% higher). Intervention at Old Oak West must deliver new homes to accommodate the growing population, but regeneration needs to happen in a way which embraces, rather than displaces, the character, heritage and youth of surrounding communities.

Deprivation and Housing Affordability

Across all measures of deprivation, Old Oak West, the OPDC area, and adjacent communities such as Harlesden, North and East Acton and Park Royal, contain some of the most deprived neighbourhoods in the country. The 2019 Index of Multiple Deprivation shows that over half of neighbourhoods within the OPDC area fall within the top 30% of most deprived neighbourhoods nationally, and the 2021 census shows that the north-west of the OPDC area, and nearby communities in Brent and Hammersmith and Fulham, have some of the highest proportion of residents deprived in more than one dimension (see Figure 13).

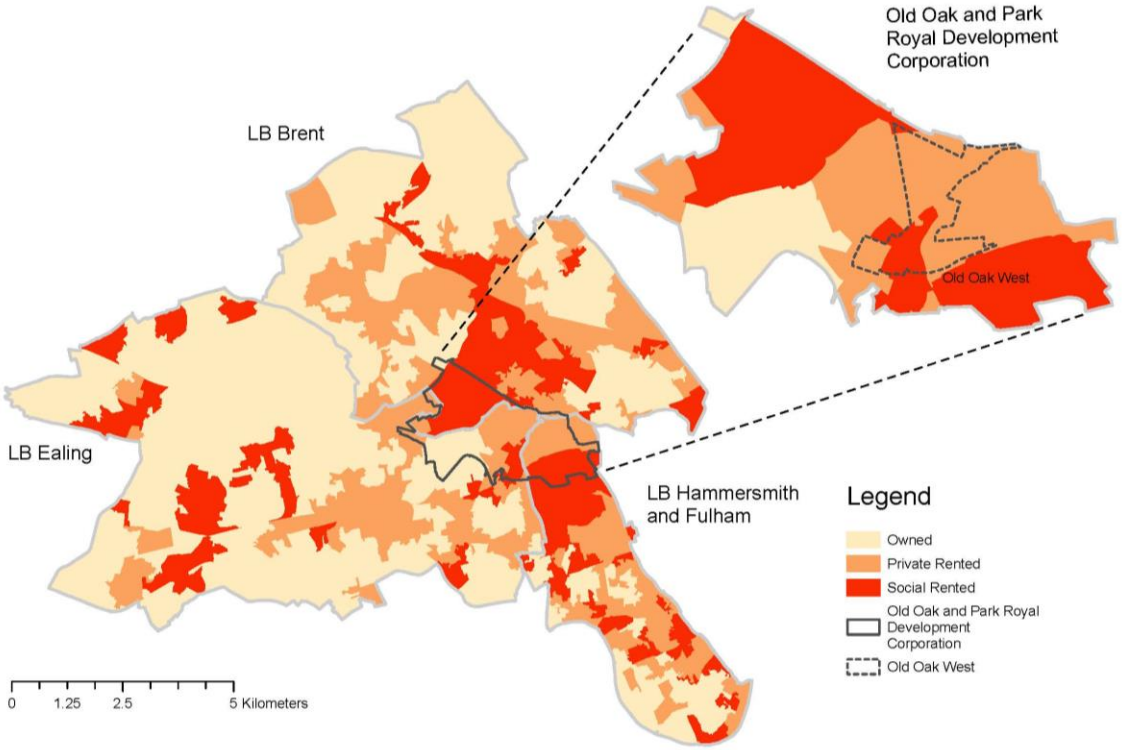
Figure 13 Total Percentage of households deprived in two dimensions | Source: Arup analysis of Census 2021 data



High housing costs are compounding deprivation in the area. Old Oak West residents have substantially lower disposable incomes than the national and regional averages. Household income in Old Oak West is 16% lower than London, excluding housing costs and 26% lower inclusive of housing costs. Both Old Oak West and OPDC are more unaffordable than London as a whole, with resident earnings not keeping pace with local house prices[19].

Home ownership levels are low. 25.4% of people own their homes in Old Oak West, compared to 45.2% in London, and 61.3% nationally. It follows that levels of private renting and social renting are significantly higher than regional and national levels (Figure 14). This paints a picture of unaffordable, precarious forms of housing that predominates in deprived communities. As a result, access to a secure, genuinely affordable home, supplemented by stable and high-quality employment, is integral to prosperity at Old Oak West and a core pillar of the rationale for intervention at Old Oak West.

Figure 14 Dominant type of tenure by LSOA | Source: Arup analysis of Census 2021 data



Employment and Skills

Unemployment in Old Oak West is 7.1%, more than twice the national average of 3.5% and significantly higher than the 4.8% average in London. Alongside unemployment, there are skills deficiencies in Old Oak West. The area has a high proportion of low-skilled workers, and a low proportion of residents with skills at degree level and above. Skills deprivation also strongly affects the neighbouring London Boroughs of Ealing and Brent despite the area being a major local economic hub.

Park Royal, immediately west of Old Oak West, is London's foremost industrial area, employing around 45,000 people and home to well over 2,000 businesses, some 500 of which are in the food sector employing more than 14,000. Manufacturing is 1.6 times more concentrated in Park Royal than London as a whole[20] but like much of Park Royal, is characterised by low wage (sub-London Living Wage) employment[21]. Alongside larger businesses such as Carphone Warehouse, Boden, McVities and Diageo there is a thriving and entrepreneurial Small to Medium Enterprise (SME) sector where 75% of workplaces are micro businesses[22].

[19] ONS, 2020 *Housing affordability ratios for small areas* https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2022
[20] Arup, 2021 *Old Oak Common and Western Lands Market Insight*
[21] The Park Royal Atlas, 2014 *An Employment Study of London's largest industrial area* https://www.london.gov.uk/sites/default/files/park_royal_atlas.pdf
[22] The Park Royal Atlas, 2014 *An Employment Study of London's largest industrial area* https://www.london.gov.uk/sites/default/files/park_royal_atlas.pdf

There is a growing creative sector in Park Royal with more than 6,500 workers and over 250 studios of artists, designers, photographers, film makers, and musicians. A host of production houses and prop stores link to the area's historic connections to the BBC and Ealing Studios. West London has a growing specialism in media, pharmaceuticals, life sciences and low carbon advanced engineering, as well as increasing inward investment from multi-nationals including GSK, Novartis and L'Oreal at White City. There is also rapidly growing scope in the green/low carbon sector, with the West London Alliance estimating that by 2030 there will be 64,000 green tech jobs in the area, representing a doubling in ten years[23].

Intervention needs to capitalise on these economic assets and opportunities by strengthening the Old Oak West identity and sense of place, whilst addressing acute disadvantages caused by local skills shortages and high unemployment. This will build on the employment and training opportunities already being offered by HS2[24] and secure them for the long term through comprehensive regeneration.

2.2.3 Planning context

OPDC is the Local Planning Authority with plan making and development management powers. It has a newly adopted Local Plan that provides a supportive planning framework for development at Old Oak West in accordance with this OBC. OPDC has a long-term target to deliver 25,500 new homes by 2048 and 13,670 within the next decade[25]. The Plan, as depicted in the Local Plan Key Diagram (Figure 15), identifies future development and regeneration focused around the planned OOC Station. This is the key planning policy document against which planning applications within the OPDC area will be assessed; others include the National Planning Policy Framework (NPPF), the 2021 London Plan, and the 2015 Old Oak and Park Royal Opportunity Area Planning Framework.

The Local Plan identifies various development sites within Old Oak West which are capable of coming forward for development, with a strategy of maximising development potential on these sites. OPDC is preparing a Supplementary Planning Document (SPD), which will comprise guidance that coordinates Local Plan policies for Old Oak West. It will also provide additional guidance based on outputs from the series of co-design PlaceLab workshops that were held with communities in March 2023. Outputs include defining different character areas within the Old Oak major town centre, the design of public green spaces and celebrating local railway and industrial heritage. OPDC's Planning Committee approved public consultation on the SPD at its meeting on 12 October 2023 and public consultation ran from 16 October 2023 to 27 November 2023. During the consultation, OPDC engaged with a range of stakeholders and hosted in person and online briefing and Q+A meetings. Consultation responses are now being reviewed and Officers envisage taking the SPD to the OPDC Board for adoption in January 2024.

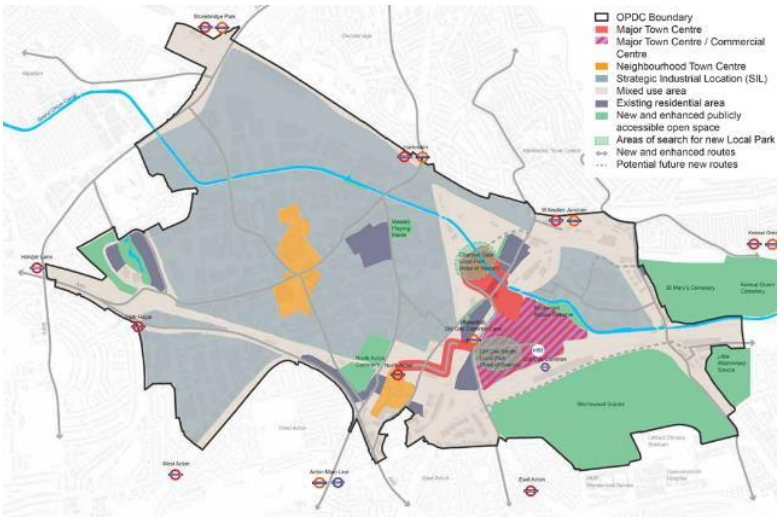


Figure 15 OPDC Local Plan Key Diagram | Source: OPDC

2.3 Policy context

2.3.1 Overview

The plan to deliver comprehensive regeneration at Old Oak West closely aligns with and supports Government policy at the national, regional, and local level. It responds to the need to maximise the value of major planned investments in HS2 and the Elizabeth Line. These will make Old Oak West a nationally significant gateway location. There is a shared ambition to ensure it is also an attractive destination with a

[23] Defined as jobs that facilitate meeting net zero and broader environmental goals.
[24] The new OOC Station is expected to generate up to 2,300 jobs in addition to those that will be provided by the redevelopment of the area around the new station.
[25] Old Oak West will contribute c.9,000 homes towards this overarching target; and beyond Old Oak West, 8,000 are already in the pipeline.

world-class offer for residents, visitors, passengers, and employees. Old Oak West is also a major opportunity to realise levelling up in a London context, support the green industrial revolution, and deliver high quality development for local communities.

The policy landscape is summarised below, with reference to key policy documents. This is current at the time of writing, but Old Oak West is a multi-decade project, so delivery plans need to be adaptable to potential changes in policy direction, leaving enough space for the private sector to shape delivery. Specific alignment between policies and Old Oak West is set out at Appendix 1.

2.3.2 National policy context

Transport

As set out across DfT policy papers, including DfT's Union Connectivity Review and the Decarbonising Transport strategy, there is a focus on using transport investment to drive regional and national growth by strengthening connectivity between industrial areas and existing communities. This includes aspirations to encourage balanced and sustained economic growth across the UK, be a good neighbour to local communities, drive modal shift onto active travel and public transport, and create opportunities for enhancing skills and employment.

The area around Old Oak West represents significant transport investment as the interchange point between HS2 and the Elizabeth Line – two of the nation's most significant and transformational transport investments in generations. Significant funds have already been committed to the project in recognition of the importance of Old Oak West in delivering local, regional, and national objectives and unlocking the full benefits of the HS2 and Elizabeth Line investments.

HS2 is central to plans for improving connectivity. Old Oak West is a critical element of HS2 because it includes the largest adjacent area of publicly controlled development land across the entire HS2 line. It will be the largest new railway station ever built in the UK in a single stage and is expected to be one of the busiest railway stations in the country with high-speed rail services to the Midlands, North and Scotland, Great Western mainline services to the Thames Valley, Oxford, Swindon and Bristol, and access to central and east London and Heathrow via the Elizabeth line. The four major construction worksites around the site of the new station are owned by the Secretary of State (SoS) for Transport and form substantial assets that need to realise a financial return that contributes to the cost of HS2 as a whole.

Recent announcements have increased the strategic significance of OOC. In March 2023, the Government announced a pause on the construction of the link between OOC and Euston. This decision will see the prioritisation of initial services between OOC and Birmingham Curzon Street. Further announcements in October 2023 have confirmed that a new private sector-led delivery approach to Euston will be developed. As a result, OOC Station will remain the London HS2 terminus for longer than initially expected before trains continue into Euston. While this change to the HS2 delivery programme does not impact the planned opening of OOC Station, it does enhance the catalytic potential of OOC Station to support local regeneration, since it will be the sole interchange for passengers who would otherwise have continued into Euston.

Levelling up and housing delivery

Levelling up, as set out in the 2022 White Paper and now enacted through the Levelling Up and Regeneration Act 2023, means 'giving everyone the opportunity to flourish'. It recognised that London, despite being an economic powerhouse, does have significant pockets of high deprivation. Several indicators show high deprivation across the Old Oak West area (see section 2.2.2), so for this scheme levelling up means addressing the quality and availability of housing; restoring a sense of community and boosting pride in place by engaging communities; and raising living standards through additional job opportunities and increased pay and productivity.

In July 2023, the Government announced a long-term plan for housing. This stressed the unique role that London plays in our national economy and made clear the Government's commitment to increasing housing delivery and supporting economic growth – including at Old Oak West. The Government also supports a "brownfield first" approach, prioritising new development on previously developed land. Intervention to organise public and private land and relocate existing uses will unlock Old Oak West as a prime opportunity to deliver on brownfield land at scale in an area of high housing demand, considerable economic potential, and with outstanding transport links.

Environment

The Government has set out a ten-point plan for a green industrial revolution. This sets a framework for driving the transition to net zero across every aspect of the UK economy. Comprehensive regeneration will position Old Oak West at the forefront of these ambitions. This means ensuring development is addressing the zero-carbon challenge through maximising energy efficiency, increasing biodiversity, and employing circular economy principles. The focus will be on delivering low carbon energy infrastructure and local transport connections that drive modal shift. There is also an ambition to create links between innovative institutions like Imperial College London and the manufacturing SMEs of Park Royal that can help drive forward the green industrial revolution.

2.3.3 Regional policy context

Good growth across London

The London Plan is the Mayor of London's strategic plan, which sets out the economic, environmental, transport, and social framework for development in the capital. The Plan notes the need to pursue 'good growth' which focuses on ensuring that development reduces inequalities and makes the city a better place to live, work, and visit. In London, as across the UK, households face significant challenges: rising food prices, high energy costs and a lack of housing affordability. Old Oak West, as an area steeped in industry, innovation, and multi-cultural dynamism, has the potential to respond positively to these challenges.

Intervention at Old Oak West will focus on enhancing the prosperity of adjacent communities as well as new residents – providing the social and environmental infrastructure to offer established communities the benefits of development.

Delivery of affordable housing

The London Plan addresses the housing crisis in London as a key priority. It notes that the capital's population is projected to increase by 70,000 every year, reaching 10.8 million in 2041. This means that many tens of thousands of new homes must be built every year. Old Oak/Park Royal is one of the largest designated Opportunity Areas in the Plan. It will make a major contribution, both directly, and as a catalyst for further growth in other parts of the OPDC area and beyond. The London Plan emphasises the delivery of genuinely affordable homes and maximising affordable housing on public sector and former industrial land as a key element of this. The London Plan requires 50% affordable housing on publicly owned land, and former industrial land that is released for residential development and operates a 'fast track' approach to planning decisions for applications that achieve this. The scale of public and industrial land at Old Oak West therefore offers a prime opportunity to deliver substantial affordable housing as part of a mixed, balanced and inclusive community.

2.3.4 Local policy context

Strategic infrastructure in west London

Business plans and proposals from TfL, including the Willesden Junction Feasibility Study and the North Acton Station Upgrade SOBC, identify the need to upgrade local transport infrastructure. In both instances, current infrastructure is inadequately connected to adjacent communities and is unable to keep pace with growing passenger demand during peak times. Local transport infrastructure requires major investment to be fit for purpose as transport hubs and gateways serving existing and future communities.

Inclusive local growth

Across the OPDC Boroughs (Ealing, Brent, and Hammersmith and Fulham), there is an increasing focus on ensuring that growth, investment, and regeneration delivers social and economically inclusive benefits for local communities. Key themes in common are 1) bespoke support to help residents access future opportunities; 2) better quality, well paid employment and activities to support enterprise (particularly via the delivery of affordable workspace) and; 3) more diverse and resilient places which respond positively to the culture and heritage of local communities

2.4 Vision

2.4.1 Scale of opportunity

Old Oak West is one of London's – and the UK's – largest and most significant new urban development opportunity. If effectively organised and delivered in a comprehensive way, it will maximise the economic, social, physical and environmental value of major investments already being made in the area, delivering a new piece of London on a scale that bears comparison with recent major regeneration successes such as King's Cross and the Olympic Park (see Figure 16).

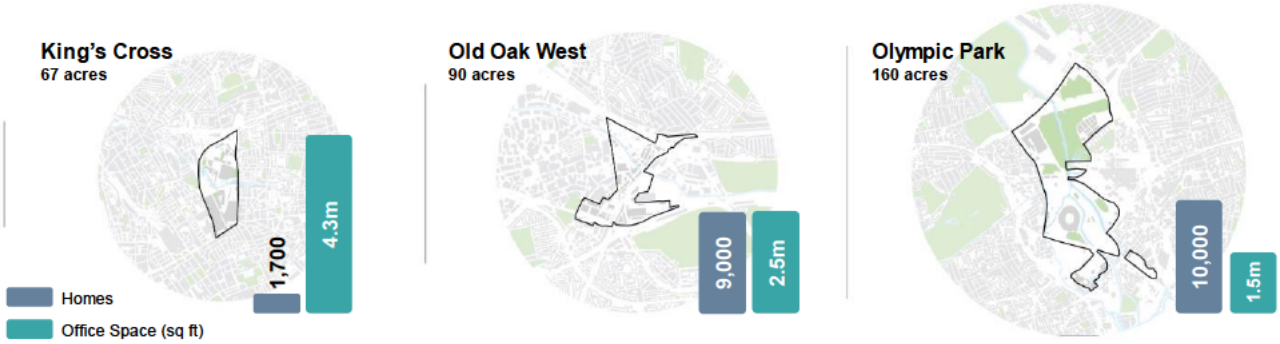


Figure 16 Scale Comparison of King's Cross, Old Oak West and the Olympic Park | Source: Arup

OOC will be a transport super-hub that is close to major knowledge-sector institutions like Imperial College London and home to an ecosystem of major businesses, logistics infrastructure and innovative SMEs. HS2 will place these 10 minutes from Central London and Heathrow, 35 minutes from Birmingham, and 45 minutes from Oxford, whilst also benefitting from Elizabeth Line and GWR connections. This hyper-connectivity will be attractive for new occupiers of all sizes and sectors. Additionally, Old Oak West is uniquely well placed for development: in the land surrounding the station there is capacity for up to 9,000 homes, 2.8 million sq ft of commercial space, high-quality public spaces and new infrastructure, all on brownfield land.

This is a major opportunity to optimise the use of 57 acres of publicly owned brownfield land, representing over 70% of the potential land available for development with capacity for 4,200 homes as part of a comprehensive scheme. There is a well-established MDC in place with planning and regeneration powers; with a mandate to bring forward regeneration and with a substantial additional operating budget to enhance its delivery capacity and capability. There is a supportive planning framework, and OPDC has the funds and strategy for securing control of the land currently held by other parties to form a comprehensive and largely contiguous major regeneration and development platform. OPDC is also making early preparations to use its compulsory purchase powers to assist the preparation of the sites and for the procurement of private sector expertise and investment to deliver comprehensive regeneration at scale. Early market engagement has confirmed the attractiveness of this opportunity, subject to the public sector establishing a coherent and comprehensive approach to land assembly and project governance.

2.4.2 Vision Statement

Old Oak West will maximise the value of investment in HS2 and the Elizabeth Line by creating one of the most inclusive and accessible places in the country. By the time OOC Station opens, a new canal-side district will be emerging that offers hyper-connectivity, high-quality housing at scale, and a healthy environment. It will respond to the historic fabric of surrounding communities like Harlesden and Park Royal, whilst looking to the future by connecting knowledge sector clusters in White City, Heathrow and beyond. This will re-establish the area as both a hub of UK industrial excellence and one that fosters pride in place for residents and visitors alike.

2.4.3 Vision Themes

OPDC has worked with local stakeholders and partners in Government to develop four vision themes, as summarised in Figure 17 and described in further detail below. The current vision is only a starting point for what Old Oak West will become. Ideas from the local community and private sector will help shape the vision in the years ahead, in line with the inputs from a private sector MDP who will work with the public sector Delivery Agent to develop a detailed masterplan, secure relevant planning consents, and oversee and deliver the key elements of the plan.



Figure 17 Vision themes

Working Communities

Old Oak's growth has historically been driven by workers moving to London. Between the two World Wars, Acton was the largest manufacturing town in South-East England, and the growing demand for factories in the area was accompanied by the proliferation of housing for workers. In the 1920s, 80% of people who worked in the local manufacturing trade also lived in the borough.

Just as Old Oak and Park Royal once addressed the needs of a burgeoning local and regional economy, Old Oak West can now make a major contribution to addressing London's new housing crisis and exploit the emerging economic opportunities. It can be a place that creates secure livelihoods for people, and fosters community between co-workers, neighbours and extended families. It will be a new and regenerated part of the city with a wide range of new and affordable homes where young and diverse communities can find meaningful work, enjoy a healthy life, living and working locally and avoiding unnecessary commuting.

Inventive Industry

The rich and diverse industrial heritage of Old Oak and Park Royal has continued to the present day. Its diverse economic ecosystem has included laundries serving the luxury hotels of the West End; costume stores and rehearsal rooms for the BBC; and for a time, the largest biscuit factory in the Western world. Famous food brands that have made their home in Park Royal include McVities, Heinz and Guinness, and still today, 30% of London's food, is either manufactured or distributed at Park Royal.

By building flexible spaces for complementary uses and providing increased education, training, and employment opportunities for local people, Old Oak West will unlock nascent economic potential and provide a base for new inward investment in forward-looking industries. Early advice indicates Old Oak could be a suitable and attractive location for a diverse range of sectors, including knowledge and innovation; green tech and the circular economy; international trade and business service centres; and creative, media and digital. New HS2 and local connections will bring together nearby expertise in knowledge, medical sciences and biotech sectors from institutions like Imperial, who have already made substantial investments in the area and close by in the new White City campus, while manufacturing, processing and logistics will continue to flourish and grow, offering opportunities for Old Oak West to help drive the transition to a cleaner, greener future.

Hyper Connectivity

Old Oak has long been strategically placed as the initial staging point in and out of London. Two hundred years ago, the Grand Union Canal was the original intercity link, transporting goods between the capital and the Midlands, followed some decades later by the railways. Over more recent decades, surrounding neighbourhoods like Harlesden have been shaped by waves of immigration, particularly from the West Indies and India (reflected in community focal points such as Neasden Temple), then from Jamaica (reflected in the prominent music scene). This connectivity and cultural and ethnic diversity have also shaped the area's industry as reflected in the global range of local food businesses.

Just as connectivity lies at the root of Old Oak's industrial past, new transport links will be critical to its future. The arrival of HS2, the GWR and the Elizabeth Line will connect Old Oak West to Heathrow's global reach, London's Knowledge Quarter, Birmingham, Bristol and beyond. When complete, HS2 will bring Old Oak West and its communities enhanced connectivity and a regional, national, and international profile. Comprehensive regeneration will maximise the value of investment in HS2 and the Elizabeth Line, with new local connections encouraging local people to use the world-class public transport facilities. Old Oak West will become an important gateway to London as a global city: diverse, multicultural and inclusive; accessible; and alive with opportunity. By overcoming current local severances, this will be a place where people feel safe and welcome, and where communities are connected physically, socially, and culturally.

Green Growth

Old Oak is shaped by its blue and green spaces: notably the canal frontages and Wormwood Scrubs. The Scrubs was originally leased by the war office for exercising cavalry horses; today, it provides both a respite for local residents and a vital habitat for wildlife, with 18 hectares of tree cover, 22 hectares of long grass meadow, almost 100 species of birds and 250 species of wildflowers.

Old Oak West is a place with ambitious goals for a healthy, sustainable future that responds positively to the climate emergency. A place where local wildernesses have quietly flourished and are now being opened up to enjoy. The comprehensive regeneration of Old Oak West will ensure that the project has maximum environmental benefits, delivering initiatives which can only be achieved at scale, through coordinated and patient effort. The new neighbourhood will be stitched into its surroundings with an interconnected network of flourishing and popular green spaces and waterways, offering healthy lifestyles, where people can walk and cycle to local schools, sports facilities, workplaces and transport services.

2.5 Case for change

2.5.1 Strategic objectives

Overview

The following Specific, Measurable, Achievable, Relevant and Timebound (SMART) Strategic Objectives have been developed for the project by the sponsor group (DfT, HS2, NR, DLUHC, OPDC and Homes England) to ensure intervention at Old Oak West addresses the barriers to delivery in a way which is consistent with wider Government policy and programme objectives. These combined Strategic Objectives will ensure that public intervention at Old Oak West will be strategic, effective and holistic. The project must be delivered at pace, cost effectively, and at scale, but the wider social, environmental, and economic benefits are fundamental to the project's success.

These Strategic Objectives have been used to guide decision making throughout the OBC development process. A summary of how success will be measured against each objective is provided below, with figures relating to potential outputs under the Medium+ option (set out in detail in Section 3.3.5).

01
Drive economic growth
Create a nationally significant cluster of new and existing businesses that drives economic growth and invests in the local workforce.

02
Build more homes
Maximise the number of homes, affordable and market sale, ensuring all are built to a high standard of design and construction.

03
Create a place to be proud of
Create a distinct place with resilient town centres, quality public realm that reflects local heritage, and social infrastructure that meets community needs.

04
Ensure value
Maximise value for the UK taxpayer by optimising the use of public land to deliver financial, regeneration, housing and transport outcomes.

05
Create a better environment
Create a place which is resilient to the climate crisis and positively contributes to people's health, wellbeing and the environment.

06
Deliver at pace
Ensure development is well underway by the time OOC station opens between 2029-2033.

Figure 18 Old Oak West Strategic Objectives



1. Drive economic growth

Improve physical connectivity between surrounding communities, particularly Park Royal and OOC Station, to bolster links to the Midlands and other cities in the North. Deliver 2.8m sq ft of high-quality commercial space to provide 11,100 gross jobs in the development, generating £910m Gross Value Added (GVA) and potentially catalysing over 36,000 new jobs in the OPDC area by the late 2030s[26]. Support existing local strengths in manufacturing, logistics, recycling, food and film to give businesses the long-term confidence and commitment to invest in the education and skills of the local workforce.



2. Build more homes

Maximise housing delivery to provide up to 9,000 new high-quality homes including a policy compliant level of affordable housing prioritised for local people and intermediate housing for local workers. Contribute to the delivery of the housing target in OPDC's Local Plan of 25,500 homes by 2048.



3. Create a place to be proud of

Transformational regeneration of brownfield land by the end of the Local Plan period (2038) to create resilient, adaptable and diverse places where people feel a sense of belonging and can build a community with pride in place; delivering community infrastructure to support the creation of new communities; improving resident satisfaction with their town centre; increasing engagement with local culture; providing high quality and safe buildings with public realm for residents and visitors to live, work and enjoy.



4. Ensure value

Optimise the use of public land to deliver financial, transport, housing, regeneration and non-monetised outcomes for the UK, delivering VfM in accordance with Managing Public Money; to build upon the legacy of Government's investment in HS2 and having regard to Departmental Accounting Principles, legal responsibilities and the Treasury's fiscal appetite.



5. Create a better environment

Deliver a new urban quarter that aims to be sustainable and zero carbon in use. Specifically protect and enhance the existing environment and biodiversity in Wormwood Scrubs and along the canal. Deliver new public parks and series of pedestrian, cycle routes and Healthy Streets to improve air quality, reduce congestion, encourage public transport usage. Make London's diverse neighbourhoods greener, healthier and more attractive places to live, work, play and do business.



6. Deliver at pace

Accelerate delivery of 'early win' sites and related infrastructure, with an aim of almost 3,000 homes starting on site by 2031[27]. Secure completed and occupied development at scale, with an attractive public realm, ahead of the opening of OOC Station. Quickly achieve the pre-conditions for private sector investment (especially certainty on land and funding; a single public sector/government counterpoint) to facilitate strong market engagement and investment, manage risk, and provide the optimum exit route for the public sector.

2.5.2 Existing arrangements

Overview

This section sets out in general terms what is likely to be delivered under existing arrangements. For the purposes of the Economic Case, a detailed "business-as-usual" (BAU) scenario has been defined (see Section 3.3.6). Where outputs are stated, these align with the BAU scenario, but these should be treated as indicative since they reflect only one possible route forward. Were BAU to be pursued, there are various approaches that could be adopted for bringing forward development on the public sector owned land, which would have a material impact on the figures stated below. The Economic Case tests various sensitivities for alternative potential BAU scenarios to enable the project sponsors to understand the range of possible value for money outcomes.

[26] As set out in the OPDC Local Plan.

[27] Midpoint of OOC Station opening date window (2029-2033).

Under existing arrangements, development will still come forward but on a piecemeal basis. Table 7 lists the potential outputs for those sites where there is most certainty of delivery. The DfT sites account for the large majority of this. HS2 Ltd has explored development potential on these sites in detail through a series of capacity, planning, and viability analyses over the course of several years. Development is also expected to come forward on one private site and at TfL / LB Ealing sites around North Acton station. NR sites are unlikely to come forward without a comprehensive approach and additional private sites would not be assembled (other than potentially those required for the delivery of essential site-wide infrastructure).

While it is possible, subject to funding, that some key site-wide infrastructure would come forward in line with Local Plan requirements, and that this would improve the connectivity of Old Oak West, development across the area as a whole would be neither coordinated nor optimised. Instead, it will occur on a piecemeal basis, led and delivered by multiple different parties working to different priorities and timescales.

Table 7 Potential outputs under existing arrangements

Land-owner	Sites	Homes	Commercial Space[28]	Infrastructure	Phasing
DfT/ HS2	Atlas Road, Acton Wells West, HS2 ASD, Acton Wells East	3,700 (50% aff.)	2.2m sq ft	• Borough Community Infrastructure Levy (CIL) circa £49m. Other planning statutory costs circa £46m. • Contribution towards delivery of a 2ha public park. • Ped-cycle Improvements to Victoria Road and OOC Lane • New internal road connections within Atlas Road site. • OOC Station and public realm.	• Vacant possession secured 2028 onwards. • Homes completing from 2030 onwards. • Construction completing 2037.
Private Sites[29]	Atlas Wharf	460 (35% aff.)	3.7k sq ft	• Planning compliant S106 and CIL contribution of circa £4.9m.	• Start on site c.2025.
OPDC	Midland Gate	0	0	• Required to deliver the East-West Bridge.	• Start on site c.2025.
TfL/LB Ealing	Land at North Acton Station	150 (50% aff.)	2.9k sq ft	• Delivery of upgrades to North Acton Station.	• Start on site Early 2027.

Market failure

Without government intervention, development at Old Oak West will occur on a piecemeal basis, resulting in slower and sub-optimal development and regeneration outcomes. As outlined in section 2.2.1, there are major barriers to developing a comprehensive scheme at Old Oak West, including severance, functional land uses and fragmented land ownership, that can only be addressed by a co-ordinated planning and funding strategy, with public and private sector funding.

There are two key market failures which prevent the private sector delivering Old Oak West alone:

Provision of public goods: the scale and scope of infrastructure investment required to deliver Old Oak West is significant and cannot be delivered by the market alone. This includes a high level of public good infrastructure such as station upgrades, roads, bridges and walkways that are critical to placemaking. Provision of such infrastructure will not be delivered by the private sector and planning contributions are not sufficient to fund them. This infrastructure is critical to transforming Old Oak West, creating a cohesive place and maximising the social and economic outcomes of the project.

Co-ordination failure: a significant level of co-ordination is required to facilitate the relocation of functional land uses, deliver enabling infrastructure, and maximise the development capacities on plots. The required coordination will not happen without government intervention because there are significant, complex and long-lasting barriers which prevent parties from working together, notably ingrained operational uses of land

[28] Includes office, retail and industrial space.

[29] Private sites are included where planning consent has been granted, or where the sites are necessary to enable delivery of essential infrastructure.

which require de-designation and appropriate sites for relocation. Public sector co-ordination of land assembly, infrastructure delivery, funding and regeneration powers, resourcing and expertise is imperative to deliver the strategic objectives. Comprehensive planning of the area allows uses, infrastructure and public realm to be organised in a way which transforms the entire area and has maximum placemaking impact.

Performance against Strategic Objectives

Existing arrangements do not satisfy the Old Oak West Strategic Objectives and will fail to capitalise on the wider social, economic, and environmental benefits that can arise by building new connections with Old Oak West's surrounding areas. This will present a missed opportunity to connect new and existing residential communities and businesses, establishing Old Oak West as a major hub for future industry, and a critical gateway to London and the rest of the UK. The remainder of this section explores the fit between the Strategic Objectives and existing arrangements, identifying areas of misalignment (sometimes referred to as 'business needs').



1. Growth: a missed economic opportunity

Under existing arrangements, London and the UK will miss the chance for one of the capital's largest strategic Opportunity Areas to reach its full potential. Old Oak is unique in being probably the largest new inward investment sites available in London, with exceptional transport connectivity and adjacent to the city's largest industrial estate, offering a scale of development that will appeal to domestic and international markets. It is an opportunity to showcase best practice in urban regeneration to a global audience. It is only through a comprehensive development approach that the full scale of these benefits will be delivered. A consolidated public sector interface will bring a consistent approach across the multiple facets of regeneration to deliver long-term success.



2. Homes: fewer units and less certainty

It is estimated that c.4,700 fewer homes will be delivered under existing arrangements compared to comprehensive regeneration (as modelled under Medium+ option, set out in detail in Section 3.3.5). While it is possible further private windfall sites will come forward, there is no certainty of this, and if they do come forward it is expected to occur substantially later (beyond the development of the HS2 sites). The volume of land under existing arrangements is 41 acres, compared to up to 79 acres in a comprehensive development option. Consolidating the full 79 acres allows development massing and layout to be optimised, optimises the commercial value, and makes most efficient use of land.



3. Place: less coordinated and impactful development

Under existing arrangements, it is less feasible to coordinate masterplanning across the whole of Old Oak West and create a place that has different character areas. This is largely because existing 'functional' land uses, such as the bus depot, waste and telecoms sites will be very hard to relocate, supressing adjacent residential values. The regeneration premium expected under existing arrangements is half that of the comprehensive scheme[30].

Under existing arrangements, it is assumed that upgrades to North Acton Station and the East West Bridge are essential to unlock development on surrounding land. However, funding for these interventions is not identified and there is no certainty around a route to delivery. Planning contributions from the HS2 sites will go some way to funding one of these interventions, but this funding has a ten-year lag so alternative funding and certainty around a route for delivery will be required in the intervening period, presenting a major risk.

Figure 19 below illustrates the substantial difference between the delivery of an optimal, connected and thriving area delivered by a consolidated, comprehensive approach, when compared with the sub-optimal result of piecemeal development proposed under existing arrangements. The details of this 'BAU' scenario are set out in the Economic Case and provides the Reference Case against which the intervention options are assessed.

[30] This is driven by a number of factors including the level of placemaking and delivery of infrastructure, including others.



Figure 19 The extent of BAU development on the left, versus comprehensive development (Preferred Option) on the right | Source: OPDC / Arup

4. Value: less value delivered for the taxpayer

In the absence of intervention, development will come forward, however it will not maximise the value of the investment in HS2 and the Elizabeth Line. Economic outputs will be lower, reflecting the reduced scale and quality of delivery under existing arrangements: 4,700 fewer homes built; c.500,000 sq ft less office space; 2,400 fewer jobs; and £200m/annum less GVA created. Existing arrangements would also deliver fewer financial returns for the public sector partners over the long-term than comprehensive development under a patient approach.

5. Environment: less sustainable place

Without managed intervention, the opportunity to enhance and expand the green spaces and waterways in Old Oak is significantly reduced. Existing arrangements would not deliver 1km of canal improvements and only around half as much green open space. Similarly, the ability of the project to contribute to net zero initiatives will be curtailed; sustainability initiatives which can only be achieved at scale through coordinated and patient action are listed in Appendix 10. These initiatives will be less feasible and more costly to achieve under existing arrangements.

6. Pace: slower delivery

Under existing arrangements, the bulk of the development activity in Old Oak West is contingent on the release of HS2 worksites post-completion of HS2's works, meaning that the first homes will be completed in 2030 at the earliest. Acceleration of delivery is significantly enhanced in the comprehensive approach, with the first completions in 2028 and an aim of almost 3,000 homes starting on site by 2031. All site-wide infrastructure, except one of the public parks and site decontamination, will also be delivered by late 2030.

Table 8 Comparison of BAU with potential comprehensive option (based on Medium+ as defined in Economic Case). Other BAU sensitivities are included in the Economic Case. All costs 2023/24 real terms, undiscounted, including contingency, nearest £m) | Source: Homes England, 2023

	Existing Arrangements	Comprehensive Option
Number of homes	4,300 (3,850 direct)	9,000[31] (7,500 direct)
Affordable homes	1,900	3,900
Commercial space NIA[32]	2.2m sq ft	2.8m sq ft
Total infrastructure costs[33]	£349m	£660m
Private land assembly costs	£7m	£274m
Private sites assembled	1 (Midland Gate)	15

2.5.3 Closing the gap

Theory of Change

The scope of intervention proposed by this OBC is reflected in the decisions that relate to public sector land, funding and delivery, and coordination and partnership. A clear understanding has been developed of how this set of decisions will drive the delivery of the Strategic Objectives. This is summarised in Figure 20, which illustrates how each area of intervention drives specific outputs, which in turn lead to outcomes aligned with the Strategic Objectives. A more detailed logic map is set out in Appendix 2.



Collectively, the interventions will enable comprehensive regeneration to be delivered across Old Oak West. This opens up huge potential for the delivery of better outputs and outcomes. Examples of the specific

[31] This figure has been rounded from 9,002. There are 29 existing homes within Old Oak West on privately owned sites which are assumed to be acquired to deliver the 'comprehensive scheme'. The number of net additional homes in the 'comprehensive scheme' is therefore 8,973

[32] Includes office, retail and industrial space.

[33] Nominal (incl. inflation). To be apportioned across public and private sectors.

activities that are facilitated by a comprehensive approach are provided below under three over-arching themes in Table 9.

Table 9 Specific activities facilitated by a comprehensive approach

Regeneration Theme	Example Activities	Associated Outputs / Outcomes
People and vision	**Improved partnership working**: pooling land and coordinating delivery allows for streamlined governance, coordinated engagement with stakeholders, and stronger institutional partnerships.	A more attractive proposition for potential occupiers and collaborators.
	Widespread advocacy: departments and political leaders speaking with a single voice around a shared vision and delivery plan.	Faster delivery with greater confidence in outcomes for all parties.
Structures and processes	**Targeted procurement**: a comprehensive approach allows for clear, robust market testing and procurement processes.	Potential to attract the highest quality private sector partners and investors across the lifecycle of the project, with the right skills and appropriate social value commitments.
	Responsive delivery: delivery at scale offers the potential to vary the strategy in response to external factors such as market changes, for example increasing affordable housing delivery during a downturn.	A more consistent pipeline of housing and commercial floorspace delivery.
Placemaking	**Comprehensive masterplanning**: designing across Old Oak West allows greater flexibility in allocation of uses, better planning of infrastructure requirements, and implementation of sustainability initiatives.	More certainty in timing and quality of infrastructure delivery and associated development and environmental outcomes.
	Phased delivery: a long-term vision enables a clear approach from early activation right through to stewardship once build-out is complete, with flexibility to adapt the approach over time and coordinate community input.	A new district of London that creates pride in place for communities over the long-term.

The case for acting now

HS2's anticipated opening date for the new OOC Station (between 2029 and 2033), at which point it will act as HS2's temporary London terminus, is the crucial imperative for acting now. It is vital that OOC Station, the largest single station development in UK history, is knitted into the fabric of a wider-functioning place and does not become isolated within Old Oak West's existing inhospitable and disconnected urban landscape. Given HS2's commitment that OOC will contribute a considerable economic boost over the next 30 years, leveraging Government's investment in HS2, Old Oak West requires comprehensive regeneration.

The objectives of acting now are to:

- Establish a recognisable and attractive 'place' prior by late 2030, in line with OOC Station opening from 2029 to 2033. At present, Old Oak West is degraded, hard to navigate and characterised by noise and air pollution. To make the most of Government investment in HS2, Old Oak West requires wider and comprehensive transformation.
- Harness private sector investment early, which can de-risk[34] the project for the public sector by using private sector skills, expertise, resource and capital. This is the most cost-effective way to deliver comprehensive development.
- Assemble private and public sector sites prior to the release of the HS2 sites, to enable the early delivery of site-wide infrastructure, procurement of a private sector partner, and preparation of a masterplan and planning consent. Accelerating these lengthy processes will ensure that when the HS2 sites are no longer needed for operational uses, there is an existing platform with adjacent and contiguous land holdings to optimise development at pace[35].

[34] Development and regeneration risks include but are not limited to: exogenous risks such as market cycles, policy changes, political crises, construction price rises, labour and material shortages; endogenous risks such as unmapped utilities, site constraints, construction risks, lack of consumer demand.

[35] These activities will be subject to the relevant governance processes outside of the OBC governance.

The significant risk associated with failing to act now is that the project misses the opportunity to secure and draw down committed funding, leaving the project with a funding gap that will jeopardise comprehensive project delivery.

The development project relies on long statutory processes around planning, CPO for land assembly, the procurement of a private sector MDP, and complex site assembly activity involving the relocation of operational rail sites. During the course of these processes, there is a risk that third party land speculation takes hold and private sector landowners submit planning applications. This could lead to their sites being developed on a piecemeal, sub-optimal basis, picking off key sites and precluding overarching masterplanning of the area. Figure 21 highlights the work required between now and the release of the HS2 Ltd worksites to ensure that placemaking, housing delivery and commercial development is maximised ahead of the OOC Station opening. The programme is defined in greater detail in the Management Case, including the implications of programme delays and actions being taken to mitigate these risks.

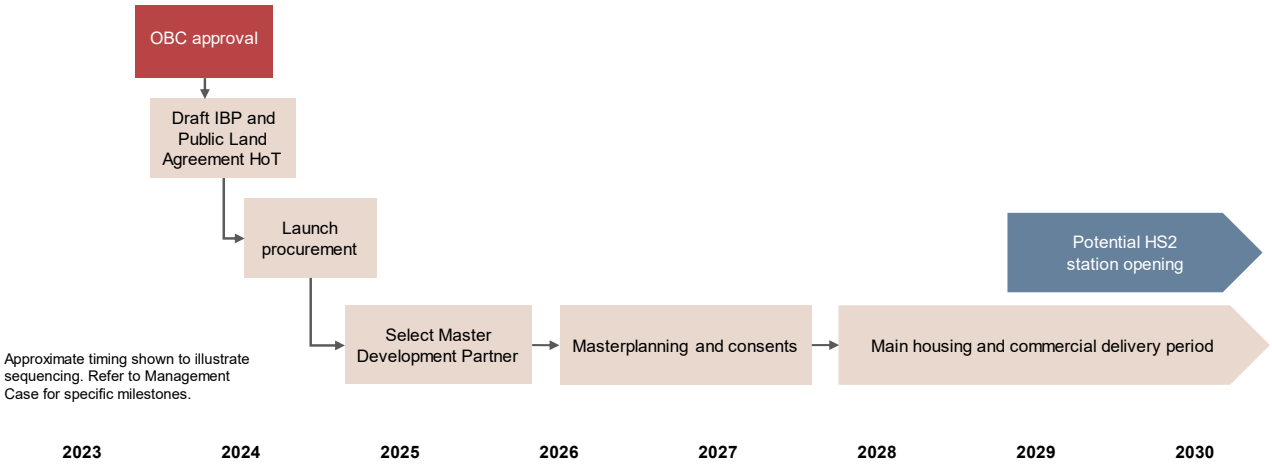


Figure 21 Critical activity between OBC approval and delivery prior to OOC Station opening | Source: Arup

2.6 Strategic benefits, risks, dependencies and constraints

2.6.1 Overview

Old Oak West is a major proposal with wide-reaching benefits, risks, dependencies and constraints. These are summarised below at a strategic level, to support subsequent scoping and appraisal of options. More detail on each is set out in the rest of the OBC, predominantly in the Management Case, which includes the programme overview and management arrangements.

2.6.2 Strategic benefits

The identified interventions required in this OBC will facilitate a masterplanned, strategic, and managed regeneration of Old Oak West, leading to wider housing, economic growth, placemaking, public-sector value, and environmental benefits, and it will deliver them faster. The benefits of comprehensive masterplanning include:

Delivery of transport and enabling infrastructure

A comprehensive approach aims to use public investment in key site-wide infrastructure early in the programme to maximise its benefit to the scheme, including vital transport upgrades and local connections. This unlocks a greater amount of flexibility both for extending the benefits of the HS2 programme and investments to the wider community, and for providing a MDP with optionality to deliver an optimised and more valuable scheme.

Creating character areas

Comprehensive masterplanning creates higher quality places, enables the creation of different character areas according to local geographies, and means buildings can be located in the most appropriate places

within a wider context. For example, creating clusters of family homes in lower-rise local neighbourhoods near green spaces and clusters of higher-value residential and Category-A commercial uses nearer transport nodes.

Flexibility to mitigate delivery risks

Comprehensive masterplanning affords greater flexibility to respond to changing circumstances, as the neighbourhood is built out. Allocating uses, tenures and phasing on a portfolio basis rather than a site-by-site basis builds resilience into the scheme to ensure it keeps delivering, adapting to market conditions (for example focussing delivery on affordable housing in a downturn).

Mixed-use neighbourhoods

The comprehensive approach enables the delivery of truly a mixed-use neighbourhood, occupied by mixed and balanced communities. Changes to working patterns in recent years have highlighted major risks in relying too heavily on one use, as some occupiers have been down-sizing in Canary Wharf and the City. A rich mix of uses will create a place which is activated at all times, with a vibrant character to attract residents, support businesses and the local economy.

Early activation to generate value

Identifying an early phase of delivery is a central pillar of comprehensive masterplanning. Establishing a critical mass of development and a sense of place early on is important to building appetite and momentum, supporting better values and occupier interest.

Enhanced sustainability outcomes

Under a comprehensive approach, the toolkit for delivering social and environmental sustainability is dramatically widened (see Appendix 10 for a full schedule). At a high level, a site-wide approach to activities facilitates economies of scale which can reduce environmental impacts. There is also scope to build innovative supply chains and plan for long-term sustainable energy, water and waste strategies.

2.6.3 Risks

As with any major capital investment and long-term regeneration programme, there are risks associated with the delivery of Old Oak West. These risks are perhaps heightened even further for this project, given the complexity of the stakeholder landscape and interplay with the HS2 programme, one of the largest infrastructure projects in recent UK history. An assessment has been undertaken to identify these risks and put in place mitigation actions for each. These strategic risks fall into six primary categories, with further detail set out in section 6.9:

- Difficulty or delays assembling private and public land.
- HS2 programme delay or scope changes.
- Failure to agree the terms of public land agreements.
- Political uncertainty and policy change.
- Changes to MDP
- Securing funding sources when they are required and on the right terms.

This OBC will help to mitigate some of these major risks by providing certainty on the shared cross-Government strategy for taking forward intervention at Old Oak West. This will crystalise an approach that reduces uncertainty in land assembly, funding availability and partner coordination.

2.6.4 Dependencies

There are several workstreams and issues outside the scope of this project which will have a bearing on the success of Old Oak West. Section 6.7 details the dependencies that have been identified (along with proposed management strategies). The primary dependencies are:

- Outcome of the OBC for the West London Orbital scheme (pending winter 2024).
- Resolution of utility capacity in West London.

- Availability of the right capability and capacity to strengthen the public sector delivery team.
- Potential changes to the scope and programme of the OOC Station delivery works.

2.6.5 Constraints

Constraints are the external conditions and agreed parameters within which the programme must be delivered. These are detailed in Section 6.7 and summarised below:

- Specific limits on spend via allocated funds (Mayoral Land Fund, DLUHC Brownfield Infrastructure and Land Fund, Capital Regeneration Grant).
- Requirements and priorities in relation to the delivery of HS2, especially OOC Station itself. Old Oak West must be delivered in a way that does not put delivery of OOC Station or the HS2 tunnels at risk.
- Relevant legislation including: The Railways Act, which dictates how and whether surplus land belonging to NR can be released; procurement law, which puts constraints on the procurement process; subsidy control law, which puts constraints on the allocation of financial assistance from public resources by public authorities; and planning law, which will set the parameters for future development schemes.
- Private sector appetite for patterning with the public sector to design and deliver the scheme, including availability of private investment.
- Local market conditions, especially its capacity to absorb new residential and commercial development and attract the right sort of occupiers.



3. Economic Case

Old Oak West OBC

Homes England | Department for Transport | Department for Levelling Up, Housing & Communities | OPDC Old Oak and Park Royal Development Corporation

3. Economic Case

3.1 SOBC Economic Case conclusions

A longlist of nine development scenarios was developed, considering differing levels of infrastructure interventions and land assembly. Following a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis to assess the longlist options against the Critical Success Factors (CSF), five options were discounted based on assessments of viability, achievability, and poor strategic fit grounds. The four options carried forward to the shortlist focused on the development of Old Oak West with varying levels of residential and commercial space delivery and associated infrastructure costs.

The economic appraisal found that comprehensive regeneration, as reflected in the Preferred and Maximum Intervention options, delivered the highest level of value to society, driven by delivery of significant levels of additional housing and commercial floorspace. Both these options represented high VfM, compared to the 'Do Nothing' and Minimum Intervention cases and fell substantially short of meeting the strategic objectives.

The SOBC concluded that the wider external impacts of the project are likely to be significant, given the large-scale placemaking and regeneration objectives and concluded overall that the Preferred Intervention Case represented the optimal solution to addressing the underlying rationale for the project and fits with the strategic objectives for Old Oak West.

3.2 Approach

3.2.1 Purpose

Old Oak West is a major intervention proposed over several decades. The project proposes potentially significant levels of public sector investment, which will have wide-reaching and long-term social and economic impacts. These are reflected in the scale of outputs: potentially up to 9,000 homes, 2.8m sq ft commercial space, 11,100 jobs and £910m gross value added. It is also reflected in less quantifiable ways: the quality of the place delivered, the wellbeing benefits for residents, and long-term transformative impacts from delivering a new part of London.

The purpose of this Economic Case is to identify the Preferred Option, which is the option that provides the 'optimal' balance of cost, risk, and benefits to achieve the strategic objectives. Identifying this option involves first constructing a longlist that represents a wide range of realistic and possible options for delivering the strategic objectives (as set out in the Strategic Case). This is then appraised qualitatively to give a shortlist, against which more detailed and quantitative appraisal is carried out to yield a Preferred Option. This process is summarised in Figure 22.

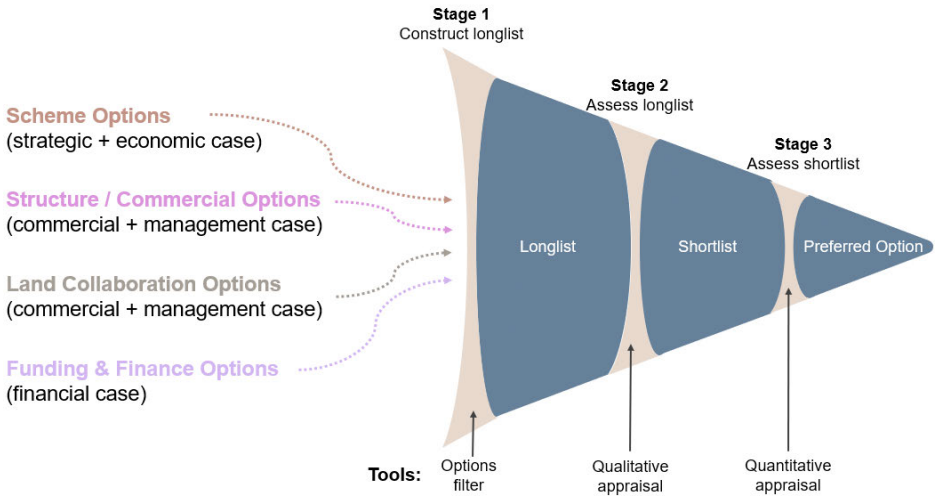


Figure 22 Summary of the process to identify the Preferred Option | Source: Arup

3.2.2 Strategic Case alignment

The Economic Case is closely aligned with the Strategic Case, which sets out the theory of change for the project (Figure 20). This captures how the proposed interventions will deliver improved outputs in terms of

pace, quality and quantum of delivery. This in turn will drive better outcomes aligned with the six strategic objectives.

The Economic Case assesses the available options for intervention against these objectives, quantifying and monetising them where possible, as well as broader considerations of strategic fit and deliverability. A summary view of this alignment is shown below. A detailed logic map, illustrating the theory of change, is set out in Appendix 2.

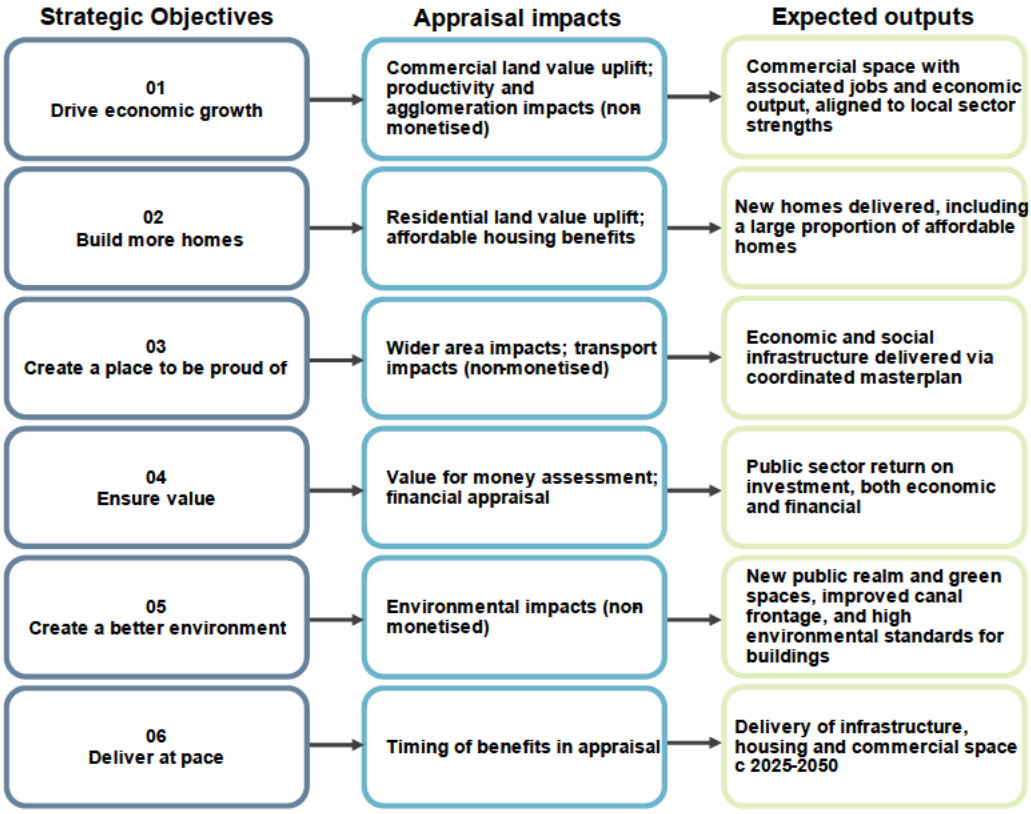


Figure 23 Summary of how strategic objectives are reflected in economic appraisal | Source: Arup

3.2.3 Critical Success Factors

The CSFs are the attributes that any successful proposal must have if it is to successfully achieve its objectives. They are therefore a key tool in comparing options and ultimately selecting the Preferred Option. The five CSFs for Old Oak West are shown in Table 10. The CSFs follow guidance from HM Treasury's Green Book and have been developed to reflect the project's strategic objectives, desired economic outcomes and delivery considerations.

Table 10 CSFs

CSFs	Description
Strategic fit and meets business needs	How well the option aligns with the six strategic objectives (growth, homes, place, value, environment, and delivery).
Potential VfM	How well the option optimises value to society in terms of benefits, costs, and risks. This includes the direct economic benefits of new housing and commercial development and the catalytic impacts on quality of life and wellbeing across the wider area and for surrounding communities.
Supplier capacity and capability	How well the option will appeal to suppliers, in this case likely to be large developers, and match their ability to deliver the option. This takes account of how land arrangements will impact the attractiveness of each option and how the level of public grant/loan for infrastructure and land assembly will impact supplier appetite.
Potential affordability	Whether the option has any potential public sector funding requirements over the medium-to-long term, and if so, whether these can realistically be addressed (through either recoverable investment or optimisation of the project's cashflow). Affordability measures whether the amount of future potential funding or financing available through central Government is realistic.
Potential achievability	How well the option matches the public sector's organisational skills and capacity for successful delivery and can be delivered given the organisation's ability to respond to the change required.

3.3 Longlist appraisal

3.3.1 Appraisal methodology

The first stage of this methodology was the compilation of a longlist of options for intervention by stakeholders. To this end, senior officials from the partner organisations convened multiple workshops to confirm strategic objectives and the potential scope for the project; agree the CSFs for the project, as set out in section 3.2.3; and identify the longlist of options for project delivery and undertake an assessment of how well each option meets the CSFs.

The methodology for compiling the longlist options has been performed following the recommendations of HM Treasury's Green Book.[36] In the case of Old Oak West, each longlist option considers optionality across two categories: (1) Scheme development – the number of sites brought forward, the intensity of housing and commercial development on those sites, and the infrastructure delivered. (2) Land collaboration – the options for coordinating public sector land.

The longlist was developed by bringing together different combinations across these two categories before each option was assessed against the CSFs. Initially, the likely need for significant additional public funding for each option was also incorporated into the appraisal, however subsequent analysis suggested that some funding would be required in all options, and this variable was therefore deemed ultimately immaterial to the assessment. Commercial options were also separately considered, alongside the land collaboration options, but not included in the economic appraisal as these were not judged likely to have a significant bearing on the appraisal. Full details of the approach are detailed in the appraisal methodology in Appendix 3.

3.3.2 Longlisted scheme options

The process for identifying scheme options focused on the scope and scale of the project and relevant land, infrastructure and other requirements needed to deliver that option. The options build on those explored at SOBC stage. Careful consideration was given to the sequencing of these options. The broad intent was to incrementally increase the scope of intervention beyond 'Business ss Usual' (BAU), starting with sites that can be most readily made available for development and infrastructure items that are identified as priorities in planning policy, then adding in land and infrastructure with increasing levels of risk and cost.

The private sector will ultimately design a detailed scheme for Old Oak West. However, to inform the OBC and the public-sector's decision-making at this stage, detailed analysis has been carried out to understand what scheme options are possible.[37] This work is robust, but at relatively early stages ("capacity study" level) and subject to change once detailed masterplanning is carried out by the future private sector partner(s). Work to date has identified five 'scheme' options that constitute the longlist, as summarised in Figure 24. This includes the existing plans for development on the DfT/HS2 sites, which is referred to as BAU in the Economic Case. Further detail on the specific assumptions relating to the BAU scenario is provided in Section 3.3.6. Specific considerations against each option beyond BAU include:

- **Minimum:** The two lowest risk NR sites are included, where they have no operational use or have uses that could be accommodated alongside development.[38] This option assumes no further private site acquisition beyond the BAU and does not include additional infrastructure, in order to maintain a cost and risk profile commensurate with a 'minimum' approach.
- **Medium:** Private sites are integrated to deliver a more comprehensive scheme, including by removing uses that would be detrimental to new development (e.g. waste uses) and opening up access to Grand

[36] As set out in the Green Book and the Guide to the Guide to Developing the Project Business Case, which recommend use of the options framework filter. This approach is supported by the Appraisal Guide from the Department for Levelling Up, Housing and Communities (DLUHC) and Transport Appraisal Guidance (TAG) from the Department for Transport (DfT).

[37] The scheme options look at the infrastructure and site assembly interventions and associated outputs in terms of housing and commercial development. They have been developed using a range of scoping and capacity studies, including Scoping Summary (Gort Scott, 2021), North Acton Station Upgrade SOBC (TfL, 2019), Capacity Study (Mott Macdonald, 2021), Willesden Junction Feasibility Study (TfL, 2021), Capacity study (Weston Williamson, 2022), and Site analysis (Jacobs, 2022).

[38] As set out in the Commercial Case in more detail, the release of any NR sites is contingent on various factors, including reaching an agreed delivery structure, rail industry consents, regulatory licence conditions, and agreement from third party leasehold interests.

Union Canal, to deliver a significant step-change in placemaking and public realm, including a 2ha canal-side park. NR sites that are more likely to be possible to release are included, whilst excluding those with strategic freight designation. The quantum of enabling infrastructure increases, commensurate with the need to support a larger and denser development.

- **Medium+:** This option would substantially enhance north-south links and regeneration outcomes by including the Willesden Junction Station upgrade. The station upgrade adds delivery complexity but helps to deliver against the strategic objectives as set out in further detail in section 2.5.1. A strategic freight site (South West Sidings) is also added to unlock the potential for a new town centre at the junction of Grand Union Canal and the main north-south roadway.

- **Maximum:** This option would deliver regeneration at a wider sub-regional scale by incorporating the delivery of the 'OOC Lane' Overground Station. This carries significant additional delivery risk, being subject to a separate business case led by TfL. This option assumes development is brought forward on the Wells House Road triangle, enabling a much larger, more integrated mixed-use district, but also with greater delivery risk, local displacement impacts, and complexity. In addition, the Maximum option assumes partial release of an NR site to the north of Old Oak West (Euroterminal) for canal-side development. This would enable a two-sided public realm connected by an all-modes bridge; however, this site is currently an HS2 worksite and will revert to NR upon completion of works for use as a freight terminal and strategic operational site, so further work would be required to explore its potential for release.

		(incl. community space)	Park	North Action station upgrades	East West Bridge	Willesden Junction station upgrades	All modes canal bridge	OOC Lane Overground station	Wells House Road Triangle bridge
BAU	4,295 homes	2,343,200 Sq ft, NIA	1 hectare	✓	✓				
Minimum	4,657 homes	2,370,000 Sq ft, NIA	1 hectare	✓	✓				
Medium	7,646 homes	2,946,700 Sq ft, NIA	2 hectares	✓	✓				
Medium +	9,002 homes	2,998,800 Sq ft, NIA	2 hectares	✓	✓	✓			
Maximum	10,769 homes	3,303,800 Sq ft,NIA	2 hectares	✓	✓	✓	✓	✓	✓

Figure 24 Longlisted Scheme Options Summary

[redacted]

[redacted]

3.3.4 Longlist scoring

The longlist optioneering exercise resulted in eight development options that were taken forward into a workshop in January 2023 for discussion and appraisal with partners, using the options framework-filter methodology set out in HM Treasury's Green Book. Each of the eight options was scored against the five CSFs on a scale from 1 to 5. Any option which scored a 1 against any of the CSFs was dismissed. A summary of the assessment is set out in Table 12 below, and the detailed scoring and rationale is provided in Appendix 3. This was discussed and agreed with project sponsors in January 2023.

[redacted]

The options that were dismissed at this stage included:

- The Minimum option, as this option requires a substantial increase in public sector coordination to undertake the complex land release process for NR sites. Additionally, relative to BAU, this option delivers only marginally greater project benefits and longer-term socioeconomic outcomes.
- Both Maximum options, as they were considered unlikely to be achievable within the context of the Old Oak West project due to additional complexity and significant cost associated with the Overground Station, and the political risk associated with the acquisition of private homes (in particular, with the redevelopment of Wells House Road, adjacent to the OOC Station). Additionally, this option would result in the displacement of established local communities and loss of existing good quality historic buildings.

While the BAU scored 1 on strategic fit, this has been carried forward as the counterfactual, in addition to the two Medium options and two Medium+ options, both considering a land agreement and land consolidation. The five remaining options for shortlist appraisal are summarised in Table 13 below.

Table 13 Options carried forward to shortlist appraisal

Shortlist #	Scheme Name	Land Collaboration
1	BAU	Sale
2	Med	Agreement
3	Med	Consolidated
4	Med+	Agreement
5	Med+	Consolidated

3.3.5 Shortlisted options

As a result of further analysis (as reported in section 5.3), land consolidation was dropped as a potential land coordination mechanism. The shortlist appraisal therefore focuses on the remaining three shortlisted scheme options (1, 2 and 4 in Table 13). To provide context for the economic appraisal that follows, the key features of each shortlisted option are set out in Table 14 below. This distinguishes between 'direct homes' and 'indirect homes'[39]. A detailed description of each shortlisted option is provided in Appendix 5.



3.3.6 Business-as-usual (BAU) definition

The BAU scenario is important to the Economic Case because it provides an assessment of the level of deadweight – that is, the quantum of costs and benefits that would be delivered under the existing arrangements. In the case of Old Oak West, BAU is challenging to define as there a several potential definitions based on differing interpretations of how planning policy may be applied and inherent uncertainty about future market activity.

Based on the information available currently, the BAU scenario defined here represents one plausible scenario for what would happen at Old Oak West without further intervention, for the purpose of having an evidenced counterfactual. The sites included in this BAU definition are illustrated in Figure 25 below, along with the data sources for the capacities assumed in the modelling.

[39] Direct homes are those which will be directly delivered under the arrangements proposed in this business case. The figures presented in the Financial Case relate only to the direct homes. Indirect homes are those which will not be directly delivered but do depend upon the interventions proposed. Given their dependency with the proposed interventions, the indirect homes are captured in the economic analysis.

[40] See Appendix 4 for details of the infrastructure proposed under each scheme option.

[41] The cost of land assembly for one site (Midland Gate) in BAU is factored into the residual appraisals so features as a reduction to the public sector land receipt.

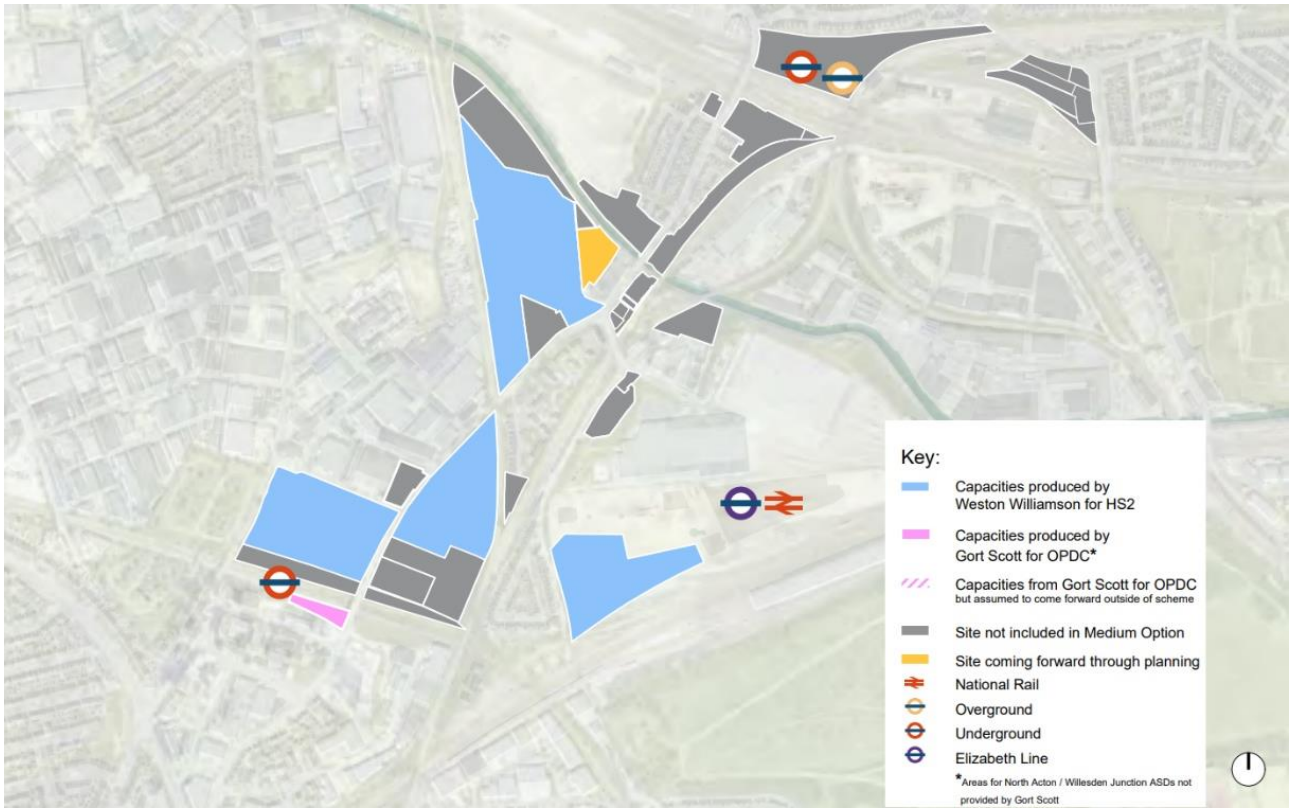


Figure 25 BAU sites and capacity data sources | Source: Arup

The core BAU scenario for this OBC assumes development proposed by HS2 Ltd on DfT's four worksites in Old Oak West. HS2 Ltd has developed a potential scheme, following a series of capacity, planning, and viability analyses, to understand the scale and type of development that could realistically be delivered on the DfT-owned sites, following conclusion of the HS2 works programme. No development is assumed on NR owned sites in a BAU scenario. Most of the NR sites require a relocation or re-provision of an operational use and several of the sites identified are protected under strategic freight designation. As set out in the Commercial Case, releasing NR operational sites is contingent on various factors and processes. Failing a comprehensive approach to the land, which delivers maximum value for NR sites, it is unlikely that there would be sufficient rationale and funding to undertake the consultation and release process for those sites. TfL land adjacent to North Acton Station is included in the BAU because it forms part of the plans to upgrade North Acton Station (''essential' infrastructure in the BAU). In addition, TfL is pursuing all means to raise funding to upgrade North Acton Station, including capturing land value from sites in their ownership.

Private sites are included within the core BAU scenario where a planning application has been approved or where the site is required to facilitate delivery of infrastructure. There is only one site which has been granted planning permission for development to date, which is Atlas Wharf.[42] A further private site, Midland Gate, is required to facilitate the delivery of the East-West Bridge, but no housing is assumed to come forward on this site in the BAU. All other sites are deemed unlikely to come forward until much later and therefore excluded from the core BAU scenario. There is no assumption of use of CPO powers in Old Oak West under BAU, other than to secure rights required for the delivery of the East-West bridge, which is part of the "essential" infrastructure package within the BAU and close to securing planning permission.

Defining the infrastructure requirements for the BAU at Old Oak West is particularly challenging given the scale and complexity of the area. There is not a definitive answer as to the extent of infrastructure that would be required to secure planning consent for this scheme. The planning consent process is inherently uncertain, open to some level of interpretation, and will change over time. Without a planning application and detailed transport modelling, it is not possible to say definitively what volume of development in Old Oak West will be acceptable in planning terms in the absence of infrastructure deemed necessary by the Local Plan. It is conceivable that a future planning consent could require a level of infrastructure in this scenario

[42] OPDC resolved to grant planning permission in late 2022, but the permission has not yet been issued. Additionally, in December 2023 Atlas Wharf was approved for acquisition by OPDC DISCo.

3.4 Shortlist appraisal approach

3.4.1 Appraisal methodology

The shortlist appraisal assesses the costs and benefits of the three shortlisted options in further detail. The overall methodology has been agreed by a cross-government group comprising DLUHC, DfT, and Homes England economists, and is fully consistent with HMT's Green Book and relevant departmental guidance, particularly the DLUHC Appraisal Guide.

Most inputs for the shortlist appraisal flow directly from the financial model. This is based on extensive evidence and expert judgement from professional advisors. However, as set out in the Financial Case, the long-term and public-private partnership nature of the project mean there remain several options as to how it could be delivered. The financial model represents just one view of how the project could be delivered. Similarly, whilst capacity studies have been undertaken to understand development potential, all design work undertaken to support this OBC is strictly indicative and will change once private sector partner(s) take forward detailed masterplanning. As such, there are many inputs that will change as the scheme progresses, which will impact on the financial analysis and therefore on the economic appraisal. This is particularly in relation to the lifetime public sector costs and subsequent land values and land receipts. Reflecting this uncertainty, appropriate sensitivity testing has been carried out.

All relevant costs and benefits are valued in monetary terms unless it has not been possible or proportionate to do so. The long-term and large-scale nature of the proposals mean that transformational benefits of comprehensive regeneration are a key part of the rationale for intervention. These have been monetised and quantified to the extent possible (notably through assessment of 'wider area impacts'), but it is challenging to fully capture these long-term impacts and benefits in monetary terms. It is therefore important to recognise that the quantitative appraisal is only one part of the overall VfM assessment. That assessment, and ultimately the identification of the Preferred Option, must take a holistic view, appraising each option's performance in relation to a full range of considerations as reflected in the CSFs.

The key elements of the shortlist appraisal methodology are set out in the remainder of this section, with full detailed provided in Appendix 2.

3.4.2 Key assumptions

The following standard appraisal assumptions are adopted for the shortlist appraisal:

- All public sector costs and receipts are entered in real terms, in 2023/24 prices, with general inflation removed.
- Benefits and costs are appraised over a 60-year appraisal period (2023/24 to 2082/83), in line with relevant guidance for development projects.
- Discounting is applied to compare costs and benefits occurring over different periods of time using a social time preference rate of 3.5% for the first 30 years of appraisal followed by a 3.0% discount rate for the following 30 years, as per the Green Book. This means that all costs and benefits are presented in present value terms.

There are also several other project specific assumptions relating to the Land Value Uplift (LVU)[43] assessment and other monetised benefits and costs, the most important being:

- The existing economic use value, which relates to the economic value of the land in its current use before development occurs, is based on the nearest productive uses of sites, or for privately acquired sites the current property values with adjustments for any hope value.
- The level of residential displacement, which is assumed to be 29% based on the estimation methodology set out within the DLUHC appraisal guidance.

[43] Residential LVU acts as a proxy of the welfare gain enjoyed by new residents, that is the social value of the additional units of housing that comes forward at Old Oak West under the various options. Commercial LVU values the benefits of a change in land use to commercial floorspace.

- Other land costs and receipts. The entry value of the publicly owned land in each option is entered in year one of the project (in line with DLUHC appraisal guidance) to capture the opportunity cost of land as an input to the project. All options also include a land receipt, comprising the sale of public sector owned land and, in the case of the Medium and Medium+, the subsequent sale of acquired sites. Full assumptions on land are set out in Appendix 11.
- Identification of the likely impact areas for assessing the wider area impacts of the scheme under each option, based on DLUHC guidance. For the Medium+ the full impact area is assumed whilst for the BAU and Medium options the impact area excludes areas to the north of Willesden Junction to reflect the exclusion of the station upgrade scheme and less integrated approach to placemaking.

The full assumptions of the economic appraisal are detailed in Appendix 2.

3.4.3 Optimism bias

Project costs have been assessed by an independent cost consultant. This has included high-level risk assessment to inform contingency allowances, as set out in Appendix 16. In the Economic Case, Optimism Bias (OB) is applied to project costs to reflect the demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters. The approach to OB in the economic appraisal reflects guidance set out in the Treasury OB Supplementary guidance, Transport Appraisal Guidance (TAG), and the Homes England residential OB calculator.[44]

OB is separate to contingency as is applied in the financial appraisal. In line with guidance, both are applied to the base cost estimates. A comparison between the two is set out in Table 16. OB adjustments reflect a broader range of economic uncertainties that could influence the VfM understanding of the project, whereas contingency seeks to quantify risks that could impact on the actual costs / revenues for the project (and therefore cashflows and funding requirements). In addition to applying OB on cost items, the appraisal also applies 10% OB to the land receipts under all options. This is considered appropriate given the long-term nature of the project.

Table 16 Comparison of contingency and OB allowances

Cost item	Contingency	OB	Basis
Public sector infrastructure costs	30%- 44% depending on option	66%	Upper bound for a civil non-standard project (66%)
Land assembly	20%	33%	Allowance from Oxford Global Projects research for DfT[45]

3.4.4 Economic impacts

The impacts register below (Table 17) sets out all impacts considered relevant for Old Oak West and the agreed approach for the appraisal, specifying whether the impact is monetisable, quantifiable, or qualitative in nature. These impacts have been agreed by the cross-government economist group. A more detailed impacts register is set out in Appendix 2.

Table 17 Impacts register

Ref	Impact	Approach	Notes
	Benefits and disbenefits		
B1	LVU (residential and commercial)	**Monetised** – Initial BCR	Residential and commercial
B2	Affordable housing grant	**Monetised** – Initial BCR	Economic transfer – also captured in costs
B3	Government support for newly formed households	**Monetised** – Initial BCR	Economic transfer – also captured in costs
B4	Reduction in housing benefit	**Monetised** – Initial BCR	Economic transfer – also captured in costs

[44] The OB calculator is Annex E in the DLUHC Appraisal Guide, 2023.

[45] Oxford Global Projects, 2020 *Updating the evidence behind the optimism bias uplifts for transport appraisal* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/983759/updating-the-evidence-behind-the-optimism-bias-uplifts-for-transport-appraisals.pdf

Ref	Impact	Approach	Notes
B5	Health impacts of rented affordable housing	**Monetised** – Adjusted BCR	
B6	Distributional impact of affordable housing	**Monetised** – Adjusted BCR	
B7	Wider area impacts	**Monetised** – Adjusted BCR	
B8	Transport impacts	**Qualitative**	
B9	Environmental impacts of new housing	**Qualitative**	
B10	Productivity / agglomeration impacts	**Qualitative**	
	Costs and receipts		
C1	Land assembly	**Monetised**	Private land assembly costs to the public sector.
C2	Public sector infrastructure costs	**Monetised**	Infrastructure costs incurred directly by the public sector.
C3	Affordable housing grant	**Monetised**	Economic transfer – also captured in benefits
C4	Government support for newly formed households	**Monetised**	Economic transfer – also captured in benefits
C5	Entry value of public sector owned land	**Monetised**	Realised in year one of the appraisal
C6	Public sector land receipts	**Monetised**	Public sector land receipts (public owned land and subsequent sale of private land assembled)
C7	Reduction in housing benefit	**Monetised**	Economic transfer – also captured in benefits

Costs to the public sector are taken from the financial model and comprise of land assembly and infrastructure activities assumed to be undertaken by the public sector. Within the register above, some impacts are economic transfers as noted, which means they feature as both a benefit and cost in line with DLUHC appraisal guidance.[46]

3.5 Shortlist appraisal results

3.5.1 Presentation of analysis

The economic and financial analyses are based on the same underlying development profiles and financial costs and receipts. However, in accordance with Green Book practice and several other considerations as set out below, the numbers are presented differently. In particular:

- The Economic Case presents figures in 2023/24 real terms prices (i.e. excluding the effect of general inflation). Discounting is also applied to reflect the concept of time preference, which is that generally people prefer value now rather than later. This converts all costs and benefits into 'present values'.
- The Financial Case presents figures in nominal terms (i.e. including the effect of general inflation). This means they show actual expenditures paid and revenue costs based on the year in which they are anticipated to occur.
- The Economic Case captures 'direct' and 'indirect' homes, whereas the Financial Case captures only direct homes. Direct homes are those which will be directly delivered under the arrangements proposed in this business case. Indirect homes are those which will not be directly delivered, but nonetheless depend upon the interventions proposed.
- The Economic Case applies OB on the base cost estimates, whereas the Financial Case applies contingency on the base cost estimates, as set out in Section 3.4.3.
- The Economic Case treats the public sector owned land differently to the financial case. The primary interest in the Economic Case is assessing value for money for the public sector and any transactions

[46] The redistribution of grants, benefits, and other financial support offered by the public sector both benefit the recipients and are a cost to the exchequer. This means that society as a whole is no better or worse off. Therefore, identical and offsetting values feature in both the benefits and costs parts of the appraisal.

between the public sector are ignored. The entry value of the public sector land is entered for each option in Year 1 of the economic appraisal in line with DLUHC appraisal guidance.

3.5.2 Monetised impacts

The monetised impacts across all options are set out in Table 18. The LVU and wider area impacts are proxy measures to capture the social welfare gain enjoyed by new residents and the wider placemaking impacts of the scheme to existing residents. The majority of benefits are derived from the LVU, which is significantly higher in the Medium and Medium+ scenarios than the BAU, primarily due to the much higher levels of residential development. The wider area impacts for Medium+ are considerably higher than for BAU and Medium, which is due to higher spill-over impacts in the surrounding areas and communities to the north given the improvements to Willesden Junction Station.

[redacted]

3.5.3 Non-monetised impacts

A number of non-monetised impacts have been qualitatively assessed against the Qualitative Assessment Scale within the DLUHC Appraisal Guide, as shown below in Table 19. Appendix 2 provides details of these in full.

Table 19 Non-monetised impacts

Ref	Benefit / disbenefit	Assessment of marginal impact	
		Medium	Medium+
B8	Transport impacts	Moderate beneficial	Large beneficial
B9	Environmental impacts of new housing	Slight adverse	Slight adverse
B10	Productivity / agglomeration impacts	Moderate beneficial	Moderate beneficial

The most important non-monetised impact is the transport impact of the scheme, which is not fully captured by the LVU. Beyond the new OOC Station, significant levels of transport infrastructure will be delivered as part of the scheme. This includes new pedestrian/cycle bridges, three highway upgrades and potential upgrades to Willesden Junction and North Action stations. These investments largely relate to ensuring that residents and workers can easily navigate through the area on foot, bicycle, and tube.

The 2019 business case for North Acton station assessed user benefits, based on the designs at that stage, to be in the range of £34.7m (2019 prices), which largely related to existing users. These benefits can be considered attributable across all shortlisted options given the level of investment at North Acton is the same. The benefits are assessed as important ('moderate beneficial') on their own. However, since they would be of a similar magnitude across options are unlikely to significantly impact on relative VfM.

The Willesden Junction Station upgrade is a strategically important intervention required to create a gateway entrance and improve permeability to the north of the site (see Appendix 15). At present, the station is isolated and disengaged from the adjacent communities. The upgrades will provide new accessible, safe, and direct link which ties the community in Harlesden to the emerging new neighbourhoods at Old Oak West. Besides these strategic benefits there are also likely to be substantial direct transport user benefits for

existing users, which are not captured in the monetised benefits. These benefits are assessed as ‘large beneficial’ for the Medium+ option which includes the station upgrade.

Figure 27 summarises the monetised and non-monetised economic impacts of intervention at Old Oak West.

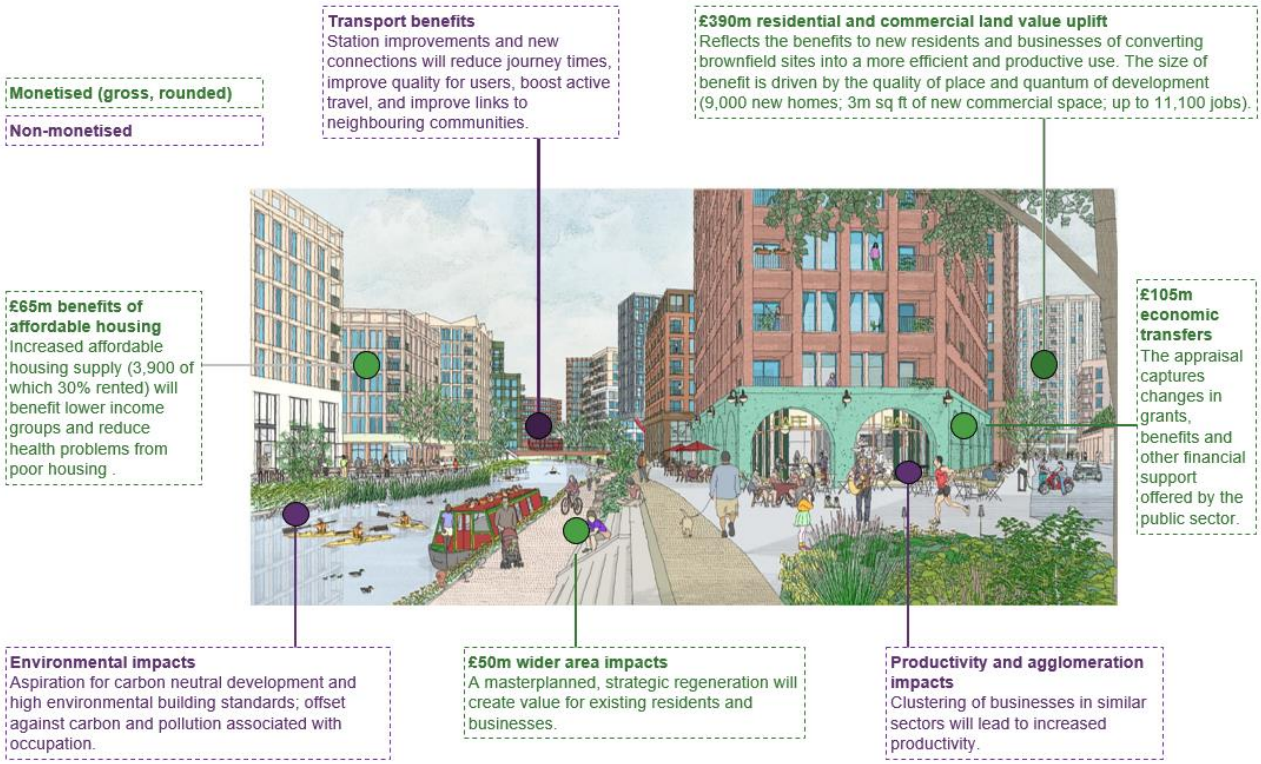


Figure 27 Economic impacts of proposed intervention at Old Oak West | Source: Arup

3.5.4 Public sector costs and revenues

The economic appraisal has considered all public costs and revenues to calculate the net public sector cost. All public sector costs except for Government support for newly formed households (C4, Table 20) and reductions in housing benefit (C7) are derived directly from the financial modelling. All costs are discounted (i.e. in present value terms) and general inflation is removed, meaning they are not directly comparable to the costs set out in the Financial Case.

[redacted]



3.5.6 Switching values and sensitivity scenarios

A number of sensitivity scenarios have been modelled to test key variables. These demonstrate a high level of robustness in the VfM assessment for the Medium and Medium+ options. A summary is set out below, with the full sensitivity analysis in Appendix 2.

Switching values

Switching value analysis has been performed for Medium and Medium+ to understand how far marginal costs/benefits would need to increase/decrease to fall to a lower VfM threshold. This shows that large changes in costs or benefits would be needed for the adjusted BCR to 1.5.

Table 23 Summary of switching values

Switching value tests	Medium	Medium+
Fall in benefits for adjusted BCR of 1.5	61%	58%
Increase in costs for adjusted BCR of 1.5	158%	139%

Sensitivity scenarios

Medium and Medium+ remain robust when key variables are tested against 'downside' assumptions. Table 24 below summarises the key tests that have been undertaken, with further detail in Appendix 2.

Residential LVU is the key driver of benefits across all options. The housing delivery profile is long-term, which creates inherent uncertainty, so a pessimistic scenario in which residential LVU is 20% lower than the base case has been tested (S1). Similarly, there is always a risk of cost over-runs with major infrastructure projects, so a test with higher optimism bias on infrastructure has been run (S2). In both these tests, the BCRs remain at or above 3 for both options.

The BCRs are more sensitive to changes in land receipts, since these result in large proportional changes to the net public sector costs. A 30% lower land receipt (S3) reduces the BCRs for both to just above 2. The analysis also examines the impact of excluding indirect outputs assumed to come forward as part of each option (S4). Despite the knock-on impact on benefits with lower LVU, the marginal BCRs are still high at 3.3 and 2.9 for both options. The combination test (S5), which substantially stress tests all inputs by increasing costs, reducing land receipts and reducing benefits (through counting direct outputs only and assuming residential LVU is lower), still results in 'acceptable' BCRs of 1.3 and 1.4 for the Medium and Medium+ respectively.

3.5.8 Preferred Option

There remain uncertainties around the scheme design and delivery strategy which will impact key inputs for the economic appraisal. This will inevitably change the dynamics between the Medium and Medium+. Nonetheless, it is possible to draw two conclusions based on the appraisal completed to date.

First, it is clear that comprehensive regeneration, under either option, will deliver better VfM than the BAU approach. This is to be expected given the greater scale of coordinated development unlocked by comprehensive regeneration, with almost four times greater benefits in Medium+ than BAU.[51] This is driven by greater levels of housing development, regeneration impacts for existing residents/businesses, larger quantum of affordable housing, and higher public sector land receipts. Overall, both shortlisted options are assessed as 'high' VfM, and this assessment is robust to even significant changes in the key assumptions.

Second, both the Medium and Medium+ are demonstrated to be investable propositions with high levels of value for money. Medium+ is the preferred option at this stage, based on a balanced strategic and economic assessment, in line with Green Book guidance. However, the scheme is at a relatively early stage of development, so the monetised VfM assessment is likely to change. More generally, the delivery risks, costs and benefits associated with Medium+ will continue to be assessed in future stages of business planning and approval processes. Should the balance of the assessment change, Medium still offers high VfM, has strong strategic rationale, and is financially viable. It would also lower capital input requirements, albeit delivering fewer benefits. More detail on the considerations around inclusion of Willesden Junction Station in the preferred option is set out at Appendix 15.



3.5.9 Place based assessment

The monetised and non-monetised impacts of each option have been considered at a national level, including adjustments for additionality. However, Old Oak West has clear place-based objectives. The HM Treasury Green Book suggests that where a project has geographically defined objectives, a place-based analysis should be undertaken where possible, alongside UK level appraisal.

Due to the stage of the project and scheme design at this point, it is not possible to quantitively assess the impacts of each option on place, particularly the OPDC Opportunity Area and more broadly Inner London. This would require specific assumptions about the extent to which local people will benefit from new housing and jobs. Given this, a qualitative assessment has been carried out to examine how each shortlisted option might impact the local area, based on the types of jobs, housing and overall place that will be created. Appendix 2 provides more analysis of the likely placed based impacts, which is largely based on the evidence put forward in the Strategic Case.

Moving towards an Inclusive Economy Strategy

All the OPDC boroughs (Ealing, Brent, and Hammersmith and Fulham) have an increasing focus on ensuring that growth, investment, and regeneration delivers 'inclusive' benefits for local communities. They will look to provide bespoke support to help residents access opportunities, support to enterprise to ensure better quality, better paid employment and ensure that development promotes diverse and resilient places which respond to the culture and heritage of local communities.

OPDC has worked with local stakeholders and partners in central government to develop the Vision Statement outlined in the Strategic Case, which will continue to evolve as the scheme becomes more detailed. At the heart of this is ensuring that the place created secures livelihoods for people, and fosters community between co-workers, neighbours, and extended family. Key interventions such as the Willesden Junction and North Action station upgrades are required to ensure the local transport is fit for purpose and provides a gateway serving existing and future communities, ensuring residents in adjacent areas can access opportunities at Old Oak.

An Inclusive Economy Strategy for Old Oak West will be fully developed in the next stage of the project, which will focus on the livelihood security of residents and resilience of the environment. This will rely on a highly partnered approach, drawing in consensus and capacity from Borough partners and working productively with developers and investors to maximise their own knowledge and resource. The strategy will ensure the scheme is designed and delivered against key priorities for the local area. Work is underway to strengthen the evidence base to inform this, including a baseline study on existing socio-economic characteristics and needs as well as understanding the types of workspaces suitable for Old Oak West and how they can be designed to meet London's future economic needs.

Job Creation and Business Use

The likely business uses at Old Oak West will be developed in line with Old Oak West's vision to attract a diverse mix of workspaces that support both the future innovative growth sectors for London but also those that build on the existing strengths within Park Royal and the surrounding area. At this stage, the exact types of jobs to be created is unknown with work ongoing to scope out the type of workspaces that the market will support over the next 20 years. However, early advice indicates Old Oak could be an attractive location for a variety of sectors including knowledge and innovation; net zero and circular economy; international trade and business service centres; and creative, media and digital industries[52].

HS2 and local connections will bring together nearby expertise in knowledge sectors such as medical sciences and academia, with manufacturing and logistics businesses of all sizes. By building flexible spaces for complementary uses and providing increased education, training, and employment opportunities for local people, Old Oak West will unlock nascent capacity and support existing businesses in Park Royal. It is possible to provide a broad estimate of the likely level of jobs that will be supported by the project at a gross level. Based on applying employment density assumptions the total number of gross jobs under the Medium+ could be around 11,100.

These job estimates also do not include any multiplier benefits from local spending along the supply chain on induced expenditure of staff. Given the scheme will be developed with an 'inclusive economy' principle to

[52] Hatch, 2023 *OPDC Old Oak West: Horizon Scanning and Options Exploration*

maximise local supplier contracts, jobs and training the ripple impact of the scheme could be very significant, and further strengthens the argument that a comprehensive and co-ordinated scheme will support local economic growth.

As set out in the Strategic Case, communities in the OPDC area are characterised by high unemployment and skills shortages. As part of comprehensive regeneration, job creation must be accompanied by skills, training, apprenticeship, and education opportunities to ensure local people have access to newly-created local jobs. With the right training, there is significant latent potential in the workforce at Old Oak West. The large youth population in Old Oak West provides a digitally savvy workforce to support emerging industries.

Housing

The Preferred Option will deliver around 9,000 new high-quality and safe homes with 46% affordable housing, prioritised for local people, and intermediate housing for key workers. It will make a significant contribution to the OPDC Local Plan housing target of 25,500 homes by 2048. There will be a mix of tenures delivered, in line with Local Plan policy of 30% London Affordable Rent, and 70% Intermediate housing.

Central to the vision at Old Oak West is building homes for 'working communities', where residents can find meaningful work and ensure a healthy life for their families, with the Preferred Option providing 3,900 new affordable homes (46% of the total). Providing training, education and jobs, alongside affordable housing will mean that people can live and work in close proximity and enjoy a secure livelihood. Old Oak West has a young and vibrant community which will benefit from training, education, and jobs, coupled with high quality affordable housing. The exact specification of the housing will be established once a MDP is on board and masterplans a scheme for planning consent.

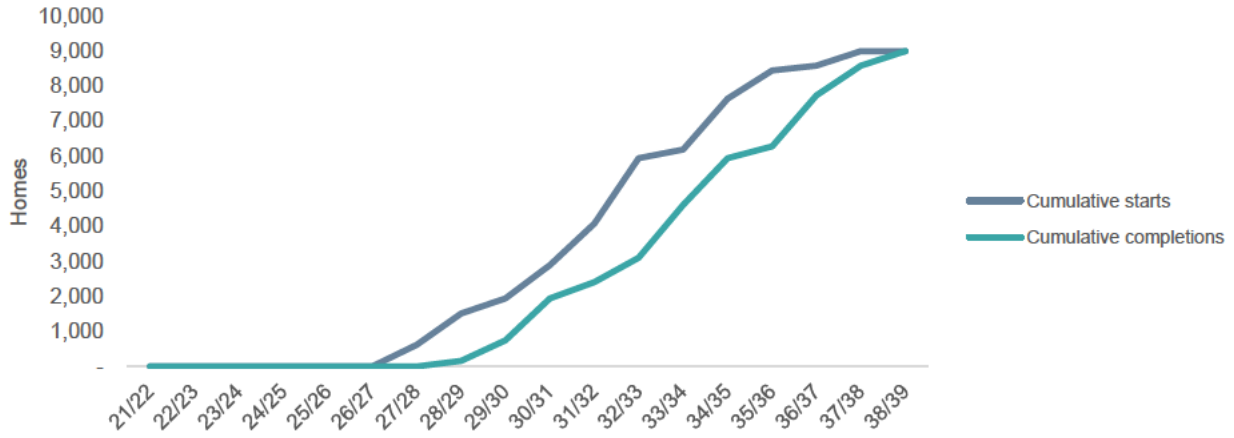


Figure 32 Cumulative housing starts and completions



4. Financial Case

Old Oak West OBC

Homes England | Department for Transport | Department for Levelling Up, Housing & Communities | OPDC Old Oak and Park Royal Development Corporation

4. Financial Case

4.1 SOBC Financial Case conclusions

In the SOBC, comparative financial analysis highlighted that the Preferred Intervention Case at that stage was likely to require recoverable financing. Taking a cross-public sector perspective, it showed that this would be repayable through project receipts and revenues. In addition, the SOBC Financial Case highlighted that, though significant investment was required for infrastructure and third-party land assembly, the scale of capital required was achievable. Early market testing with leading developers in the regeneration space confirmed that there was appetite for this scale of investment, subject to the fragmented land ownership being resolved and it being presented to the market as a comprehensive opportunity.

Analysis at SOBC stage indicated that the 'Do Nothing' Option defined at that time appeared to generate a higher initial financial return for public sector landowners than the Preferred Intervention Case. However, sensitivity testing showed that there was a considerable upside potential from the government taking a long-term view to investing its land. The 'Do Nothing' Option also failed to deliver against the strategic objectives and delivered significantly fewer benefits to society.

4.2 Approach

4.2.1 Purpose

The purpose of this Financial Case is to set out the long-term financial position of the Old Oak West development to enable an understanding of the project's affordability. This OBC does not present a grant funding ask beyond the funding which has already been secured from public sector sources. Nor is any financing being sought through this OBC. Additionally, **no funding from DfT is requested at this time, and nor will funding from DfT be required in future, to support the housing and regeneration elements of this project.** Should there be a need for future funding from central Government, or its arms-length bodies, this will be subject to the usual consideration of spending priorities and an agreed business case. The GLA will also consider future funding requests to support the project.

This Financial Case seeks to:

1. Demonstrate that the long-term scheme is affordable to both public and private sectors, taking account of already committed funding and without requiring further irrecoverable public sector grant funding.
2. Identify the potential amount of finance that may be required by the project across its delivery lifecycle, considerations in optimising this requirement, and potential sources of funding and finance.
3. Demonstrate the relative merits and impacts of an upfront land value release for public sector land holdings versus a 'patient capital' approach, while recognising that Government will continue to have options regarding the future timing of this release at this stage.

Ultimately, the overarching financial aim of this business case – and the Old Oak West project – is to maximise private investment in the opportunity for minimal additional public sector cost, within the targeted parameters for public/private sector risk and control set out in the Commercial Case.

Additionally, the project team has focused on defining an approach that best balances social / economic value – in line with the project's Strategic Objectives and the wider outcomes that Government is seeking from the investment in HS2 – with the need to enable a strong financial return from Government's landholdings at Old Oak West. The overarching view, based on precedent from other successful regeneration projects such as Kings Cross, is that these two objectives are not inherently in conflict with one another. Creation of long-term social and economic value, through mechanisms such as high-quality design, placemaking and social infrastructure, can create significant financial value. Indeed, the preferred case examined in this OBC presents an approach that will generate high value for money (economically) and also a long-term net financial surplus to the public sector. There are ways in which the scheme could be 'tilted' towards maximising one outcome or the other, but this approach seeks to optimise across both dimensions.

4.2.2 Commentary on the financial analysis

Old Oak West is at an early stage of delivery, with development activity not anticipated to start on-site for several years. A Preferred Option (Medium+) has been identified in the Economic Case in accordance with Green Book methodology.[53] The analysis presented in this Financial Case and the corresponding Technical Annex (Appendix 7) relate to this option. However, the long-term and public-private nature of the project mean that there remain options and uncertainties as to how this option could be delivered. The results and approach presented in this Financial Case therefore represent one potential (and preferred) funding and delivery scenario, based on the information available today, for the purpose of having a plausible baseline position to inform the next stage of project development. As examples of the ways in which the financial requirements of the project will change over time, release of public sector land depends upon that land being surplus to operational requirements – the timings and process for which are dependent on a wide range of factors (see section 5.3) – and several options remain for how to partner with the private sector pending further market engagement and a dialogue-based procurement process (see section 5.4). Costs and values will therefore differ from what has been assumed in this appraisal.

The potential quantum uses and phasing of development that inform this analysis (and the Economic Case) have been developed at a 'capacity study' level. The actual scheme masterplan and its phasing / delivery strategy will be developed in partnership with the private sector after appointment of a MDP in early 2026. Further, it will be important that the masterplan and planning consents can be sufficiently adaptable and flexible to respond to changing market dynamics over the considerable delivery period. This OBC stage analysis therefore represents a 'point in time' view based on the best available information and reasonable, informed, and evidenced assumptions.

The Technical Annex to this case (Appendix 7) sets out the methodology, key assumptions and modelled details of this potential scenario.

4.2.3 Key principles and assumptions

The following overarching principles and assumptions informed the methodology adopted for this financial appraisal. They do not represent a definitive view of how the scheme may be delivered in practice, but they are realistic, conservative assumptions that provide the basis for a 'central scenario' to demonstrate the viability and affordability of the whole Old Oak West scheme.

- **Public v private sector roles**: Options remain for how to partner with the private sector. To provide an indication of the potential funding and financing strategy, a high-level allocation of roles between a MDP and the public sector has been made. It is assumed that the public sector will partially de-risk the project at the outset, particularly in the areas of private land assembly and early infrastructure delivery. The ultimate delivery structure will be refined further post-OBC, following market engagement and into developer procurement.
- **Infrastructure:** A package of infrastructure interventions for Old Oak West has been developed as set out at Appendix 4. For the purposes of the Financial Case, an assumption has been made as to the likely split of costs incurred by the public and private sectors (as set out in Table 26 and Table 28). This is an indicative assumption, reflecting the likelihood that the public sector will deliver a limited number of key infrastructure items upfront that enable the wider development to come forward. The apportionment of infrastructure costs and delivery will be agreed between the Delivery Agent and the MDP as part of commercial negotiations. These will be informed by a detailed infrastructure delivery plan to be developed as part of the next phase (see section 6.4.5).
- **Treatment of public land**: It is assumed that public land is treated as an interchangeable asset across the public sector portfolio. The appraisal does not formalise how public land returns and any potential surplus are split across the public sector landowners or in what order. Instead, it presents the level of prospective returns from an aggregate public sector perspective. (Details on how land returns will be distributed across landowners will be developed and agreed through negotiation of the Public Sector Land Agreements, a process which will commence following the approval of this OBC in Early 2024. These details will be signed-off by the respective parties to those Agreements via existing governance

[53] The Economic Case also establishes that the Medium option presents an investable proposition with high levels of value for money, with lower capital investment requirements (but also lower strategic and economic impacts).

within each organisation. Examples of how any public land return / surplus distribution could be structured include an apportionment based on the acreage of land committed or the current value of the land subject to agreement. The timing of these land payments and the repayment waterfall, relative to infrastructure and project funding costs, are two other areas to be considered further as part of these discussions.)

- **Financial return to the MDP**: Returns to the MDP are tested from a 'viability' perspective, considering the potential cost and 'reasonable' level of returns to the partner(s) that would attract interest from the market. A key output from the financial analysis is the level of land payment the partner(s) would be able to make to the public sector, after accounting for development costs and a reasonable profit incentive. Land receipts are a crucial element of both the economic analysis and the financial strategy.
- **Timing of land payments:** Two scenarios were considered to assess the impact of different timings for the realisation of value from public sector landholdings. These set out when land payments are made – an 'early' payment as soon as land is made available, or a more 'patient' approach where staged land payments are made as delivery progresses. The analysis shows that overall scheme viability is heavily enhanced by taking a more patient long-term investment approach, alongside such an approach being a catalyst for higher levels of social and economic value. The land payment approach will continue to be refined and developed as the project progresses beyond the OBC stage, particularly via the process of developing the public sector Landowner Agreement (see section 5.3).
- **Funding and finance**: An assumption was made for the financial model that the MDP will secure senior debt financing to deliver the scheme, assumed at a comparable rate to the current market. This in practice could be in the form of equity. No further public grant funding is assumed. Receipts are assumed to be recycled back into the scheme in accordance with the land payment methodology to maximise private investment for minimal additional public intervention.

4.2.4 Presentation of analysis

The Economic and Financial Case analyses are based on the same underlying profile and quantum of costs and outputs. However, in accordance with Green Book practice and several other considerations as set out below, the numbers are presented differently. In particular:

- The Economic Case presents figures in 2023/24 prices (i.e. excluding the effect of general inflation). Discounting is also applied to reflect the concept of time preference, which is that generally people prefer value now rather than later. This converts all costs and benefits into 'present values'.
- The Financial Case presents figures in nominal terms (i.e. including the effect of general inflation and with specific indexation rates applied to key revenue and cost assumptions). This means they show actual costs based on the year in which they are anticipated to occur. There is no discount rate applied to Financial Case figures.
- The Economic Case captures 'direct' and 'indirect' homes, whereas the Financial Case captures only direct homes. Direct homes are those which will be directly delivered under the arrangements proposed in this business case. Indirect homes are those which will not be directly delivered through these arrangements, but nonetheless depend upon the interventions proposed.
- The Economic Case applies optimism bias (OB) on the base cost estimates, whereas the Financial Case applies contingency on the base cost estimates. These are each applied at slightly different rates, in accordance with relevant Government guidance, as they are each seeking to quantify different risks and uncertainties. OB adjustments reflect a broader range of economic uncertainties which could influence the VfM understanding of the project. Contingency seeks to quantify risks which could impact on the actual costs / revenues for the project (and therefore cashflows and funding requirements).

4.3 Project financial summary

4.3.1 Private sector perspective

Table 26 summarises the potential financial return for the MDP, with a GDV achieved of £9.8bn set against total costs of £8.8bn. The costs include land payments of circa £1bn to the public sector, which feed into the public sector summary as receipts.

The appraisal results have been optimised to support the viability and attractiveness of the scheme to the market. As such, a 15% levered internal rate of return (IRR) is achieved, which is considered a 'reasonable' return that balances public sector value with attracting interest from the development market, commensurate with the risk profile of the project. It is likely that IRR could be one of the levers used as part of the MDP's procurement for price competition.



The above appraisal assumes that infrastructure loan financing is made available to the MDP to support delivery of infrastructure during the early years of the scheme. The potential scale of this requirement, and options for reducing and funding it, are discussed further in Section 4.4.

The above financial results demonstrate that the scheme is viable and generates a 'reasonable' return to the MDP that is likely to attract interest from the development market when this project is procured. The procurement process will be structured to drive competition in the market and achieve the best value solution to the public sector.

4.3.2 Public sector perspective

In recognition of the importance of Old Oak in delivering local, regional and national objectives and unlocking the full benefits of the HS2 investment, the public sector has already committed £104m to pump-prime the project, as set out in Table 27. This investment provides critical funding to continue assembling land to create a comprehensive regeneration platform. Separately and outside of the scope of this business case, £36m has been secured for the Heat Recovery Network at Old Oak from the DESNZ.

Table 27 Committed public sector funding, nominal terms, nearest £m

Fund	Type	£m
DLUHC Brownfield Infrastructure and Land Fund, devolved to the Mayor	Non-recoverable grant	53
DLUHC Capital Regeneration Fund	Non-recoverable grant	1
DLUHC Land Fund, devolved to the Mayor of London	Recoverable grant	50
DESNZ Heat Recovery Network funding	Non-recoverable grant (outside scope of this OBC)	36

The public sector financial receipt will be the land payments made by the MDP. The timing of these land payments affects the potential scale of overall receipt to the public sector, as well as the scheme's viability from the private sector perspective. Table 28 below summarises the public sector overall position, assuming a long-term investment horizon, or patient capital approach, to realising public sector land receipts is applied.

For the Preferred Option (Medium+), this results in a series of land payments from the MDP from 2027 through to 2039. In adopting this approach, upfront cashflow pressures for the MDP are alleviated. As a result, the public sector benefits from greater land receipts later in the development cycle and with potential to vary its exit timing to take account of market conditions. The private sector is given greater confidence that

What does 'patient capital' approach mean?

The patient capital approach assumes that, instead of selling land and exiting early, land payments are structured in a way that enhances the affordability and overall viability of the project. Specifically, land is assumed to be drawn down over time in accordance with an optimised development programme. The associated land payments are assumed to be staged over the phased delivery period and gradually increase over time as project viability improves.

the development opportunity would achieve their internal financial KPIs.

Based on current financial analysis, the patient capital approach is key to unlocking the wider benefits identified in this OBC, whilst also providing a structure where a public land allowance and some net surplus can be achieved. Given that the patient capital approach would be available to all bidders in a procurement process, it is not considered to be a subsidy control concern – however, specialist legal advice will be sought to confirm this in due course.

The patient capital scenario adopted is an illustration of a risk-reward sharing approach between the public and private sectors based on the public sector taking a medium to long-term view on its land return. There is the potential to generate further return for the public sector by further considering the timing of this return. Examples of how this could be achieved would include a further delay to land drawdown receipts or retaining an investment stake in commercial aspects of the scheme once built until after the first rent review.

This analysis is not suggesting that the patient capital approach is the only option for enabling the scheme to move forward. Approval of this OBC does not preclude future HM Government options regarding the timings of any land receipts. However, the analysis shows that if Government elects to take earlier receipts, this will necessitate re-scoping and other changes to the scheme to enable overall viability, which will impact on the quality of place being created at Old Oak West and the benefits delivered. The long-term investment horizon set out in this preferred approach seeks to optimise across social and economic benefits and net financial returns to the public sector.



The analysis indicates that the potential level of land payments to the public sector could cover the cost of land assembly and infrastructure, as well as providing an allowance for existing public sector landholdings. In the long-term through to project completion, there is potential for a net public sector surplus from the scheme – although additional recoverable public sector financing is likely to be required, as set out in Section 4.4. (Note that this table is not showing a waterfall or prioritisation of receipts distribution across parties, but simply a net position. Details on the distribution of land receipts will be developed through negotiation of the Public Sector Land Agreements, which will commence following approval of this OBC.)

4.3.3 Assumed delivery profile

The capacity study identifies the potential to directly deliver 7,498 homes, of which 3,901 are affordable homes. This generates a GDV of £6.4bn for residential uses, including inflation.[55] In addition, the capacity study suggests potential to deliver commercial offices with a net development value of £3.3bn and retail space with a net development value of £138m. Given that all retail uses are delivered at the ground floor level of residential plots, their assumed construction timescales follow the housing delivery programme.



[55] The Economic Case also assess the benefits of an additional 1,504 'indirect' homes, which are those that will not be directly delivered by the scheme (and thus do not have a financial impact) but nonetheless depend upon the interventions proposed.

Figure 33 below details the modelled profile of residential and office completions for the scheme, which is an assumed scenario that will change as the scheme is developed, as set out in section 4.2.2.

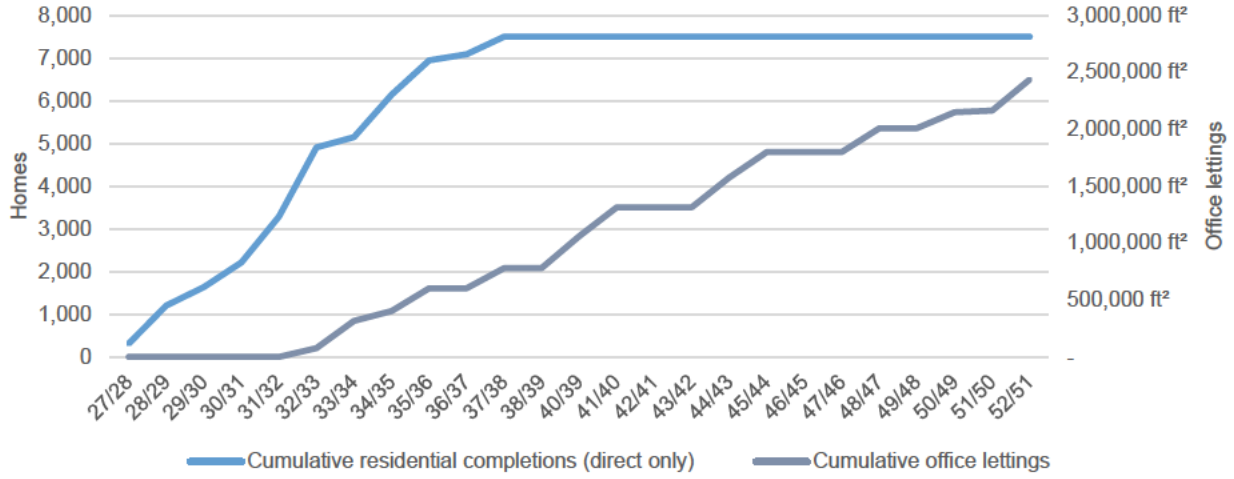


Figure 33 Cumulative completions and lettings

4.3.4 Assumed cashflow profile

A breakdown of public sector cost and revenue is shown in Figure 34. Based on the modelled scenario, it shows that the focus of early spend is on private land assembly, with most of this modelled in 2024 (though OPDC is exploring options for timings of this expenditure as set out in section 4.4.4). A more even spread of infrastructure costs is assumed up to the early 2030s, with recovery of public sector land costs beginning in 2027 and running through to the late 2030s. Payments from the MDP are modelled as beginning in 2027 and increasing through the mid-2030s as the project moves through its major delivery phase. This profile will change as the scheme develops, as set out in section 4.2.2, particularly as negotiations with landowners progress, the infrastructure strategy is developed, and negotiations with the potential MDP are held.

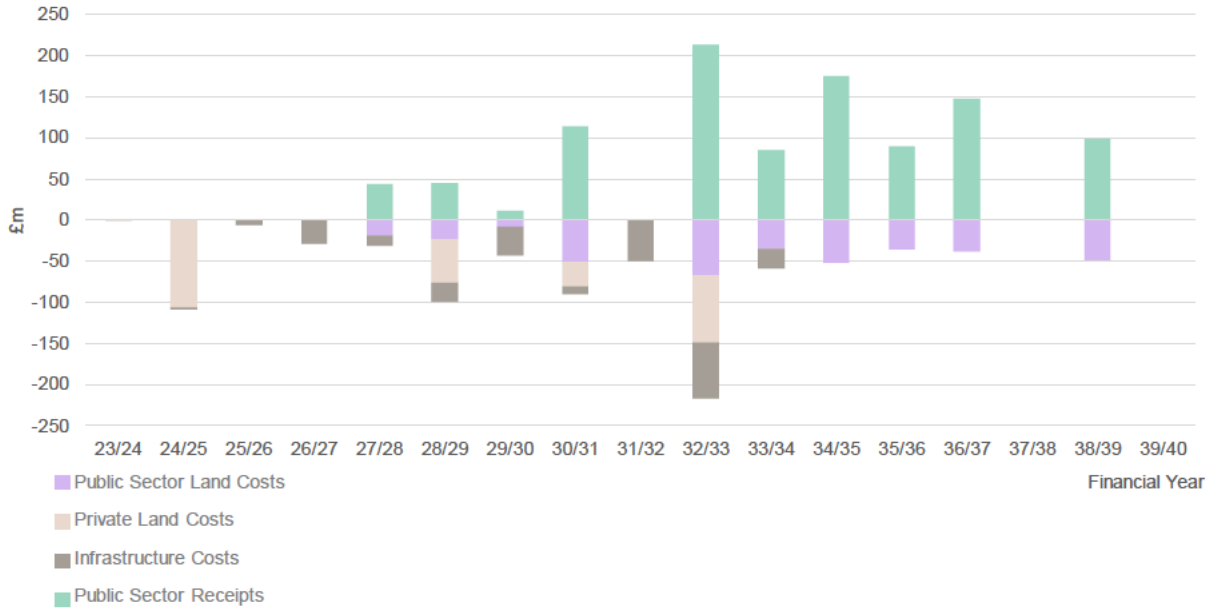


Figure 34 Annual public sector receipts and expenditure

The resultant indicative cashflow from the public sector perspective is shown in Figure 35. It shows that in the modelled scenario, funding is initially drawn down from committed funding sources in 2024. Public sector cashflow then becomes negative as a result of additional land assembly and infrastructure delivery prior to major land receipts commencing in the early 2030s. The public sector reverts to a positive position in 2036.

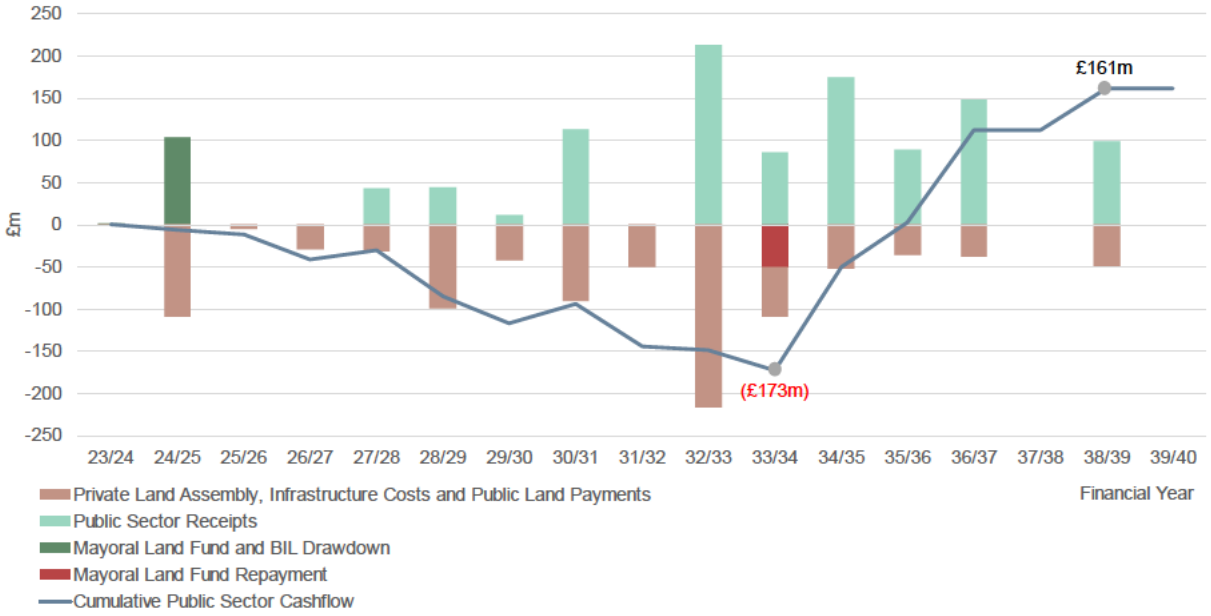


Figure 35 Cumulative public sector cashflow (including committed funding)

4.3.5 Sensitivity and scenario analysis

There are a wide range of variables impacting the balance of costs and returns for the project. They include a suite of factors which influence the MDP's ability to pay for drawing down the land, as well as the costs of assembling and delivering the infrastructure investment to unlock the opportunity.

Sensitivity and scenario analysis that highlight the impact of movements in key variables on the Financial Case metrics is provided in Appendix 7. It assesses fixed increment step changes in key variables, as well as testing to what extent would input assumptions need to change to broadly break-even. 'Break even' in this context refers to generating no net financial surplus after a public land return of circa £380m is allowed for and assuming the committed BIL funding. Commentary on the key sensitivities and the outcome of the analysis is provided in the table below:

Sensitivity	Commentary
Indexation	The blend of assumed long-term indexation rates drives the largest impact on the project net surplus or deficit. For example, should residential value growth perform akin to 25 and 50 year historic long-term trends (assuming 8% p.a. growth rather than 4.5% p.a. adopted in the base case), the net surplus would increase very significantly from £161m (including BIL) to £1,651m (Ref 14 in Appendix 7, Tables 12-13). The relative gap between long-term indexation assumptions for value and cost growth is key to long-term project performance. An illustration of this is shown by a 'lower economic growth' scenario test (Ref 16 in Appendix 7, Tables 12-13) which highlights that if residential value and build cost indexation fall to 4% and 2.9% respectively (relative to 4.5% and 3% in the base case) the project breaks even. However, it is considered unlikely that the project would underperform market trends consistently over the long length of the Old Oak programme.
Build cost	Relatively small changes in the scheme build costs have a large impact. For example, a cost increase of circa £10psf leads to the project breaking even (Ref 5 in Appendix 7, Tables 12-13). A cost saving of £10psf increases the project net surplus to £263m (inclusive of BIL funding), (Ref 6. in Appendix 7, Tables 12-13).
Office rents	Base office rents incorporated are advised to be appropriate in the context of achieved rental levels in comparable locations in London. However, the future reaction of occupiers to the offering is difficult to judge given that there is no precedent for the unique connectivity of the Elizabeth Line and HS2 in the current market. The drive to embed ESG and net zero in the build environment may also present further advantages that allow Old Oak to offer a differentiated tenant offer relative to other locations. Should achieved rents at Old Oak outperform the current figures by £10psf, the net surplus would increase to £405m (inclusive of BIL funding).
Patient capital	The patient capital approach outlined supports the delivery of the wider social and economic benefits of the business case, whilst also enabling a material public land allowance (£380m) and net surplus to be achieved. To illustrate the extent of support assumed by virtue of this approach, a sensitivity test (Ref 12 Appendix 7, Tables 12/13) is shown highlighting the impact of earlier extraction of land payments. This 'early land payments' scenario assumes sites are sold as soon as they are available, with full upfront payments. This sensitivity highlights a material reduction in project performance, leading to a net deficit of £283m (inclusive of BIL funding).

It is noted that there is no 'feedback loop' assumed as part of the sensitivity and scenario analysis. In practice, should any of the project financial variables change and impact deliverability, there are a number of ways in which this risk to project performance could be responded to by the MDP and/or Delivery Agent and Collaboration / Assurance Board. This could include measures such as the prioritisation of one residential type over another (delivering rental product rather than 'for sale' for example), bringing forward more residential than offices (or vice versa), revisiting the masterplan and scheme design, or rephasing infrastructure and/or development scheme delivery.

4.4 Funding and finance strategy

4.4.1 Overview

The financial analysis demonstrates that the scheme is a viable proposition for a potential MDP and could generate a reasonable return for both the private and public sector upon completion. However, there remains a potential need for further public sector financing in future periods to ensure the viability and deliverability of the scheme. Further grant funding is not expected to be required – any additional funding is likely to be fully recoverable financing from the scheme. This section sets out a series of options for addressing the long-term funding and finance needs of the project.

4.4.2 Project costs and current funding

Significant public funding (£104m) has already been committed to the project from the devolved Land Fund to the Mayor, BIL Funding, and Capital Regeneration Grant.[56] This funding is expected to be used for private land assembly. Negotiations to acquire private land are already underway and will continue into Phase 1 of the programme. Whilst OPDC will seek to reach agreement with all affected interests, a CPO is being formulated to provide certainty that all land and new rights can be assembled in a timely manner. The committed funding will support significant private land acquisition for the scheme, but additional funding is anticipated to be required from other sources. Table 29 sets out the estimated cost of delivering the key aspects of the Old Oak West project, based on current modelling assumptions, and the mix of sources that could be available.

[redacted]

[56] The Mayoral Land Fund grant is recoverable, whereas BIL is pure grant. Affordable housing grant is also assumed to be available.

[redacted]

4.4.3 Potential recoverable public sector finance requirement

Some additional public sector financing in the project is likely to be necessary, in the form of recoverable finance to support future land acquisition and infrastructure. This is typical for large-scale, long-term complex regeneration projects such as Old Oak, where public sector intervention is commonly needed to overcome market failures that impede project objectives (see section 2.5).

Based on the financial scenario appraised for this business case (detailed further in Appendix 7), there could be a total recoverable finance requirement of between £100m to £400m over the project lifecycle. Within the OBC financial model, the financial ask associated with preferred intervention case is identified as £168m of recoverable enabling finance (with no coupon assumed), together with a further £186m of MDP infrastructure finance (with a 6% coupon assumed). A sensitivity to show the impact of a coupon at 6% on the enabling finance is included in Appendix 7 (Ref 12, Tables 12/13). The timing of the additional financing requirement is from 24/25 onwards for the enabling cashflow and from 25/26 onwards for the MDP infrastructure loan. The majority of the financing is required between 2026 and 2033 and it is anticipated to be recoverable by 2037.

The exact amount and timing of any future finance will depend upon the final delivery profile of the scheme and the commercial structure agreed with the private sector, as well as further optimisation of the project's cashflow and delivery strategy. Additionally, depending on the availability of private finance sources at the time of procurement, it may be that the MDP has other more specialised and cost-effective means of financing early-stage infrastructure requirements, further reducing the scale of this requirement. The analysis also identifies that this funding, even at the 'maximum' end of the range identified above, would be recoverable.

4.4.4 Optimising the size of the finance requirement

The project's finance requirement could be optimised and reduced through the use of various levers:

- **Phasing of delivery:** Further refinement of infrastructure and development phasing to reduce the requirement for financing in the early to medium term and provide more opportunity to rely upon the recycling of receipts from the scheme. This is dependent upon future decisions on prioritising the balance between timing of delivery, returns and financing requirement.
- **Timing and extent of private sector investment:** The timing and extent of private sector investment in the project, to be established during developer procurement, will materially affect the future financing requirement, as will Government decisions about the timing of receipts from existing landholdings. As market conditions change over time, it is possible that new forms of finance will emerge for developer private capital that could reduce the reliance public funding support.
- **Procurement competition:** The developer procurement will be a competitive process. Under the price evaluation metric, bidders could be incentivised to offer the lowest possible target IRR as part of their bids.[59] This could help reduce the finance requirement as it would increase private sector investment in the project.
- **Alternative private land acquisition routes:** The project may also deploy less cashflow intensive methods of private land acquisition. OPDC is exploring options to ensure suitable control over third party land and interests whilst delaying expenditure. Possible mechanisms that are being explored include option agreements and deferred completions.

[59] The precise pricing / commercial evaluation mechanism will be subject to further review as part of the final procurement strategy, but can reasonably be expected to include a target profit-based metric in some form, in line with comparable MDP procurements.

4.4.5 Possible sources of funding and finance

A longlist of potential funding and finance sources has been considered, as identified in Appendix 7. These were assessed for applicability, acceptability, and ease of deliverability as a potential funding or finance source. It is important to emphasise that no funding from DfT is required at this stage or will be needed in future to support the housing and regeneration elements of the Old Oak West scheme. Should there be a need for future funding from central Government, or its arms-length bodies, this will be subject to the usual consideration of spending priorities and an agreed business case. The GLA will also consider future funding requests to support the project.

Some of the key funding mechanisms include:

- **Maximising use of revenues through planning gain:** Use of existing mechanisms, such as Borough CIL (both within and outside Old Oak West) and ringfencing revenue to deliver infrastructure requirements for the scheme.
- **Business rates retention / application of a business rates supplement:** Retaining a portion of business rates generated from the commercial sites unlocked by the scheme, similar to an Enterprise Zone arrangement as used for the Northern Line extension in London. As a long-term payment mechanism, this would need to be coupled with long-term borrowing and associated finance costs. It would also require strong evidence that the commercial development is genuinely additional. Business rates play a critical role in GLA, TfL and borough funding strategies, so extensive engagement would be needed on any future retention proposal with both central and local Government.
- **Increased Mayoral Land Fund recoverable grant:** Further Mayoral Land Fund grant could be sought, provided on the basis that the scheme helps to deliver objectives consistent with the Land Fund's requirements.
- **Increased affordable housing grant:** Increased affordable housing grant to support development of affordable homes could also be sought, enabling wider public funds to be re-routed to other areas of the scheme.

The key potential public sector financing mechanisms are:

- **Homes England Funds:** Homes England manages a portfolio of funds on behalf of DLUHC. These include the Levelling Up Home Building Fund which offers small and medium-sized enterprises, innovative developers and housebuilders finance to build homes more quickly. It also provides infrastructure loans from the Home Building Fund, which can provide loan funding for infrastructure and site preparation up to £250m directly to private developers. Such loans are repayable over the medium to long term at commercial rates. The size of the financing requirement at Old Oak West is comparable to other projects that have recently closed deals (see Figure 36).
- **UKIB:** UKIB offers financing to local and mayoral authorities across the UK for economic infrastructure projects which encourage regional and local economic growth. The rates offered are typically below the certainty rate offered by PWLB. Consideration would need to be given to the legal ramifications of any 'on-lending' from a public authority to the MDP in light of potential subsidy control questions.
- **PWLB:** PWLB operates on behalf of HM Treasury, providing loans to local authorities and other nominated bodies for capital projects, operating within a policy framework specified by HM Treasury. PWLB typically offers borrowing at rates below the private market and has the ability to commit to long-term borrowing (e.g. 30 years). As with UKIB funding, consideration would need to be given to the legal ramifications of any 'on-lending' from a public authority to the MDP in light of potential subsidy control issues.

In addition to Old Oak West's long-term financing requirements being comparable in scale to similar regeneration schemes, the overall timings and level of certainty regarding financial requirements is also comparable at this stage. Figure 37 illustrates, at a high-level, the sequencing of initial OBC approvals, developer appointment, and securing of public sector funding or finance into the project. This demonstrates that the Old Oak West pathway is typical, in that the primary public sector finance / loan requirements are typically not secured until after a developer is on-board with an adopted Business Plan in place. (In the case of infrastructure financing, the current Homes England infrastructure finance programme, for example, can only be directed to private sector recipients once schemes have reached a detailed level of due diligence). For both comparable projects – Silvertown Quays and Brent Cross – the time between business case approval and grant or loan funding flowing to the project was approximately four years, which is roughly similar to the projected Old Oak West programme. This reflects the significant project changes that typically occur during this period, as the MDP and public sector work together to refine the vision, masterplan, phasing, and other factors that have a material impact on financial requirements.

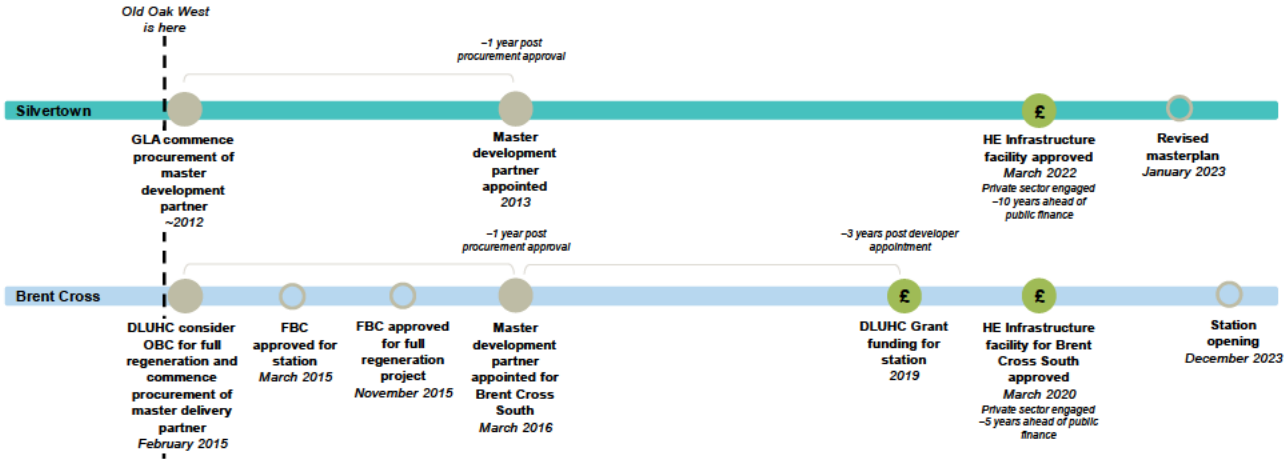


Figure 37 Sequencing of comparable regeneration schemes

(Note that this only illustrates when public sector funding or finance was injected into the project; considerable private sector funding or finance was also contributed to these projects in advance of and in parallel with public sector contributions.)



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5. Commercial Case

Old Oak West OBC

Homes England | Department for Transport | Department for Levelling Up, Housing & Communities | OPDC Old Oak and Park Royal Development Corporation

5. Commercial Case

5.1 SOBC Commercial Case conclusions

The SOBC Commercial Case made the case that there was a viable route to market. It explored various delivery options, including unconditional land sale, Development Agreement (DA), Joint Venture (JV) and public sector master developer. It concluded that a master developer-led approach was likely to be most effective for delivering comprehensive regeneration. It provisionally identified a JV as the preferred option for partnering with the private sector.

Early market engagement was carried out to support the SOBC, suggesting that there was strong appetite for private sector involvement in the scheme subject to the public sector providing the right resources and commitments. Coordinating public sector land holdings is key to this. The SOBC established that the public sector needs to effectively bring together and coordinate its land interests to deliver the biggest benefits in the shortest timeframe.

The SOBC set out the proposed approach to acquiring private sector land, through private treaty supported by CPO where needed. It noted the importance of a robust approach both to manage programme and budget risk and to demonstrate assurance to the MDP that the land required for the development will be available in a timely manner and that there will be clear mechanisms in place to manage and control the cost of the acquisition.

5.2 Commercial framework

5.2.1 Summary commercial framework

The framework below illustrates the key elements of the commercial strategy for Old Oak West (note that this diagram is *not* illustrating governance or decision-making arrangements – purely the commercial / legal relationships amongst parties). It considers how the public sector should organise itself, including potential funding and land collaboration arrangements and how it should partner with the private sector.

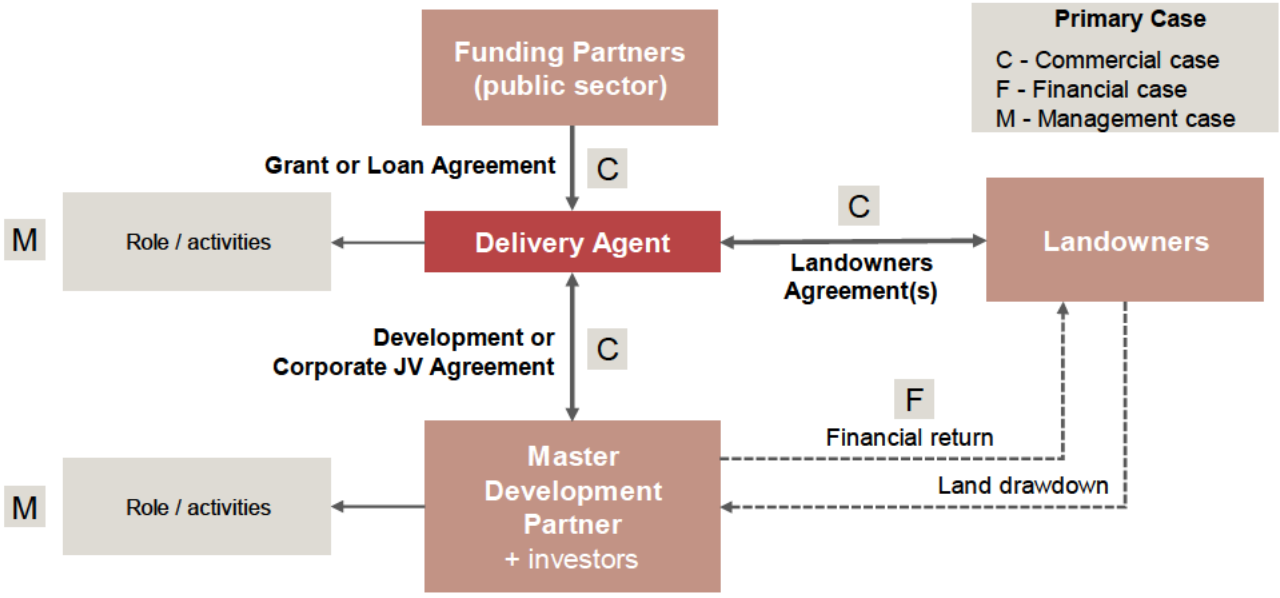


Figure 38 Summary Commercial Framework | Source: Arup

The Commercial Case sets out the overall purpose of the framework and how it was developed. It includes the principles of public sector landowner collaboration, with the detail of any arrangements subject to further negotiation. It also outlines a strategy for partnering with the private sector.

5.2.2 Purpose and objectives

The project sponsors have a shared ambition to deliver high-quality regeneration at Old Oak West that maximises the impact of the substantial public sector investment in HS2 and the Elizabeth Line. There is a shared recognition that achieving this relies upon combining the best of the private sector, including its expertise and capital, with the best of the public sector. The public sector's interests in Old Oak West are split across multiple organisations and comprise land ownership, operational considerations, financial interests, development management and more. There is therefore a need for the public sector to organise itself to create an attractive and coherent proposition.

Within this context, the project sponsors have agreed that the commercial strategy should be:

- **Clear**: The arrangements will have different layers and associated agreements, but the overall aim is to create a structure that is understandable for participants and external partners. This must include clarity over who ultimately makes what decisions, the roles and remits of each partner, and the objectives and KPIs against which the project will be judged. It will also be important to limit the number of interfaces between the public and private sectors to minimise complexity.

- **Appropriate**: The model needs to reflect the requirements of all participants and their associated individual governance arrangements, whilst ensuring an appropriate balance of incentives and risk. This will require both informal ways of working and a collaborative culture to be embedded across the organisations. There needs to be a balance of control between the public and private sectors, acknowledging some public sector control will need to be appropriately ceded in return for attracting private sector capital and skills at an early stage of project delivery.

- **Adaptable**: The model will need to evolve over time, including to reflect feedback from the private sector during market testing and procurement, and then as the project moves from planning into delivery.

5.2.3 Organisational priorities and red lines

The sponsor group is committed to working together as "one public sector" to deliver comprehensive regeneration at Old Oak West, including taking a shared view on the public sector costs and benefits associated with each option. Nonetheless, each partner has particular priorities and red lines, as set out at Table 30. These have been a key consideration in developing the commercial framework, as well as the underlying governance arrangements (as set out in the Management Case) and contractual agreements (as set out in Sections 5.2 and 5.3).

Table 30 Organisational priorities and red lines

Organisation	**Priorities** – things to optimise or maximise	**Red lines** – minimum requirements
Department for Transport	• Deliver benefits of HS2 investment, including economic growth • Responsibility to demonstrate Market value for public purse by optimising land value	• Safety and operation of rail network, including ensuring construction and long-term maintenance of the HS2 railway • Certainty of realising minimum land value
Department for Levelling Up, Housing and Communities	• Value created by investment in context of levelling up in London, as set out in the 12 levelling up missions	• Spend within agreed periods, conditions and requirements, including within affordability envelopes
HS2	• Deliver benefits of HS2, including economic growth	• Delivery of operable OOC Station and railway against budget and programme • Adherence to Undertakings & Assurances (U&A's) and Crichel Down Rules
Network Rail	• Financial value of surplus land assets (with long-term patient capital view) • Rail/freight operational and efficiency improvements	• Safety, efficiency and effectiveness of the operation railway • Conditionality and phasing of land release once it becomes surplus, subject to Railway Requirements[60]

[60] Any requirement which, in DfT's, NRIL's or HS2's reasonable opinion, is necessary for the timely and economic delivery and/or operation of the railway.

Organisation	**Priorities** – things to optimise or maximise	**Red lines** – minimum requirements
Homes England	• Value created by investment, especially quality and quantum of development and pride in place • Play 'honest broker' role to ensure public sector bodies are coordinated and moving scheme forward effectively	• Spend within agreed periods, conditions and requirements, including within affordability envelopes [if a funding/finance partner]
OPDC	• Delivery (on behalf of the public sector) of placemaking and sustainable regeneration including jobs, homes, levelling up in the Old Oak and Park Royal area.	• Not fettering statutory duties as local planning authority
Greater London Authority	• Delivery of homes and inclusive economic growth in London	• Spend within agreed periods, conditions and requirements • Not fettering statutory duties as planning authority
Transport for London	• Deliver benefits of Crossrail investment, including economic growth • Increase sustainable travel modal shift – more journeys made by public transport or active travel rather than by private car	• Safety and operation of rail and road network

5.2.4 Agreements

To protect the priorities and red lines of the public sector parties, a range of market-standard agreements will be put in place. These will be between either (a) multiple public sector parties or (b) between the public sector and the private sector. Use of these agreements is standard practice to safeguard public sector interests. A summary of the documents that may be required is set out in Table 31.

Table 31 Old Oak West agreements suite

Document	Parties	Purpose	Public Sector Priorities & Red Lines	When in place?
Collaboration Agreement	Delivery Agent (OPDC) – HMG (i.e. DfT & DLUHC) – NR	Establish Phase 1 governance framework, including landowners representative roles; provide remit to OPDC as Delivery Agent	Ensure effective and efficient decision-making structure for Phase 1	ASAP following OBC approval
Asset Protection Agreement(s)	OPDC / MDP – NR – TfL	Agreement between transport landowner and developer to provide standard infrastructure protections when land to be acquired is developed.	Ensure safety, efficiency, and effectiveness of the operation of HS2/NR/TfL railways. This includes existing infrastructure or new infrastructure of alterations.	TBC
Funding or Facility Agreement(s)	OPDC / MDP – Funding Partners (DLUHC / HE / GLA)	Agreement between funder (DLUHC/HE/GLA) and recipient (the developer or OPDC) to define any conditions related to draw down of grant funding or loan facilities.	Ensure spend of any DLUHC/HE/GLA grant funding or loan facilities within agreed periods, conditions, and requirements, including within affordability envelopes.	At time of grant award and/or loan
Public Land Agreements (Landowner + Option Agreements)	OPDC – NR – DfT	Agreement between landowners and OPDC to define the agreed land value mechanism and any conditionality around the timing of acquisition/ payment.	Ensure DfT/NR land is not disposed of before it is deemed surplus to project requirements. Ensure Best Value statutory duty is delivered for DfT/NR land.	Prior to launch of developer procurement process. Negotiations of these agreements will begin following approval of this OBC.
Joint Venture or Development Agreement	OPDC - MDP	Agreement between OPDC and the MDP to define any land contribution by OPDC and oversee design and delivery of the scheme.	Ensure OPDC's obligations as local planning authority are not fettered. Ensure delivery of homes and inclusive economic growth in the Old Oak West area.	At time of developer procurement

5.2.5 Commercial strategy phasing

The delivery programme for Old Oak West envisages three major phases of activity following OBC approval. These are summarised in Figure 39. Phase 1 covers the period from OBC approval up to partner selection; Phase 2 covers the period from partner selection to the opening of the new OOC Station at Old Oak; and Phase 3 is the major delivery phase. The programme is covered in more detail in the Management Case.

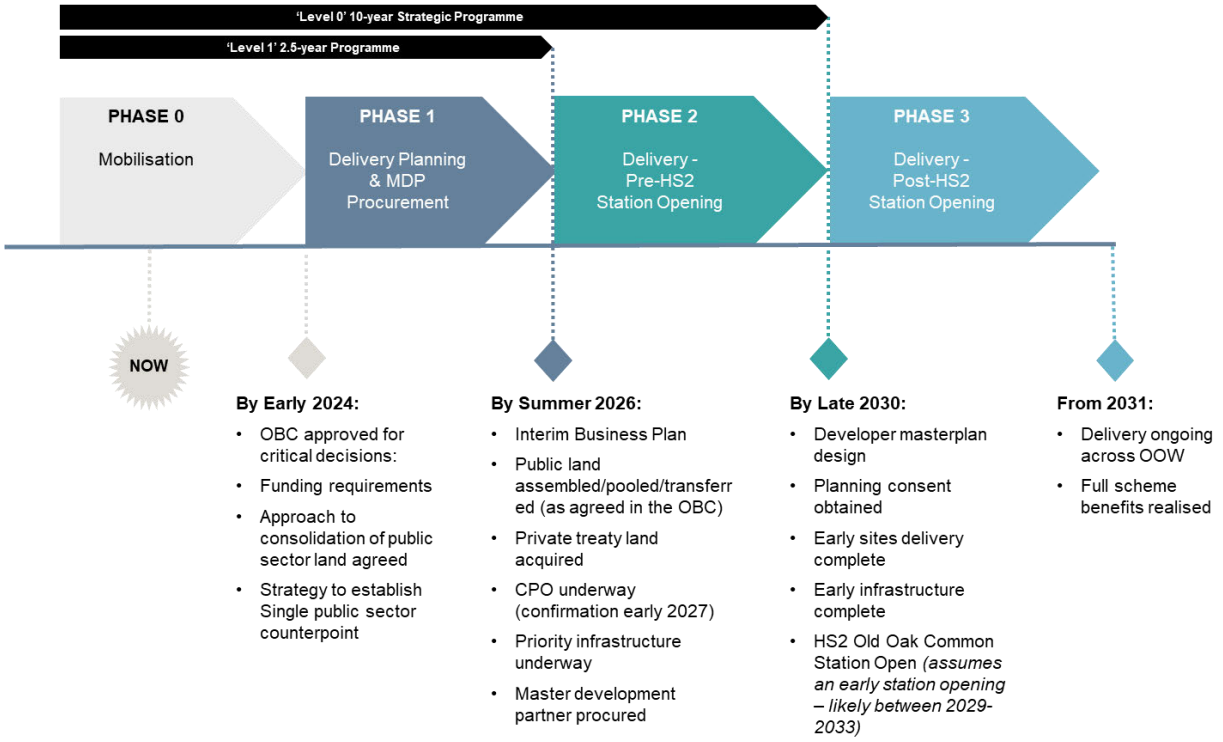


Figure 39 Old Oak West Indicative programme phases and timeline hierarchy | Source: OPDC

Old Oak West is a major, complex, long-term project. Planning is still at a relatively early stage, but development will be promoted within the context of statutory 'objects' of OPDC, the London Plan, the Local Plan and the emerging Old Oak West SPD – all of which encourage regeneration and investment in housing and employment. The commercial strategy will need to evolve as the project progresses through its delivery phases, whilst maintaining an overall level of flexibility to adapt to uncertainties and respond to private sector views. In particular, it is possible that the commercial arrangements will need to change between phase 2 – which will focus primarily on masterplanning, business planning, and securing planning consents – and phase 3 when the project moves into delivery. A potential model for this is set out at section 5.7.2.

5.2.6 Exit strategy

Delivery of Old Oak West will require several commercial structures and agreements, which public sector parties will need to enter and exit at different stages of the project. These are detailed above in section 5.2.5. Each of these agreements will have different options for exit mechanisms. For example, within Public Land Agreements, public sector landowners will have options around how land is invested in the project – whether that be receiving a capital receipt for transferring land to a private sector partner, investing land value into an equity share in a joint venture, or taking a long-term revenue return – and how agreements might be terminated early if required.

The exit strategy to be adopted for each of these agreements will be negotiated at the relevant points in the programme (see section 6.3). Decisions around exit strategies will be supported by further commercial, legal, and financial analysis. The decisions will be governed by the appropriate cross-government forums to align with decisions on the relevant commercial and legal agreements.

5.3 Public sector land collaboration

5.3.1 Land ownership

Land ownership at Old Oak West is fragmented between multiple different ownerships, as shown in Figure 40. [redacted], the vast majority of which currently sits with two organisations: HS2 Ltd (on behalf of the SoS for Transport) and NR Ltd. Small sites are owned by TfL, the LB of Ealing and OPDC. The rest is held by the private sector across at least 15 landowners. The Strategic Case sets out why this fragmented land ownership is a barrier to comprehensive regeneration, and why land coordination is therefore needed to maximise the development potential of the Old Oak West site and present the most attractive proposition to a MDP.



Figure 40 Old Oak West land ownership | Source: OPDC / Arup

OPDC is leading on private land assembly. [redacted] OPDC will take reasonable steps to engage in meaningful negotiations with all affected interests, attempting to acquire them by private treaty. In tandem with this engagement and negotiation process, OPDC is commencing the compulsory purchase process, to ensure that interests can be acquired by compulsory purchase, if necessary. Further detail on land assembly is at section 6.4.3 and OPDC's Land Assembly Strategy is set out in Appendix 12. This Strategy outlines the process for securing all of the land and rights required to deliver a comprehensive redevelopment of Old Oak West. A more detailed Land Assembly Strategy is in the process of being prepared and will be incorporated into the Interim Business Plan, as set out in the Management Case.

The rest of this section deals with public sector land collaboration. The scope of public land set out above reflects the preferred option as identified in the Economic Case. The TfL and LB Ealing sites around North Acton Station are not within scope of any formal collaboration.[61]

The availability of public sector land for development is subject to several external dependencies. OPDC has already acquired some sites, but further sites depend upon it implementing its Land Assembly Strategy as detailed in Appendix 12. HS2 sites are subject to the completion of HS2 construction works, undertaking and assurances (U&As) and Crichel Down rules. Much of the NR land is currently in operational use, so a comprehensive review into suitability for release is being carried out by NR (the *Willesden Rail and Land Development Strategy*). Based on work to-date, eight sites have been identified as potentially suitable for release.[62] These have been included in the Preferred Option.

The final stage of NR's analysis will focus on de-risking the release of sites, which vary considerably in complexity, by setting out milestones for each site individually and detailing infrastructure requirements that will need to be funded to unlock those sites. This stage will be carried out in parallel with – and feed into – development of the draft Interim Business Plan, programmed for approval in Summer 2024. The eventual release will be contingent on various factors, including reaching an agreed delivery structure, rail industry consents, regulatory licence conditions, and agreement from third party leasehold interests. The approach to public sector land agreements described below has been designed with this precedent conditionality as a key consideration. Should less land become available than currently envisaged, the approach may need to be adapted but there will remain a compelling case for regeneration of Old Oak West.

5.3.2 Land collaboration options assessment

The options that have been assessed for public sector land collaboration are set out in Table 32.

Table 32 Land collaboration options longlist

Land Collaboration Options Longlist	Description	Precedents
Business-as-usual (planning led)	HS2 worksite disposals are undertaken and sites subsequently developed by purchasers. No NR land is released. OPDC could make limited stand-alone interventions on private sites to bring forward development and individual assumptions will be made on whether private sites are developed, or continue in their current operation.	Charlton Riverside, Crossrail
Informal agreement	Landowners enter into an informal agreement or process to coordinate on land disposal.	Nine Elms
Binding partnership	Landowners enter into a binding partnership to coordinate on land disposal. However, ownership is retained by individual parties to negotiate individually for disposal or development.	York Central
Land pool / Land Agreements	Land is pooled together under one or multiple agreements, providing a single point of negotiation for future land disposal or development.	Euston, King's Cross, Mayfield, Arden Cross
Land consolidation	Land is collectively consolidated under a single public sector entity for coordinated development or disposal.	Brent Cross, Olympic Park

The options were assessed against criteria based on the project's strategic objectives and organisational priorities and red lines. The assessment was carried out in parallel with the private sector partnering options as set out in Section 5.4. It concluded that informal agreement and binding partnership should both be discounted, primarily due to the lack of certainty these options provide to the market for a site of the size and

[61] TfL and LB Ealing are keen to see proposals to upgrade North Acton Station come to fruition and are progressing proposals with OPDC in parallel with this OBC. OPDC, LB Ealing and TfL have jointly commissioned a consultant team with OPDC to study the feasibility of upgrading North Acton Station with step-free access and increased capacity, whilst also achieving wider placemaking improvements for the surrounding area. The station upgrade has been announced as part of TfL's 'Step Free Access' programme, and c.£7m of S106 contributions are currently being secured and a £5m contribution from TfL has been identified. The project is currently being progressed by TfL's Investment Delivery Planning team.

[62] One of these eight, Euroterminal, is only partially available for development, with discussions ongoing as to its suitability for release.

complexity of Old Oak West. Following further discussion between the organisations, the planning-led option was discounted because it gives up too much public sector control over outcomes, whilst land consolidation was discounted because it would not enable individual public sector landowners to retain sufficient optionality and would be overly complex from administrative and financial perspectives. A summary of the final conclusions is set out in Table 33.

Table 33 Summary assessment of land collaboration options

Land Collaboration Options Longlist	Commentary	Conclusion
Business-as-usual (planning-led)	Well aligned to public sector resource and capability. Concerns over loss of stewardship and control over achievement of identified strategic objectives. Represents the current counterfactual position.	**Discounted** – primarily due to loss of stewardship and control over achievement of strategic objectives.
Informal agreement	Unlikely to provide sufficient comfort to the market due to fragmented land position and lack of certainty. Not considered deliverable solution beyond initial stages as a potential interim / bridge solution.	**Discounted** – primarily due to lack of certainty for the market.
Binding partnership	Provides some certainty to market, but concerns over the efficiency of this approach as landowners would negotiate individually for disposal or development.	**Discounted** – primarily due to lack of efficiency especially when considered in combination with commercial delivery options.
Land pool / Land Agreements	Provides some certainty to market and well aligned to strategic objectives, whilst giving public sector greater flexibility. Likely to require careful design to minimise complexity and reassure market on land availability.	**Preferred** – with detail of agreements to be developed further (see Section 5.3.4)
Land consolidation	Provides single point of negotiation for the market. Key challenges likely associated with public sector resourcing, complexity and loss of control for current landowners.	**Discounted** – due to need and desire for landowners to retain optionality, and potential need for separate agreements to reflect different organisational priorities.

5.3.3 Potential nature of Public Land Agreements

Land collaboration would be achieved via a series of conditional Option Agreements and a wraparound Landowner Agreement (hereafter collectively referred to as 'Public Land Agreements'). Land collaboration enables land to be committed to the project early, but to stay with current owners until any conditions are met and an agreed exit point is reached. There are successful land pooling precedents in urban contexts, including at King's Cross.

The Landowner Agreement will be between landowners and its purpose to confirm each party's commitment to the managed release of surplus land for comprehensive development and to define any overarching terms. A Landowner Agreement is a mechanism for facilitating joint working across individual land ownership boundaries to achieve common objectives. The Option Agreements will be between landowner, Delivery Agent and beneficiary and its purpose is to request land, once conditions are met.

Based on examination of precedent case studies across London and beyond, the key issues which need to be considered as the land agreements are developed include:

- **Support for long-term delivery:** Old Oak West will have a long delivery period, likely in excess of 20 years. It is not possible to predict today the exact financial dynamics of the project, nor if and how partner priorities may change over this time. To give the project the best chance of being realised successfully, the commercial structure needs to be resilient to property market cycles, stable in the face of changing organisational priorities, and provide clarity and consistency to private sector partner(s). Genuine alignment between public and private partners around the vision, objectives and desired project outcomes will be key – underpinned by the right leadership, culture, and behaviours.
- **Market confidence:** A series of Option Agreements with a wraparound Landowner Agreement may be perceived by the market to be riskier than if land interests were consolidated early into a single ownership. The ability to attract a high-quality private sector partner is reliant upon there being a watertight commitment to pooling of a critical mass of land, ahead of the private sector incurring material costs, with clarity on the mechanics of drawdowns. This strong commitment must be balanced against the need to retain conditionality on land release for public sector landowners, potentially with separate agreements in relation to DfT and NR's land holdings, to reflect their differing land positions.

- **Conditionality of release:** To accommodate risks to timing and practicality of releasing public sector land holdings, it will be necessary to include some conditions precedent in the arrangements and to agree a target date(s) by which the parties seek to satisfactorily de-risk agreed sites. The long-term ability for the pool to be expanded over time to draw in further public sector owned and acquired land is something that the parties may wish to consider.
- **Timeframes and public sector risk:** Public sector landowners have a choice between adopting a 'patient capital' approach or seeking an early exit from the scheme. Given the importance of Old Oak West regeneration to both national and local governments and a desire to maximise benefits from HS2 investment, there is a shared desire for the public sector to remain in the scheme over the long-term. Specific decisions need to be made on how long to hold the land interests, when and how to structure land payments, potential recycling of equity and cross-subsidy across land parcels, and sharing of development delivery risk.
- **Sharing costs and revenues:** There will be a commitment to a land value mechanism that shares returns, but arriving at an appropriate split of proceeds and costs will take some time to develop following this OBC, leaning on precedent examples and lessons learned from these other projects. These details will be developed as part of the Public Land Agreement negotiations. The Old Oak West sites vary considerably in terms of the potential development density, proximity to transport links, proposed use mix, level of local infrastructure, cost of reprovision of existing facilities, development constraints, extent of contamination, and readiness for development. Proceeds could be apportioned based on net developable acreage, existing use values, current market values, market values assuming site allocations, book value or the proportion of floorspace in the scheme. There may be a need to consider how other potential public sector funders into the scheme could be recognised too.

The core principles for the Public Land Agreements are set out in Table 34. These represent the principles and framework upon which public landowners will negotiate the Public Land Agreements. These principles will be subject to further development and legal review as negotiations between the parties are carried out.

Table 34 Headline principles of Public Land Agreements

Heading	Headline principles of Public Land Agreements (Final Draft 26 June 2023)
Recital	This document has been created for the OBC to demonstrate that there is a route to all of the public sector landowners coming together to support delivery of the preferred intervention scheme known as Medium+. It has been developed as a precursor to a "heads of terms" and is not a legally binding document. This document sets out how the Landowners can bring land interests forward for the purpose of delivering the strategic objectives of the OBC. It is intended to demonstrate that sufficient thought has been given to ensuring land can be consolidated in a way that supports the procurement of a private sector MDP and helps the preferred intervention case to be delivered in a comprehensive way. This should enable decision-makers to consider approving the OBC with sufficient assurance that the detailed provisions of the Agreements and governance will be developed post-OBC. Once agreed, the Agreements will provide clarity and certainty to the MDP on the extent, terms and managed release of land. This document should be read in conjunction with [Annex X] which identifies those sites the Landowners intend to bring into scope of the agreement. This document should be considered post-OBC in the context of wider legal agreements, including any governance agreements.
Parties:	The Parties to the **Landowner Agreement** (the Landowners) shall be: 1. The Secretary of State for Transport (DfT) 2. Network Rail Infrastructure Limited (NRIL) 3. The Old Oak and Park Royal Development Corporation (OPDC) The Parties to the **Option Agreement** shall be: 1. The Landowners (as defined above) 2. The Beneficiary [to be agreed post-OBC]

Heading	Headline principles of Public Land Agreements (Final Draft 26 June 2023)
	3. The Delivery Agent (OPDC)
The Agreements:	**Landowner Agreement:** A binding agreement between the Landowners that will provide the governance framework for the managed release of land to assist with the comprehensive development of Old Oak West. This will include key controls and protections for landowners as Reserved Matters. **Option Agreement:** A conditional land drawdown agreement between Landowner(s) and Beneficiary to request that a developable and investable interest in parcels of land is created, and made available for call, once conditions are met.
Reserved Matters for Landowners to be finalised post-OBC	1. To agree the mechanism and basis of valuation and the timing and distribution of land receipts 2. To agree conditionality including a) Railway Requirements and b) identifying a sufficient critical mass of land to achieve the OBC's strategic objectives 3. To agree default and termination requirements including non-performance by parties 4. To agree assignment provisions
Option Agreement Conditions	1. Grant of planning permission[63] for the development of parcel in question and associated infrastructure. 2. Satisfaction of Railway Requirements[64] (including land being declared surplus and available for disposal). 3. Determination of land value (as per Reserved Matter 2 above). These conditions will apply separately to each parcel of land or any parcels grouped together and may be tailored in relation to specific sites subject to agreement by all Parties at the time.
Landowner obligations	1. OPDC Development Team to use all reasonable endeavours to obtain or procure planning permission to develop the relevant parcel(s). 2. OPDC to use all reasonable endeavours to acquire those sites identified as 'OPDC land' in Annex [X] 3. DfT and NRIL to use all reasonable endeavours (subject to Railway Requirements) to have the parcel(s) declared surplus to allow a disposal 4. The Landowners to vacate the relevant parcel(s) Each by an agreed target date. To apply to each parcel or group of parcels.
Option Period	Period of [X] months after conditions are satisfied.
Title	Individual Landowners to provide sufficient title information required for a land interest disposal and confirm that Crichel Down Rules no longer apply and that there are no outstanding U&As to be passed on to the MDP relating to parcels of land that have not been discharged, prior to making the Option Agreement.
Exercise of Option	Option to be exercised during Option Period by service of notice with completion [x] working days thereafter. The Option Agreement will be subject to general conditions, and plot-specific conditions and will operate to allow the sequenced exercise for different parcels (or groups of parcels).
Payment terms	Various options will remain available but to be agreed with all Parties acting reasonably post OBC.

[63] Exact nature of necessary planning consent to be confirmed, however this should be sufficient to support value creation.

[64] Any requirement which, in DfT's, NRIL's or HS2's reasonable opinion, is necessary for the timely and economic delivery and/or operation of the railway.

Heading	Headline principles of Public Land Agreements (Final Draft 26 June 2023)
Patient Capital controls	If payment is on "patient capital" terms, then appropriate consultation rights and controls to be included to provide protection for Landowner's cash receipt by way of appropriate security.
Infrastructure Protection	OPDC to procure the MDP enters into an Asset Protection Agreement with infrastructure owner/operator at completion of the grant of the long lease or freehold sale and before development commences.
Landowner Obligations	Once the plot has been declared surplus and subject to the Railway Requirements, the Landowner shall not: (a) develop or materially alter the relevant parcel(s); or (b) enter into any new occupational lease or licence, or create any additional third-party rights or covenants over the relevant parcel(s),without OPDC agreement, until the relevant Option Period has expired without the option being exercised. The Agreements shall in no way fetter the ability of the Secretary of State for Transport until such time as the land has been declared as surplus.

5.3.4 Implementation

Public Land Agreements have been identified as the preferred option, reflecting a shared commitment to making public sector land available for comprehensive regeneration. The nature of the agreements is subject to further legal review and negotiation between the parties to ensure they deliver comprehensive regeneration in the most effective and efficient way, while respecting each party's priorities and red lines.

Next steps in developing the Public Land Agreements are set out in Table 35. Upon approval of the OBC, a landowners working group will be established to drive progress on these, reporting to the Old Oak West Collaboration / Assurance Board and working with legal adviser(s). The intent is to have the Heads of Terms in place by the time a procurement exercise for a private sector partner is launched. It is likely that the nature of collaboration between the public sector will change over time, for example as additional sites become available and once delivery of HS2 is complete.

Table 35 Next steps in developing Public Land Agreements

Action	Timescale
Develop **Heads of Terms for the Landowner Agreement and Option Agreements**	Early to Spring 2024
OPDC, DfT, and NR to sign Heads of Terms	Spring 2024
Draft **formal Landowner Agreement**	Early to Autumn 2024
OPDC, DfT, and NR to sign formal Landowner Agreement	Autumn 2024
Draft **formal Option Agreements**	Early to Autumn 2024
OPDC, DfT, NR, and Beneficiary to sign **formal Option Agreements**	Late 2024

5.4 Commercial strategy: partnering with the private sector

5.4.1 Overall approach and considerations

Delivering against the strategic objectives depends upon combining the vision, powers, accountability, and capability of the public sector with the private sector's skills, innovation and capital. There are various options for how to achieve this, with the overall ambition of adopting a commercial strategy that is clear, appropriate and adaptable. The following assumptions underpin the emerging thinking:

- **Public sector collaboration:** The public sector will collaborate to bring together land, infrastructure funding and delivery skills, including through the agreements set out in Section 5.3. Contractual agreements and governance arrangements will be put in place to ensure landowners and funding partners have appropriate oversight and influence over project delivery.

- **Clear delivery accountability:** OPDC will act as Delivery Agent; responsible for additional land assembly, preparation of Interim Business Plan, infrastructure delivery strategy, developer procurement and ongoing interface. Further detail on the remit of the Delivery Agent is in the Management Case.
- **Funding:** DLUHC and GLA have provided grant funding to support project delivery. Homes England or other public sector entities may in the future provide loan funding to the Delivery Agent and/or private sector to create a viable opportunity (see Financial Case).
- **Operational interfaces:** Transport operational interfaces, particularly relating to the HS2 delivery programme and protection of NR assets, will be optimised and protected as a clear red line in any commercial structure.

The OBC sets out an emerging view on private sector partnering arrangements. This will need to be tested with the private market to ensure the final deal is structured in a way that is attractive to high-quality developers, ensures delivery of the Old Oak West strategic objectives and provides VfM to the public sector.

The model will evolve over time as the project moves through different phases (see section 5.2.4). In phase 2, which will focus on masterplanning and securing consents, it may be that a single MDP is required so there is sufficient clarity of vision to develop a comprehensive scheme. The development partner is referred to as a single entity, but it is noted that this could include a consortium coming together to create a Special Purpose Vehicle (SPV) to address the specifics of the Old Oak West opportunity. For example, it is possible to envisage bidding consortia comprising specialists with expertise in different use types (commercial, residential for sale, residential for rent, affordable housing, retail etc) and/or organisations that focus on different parts of the value chain (such as placemaking, construction, funders, long-term investment or estate management). In phase 3, as the project moves further into delivery, there is likely to be a need for greater flexibility on the approach, which could include different partners leading on different areas or elements of the scheme.

5.4.2 Balancing public and private sector roles

The respective roles and balance of risk between the public and private sectors is a key consideration of the commercial strategy. There are certain roles, such as statutory town planning functions and land assembly by compulsory purchase, that only the public sector is capable of playing. Likewise, the private sector is much better suited for roles such as construction of buildings and sales of development. Beyond this, there is a crucial choice to make about how much control the public sector wants over the long-term delivery of Old Oak West, versus how much exposure to value capture and delivery risks it is prepared to accept.

A low intervention approach would see individual landowners bringing forward their own development proposals, with the public sector's role in coordinating this approach being primarily limited to its planning powers, such as at Nine Elms (see Figure 41). Such an approach is not considered appropriate for fulfilling the partners' vision for Old Oak West. This is in part due to the need for public sector intervention to potentially fund and/or deliver infrastructure works required to enable some of the sites, which the market would otherwise not deliver. It is also in recognition of the need to manage the release and development of land in a coordinated and controlled basis, to help realise a comprehensive development, with the associated regeneration 'premium' (see Financial Case) and strategic benefits (see Strategic Case). A higher intervention approach would see the public sector establishing a strong vision and masterplan framework, with multiple private sector partners implementing the public sector vision, such as at the Olympic Park.

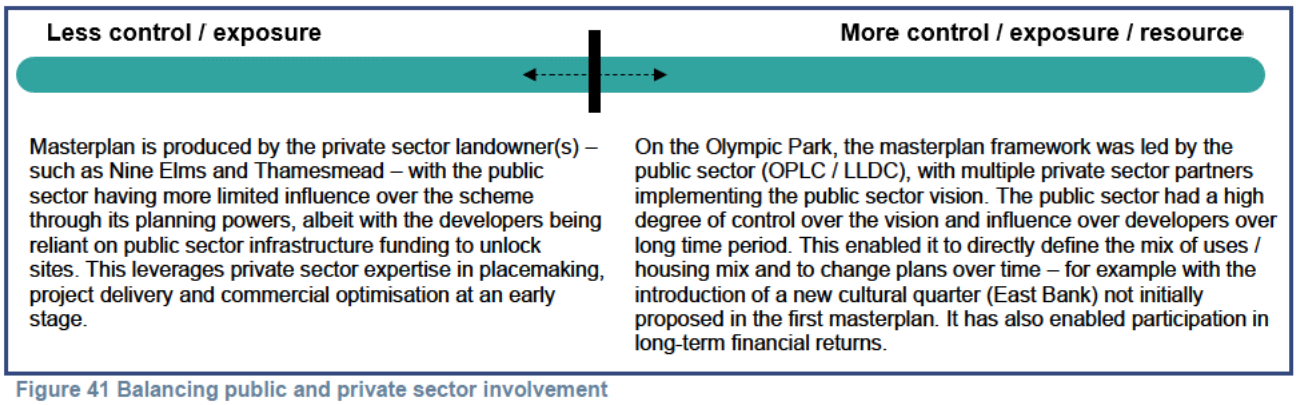
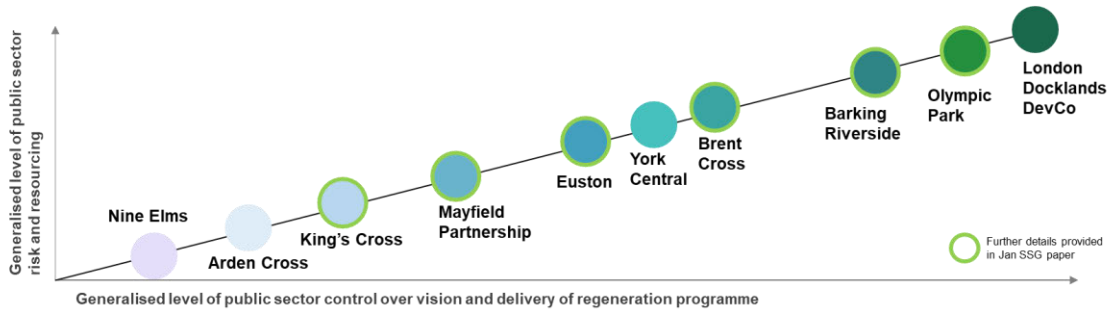


Figure 41 Balancing public and private sector involvement

A wide range of other precedents that sit along this spectrum have been considered, as illustrated in Figure 42. The projects are shown against a risk/return framework and the generalised level of intervention by the public sector. In general, as projects move to the right of the diagram, they increase in terms of public sector capital requirement, control over certainty of delivery, public sector operating cost and delivery responsibility and also potential risk and reward participation.



	Nine Elms	Arden Cross	King's Cross	Mayfield	Euston	York Central	Brent Cross	Barking Riverside	Olympic Park	LDDC
Scale	16,000 homes 25,000 Jobs	3,000 homes 6m sq. ft commercial	2,000 homes, 4.25m sq. ft commercial	1,500 homes 1.67m sq. ft commercial	3,800 homes 3m sq. ft commercial	2,500 homes 1m sq. ft commercial	6,700 homes up to 3m sq. ft commercial	10,500 homes	24,000 homes 40,000 jobs	24,000 homes 25m sq.. ft commercial
Land	Fragmented	Land pool (Birmingham CC with 2 private interests)	Land pool (LCR and DLH in original incarnation)	Land pool (Manchester CC, LCR, TfGM)	Land pool (DfT. NR)	Land pool (NR, HCA, York CC, Railway Museum)	Single ownership (LB Barnet)	Single ownership (GLA)	Single Ownership (LLDC)	Single Ownership
Commercial structure	Local Partnership, EZ	SPV	JV	JV	DA with one MDP	Local Partnership, EZ, HZ	JV	JV	DAs & JVs w/ multiple dev's	EZ, Land Sales
Partner	Multiple	Muse	Argent	Landsec (U&I)	Lendlease	In procurement	Argent	L&Q	Multiple	Multiple

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Figure 42 Precedent schemes summary | Source: Arup / Deloitte

Following consideration of these precedents and the organisational priorities and red lines, it has been agreed that a balanced approach is needed at Old Oak West. This is necessary to balance the need for public sector control over outcomes to realise the strategic objectives and protect landowner interests – and to acknowledge the wider criticality of protecting the HS2 funding and delivery programme that sits at the heart of Old Oak West – whilst also harnessing the best of the private sector's expertise and resources to deliver high quality development.

In Phase 2 of the programme, it is expected that the private sector's remit will focus initially on preparing a Business Plan, which will be the key document in managing the respective roles of the public and private sectors. Thereafter, early priorities for the private sector partner are expected to be developing a comprehensive masterplan, securing consents, and delivering infrastructure and potentially some early sites. In Phase 3, as the project moves into long-term delivery, the private sector will have a key role in maintaining and delivering against the Business Plan. This will include funding and delivering development, fulfilling planning obligations, and delivering some elements of infrastructure.

5.4.3 Partnership options

A range of options were explored for how the public sector partners with the private sector to achieve the balance of control, risk and reward described above. These are summarised in Table 36, presented in order of least to greatest intervention by the public sector.

Table 36 Delivery options longlist

Partnership Options Longlist	Description	Precedents
1. Land sale (no partnership)	Sale of land by tender on the open market. Typically a two-stage process, with initial offers sought from the open market and then 'best and final' offers invited from a shortlist. The purchaser completes the transaction on either a conditional or unconditional basis. Overage may be payable based on the sales values and / or planning consent secured.	Chelsea Barracks – MoD
2. Development Agreement (DA) / Contractual Joint Venture (JV)	Procurement of a development partner who takes on the development risk to deliver and pays a land premium at agreed milestones (for example, on commencement of each phase or during the sales period). The project would be governed by a DA entered into between the parties with a set of development obligations. A MDP could be appointed under this structure, who would take on the additional roles of securing a masterplan consent and delivering scheme-wide infrastructure ahead of either selling or directly delivering some or all of the land plots.	Euston OSD – DfT & NR Chobham Manor – London Legacy Development Corporation (LLDC)
3. Corporate Joint Venture (JV)	Procurement of a development partner to sit alongside the public sector as joint equity investors in a corporate JV structure, established as either a JV Company or Limited Partnership. Both public and private sectors can contribute skills and resourcing to the running of the JV, alongside their equity contributions.	Earls Court – TfL / Delancey SPV Brent Cross – LB Barnet / Related Argent
4. Development Manager (DM)	Procurement of a DM on either a fee and/or other incentivised basis to provide a service on behalf of the public sector to take the project forward to an agreed stage – for example, outline planning consent or infrastructure delivery. In this option, the role of running the project is effectively outsourced but the all the financial risk and reward remains with the public sector, until the agreed exit point for the DM. At this stage, the project could be taken forward through some of the other routes outlined in this table.	Heart of Sheffield – Sheffield City Council
5. Public sector master developer	Public sector retains land and undertakes to fund and deliver master developer works. Serviced land parcels can either be sold to plot developers or retained and developed directly by the public sector landowner (see 'direct development' below).	Olympic Park – LLDC Meridian Water – LB Enfield
6. Direct development	Direct delivery by the public sector, using construction contractors and advisors. Public sector would lead the design and delivery process in its entirety, including leading the initial design work, securing planning permission, letting build contracts and monitoring, achieving practical completion, implementing marketing and letting strategies. The public sector would need to secure capital to fund the project but would also be able to retain all receipts.	BeFirst – Barking and Dagenham

Table 37 summarises the detailed assessment of each longlisted option against key considerations including control over outcomes, capital intensity for the public sector and their relative acceptability to private sector partners, plus the risk/reward profile in each case. This table is a summary of supporting work undertaken as part of the OBC by commercial advisors as well as drawing upon lessons learnt and contributions from the partner group, cumulatively bringing together significant practical experience of using the longlisted structures on comparable projects. In all options there will be a need to demonstrate that public land is being brought forward in accordance with best consideration requirements. The transaction will need to be optimised from a tax efficiency perspective, including avoiding double transactions where possible.

Following the assessment summarised above, three partnership options are retained: DA/ Contractual JV, Corporate JV and DM. Of these, only a DA/ Contractual JV or Corporate JV would see material early commercial, financial and delivery risk transfer to the private sector and hence are likely to be the frontrunners of the three shortlisted options. Practically, both a DA or JV would require ongoing involvement to ensure success, whether via proactive monitoring of strongly worded contractual provisions in a DA or through day-to-day involvement in a JV with a shared board and potentially resources. Further market engagement will be used to explore the market's perspective on optimal commercial structures for each of these, which will then form the basis of the procurement structure.

In practice, the optimal solution for Old Oak West will likely combine a number of the retained structures, either over time or by applying different delivery routes to different parts of the site. For example, LLDC directly oversaw the securing of an outline planning consent for the Queen Elizabeth Olympic Park, before using DA, Corporate JV and Direct Delivery structures to realise different parts of the opportunity. As a further example, at King's Cross, a Corporate JV was used as the overarching structure for creating the partnership, but some plots were also sold to third party developers rather than all being delivered by the JV.

5.4.4 Risk allocation

A key element of the delivery strategy is ensuring that risk allocation is optimised, with the overarching principle being that each risk should be allocated to the party best able to manage it and that organisational red lines are protected. An initial risk allocation matrix is set out in Figure 43. This has been developed with reference to the risk types set out in the Green Book, tailored to this project.

Risk allocation will be subject to further refinement as the commercial strategy is finalised in the Interim Business Plan (see Management Case). As such, the risk areas are captured here at a broad level. The actual allocation of some risks will depend heavily on the nature of the partnership with the private sector and may change over time. Different parts of the public sector will take on specific risks in line with the agreements and governance arrangements proposed for the project.

Public Private

Category	Risk area	Indicative Split	Rationale
Scheme development	1. Planning consents		Private sector partner expected to lead on securing consent based on its proposed masterplan.
	2. Infrastructure scope changes		Public sector needs degree of control over infrastructure specification to delivery objectives, but final scope dependent upon private sector-led masterplan.
	3. Interfaces with operational assets		Public sector needs to retain assurances over protections for operational assets.
Commercial	4. Public land release		Public sector needs to retain conditionality over release of its land.
	5. Private land assembly		Delivery agent is responsible for private land assembly, backed up CPO powers if needed.
	6. Public sector funding		Public sector needs to retain conditionality over funding release.
	7. Cost escalation and project financing		Proposed to be shared, but split depends upon eventual commercial model, especially the nature of the partnership with the private sector (DA, JV or DM).
	8. Market fluctuations		Proposed to be shared, but split depends upon eventual commercial model, especially the nature of the partnership with the private sector (DA, JV or DM).
Delivery	9. Infrastructure delivery		Delivery agent will act as overall sponsor for infrastructure delivery, passing this onto the private sector where possible (to be tested during market testing).
	10. Development delivery		Private sector has expertise and experience of delivering development on plots.
	11. Project cancellation		Private sector likely unable bear risk of cancellation i.e. abandoning comprehensive regeneration.

Figure 43 Indicative risk allocation matrix

5.4.5 Approach to contracting

OPDC would be an appropriate contracting party for all agreements, including those with the public sector bodies and with the private sector development partners. OPDC was established specifically to secure the regeneration of the Old Oak Opportunity area, it is the planning authority and has the necessary powers to be the contracting party; and authority to enter into any agreements would come from OPDC's Board under its Standing Orders. Having a single counterparty creates an attractive proposition for the market, as bidding developers will be confident that they are dealing with an efficient public sector partner and that there is a good level of certainty around the availability of land (noting there are still conditions to satisfy) and funding. Both OPDC and the other public sector partners will have contractual enforcement mechanisms to protect the identified red lines and priorities.

Another potential alternative would be for the SoS for Transport to be the counterparty to the private sector MDP. There is precedent for this approach in London, for instance at Euston where the SoS-Transport is counterparty to the Master Development Partner for over-site development (however, at Euston there is no development corporation established with the express purpose of driving forward a regeneration agenda). As the majority landowner, the market may also view this as being an attractive structure; however, this requires further review of various practical, legal, and operational considerations.

A final option would be for both the Mayor and the SoS for Transport to be the counterparty for contractual agreements. This issue will be further deliberated by the Old Oak West Collaboration / Assurance Board (CAB), with a decision captured in the final procurement and commercial strategy to be codified in the Interim Business Plan (refer to Management Case).

5.4.6 Accountancy treatment

Accountancy treatment has been considered only at a high level as part of the private sector partnering options assessment. At this stage, it is not possible to provide a definitive position on accountancy treatment as the commercial strategy remains subject to development in response to private sector feedback and as the nature of public sector collaboration is finalised. Each organisation will need to individually consider the potential balance sheet implications of the project in light of the confirmed commercial structure and will need further specialist advice on this point.

5.5 Market appetite

5.5.1 Summary of previous engagement

Old Oak West represents arguably the most significant regeneration opportunity within London, with the potential to deliver a truly transformational scheme around the HS2 / Elizabeth Line interchange. It is anticipated the opportunity, particularly if taken forward in a comprehensive manner, will appeal to experienced UK-based and international developers. These may look to partner with equity capital (i.e. institutional investors or sovereign wealth funds) that have the ability to invest ‘patient capital’ over a long-term time horizon. It may also attract interest from a smaller pool of experienced developers who have the financial firepower and flexibility to take on a project of this magnitude.

In preparing the SOBC for Old Oak West, OPDC and its previous commercial advisors undertook initial market engagement in late 2021 with four major development organisations, each with a proven track record of delivering large scale regeneration projects. Feedback confirmed there was real interest in the opportunity due to the outstanding planned transport links, international access via Heathrow, and an attractive critical mass of development. It was expected that this would drive strong fundamentals, including:

- Attracting both development capital and occupier businesses.
- Offering scope to provide relatively affordable commercial space, in comparison to more established locations.
- Driving long-term value growth through placemaking and critical mass of development.
- Demonstrating strong public sector support.

Organisations noted several key issues to resolve, including the poor existing environment, significant up-front infrastructure costs, and existing fragmented land interest. They generally agreed that control over the whole development was important, with flexibility to develop a masterplan without being hampered by public sector “over design”. A single interface with the public sector was noted as being critical, particularly in terms of coordinated public land and a clear commitment to private land assembly. Organisations had different preferences for partnering arrangements (DAs versus JVs) and on whether they would want to deliver all plots or act as a master developer. They also shared different views on the extent to which public sector de-risking of planning and infrastructure delivery was required. These issues will be explored further during the next phase of market engagement.

5.5.2 Further market engagement plan

Further market engagement will be undertaken with companies that represent the upper tier of residential, commercial and mixed-use developers, ideally with experience performing development partner roles elsewhere. These are likely to include a combination of organisations previously approached by OPDC, as well as a wider set of parties who have specific experience of one or more of the following attributes:

- Working in partnership with the public sector in delivering large scale, transformational schemes.
- Working in close proximity to major transport infrastructure.
- Having the ability and appetite to provide long term capital for major regeneration schemes.
- Have specialist development management / development partner skill sets.

The final list of parties to engage with will be finalised in the coming months. Further market engagement will be undertaken in a structured and transparent format, following Early Market Engagement 'EME' guidance provided by the Cabinet Office[65]. The purpose of this EME will be to test specific discussion themes, which are anticipated to include those summarised in Table 38. Prior to commence any additional EME, the basis of the process, including information to be provided, record keeping and sharing of the EME findings with other potential suppliers. A market engagement strategy will be developed by OPDC in consultation with the landowners, and submitted for review by the Old Oak West Collaboration / Assurance Board prior to any contact with the market taking place.

Table 38 Summary of potential discussion themes and topics for future market engagement

Discussion Theme	Topics to be discussed
Commercial Structure	• Development partner structure and roles / responsibilities, particularly willingness to risk capital ahead of masterplan / business plan confirmed as acceptable. • OPDC as a partner – capability and expectations. • Financial structure and project viability. • Desired scale of opportunity and appetite for development partner plot delivery. • Acceptability of proposed public sector land collaboration approach and governance.
Vision, Proposition and Planning	• Feedback on the general arrangements and emerging parameters. • Level of planning certainty desired, views on the context of the Old Oak West SPD. • Market confidence around commercial development viability, occupier demand and funding, proposed level of affordable housing and views on residential mix. • Approach to optimising station interface and design integration.
Risk and Opportunities	• Land assembly – what certainty is required. • Infrastructure funding and delivery of infrastructure, specifically with regard to what involvement prospective developers would want to have in the scoping and delivery of infrastructure works, such as the East-West Bridge. • HS2 delivery and transport upgrades. • Achieving ESG and Social Value objectives.

[65] https://www.crowncommercial.gov.uk/news/how-to-carry-out-early-market-engagement-successfully-procurement-essentials

5.6 Procurement strategy

5.6.1 Principles

The focus of the procurement process will be on regulation compliance and identifying the optimal MDP, which is expected to be a developer that can demonstrate:

- Understanding of local and national Government's strategic objectives for Old Oak West.
- Exemplar track record and skill set, necessary to perform the role of a development partner.
- Clear alignment of values with OPDC and the wider partner / stakeholder group.
- Compelling and deliverable vision for Old Oak West.
- The ability to either offer or readily secure the capital required to facilitate the delivery of a long-term regeneration programme.
- A clear basis and commitment for delivering financial and social value over the project lifespan.

5.6.2 Outline specification

The detailed specification of responsibilities for the MDP to perform will be developed further by OPDC and the wider public sector partners following the submission of the OBC. In the meantime, based upon an understanding of the project's strategic objectives and precedent projects of this type, it is anticipated that the MDP will be able to offer the following as a minimum (see Table 39).

Table 39 Master Development Partner minimum anticipated offering

Category	Minimum Anticipated Offering
Skills	• **Capability to create and agree a masterplan for Old Oak West** – building upon the work which OPDC and project partners have undertaken to date and setting out the basis upon which principal land uses, public realm, massing, services, access and so on, will be successfully integrated to fulfil the public sector's strategic objectives for Old Oak West. • **Innovative and forward-thinking mindset** – Old Oak West will be delivered into a dynamic and rapidly evolving market place, particularly with regard to matters such as the form and function of employment space, sustainability and the expectations of both residents and commercial occupiers. The MDP will need to be able to demonstrate how it will make Old Oak West a relevant and vibrant location; not simply replicating approaches which have been taken in the past. • **Internal resource** – the MDP will need to offer an internal team with the breadth and depth of experience, relevant to developing and implementing a business plan for a project with the scale, complexity and ambition of Old Oak West. Its team should also be diverse, both in terms of its composition and skillset, to help bring a breadth of thought to the project which complements the characteristics of the Old Oak West area and the OPDC Delivery Agent team. • **Programme management** – the MDP will need to have the ability to assemble and manage a best-in-class in-house and advisory team, to develop the scheme design, leasing strategy, phasing approach, energy strategy and so on. • **Estate Management** – the success of Old Oak West will be measured not just in terms of the physical quantum of development but also in terms of how it matures over time. A well-considered estate management approach will be essential, to help Old Oak West operate and maintain comparable standards seen at exemplar regeneration schemes elsewhere in London – for example the Queen Elizabeth Olympic Park and King's Cross.
Funding and Access to Capital	• **Pre-development expenditure** – including: masterplanning, planning, leasing strategy, business plan management. Deloitte has advised that one of the key financial elements to test (both during market engagement and the procurement itself) will be the willingness and ability of bidders to finance pre-development expenditure 'at risk'. • **Plot infrastructure works** – including, public realm, plot access works, pedestrian and cycle infrastructure. • **Plot construction works** – where the MDP opt to take on the delivery role for enabled development plots. • **Operational costs** – where the MDP retain an ongoing estate and asset management remit.

5.6.3 Potential procurement routes

Deloitte has provided advice to OPDC on potential procurement routes, in its role as Strategic Development Advisor to the project. It anticipates that a regulated procurement procedure (i.e. subject to public procurement legislation) is most likely to be required for Old Oak West. This is on the basis that OPDC will impose enforceable contractual obligations upon the partner to carry out works (e.g., to deliver specified works or to achieve specified delivery milestones), and those works would provide an economic benefit to OPDC and the wider public sector partners as a result of contractual mechanisms enabling the public sector landowners to realise a financial return.

As of August 2023, the advertisement and award of a contract to select a MDP would be governed by the Public Contracts Regulations 2015 (PCR) if the contract constitutes a public works contract. In the alternative, if the contract constitutes a works concession contract, the advertising and award of the contract would be governed by the Concession Contracts Regulations 2016 (CCR). Legal advice will need to be sought to confirm which legislative basis should apply for Old Oak West. This will ultimately turn on (a) the nature of the MDP's consideration and (b) the extent to which the contract involves the transfer to the MDP of an operating risk in exploiting the works.

Consideration also needs to be given to the proposed reforms of the UK's public procurement regime. In particular, the Procurement Act received Royal Assent in October 2023. The Procurement Act, once implemented, will replace the existing EU law derived regulations. In its most recent update (30 November 2023), the Cabinet Office indicated that it is planning for an October 2024 commencement date following a six-month preparation period. However, this date is not fixed, and it is possible that the new regime may be in force by the launch date for this procurement. The details of the new procedures will be expanded upon through secondary legislation (expected to be laid in early 2024) and (yet to be published) Cabinet Office guidance and training.

There are five alternative competitive award procedures available under the PCR (see Table 40). The CCR, on the other hand, is not prescriptive; the CCR simply requires the procuring authority to organise the procedure leading to the choice of concessionaire subject to compliance with the Regulations (in essence the award procedure needs to be designed in line with the principles of equal treatment, non-discrimination, and transparency).

The Procurement Bill simplifies the approach to award procedures. In short, there are two options:

- a single-stage tendering procedure without a restriction on who can submit tenders (an "open procedure"), or
- such other competitive tendering procedure as the contracting authority considers appropriate for the purpose of awarding the public contract (a "competitive flexible procedure").

Table 40 Potential procurement routes

Procedure	Commentary	Conclusion
Open	Cabinet Office guidance indicates that the Open procedure is most suitable for procurements where the authority is procuring common goods and services. It is a one-stage process which means suppliers can receive all the procurement documentation at once. It is however not considered suitable for complex projects, particularly where there is a need to pre-qualify suppliers, and as such, would not be suitable for a project such as Old Oak West.	**Unsuitable**
Restricted	The Restricted procedure is a two-stage process, which includes a pre-qualification stage to reduce the number of suppliers. The restricted procedure tends to be used where the authority's requirements are clearly defined and there is limited (if any) flexibility for the procuring authority to discuss tenders with bidders. Given the expectation that OPDC will want to allow bidders to come forward with their own ideas and commercial proposals, which would be developed and negotiated during the procurement process, the Restricted procedure is unlikely to be suitable for a project such as Old Oak West.	**Unsuitable**
Innovation Partnership	The Innovation Partnership route is reserved for instances where there is a need for the development of an innovative product or service and the subsequent purchase of	**Unsuitable**

Procedure	Commentary	Conclusion
	these cannot be met by solutions already available on the market. This does not apply in the case of Old Oak West, meaning that this approach can be discounted.	
Competitive Dialogue	Generally understood by likely market participants to be appropriate for a project such as Old Oak West – see further commentary below.	**Potentially Suitable**
Competitive Procedure with Negotiation	Generally understood by likely market participants to be appropriate for a project such as Old Oak West – see further commentary below.	**Potentially Suitable**

5.6.4 Competitive Dialogue (CD)

CD involves the publication of a Contract Notice via the UK Government's 'Find a Tender Service', which advertises the opportunity to potential bidders. Interested parties are required to complete a selection questionnaire. Following evaluation of the selection questionnaire responses, typically between three and five parties are shortlisted to participate in the dialogue phase. More complex projects, such as Old Oak West, often include an 'Outline Proposals' stage, where shortlisted bidders put forward their initial ideas in response to the authority's brief. There may be a down selection of bidders following evaluation of Outline Solutions, with the remaining bidders invited to dialogue their proposals.

The dialogue process is typically structured around relevant themes – e.g. masterplan approach; financial proposal; contract. The dialogue is normally run until such point the authority is satisfied that there is at least one solution which could deliver its requirements. At that point dialogue is closed and final tenders are sought. There are several advantages and disadvantages to the dialogue approach, set out in Table 41.

Table 41 Advantages and Disadvantages of CD

Advantages	Disadvantages
• A wide market can be explored, which increases the possibility of sourcing a solution which best fits the requirements. • Requirements can be refined throughout the CD process. • Scope for contract 'optimisation' and 'fine-tuning' post selection of a preferred bidder.	• The timescale of this process can be protracted – typical CD procurements range from 9-18 months. • Market perception of being a resource intensive procedure, particularly where either extensive design and/or legal dialogue is sought.

5.6.5 Competitive Procedure with Negotiation (CPN)

As is the case under the CD procedure, the CPN is launched through the publication of a Contract Notice via the UK Government's 'Find a Tender Service'. Interested parties are required to complete a selection questionnaire. The shortlisted bidders are invited to submit Initial Tenders, prepared in response to the authority's brief. Clarification meetings may be held during this stage but no formal dialogue / negotiations take place.

Provided the authority has reserved the right to do so in the original contract notice, the authority may select a preferred bidder at the end of the Initial Tenders stage. Alternatively, it may carry out one or more rounds of negotiations, to seek to address matters not satisfactorily answered at the Initial Tenders stage. The advantages and disadvantages of doing so are outlined in Table 42. Once negotiations have been concluded, final tenders are requested and evaluated. The successful bidder is identified, but no further negotiations are permitted with that bidder.

Table 42 Advantages and Disadvantages of CPN

Advantages	Disadvantages
• A wide market can be explored, which increases the possibility of sourcing a solution which best fits the requirements. • Flexibility to award after Initial Tenders – can expedite the process. • Scope to negotiate with multiple bidders and retain competitive tension.	• Negotiation of the contract is not permitted after final tenders. On this basis, all legal negotiations should be resolved during the procurement which may be time consuming and off-putting to bidders. • Less well suited for complex projects where a range of ideas and solutions may need to be developed during the procurement phase.

Table 43 provides a review of various precedent schemes, including the procurement route and common characteristics which were applied. This shows that CD has been most commonly applied for projects of this type, albeit Brent Cross Town provides some precedent for use of CPN.

Table 43 Review of Precedent Schemes

Route	Project	Procuring Party
Competitive Dialogue (CD)	Birmingham Smithfield	Birmingham City Council
	Euston Over-Site Development	HS2 Ltd (on behalf of DfT)
	Mayfield	Mayfield Partnership
	York Central	Homes England / YCC / NR
	Platinum Portfolio	TfL
	Property Partnerships	TfL
Competitive Procedure with Negotiation (CPN)	Brent Cross Town	LB Barnet

Deloitte has undertaken a more detailed review of three procurements: Brent Cross Town, Euston and Mayfield. Deloitte considers these procurements to share a number of characteristics with Old Oak West, on the basis that they all involved multiple public stakeholders; had important interfaces with scheme-wide infrastructure (both existing and to be provided); required a long term approach to development; and all placed a strong emphasis upon placemaking. Key findings from this exercise include:

- Each project placed a higher weight upon quality / technical matters than price, with a 70:30 quality/price split being typical.
- Each procurement placed an emphasis upon bidders demonstrating their 'partnership credentials', as opposed to putting forward defined solutions.
- In each case there was an expectation that the partner would develop and maintain a detailed Business Plan post selection. The procurement processes typically sought to test how bidders would go about populating this, with the questions generally designed to fit around the anticipated Business Plan chapters.
- Financial questions were typically designed around testing and defining key variables, which would inform future plot draw down valuations – for example, fixing a maximum development profit as part of the bid process.

Assuming the procurement is subject to the PCR, Deloitte expects that either the CD procedure or CPN would be suitable for Old Oak West, although this remains subject to legal review. If new procurement rules are in place by the time of the launch of the Old Oak West procurement, the working assumption is that the structure of the award procedure would be based closely on either the CD procedure or the CPN procedure and take approximately 7 to 12 months. Given the dynamic legislative context and the implications this will have upon the Old Oak West procurement process, OPDC will seek specialist legal advice to support it in finalising a decision as to which procurement procedure is most appropriate for Old Oak West.

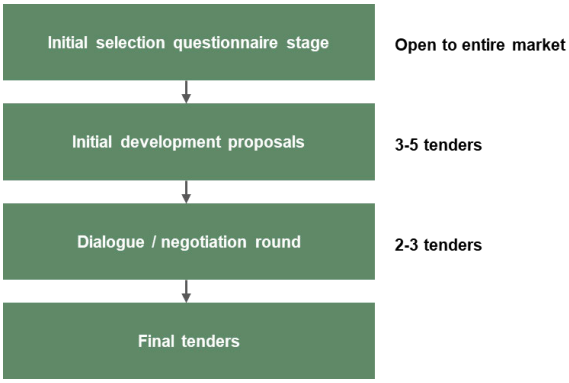


Figure 44 Competitive Flexible Procedure

5.6.6 Potential evaluation areas

The procurement process will be designed to identify the most economically advantageous partner from the public sector's perspective and to set the framework upon which both pre-development and construction activities will be undertaken. Having regard to the public sector's strategic objectives, potential headline evaluation criteria could include the following:

- Vision and masterplan approach.
- Planning strategy.
- Project team.
- Delivery and technical approach.
- Programme and phasing approach.
- Risk management.
- Sales, leasing, marketing approach.
- ESG approach and commitments.
- Financial offer.
- Funding approach.
- Legal arrangements.

It is expected that the final criteria will be designed to fit around the Business Plan structure, with bidders potentially being asked to prepare a draft Business Plan as part of their tenders, against which they would then be assessed.

5.6.7 Implementation

It is expected that OPDC, in its proposed remit of Delivery Agent, will be responsible for leading the procurement process. A 'Project Review Panel' with public sector representatives will be established to review and comment on the procurement strategy, evaluation criteria, key documentation (such as: Memorandum of Information, Selection Questionnaire, Invitation to Tender, detailed Heads of Terms), the Tender List Recommendation Report and the Contract Award Recommendation report. This process will be supported by a number of external specialists who will be responsible for covering design, technical, legal and financial matters.

The final procurement and commercial strategy will be captured in the draft Interim Business Plan, submitted to the Old Oak West Collaboration / Assurance Board in Summer 2024 (or six months following OBC sign-off) for approval prior to commencing the procurement. More information on the IBP is set out at section 6.5.

The OBC assumes a Late 2024 launch for the procurement process. This remains subject to confirmation that a procurement could launch within the Mayoral pre-election period and is subject to approval of the draft IBP by the Collaboration / Assurance Board. Allowing for up to a 12-month procurement process, the MDP would be selected in Autumn 2025, with a subsequent period to finalise legal agreements. This sequencing, and how it relates to development of public sector legal agreements, is set out in Figure 45.

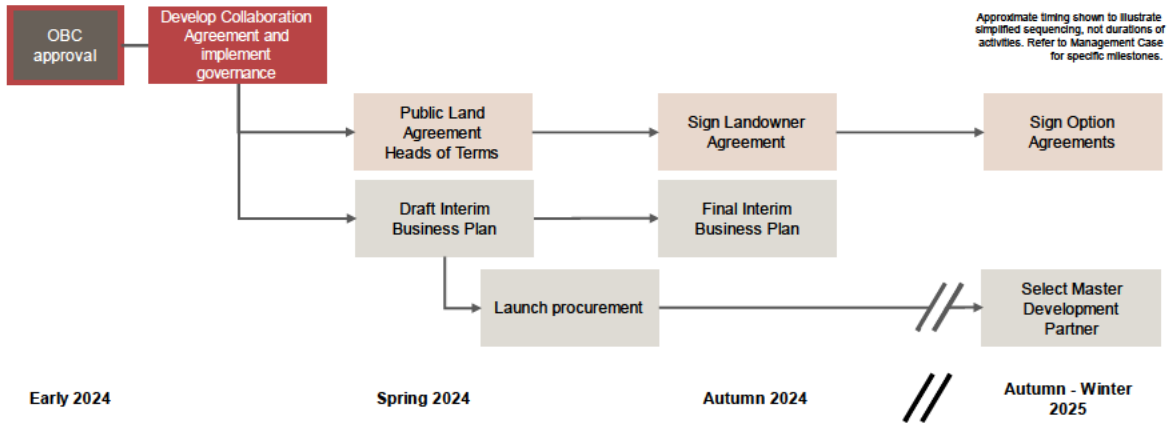


Figure 45 Potential sequencing of procurement strategy up to selection of MDP | Source: Arup

Delivery of the procurement timetable is reliant on the prior establishment of an appropriate governance and evaluation structure, including a programme management function to provide control and oversight of the process. OPDC will also need to develop its internal procurement policies, such that these can be shared with tenderers and contractually committed to as necessary. Using LLDC as a precedent, such policies could include:

- Quality Standards.
- Construction Good Neighbour Commitments.
- Community Engagement Requirements.
- Code of Consultation.
- Environmental and Sustainability Standards.
- Inclusive Procurement Policy.
- Fire Safety Requirements.

It is expected that OPDC will develop such policies, drawing upon the experience and precedents from the wider GLA family (including LLDC) and Homes England.

Further market engagement will be undertaken following the approval of the OBC, as set out in section 5.5. This will be undertaken on a structured basis to test specific questions, with a purpose of helping to shape and guide the transaction structure and procurement proposal. It will need be run in a transparent and open manner to ensure compliance with the applicable public procurement legislation, and adequate steps will need to be taken to avoid giving an unfair advantage to participants in the subsequent procurement process. To this end, findings from the early market engagement should be shared with all interested market participants prior to the launch of the procurement process.

5.7 Potential commercial model

5.7.1 Initial model (immediately following appointment of partner(s))

Bringing together the considerations above, a potential commercial model with a MDP could involve a relatively contractually-based arrangement in early stages, primarily focused on development management activity, that moves through to a closer partnership once the project moves into its main delivery phase. A two-stage structure of this nature has precedent in the market, such as at King's Cross.

For early stages of the project (e.g. until planning consent is secured or other major milestones reached) the model could come together as set out in simplified form in Figure 46. OPDC would be party to Funding Agreements with DLUHC (via the GLA) and to Public Land Agreements with the landowners. It would also be the key interface for the private sector MDP. At this stage the private sector role would likely resemble that of a development manager, focused on producing the Business Plan (building on the Interim Business Plan produced by OPDC), developing the masterplan and securing consents. Some early delivery of sites may be feasible, with land drawn down where applicable and subject to conditions set out in the Options Agreements.

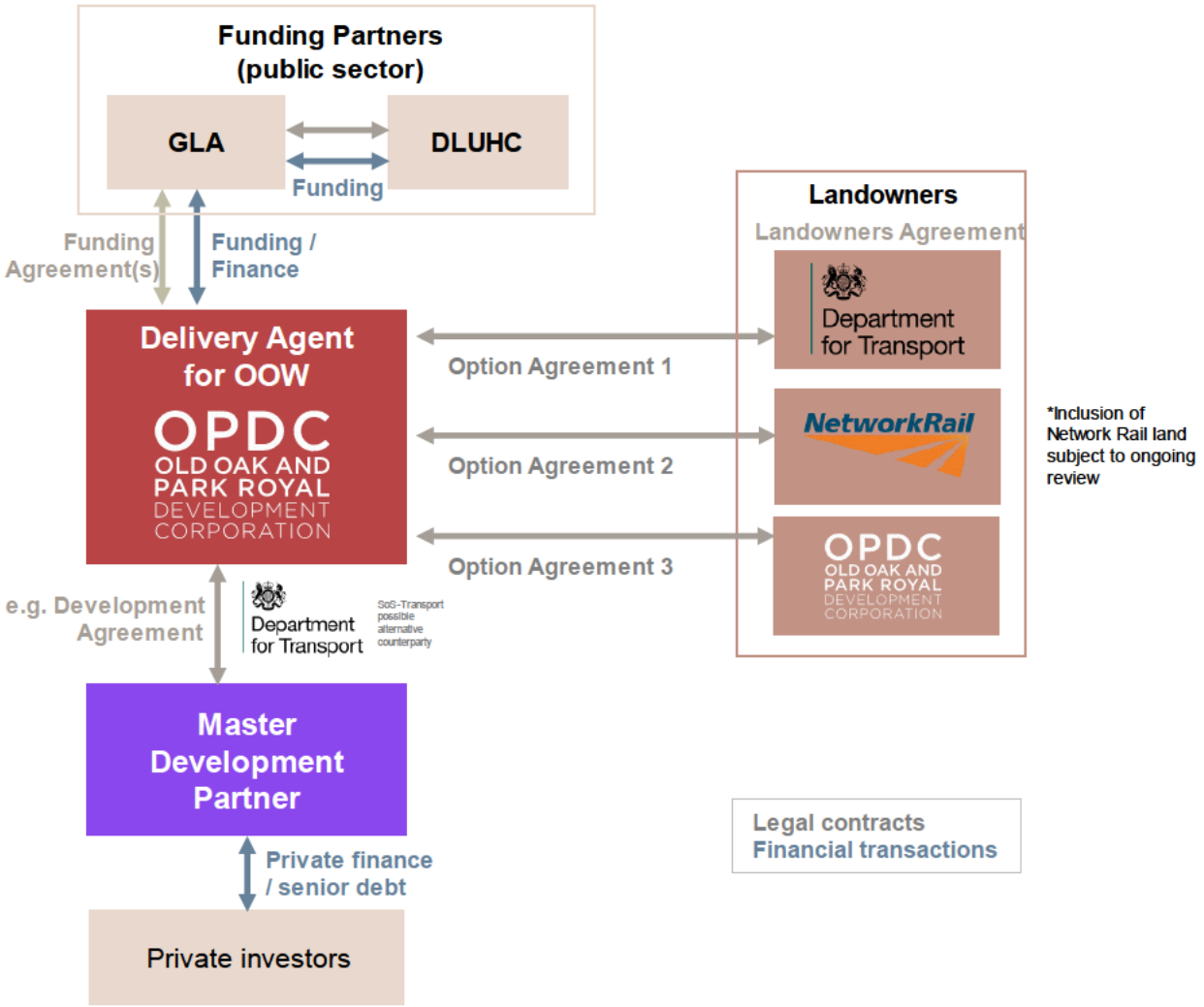


Figure 46 Potential Initial Commercial Model | Source: Arup

5.7.2 Long-term model

In the longer term, as the project moves into delivery, the model would evolve to be a much closer relationship between the private and public sectors, structured as either a DA with strong contractual obligations or Corporate JV with a shared board.

OPDC and other public sector organisations will continue to play an important role, potentially contributing staff and resources to a JV if established, with the private sector leading the bulk of development activity. Any JV would lead on interfacing with public sector funding partners, landowners and transport operations during the delivery phase. OPDC's role as Delivery Agent would evolve to focus on managing the development on behalf of landowners, interfacing with public sector organisations, delivering against wider Old Oak and Park Royal regeneration priorities, and managing operational issues as required. This long-term model is shown in Figure 47.

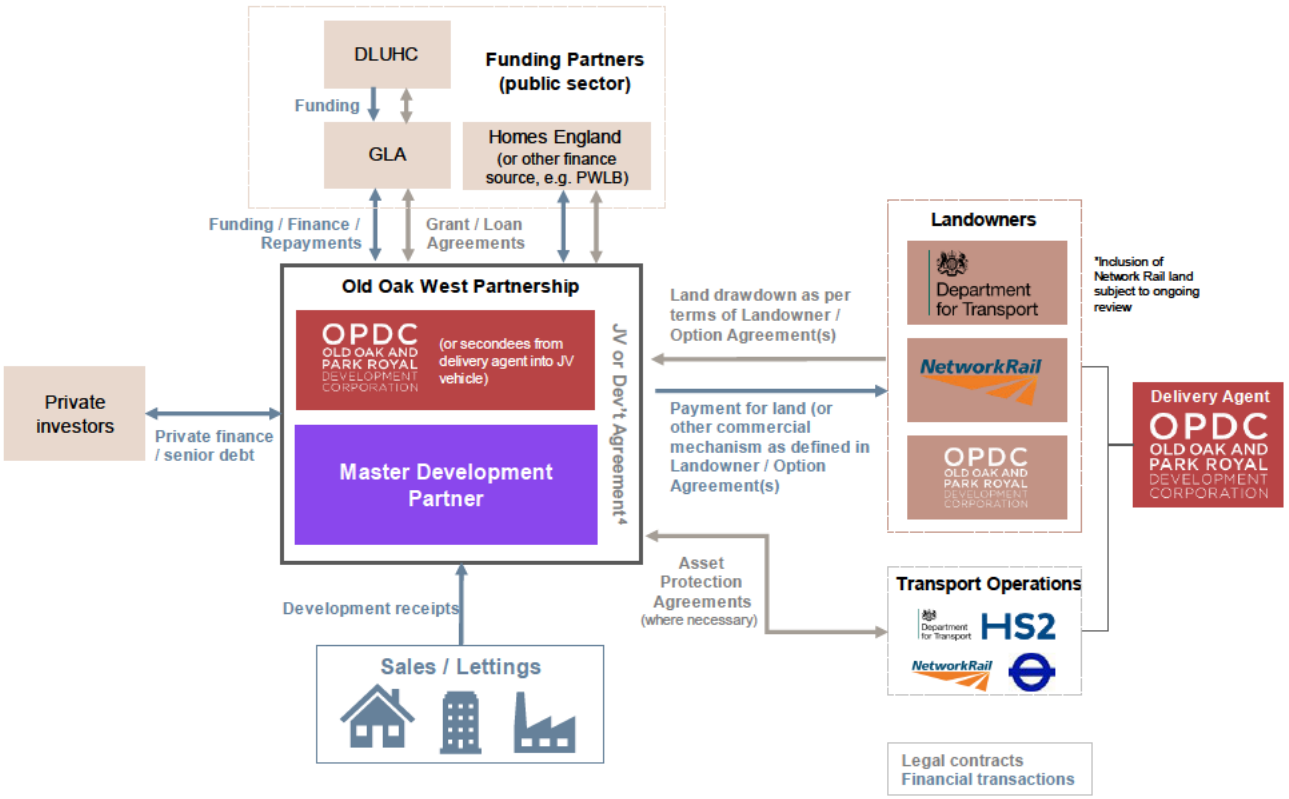


Figure 47 Potential Long-Term Commercial Model[66] | Source: Arup

[66] This intentionally-simplified diagram does not set out the full set of associated agreements that may be required (as set out in Section 5.2.4), the underlying governance arrangements and specific roles and responsibilities (Management Case), or the full range of potential funding partners and mechanisms (Financial Case).



6. Management Case

Old Oak West OBC

Homes England | Department for Transport | Department for Levelling Up, Housing & Communities | OPDC Old Oak and Park Royal Development Corporation

6. Management Case

6.1 SOBC Management Case conclusions

The SOBC concluded that a single organisation would present a clear counterparty for a MDP, whilst recognising that arrangements need to be established to integrate partner and funder requirements. The advantages of having a single delivery body were identified, including providing a singular vision and streamlining delivery. OPDC was identified as this potential delivery body, with responsibilities to government as landowner and funder. An alternative possible delivery body was identified as an SPV that could be jointly owned by the UK government and the Mayor of London. Potential stakeholders, as well as programme dependencies and constraints were identified. Critical dependencies and constraints were identified – such as government approval, planning consent and land assembly needs.

6.2 Delivery roles

6.2.1 Delivery Agent

A single Delivery Agent is essential to the success of the Old Oak West programme. This entity will provide a consistent approach underpinning what will be a complex, long-term, and constantly evolving project. As illustrated below in Figure 48, the role will provide a clear and common interface with government partners and provide a single counterparty for private sector partners. Additionally, the Delivery Agent will ensure that appropriate resources are available to drive the programme forward and coordinate with other partners and stakeholders.

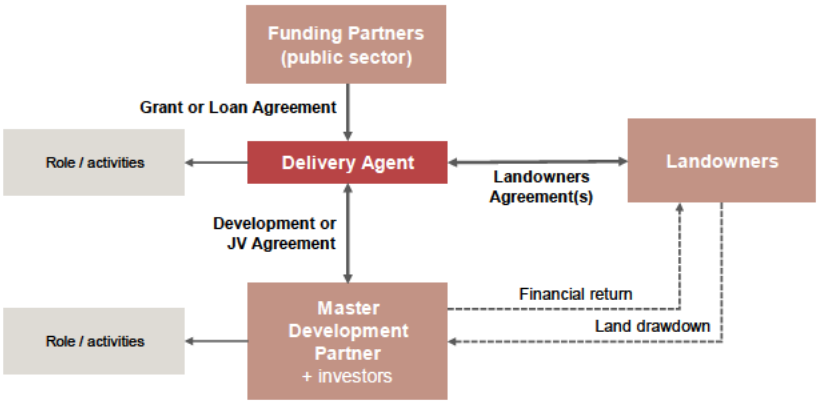


Figure 48 Summary Commercial Framework | Source: Arup

The remit of the Delivery Agent will be to:

- Deliver against the overarching vision and strategic objectives for Old Oak West, in conjunction with other project partners and aligned with the substantial wider benefits expected from the HS2 and Elizabeth Line projects.
- Assemble private sector land interests (via private treaty or CPO) and facilitate the drawdown of public sector land interests in accordance with the terms of any Landowner / Option Agreements (described in section 5.3). It will also receive and administer public sector grant and/or loan funding for land interest acquisitions in accordance with the terms of any Grant and/or Loan Agreements.
- Procure private sector MDP to deliver the masterplan and subsequent development, then manage and monitor the performance of the MDP. Oversee the MDP's work on the drafting and approval requests for a Business Plan, which builds on an Interim Business Plan developed by the Delivery Agent before the selection of the MDP.
- Procure and deliver some aspects of infrastructure. The scope of this will be further defined as part of the infrastructure delivery strategy and subject to commercial negotiations with potential private sector MDP.
- Liaise with transport organisations on operational interface requirements, alongside the MDP, and interface with other local or central public sector organisations. Engage with local stakeholders and communities in promoting the Old Oak West project.
- Facilitate excellent stewardship and asset management by ensuring that long-term stewardship is embedded as a priority in all masterplanning, procurement, and delivery arrangements. Drawing on best

practice, the Delivery Agent will develop a long-term estate and asset management strategy which will set out the approach, resources required, use of local remit, and most appropriate delivery option. This may involve devolving some elements of estate and asset management to the private sector partner.

- Manage project risks and benefits realisation plans (see Sections 0 and 6.10).

Additionally, the Delivery Agent will act as an overarching 'guiding mind', in conjunction with the Collaboration / Assurance Board, to ensure consistency in delivery of the regeneration vision throughout, including championing the realisation of economic and social value.

6.2.2 Options for Delivery Agent

Engagement was carried out with Old Oak West sponsors and partners between October 2022 and January 2023, as well as during the preparation of the SOBC, to assess Delivery Agent options. This assessment identified that, from first principles, most prospective MDPs for Old Oak West would wish to ensure that there is a clear structure and mechanism in place to bring the following elements together in a single place: control over land; a clear planning framework; a long-term regeneration remit; and single project focus.

The engagement identified possible options for a single Delivery Agent which would seek the regeneration powers needed to drive forward the project on a day-to-day basis. In January 2023 the Strategic Steering Group for Old Oak West met to discuss these options and appraise appropriate contracting bodies for the potential MDP post-OBC. A summary of this appraisal can be found in Table 44 below.

The plausible options that were identified include:

- **OPDC**: an MDC (one of two in London) established in 2015 to secure the regeneration of the Old Oak Opportunity Area. The MDC has a mandate to act as the Local Planning Authority within the 650 hectares under its jurisdiction, as well as to lead the development and regeneration of this area.
- **HS2 Ltd**: Government-owned Arm's Length Body established to deliver the HS2 project on behalf of DfT, via a Development Agreement between the organisations. HS2 Ltd has a commercial development function, focused on maximising the key property development and station retail opportunities associated with the new railway.
- **Network Rail** (NR): an Arm's Length Body of the DfT, operating as a regulated monopoly that is the owner and infrastructure manager of most of the railway network in Great Britain. NR is responsible for running a safe and reliable railway, servicing its customers and communities across the country. NR also has a large property function, which includes capabilities and remit for facilitating development in / above / around stations and on other surplus NR-owned land.
- **Homes England**: an executive non-departmental public body, sponsored by DLUHC, established to be the Government's housing and regeneration agency through provision of funding / finance, capability, and expertise.
- **DfT**: a Ministerial department responsible for planning and investing in transport infrastructure. Supported by 24 agencies and public bodies, including **London and Continental Railways Ltd (LCR),** a public corporation that specialises in the management, development and disposal of property assets within a railway context and, in particular, property assets associated with major infrastructure projects.
- **New SPV**: a new public sector-owned SPV could be established by the existing project partners and provided with the powers and capabilities required to lead the Old Oak West project, subject to governance including HMT approvals.

Based on the appraisal, it was understood that no single organisation had all the required skills and powers, but that collectively requirements were satisfied across several organisations. The Strategic Steering Group therefore focused on identifying a lead Delivery Agent, which could be supported by individuals from other parts of government bringing specialist expertise as required. The appraisal concluded that OPDC, with the successful implementation of the capacity and capability enhancements (and oversight of this implementation) set out in Section 6.2.3, is the most appropriate Delivery Agent for Old Oak West. However, the project will benefit significantly from ongoing partnership working across the public sector given each organisation's continuing interests and priorities at Old Oak West. This is reflected in the governance arrangements set out at section 6.6.

Table 44 Old Oak West Delivery Agent options appraisal

	Local remit and accountability for Old Oak regeneration delivery	Powers to compulsorily acquire land at Old Oak West for regeneration purposes	Powers and capability to receive and spend central government grant funding	Powers and capability to procure MDP	Powers and capability to sign contract with MDP	Powers and capability to procure and deliver infrastructure	Manage HS2/NR operational interface requirements	Champion delivery of economic and social value	Coordinate with the MDP on Business Plan	Interface with other local or central public sector organisations	Engage and communicate with local stakeholders and communities	Manage key project risks and benefits realisation plans
OPDC	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓
Pros	OPDC's statutory function is to secure regeneration of its area, which includes Old Oak West. OPDC benefits from powers to do this. The legislative basis for OPDC's powers is the Localism Act 2011 ('The Act'); the MDC was set up in 2015, through an order that was made by the then SoS for Communities and Local Government and confirmed by parliament. OPDC is primed by The Act with a suite of powers for regeneration. The Act permits OPDC to undertake actions it considers appropriate for the purposes of regeneration of its area, whilst also explicitly granting: local planning authority powers; power to provide infrastructure; and power to acquire land by agreement and by CPO where specifically granted (amongst other things). Bringing these different powers together has advantages including: more efficient decision making in implementing the IBP and the ability to make decisions for the area holistically, taking into account the different requirements and limitations of land assembly, infrastructure delivery, and statutory planning powers. OPDC has strong local accountability (through the Mayor and its independent Board which includes the leaders of LB's Ealing, Hammersmith and Fulham, and Brent). There is a track record of undertaking community co-design and engagement which gives OPDC good knowledge of the priorities and concerns of local people. OPDC is a recognised actor for local communities. To bolster resource and capacity, OPDC has recently developed an approved TOM for delivery of this project, spanning the next three years of activity (covering the current Mayoral budgeting period). The TOM will be reassessed after appointment of the MDP, which will provide greater clarity on ongoing public sector resource requirements beyond the initial three-year period. As set out in section 6.2.3, the TOM includes a dedicated function to support the delivery of private land assembly which remains a critical workstream to support the wider regeneration of Old Oak West. This TOM includes a budget uplift of 70% from current levels and approval for filling 25 new roles, including a new Executive Director for Delivery. Many of these posts are now filled with high-quality candidates with extensive experience in land assembly, infrastructure delivery, regeneration, and housing development. Moreover, OPDC can lean on expertise, systems, and capacity from the other London MDC, the LLDC, which has a demonstrated track record of land assembly, infrastructure delivery, developer procurement, and economic regeneration.											
Cons	Several outcomes of the TOM are yet to be fully realised, although some major posts have been filled and recruitment is underway / completed for several other roles. Other enhancements to OPDC's capability and capacity may be required as the scheme progresses. OPDC cannot directly manage HS2/NR operational interface requirements. It would need to work closely with HS2/NR to manage interfaces with the HS2 delivery programme, existing NR operational assets, and the potential release of NR sites for development.											

	Local remit and accountability for Old Oak regeneration delivery	Powers to compulsorily acquire land at Old Oak West for regeneration purposes	Powers and capability to receive and spend central government grant funding	Powers and capability to procure MDP	Powers and capability to sign contract with MDP	Powers and capability to procure and deliver infrastructure	Manage HS2/NR operational interface requirements	Champion delivery of economic and social value	Coordinate with the MDP on Business Plan	Interface with other local or central public sector organisations	Engage and communicate with local stakeholders and communities	Manage key project risks and benefits realisation plans
HS2 Ltd	×	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pros	HS2 Ltd has development management capabilities in-house via their dedicated Commercial Development team, including several leaders with extensive property development backgrounds in public and private sectors. The HS2 team has undertaken considerable levels of planning and analysis on the development potential for their sites and has a detailed understanding of the opportunities and constraints. Most of the land in the Old Oak West scheme is currently owned by DfT for purposes of worksites for the HS2 scheme. If it were the development agent, HS2 Ltd organisation would benefit from the close interface with the OOC Station and programme. There are assurances between HS2 Ltd and TfL that commit HS2 to undertaking a number of local connectivity interventions around the OOC Station as part of the package of works at OOC. These include delivery of a pedestrian and cycle link to North Acton and other highway links. HS2 therefore is already committed to delivering local connectivity improvements, meaning there could be cost efficiencies for HS2 Ltd to deliver other local interventions, where there are already construction teams mobilised on site. Note this comes at a nil cost to the base HS2 budget and programme so would require additional funding.											
Cons	The commercial team is small at-present, with capability to deliver the four worksites to the development market when surplus on behalf of DfT (SoS). As such, significant scaling up of DM capability would be required before HS2 could fully lead on a wider programme of this scale, similar to the approved TOM currently being implemented by OPDC. HS2 does not have such a local remit / accountability for regeneration at Old Oak West, particularly over a delivery programme of several decades. Significantly, HS2 does not have any powers to compulsorily acquire third party land. There is likely to be a need to assemble private sector land interests to enable a comprehensive regeneration platform. HS2 Ltd has seven strategic goals (including driving economic growth and being a good neighbour), however, these do not refer to housing delivery or placemaking. Achieving economic and residential growth at station places is primarily the responsibility of local authorities and requires effective and collaborative working between UK Government departments and its agencies in order to deliver HS2's growth potential. The 2019 Oakervee Review of HS2 reflected on the development of, and alongside, Euston Station (a project of comparable scale and complexity to Old Oak West). It concluded that in light of the challenges presented by the development of Euston station, along with the complexity and scale of the HS2 project itself, that this single organisation responsible for the development of Euston station and housing above and alongside the station, should not be HS2 Ltd.											
NR	×	×	✓	✓	✓	✓	✓	✓	✓	×	×	✓
Pros	NR owns railway land within Old Oak West and is best placed to navigate the operational interfaces between railway land and potential new development. Given the complexity of the statutory and regulatory controls which protect operational uses, it is both necessary and advantageous to use NR's ability to secure requisite consents to facilitate development. The NR Group Property team includes in-house development management capabilities. Working with the NR regional businesses (175 headcount), the Group Development team (80 headcount) is responsible for releasing surplus operational railway land across the country to support the delivery of new homes and commercial development, on which targets are set. NR is committed to using its land and resources to drive the delivery of housing, regeneration, public value, new revenue and capital receipts for investment in NR core activities. In any scenario, NR will have a key ongoing role in the project, particularly related to land release and operational interfaces.											
Cons	It is understood that NR would not have the organisational appetite to fully take on delivery of the entire Old Oak West project, given the relatively smaller amounts of NR land that are involved. NR owns less than a quarter of the land that sits within the Old Oak West scheme boundary.											

		Local remit and accountability for Old Oak regeneration delivery	Powers to compulsorily acquire land at Old Oak West for regeneration purposes	Powers and capability to receive and spend central government grant funding	Powers and capability to procure MDP	Powers and capability to sign contract with MDP	Powers and capability to procure and deliver infrastructure	Manage HS2/NR operational interface requirements	Champion delivery of economic and social value	Coordinate with the MDP on Business Plan	Interface with other local or central public sector organisations	Engage and communicate with local stakeholders and communities	Manage key project risks and benefits realisation plans
Homes England		×	×	×	×	×	×	×	✓	✓	✓	✓	✓
Pro	Homes England is the Government's housing and regeneration agency. Homes England has expertise in bringing sites and opportunities to market, development management capabilities in-house, many of the required powers and functions to lead a complex regeneration scheme, and a track record of delivery on other sites throughout the country. The entity is well-aligned with overall organisational mission and purpose. Additionally, Homes England can provide loans within London. It has collaborative partnerships working with local places (including a particularly effective working relationship with OPDC), and relationships with the wider sector including: housing associations, developers, housebuilders, investors, and policy-makers. Homes England's participation provides confidence to the market in relation to delivery.												
Con	Homes England's remit in London is limited; while a delegation to support the GLA in certain capacities is in progress this delegation pertains to professional, technical and administrative advice, services and support. This option would require agreement from the Mayor for Homes England to take an enhanced role in London for this project – this would likely be difficult to justify given the existence of an MDC that has been established for the same purpose. Homes England would also likely need to significantly scale up capacity to play lead Delivery Agent role on a project of this magnitude. Homes England has CPO powers but would need agreement and approval to use these in London.												
DfT / LCR Property		×	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pro	LCR Property is the government's experienced transport property body, LCR already has many of the requisite skills and capabilities, including in-house development management capabilities, and has a demonstrated track record of regeneration delivery, including in London (e.g. Stratford, Waterloo and King's Cross).												
Con	LCR's existing skills and capabilities exist across the organisations currently engaged in the project. Given the complexity and number of partners that are already involved, introducing another party would likely further complicate the overall programme structure and delivery. This view was validated in several SSG conversations that informed the Delivery Agent analysis.												
New Special Purpose Vehicle (SPV)		?	?	?	?	?	?	?	?	?	?	?	?
Pro	A new SPV entity could be 'custom designed' to respond to the precise requirements and complexities of Old Oak West.												
Con	It is significantly resource and time intensive to design and establish a new Delivery Agent. There is no clear / strong advantage of using a new SPV over an existing Delivery Agent which already exists and has the requisite powers and capabilities, and which could be supplemented with expertise and capability from the other partner organisations as required. It is possible, however, that a future corporate JV could be established between the public sector and the private MDP.												

6.2.3 OPDC capacity and capability

OPDC is an MDC established to lead regeneration at Old Oak and Park Royal. It has strong local accountability through the Mayor of London and its independent Board (which includes the leaders of LB's Ealing, Hammersmith and Fulham, and Brent) for this remit, as well as defined statutory functions and supporting powers, including planning and land assembly.

OPDC has recently approved and is implementing an updated TOM for the delivery of this project, spanning the next three years of activity. The OPDC TOM is focused on the period through to the appointment of a MDP, at which point the model will change to become more private sector-led for delivery. OPDC's TOM has been created through assessment of current and required capabilities including:

- Benchmarking and learning from other similar organisations with reference successful infrastructure and development delivery experience. This includes LLDC, the GLA Royal Docks team, the GLA Strategic Projects and Property team, TfL TTLP, and Barking Riverside.
- Insight and challenge from GLA Group partners and Homes England.
- OPDC's senior management team expertise and experience.
- The previous structure agreed by the GLA and OPDC's board in 2018-19, which was not implemented following the change in strategy from Old Oak North to Old Oak West.

The process identified three main functional areas where additional capacity was deemed to be required. First, within the delivery team, where additional, experienced project management capacity to deal with infrastructure, land and development matters was necessary; second, within programme management; and thirdly, in the finance function.

The specific changes to the delivery directorate have added a further 25 new roles, including a new Executive Director for Delivery role. This role is required to provide the strategic oversight needed to drive forward the Old Oak West project and the corporation's wider regeneration and economic development programme. This individual provides leadership to the Development Director, the Director of Projects and Director of Land and Property. OPDC has now appointed this role, and the appointee brings significant experience from working across major UK regeneration schemes including Bristol Temple Meads and Silvertown Quays and previous to that, leading the delivery of the Olympic Park and one of the largest CPOs for regeneration purposes. Figure 49 illustrates OPDC's medium-term TOM organogram.

Additionally, OPDC has received independent advice from Deloitte on the skills and processes that need to be in place within development corporations for delivery of projects like Old Oak West, based on analysis of comparable schemes (provided in Appendix 17). This will provide further guidance to OPDC as the organisation continues its TOM implementation in the months ahead.

6.2.4 OPDC budget and operational costs

OPDC forms part of the GLA Group budget and the GLA's statutory budget process ensures that there are robust financial plans to support Mayoral objectives and priorities within available resources.

As for all members of the GLA Group, OPDC has prepared its revenue budget submission for the financial years 2024/25, 2025/26 and 2026/27 and revenue funding for 2024/25 has been confirmed by the Mayor. The budget sets an indicative allocation of £35m over the next three financial years. This reflects a work programme aligned to the programme within this OBC and is in accordance with the Target Operating Model. This represents a significant budget uplift reflecting OPDC's role as Delivery Agent.

Beyond the next three financial years, future revenue budgets will be confirmed annually by the GLA. This is subject to the normal processes around setting GLA Group funding. The GLA has already demonstrated substantial funding commitment to funding OPDC since its establishment in 2015, as it has for LLDC over the course of its activities for over a decade.

6.2.5 OPDC recruitment (position as at December 2023)

OPDC has been undertaking an expansive programme of recruitment during 2023 to bolster and enhance the skills within its existing team. Its TOM for delivery of Old Oak West is expected to be at full complement

by early 2024 as the next phase of work to plan for delivery and procure a MDP commences. Due to the scale and transformational nature of the project, OPDC has attracted high calibre talent to its roles during the recruitment process. Following appointment of the new Executive Director of Development in the Spring, additional permanent appointments have been made across key roles within the Delivery team. These include:

- An Assistant Director of Development who brings a wealth of experience from across the regeneration sector working on large scale projects, including the Olympic Legacy, from masterplanning through to Business Cases, funding and finance, and procurement of a MDP.
- A Head of Programme Office who will establish the Programme Management Office (PMO) function bringing a deep understanding of the London real estate market to the role.
- A Principal Sustainability Officer who has a unique breadth of experience from their career in this specialist field.
- Three new Senior Development Managers who bring a variety of regeneration experience from both the public and private sector.
- Senior Project Support Officer and Project Support Officer who have a passion to learn and support in the delivery of transformative change for the OOW project.

These appointments are further bolstered by an Interim Development Director, bringing expansive experience across large scale private and public sector projects and stakeholder engagement; a Special Projects Director initially leading on the Heat Network, who brings broad experience from large scale regeneration projects both for the public and private sector; and a lead for Ealing Regeneration whose skills in stakeholder and relationship management combined with a depth of experience across the regeneration sector will help across this aspect of the project.

Building on the existing roles, there is currently live recruitment underway for two posts to support the PMO Function and three further posts to support the Development team (see Org Chart below, Figure 49). Recruitment will also be progressed for a number of Project Managers to support the infrastructure and capital works projects when required.

6.2.6 Readiness review

A further ‘readiness review’ will be undertaken by public sector partners prior to any future investment decisions being made (principally the signing of a contract with private sector partner(s)). The remit of this review will be agreed by the Old Oak West Collaboration / Assurance Board, but the initial scope of this exercise includes:

- Governance – to be reflective of OPDC's role as Delivery Agent, and DfT/Network Rail as key landowners so that decision-making, reporting and assurance arrangements are proportionate.
- Capability and capacity of OPDC as delivery agent – both for now and how this will need to evolve over time, aligned to the phases of the overall Old Oak West schedule.
- Compulsory purchase plans and arrangements – securing the necessary powers, and acquisition of sufficient land to implement land pooling arrangements effectively.
- Positive progress of the programme – acting in a way that meets stakeholder expectations, across Government and City Hall, local communities/stakeholders, and with delivery partners.
- Promotion through the local plan and SPD of a positive planning policy framework to facilitate the comprehensive regeneration of OOW

Proactive advancement of this work is underway to demonstrate OPDC’s readiness for delivery. Work has been undertaken by Deloitte’s commercial advisory team to identify the skills and processes that need to be in place within development corporations for delivery of projects like Old Oak West. OPDC is committed to bringing forward the right skills, capabilities and capacity from all partners and stakeholders, at the right time, and in a planned, flexible, and co-ordinated fashion to support delivery and meet the Old Oak West strategic objectives. The Collaboration / Assurance Board will enable visibility on behalf of the public sector partners into OPDC’s delivery against this commitment.

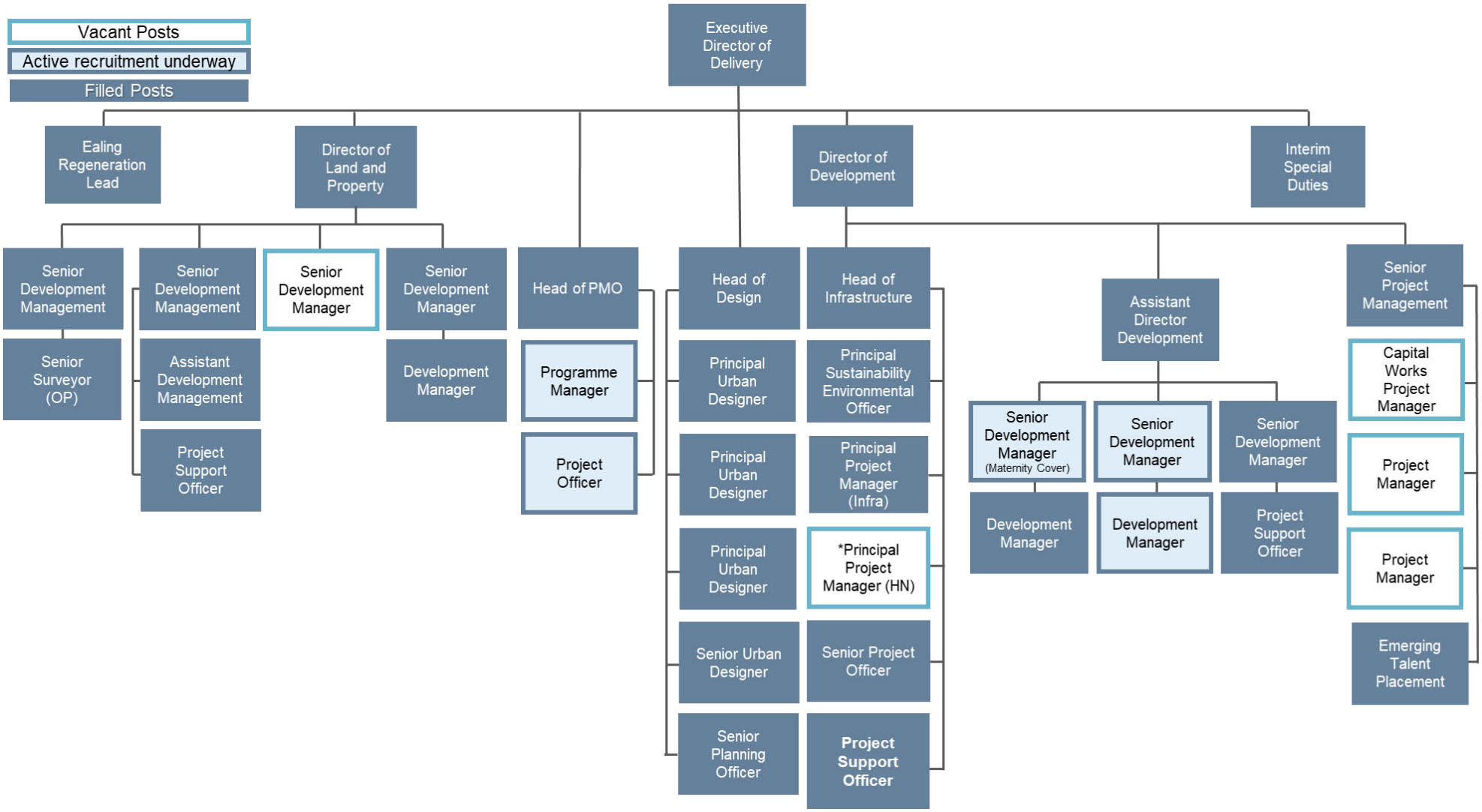


Figure 49 OPDC Target Operating Model (TOM) organogram | Source: OPDC

6.2.7 GLA Group capacity and capability

Further capacity and capability will be drawn from the GLA Group, including all functional bodies under the control of the Mayor of London, which has significant development capacity and capabilities. The Group is comprised of over 200 development professionals and has a target to deliver 70,000 new homes from 2023-24 onwards, with over 50% being affordable. The Mayor of London is committed to ensuring the GLA Group collaborates to deliver new homes on GLA Group land.[67]

OPDC has access to the expertise, systems, and capacity from other GLA Group organisations. OPDC already makes use of these opportunities through commission of services from the GLA's Infrastructure Coordination Service, TfL Operational Property and TfL Legal's in house planning, property, commercial and public law specialists. OPDC has also already benefitted from secondees from LLDC, TfL, and the GLA in part-time and full-time capacities; along with ongoing informal knowledge sharing between the organisations.

Further organisational capacity for OPDC may also become available as resources 'transition' from LLDC by 2025. LLDC, the other London MDC, has a demonstrated track record of land assembly, infrastructure delivery, developer procurement, and economic regeneration. The Mayor of London is committed to ensuring the talent and expertise within LLDC is retained within the GLA Group so LLDC's transition is likely to provide a large pool of expertise from which OPDC can benefit.

6.2.8 Public and private sector roles

Effectively harnessing expertise, resources and interests from across the public and private sectors is critical to delivering the Old Oak West strategic objectives. The Delivery Agent is a focal point for this, but individual organisations will continue to have an important role to play. Public sector partners include the landowners (DfT, NR and OPDC), funding partners (DLUHC, GLA and potentially Homes England), and transport operators (DfT, HS2, NR and TfL). The Delivery Agent will also be the primary interface with the private sector MDP.

These organisations offer significant experience across the different aspects of delivery and are well resourced to support delivery of benefits, but each will play a different role in implementation. The Responsible, Accountable, Consulted and Informed (RACI) matrix in Table 45 sets out these expected roles for the tasks as set out in the Delivery Programme (Section 6.3). The matrix focuses on operational activity rather than decision making and is predicated on the development and implementation of appropriate and proportionate delegations within the programme (see Section 6.6), to ensure that relevant parties are empowered to deliver.

The following descriptions have been used to categorise the roles of each organisation:

1. **Responsible (R) -** The individual(s) or team will be responsible for developing and completing the task or deliverable. This will typically include 'hands-on' team members that make direct contributions to the completion of the task.
2. **Accountable (A) -** Accountable parties ensure that the task meets it objectives and is completed in line with the Delivery Programme. The individual(s) accountable will be of an appropriate seniority based on the risks associated with the task. In some cases, an organisation may be 'A/R', to denote that different individuals within the organisation will be either accountable or responsible.
3. **Consulted (C) -** For certain tasks, particular organisations will be consulted to ensure that their opinions and feedback is considered. This will be carried out through a mixture of formal partnership forums and day-to-day contact between personnel.
4. **Informed (I) -** Informed persons are those who will need to maintain an understanding of what is happening at each stage of the programme and will be kept up to date through formal and informal channels.

[67] The findings of the Kerslake review GLA Group Housing Delivery has led to changes being implemented which improve collaboration and consistency within the GLA Group, and ultimately drive delivery of housing.

Table 45 Old Oak West Implementation RACI Matrix

	Task	Implementation Requirements	OPDC Dev't	OPDC LPA	DfT / HS2 Ltd	NR	Homes England	DLUHC	Private Sector Partner
Phase 0	**Vision & objectives**	Setting the ambition, articulating the key project drivers, providing political sponsorship, driving quality and placemaking	A/R	C	R	R	R	R	-
	Approve OBC	Writing the OBC and sponsoring it through HMG approvals processes	A	C	A	R	R	A	-
Phase 1	**Market engagement**	Undertaking engagement with the private sector to scope work and identify market demand	A/R	-	C	C	C	I	C
	Developer procurement	Marketing and securing a world class MDP, optimising the commercial relationship and any value capture model	A/R	-	C	C	I	I	R
	Contract signing	Entering into an agreement as the counterparty with the chosen MDP	A/R	-	C	C	I	I	R
Phase 2	**Manage developer relationship**	Develop and maintain a good working relationship with MDP and monitor performance against contract	A/R	-	I	I	I	I	R
	Land assembly	Acquisition of land either by negotiation or through the use of compulsory purchase powers	A/R	C	C	C	I	I	-
	Land release	Supporting the land release e.g. relocating current occupiers, securing regulatory approvals, negotiating lease terminations	A/R	C	A/R	A/R	I	I	-
	Planning framework	Creating a clear planning framework across borough boundaries, de-risking and co-ordinating, securing infra. contributions	C	A/R	I	I	I	I	-
	Master-planning	Undertaking a long-term masterplan and translating the vision into a deliverable design framework	C*	C*	C*	C*	I	I	A/R*
	Planning consents	Securing approval for development plans	C	A	I	I	I	I	A/R
	Infrastructure enabling	Identifying, designing, funding, and delivering infrastructure across the area, inc. relocation/consolidation as required	A/R*	C	C	C/R	I	I	A/R*
	Operational interface	Optimising the interface with the railway, including design integration and Asset Protection Agreements	A/R	-	A/R	A/R	-	I	A/R

	Task	Implementation Requirements	OPDC Dev't	OPDC LPA	DfT / HS2 Ltd	NR	Homes England	DLUHC	Private Sector Partner
	Business / capital planning	Optimising the commerciality and deliverability of the scheme, including securing the resourcing and funding required	A/R*	-	C	C	C	C	A/R*
	Engagement and comms	Seeking the buy-in and engaging the local community and key stakeholders in the emerging proposals and project delivery	A	C	I	I	I	I	R
Phase 3	**Plot delivery and funding**	Detailed design, consenting and construction of buildings and neighbourhoods, optimising specification, securing finance	C*	-	I	I	I	I	A/R*
	Sale and leasing	Marketing and securing sales, attracting anchor tenants, understanding customer requirements, leasing completed space	C*	-	I	I	I	I	A/R*
	Estate management	Long-term estate and asset management	A (strategy)	-	-	-	-	-	R (some elements)

* Roles may vary dependent on final commercial model for relationship between public and private sectors (i.e. JV or other form of relationship)

6.2.9 Key personnel

Key individual roles for the delivery of Old Oak West are detailed in Table 46 below.

Table 46 Old Oak West roles and responsibilities

Role	Responsibilities	Name and organisation
SRO	Accountable for the programme and for ensuring that it meets its objective and delivers the expected benefits.	Chief Executive Officer, OPDC
Programme Director	Responsible for the day-to-day leadership of the programme.	Executive Director for Development, OPDC
Programme Manager	Responsible for driving day-to-day management, resolving issues, and proactively monitoring progress towards delivery.	Development Director, OPDC
Landowners' Representatives	Responsible for providing strategic oversight of performance and discussing issues with the Delivery Agent; reviewing the Business Plan and providing advice or recommendations to their organisation's representative on the Collaboration / Assurance Board; and in general identifying improvements, interfaces, dependencies, opportunities, concerns, threats, risks and monitor the anticipated financial returns back to the landowners.	Lead / organisation to be appointed by the landowners

6.2.10 OPDC separation of functions

While OPDC has defined statutory functions and supporting powers, including planning and land assembly, at particular points throughout the programme OPDC will require a clear separation of functions between its planning and delivery functions.

OPDC has a defined Separation of Functions Protocol, which provides guidance on how to maintain appropriate separation between these functions. This Protocol confirms that, where OPDC as local planning authority (LPA) is engaging with OPDC as Delivery Agent, it will do so in the same way as it would any other third-party developer/applicant[68].

Subject to the separation of powers defined by the Protocol, benefits arise from having both the planning authority powers and land assembly body combined in a single agency as it allows for a dedicated area-specific focus; strategic alignment; and ease of communication between the two functions, as is recognised in the Localism Act 2011 that established the MDC model.

6.3 Programme overview

6.3.1 Phases

The preferred option for intervention at Old Oak West will require the public sector to take on a lead role in the early years of the programme. Its primary role will be to create the conditions for the private sector, in partnership with the public sector, to then lead the delivery of the programme to realise the long-term benefits.

The OPDC team has developed an indicative programme that will evolve over time with four distinct phases:

- Phase 0 – Mobilisation.
- Phase 1 – Delivery planning & partner procurement.
- Phase 2 – Delivery (pre-OOC Station opening).
- Phase 3 – Delivery (post-OOC Station opening).

The Old Oak West programme phases, their timings and key outcomes are illustrated in Figure 50 below:

[68] OPDC, *Local Planning Authority and Delivery Agent Protocol for OPDC Staff*

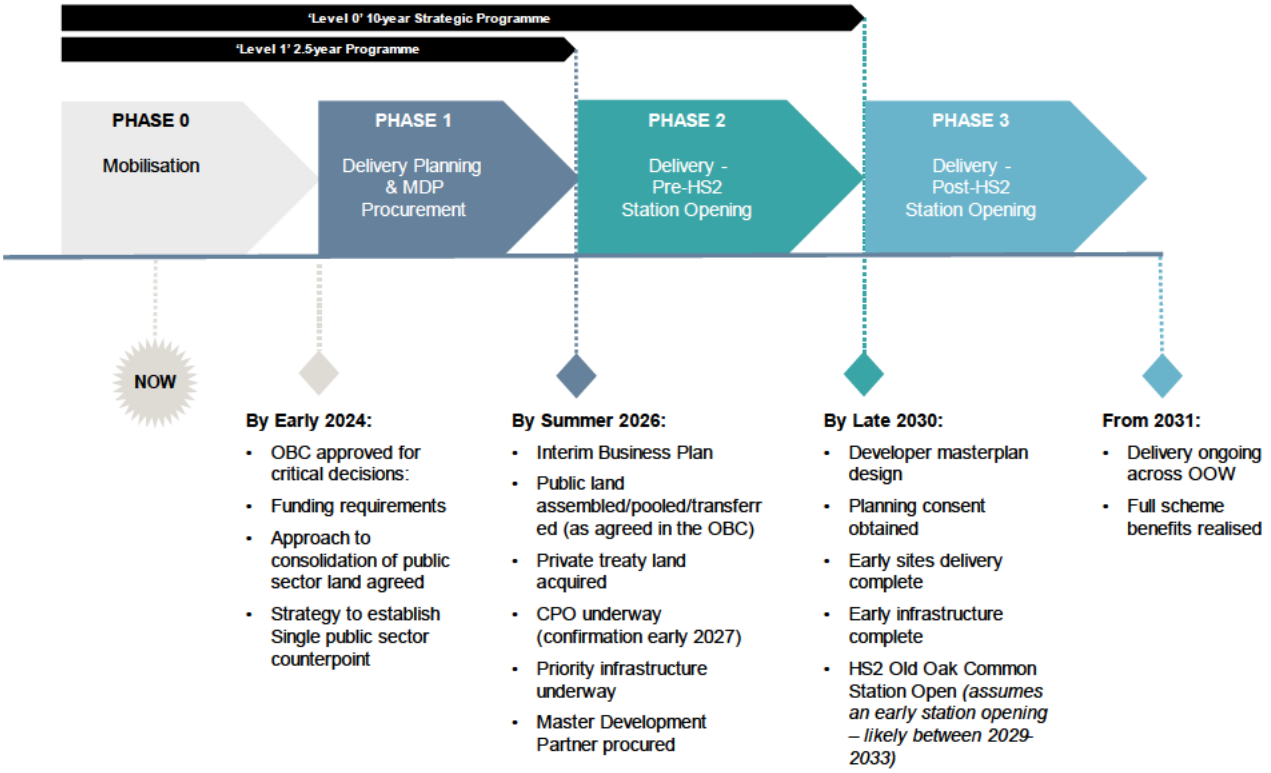


Figure 50 Old Oak West Indicative programme phases and timeline hierarchy | Source: OPDC

Phase 0 is the current phase of the programme. It covers the mobilisation activity needed to submit and obtain OBC approval together with the associated critical decisions on funding, the approach to the consolidation of public sector land and an agreement on the optimum model for establishing a single public sector counterpoint. During this phase, partner organisations are working to increase their capacity and expertise to prepare for delivery, as described in Section 6.2.3 of this case. Additionally, this phase includes the start of major construction works on the OOC Station and tunnels being carried out by HS2.

Following approval of the OBC, **Phase 1** will cover the period when the public sector will: draft the Interim Business Plan (as discussed in Section 6.5 of this case); lead all activity to organise the public sector land collaboration; acquire privately owned land by agreement (process is underway); progress through the CPO process (confirmation of CPO to follow shortly after the MDP is appointed); adopt the Old Oak West SPD; formulate delivery plans for infrastructure; and procure a private sector MDP to lead the delivery of Old Oak West through the subsequent delivery phases. Phase 1 is forecast to conclude by Summer 2026 with the public sector having secured private sector expertise and investment to take the project forward.

Phase 2 is the delivery phase following the appointment of the MDP through to the opening of the new OOC Station. This will be a crucial place-making phase and will be in two parts: first, preparation of the masterplan and obtaining planning consent; second, delivery of housing, commercial and other development uses on early development sites where available. Additionally, this phase will see the initial delivery of infrastructure.

Phase 3 will be the final delivery phase of the programme, characterised by ongoing, steady state delivery after OOC Station has opened. During this phase the full benefits from the scheme will be realised.

6.3.2 Early milestones

The programme is presented in two formats:

1. A 'Level 0' 10-year strategic programme (Appendix 8), which will maintain an overview of the Old Oak West programme and assess how shorter-term workstream changes may impact longer term delivery timescales. As the Old Oak West scheme progresses and later phases become more certain, the Level 0 programme will be updated to reflect the latest position.
2. A 'Level 1' executive programme (Appendix 8), which covers work over the next 2.5 years covering the main activities, milestones and dependencies required for Phase 0 and Phase 1.

The executive programme sets out the critical path milestones for Phase 1, which the Old Oak West delivery teams and governance bodies will be tracking most closely (Table 47). These have been developed and maintained by OPDC to align and integrate with the wider delivery of the OOC Station.

There is some flexibility in the sequencing of these critical early milestones. For example, there is flexibility as to whether the CPO or developer procurement process should commence first.[69] There are, however, several key early activities which are crucial to unlocking future workstreams. For example, the expectation is that Heads of Terms for the Public Land Agreements and a draft IBP are agreed before the launch of a procurement, to provide clarity and certainty to the private sector MDP.

Table 47 Old Oak West Level 1 programme critical and workstream milestones

	Workstream	Milestone	Target Date
Ph0	**SPD**	1. Design work completed	Summer 2023
	Business Case	2. OBC approval	Early 2024
Phase 1	**SPD**	3. Planning Committee for SPD	Early 2024
	SPD	4. SPD adopted	Early 2024
	Infrastructure / Strategy Delivery	5. Potential commencement of infrastructure design and construction process for early sites	Early 2024
	Public Land Coordination	6. Heads of Terms agreed for Land Agreement	Spring 2024
	MDP Procurement	7. Market interest confirmed for commencement of MDP procurement	Spring 2024
	Mobilisation of Delivery Agent	8. Approval of draft IBP	Summer 2024
	Public Land Coordination	9. Public Land Agreements concluded by public sector landowners[70]	Autumn 2024
	CPO	10. Approve final CPO resolution documents	Autumn 2024
	Mobilisation of Delivery Agent	11. Approval of full IBP	Autumn 2024
	MDP Procurement	12. Launch of procurement process	Winter 2024
	CPO	13. OPDC Board approves making of CPO	Spring 2025
	CPO	14. Mayoral approval to make CPO	Spring 2025
	CPO	15. OPDC makes CPO and submits to SoS	Spring 2025
	Infrastructure / Strategy Delivery	16. Potential earliest delivery of infrastructure	Summer 2025
	MDP Procurement	17. Selection of preferred MDP	Early 2026
	Business Case	18. Approval for MDP appointment via FBC	Early 2026
	MDP Procurement	19. MDP contract signed	Spring 2026
Ph2	**CPO**	20. CPO confirmed	Early 2027

[69] The CPO and developer procurement are mutually dependent upon one another. By and large they will progress in parallel. The programme has sufficient contingency built in so that both milestones can be commenced by the end of 2024.

[70] Timescales will be reviewed as part of the commercial strategy and in the context of feedback from the market engagement exercise undertaken in milestone 5 (see section 6.4.1), as well as the Mayoral and national elections.

6.4 Key early activity

6.4.1 Phase 1 decision-making pathway

A clear decision-making pathway has been developed for Phase 1, the period up to the MDP contract signing. This is illustrated in Figure 51. Following approval of this programme-level OBC, the pathway is centred around two key decision points.

First, approval of the Public Land Agreement Heads of Terms and Draft Interim Business Plan (IBP) by the Collaboration / Assurance Board in Spring and Summer 2024, respectively. The IBP will confirm the details for the procurement process by fixing the guideposts against which the Delivery Agent will run the procurement. It will take account of the principles in the Public Land Agreement Heads of Terms, which will need to be sufficiently robust to give confidence to the market whilst preserving appropriate flexibility for the landowners. Targeted market engagement (with content agreed by all parties via the Collaboration / Assurance Board) in Spring 2024 will test what level of certainty the potential MDP is likely to seek from the Public Land Agreements during the procurement process (including whether there is a strong preference for the final Public Land Agreements to be signed in advance of procurement commencement).

Second, approval of the final Public Land Agreement by the landowners (DfT, Network Rail, and OPDC) and a 'commercial and land Full Business Case (FBC)' by DfT, DLUHC and OPDC. This will be a key investment decision, confirming that the procurement has been run in accordance with the agreed plan in the IBP and that a contract can be signed with the selected MDP. The sequencing of approval for the Public Land Agreements and the FBC is to be determined, but it is likely that two decisions will need to be taken in tandem, taking account of all relevant regulatory and organisational processes (see section 5.3). If the Public Land Agreements and FBC are not signed in tandem, then each will require separate approval through the relevant organisational governance. This may be the case if, for example, targeted market engagement indicates that the final Public Land Agreements should be signed earlier in the programme to enable a successful procurement exercise.

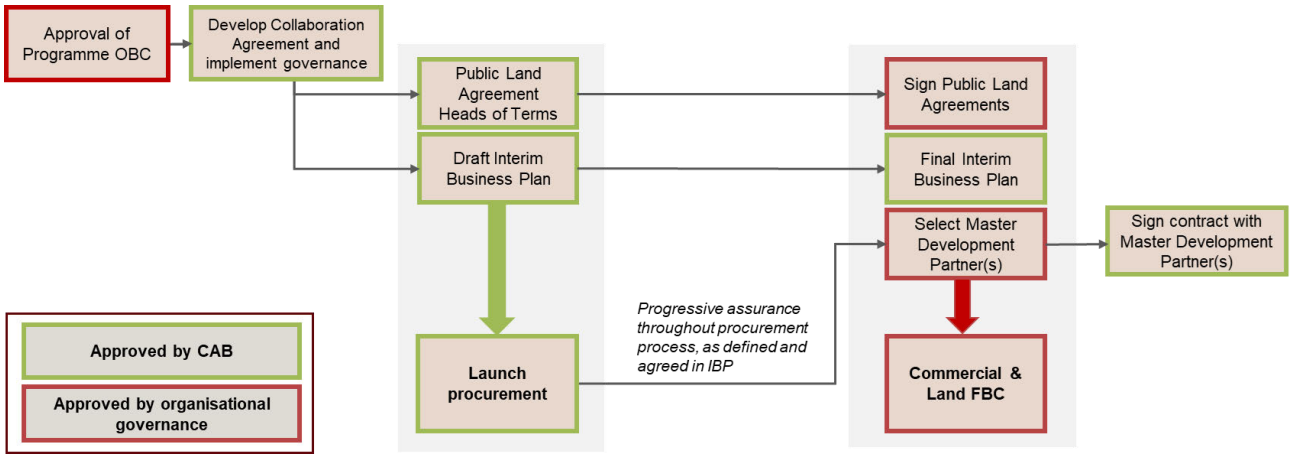


Figure 51 Phase 1 decision-making pathway

For all the project sponsors, the FBC and Public Land Agreements will be key decisions that will require approval via the appropriate governance mechanisms. For DfT, the decision about the use of its land remains subject to Accounting Officer advice – namely Value for Money and Managing Public Money. The DfT land is considered essential for regeneration of the area. To enable this, the Public Land Agreements and the subsequent appointment of the MDP will both involve commitments that involve the transfer of property rights for which the Accounting Officer (DfT Permanent Secretary) is ultimately responsible. The DfT Permanent Secretary will need to be satisfied that the decisions are aligned to her responsibilities.

DfT is recommending the optimum route to satisfy and document this would be:

- The milestone of the Public Land Agreements is approved through DfT governance (either Tier 2 or, given the value, Investment Portfolio and Delivery Committee).
- The appointment of the MDP is approved through approval of the Full Business Case by Investment Portfolio and Delivery Committee.

- Risk and performance will be monitored through the Old Oak West Collaboration / Assurance Board, with any necessary issues taken through DfT governance and reported to Ministers as required.

Further detail on other key early activities is set out below.

6.4.2 Business Plan

Developing a robust Interim Business Plan will be a key initial activity to provide clarity of vision and alignment of objectives. To enable a decision to be made to launch the master developer procurement, a Draft IBP will be developed with partners and approved by the Collaboration / Assurance Board in Summer 2024. It will set out the procurement and commercial strategy for Old Oak West, with indicative or emerging content for other aspects of the project. Once a MDP is appointed, they will take on responsibility for preparing the Business Plan, with a first full version one year after contracts are signed. Further detail on the Business Plan is in Section 6.5.

6.4.3 Land assembly

For public sector land, the landowners will finalise Heads of Terms for the Public Land Agreements by Spring 2024, post-OBC approval (with agreements concluded by Autumn 2024[71]) to provide clarity in advance of the procurement of a private sector MDP. Network Rail sites may be available between 2025 and 2029 depending on the resolution of operational impacts associated with site release. NR has commissioned Jacobs to advise on the potential consolidation and release of operational land in Old Oak West. Stage 4 (the final stage) of this study is due to start shortly, the scope of which is to be defined by NR in partnership with OPDC. HS2 sites are assumed to be available in line with the current HS2 programme dates for site release.

OPDC is leading on private sector land assembly. It has secured £53m in Brownfield Infrastructure Land (BIL) grant funding awarded by DLUHC which will be used to acquire private land alongside the existing allocation of £50m from the Mayor's Land Fund. Combined with £1m grant provided in March by DLUHC to fund OPDC's first site acquisition, OPDC has secured £104m of funding to support land assembly and early enabling work as part of the Old Oak West project.

OPDC has used this funding to acquire its first two privately-owned sites in the Old Oak West area: the Old Oak Café in March 2023 and Midland Gate (and 46 Midland Terrace properties) in September 2023. Acquisition of four further privately-owned sites has been approved by OPDC's Development, Investment and Sustainability Committee, for which completions are expected in early in 2024. These sites have a strategic position across Old Oak West and provide key land for infrastructure. Discussions are underway or initial contact has been made with landowners in relation to a further nine sites.

A Land Assembly Strategy (Appendix 12) has been prepared by OPDC, and progress is being made on the formulation of a Compulsory Purchase Order (CPO). Whilst OPDC will seek to reach agreement with all affected interests, a CPO would provide certainty that all land and new rights can be assembled in a timely manner. Where necessary, OPDC may need to use its CPO powers to acquire any outstanding interests and override any restrictions on title or easements which would compromise delivery of the development. OPDC has a dedicated internal and consultant team that meet regularly to progress this workstream, ensuring the CPO formulation process is correctly followed and that there is a sufficiently compelling case for its confirmation. A more detailed Land Assembly Strategy is being developed, which will be incorporated into the Interim Business Plan. Other key areas of focus include testing of scheme proposals for Old Oak West and a land referencing exercise, which is currently underway.

An OPDC Land Assembly Working Group (LAWG) meets fortnightly to review progress and is undertaking preparation for the formulation of a CPO. OPDC's powers derive from Housing and Regeneration Act 2008 and the Localism Act 2011 and can be used for the 'object' for which OPDC was set up (to secure the regeneration of this area). Any CPO, if needed, is not expected to be made by OPDC until the emerging SPD is adopted in early 2024.

[71] Timescales will be reviewed as part of the commercial strategy and in the context of feedback from the market engagement exercise undertaken in milestone 5 (see section 6.4.1), as well as the Mayoral and national elections.

6.4.4 Master Development Partner procurement

The current programme assumes that a single MDP is required for the whole Old Oak West programme. However, as discussed in the Commercial Case, there are various potential approaches to procuring a MDP that may impact upon the programme. Indeed, it should be noted that 'a MDP' could comprise a consortia of different parties with different resources, capital or skills. Subject to approval of the Interim Business Plan by the CAB, the MDP procurement process will launch in late 2024 and be in line with forthcoming legislative changes to public procurement, concluding by early 2026. Further detail on the proposed procurement approach is set out in the Commercial Case.

6.4.5 Infrastructure strategy

To date, the scope and specification of the infrastructure works at Old Oak West has been defined through a series of high-level feasibility studies, desktop studies, and costings, as is appropriate at this stage of design for an Outline Business Case. This includes (further detail included in Appendix 4):

Table 48 Previous works conducted to date

Study	Prepared by	Client team
Willesden Junction Feasibility Study Draft Report (2021)	Mott MacDonald	Network Rail, Transport for London and OPDC
North Acton Station Feasibility Study (2023)	Mott MacDonald	OPDC Delivery, LB Ealing and TfL
Capacity Study Update Summary Report (2023)	Gort Scott	OPDC Delivery
Box and Shield Site Decking Studies (2023)	Mott MacDonald	OPDC Delivery
OPDC Preliminary Infrastructure Design and Costing Study (Local Plan) (2021)	Mott MacDonald	OPDC Planning and Delivery Directorates
Cycle Integration Study (2023)	Mott MacDonald	OPDC Planning and Delivery Directorates
Old Oak West Bridge Optioneering Report (2023)	Mott MacDonald	OPDC Planning and Delivery Directorates
OPDC Development Capacity Study Update – Local Plan Supporting Study (2021)	OPDC Delivery	OPDC Planning
Old Oak West Land Condition Surveys (2023)	Atkins	OPDC Delivery
Priority Infrastructure OBC Cost Updates (2023)	Mott MacDonald	OPDC Delivery
Priority Infrastructure Summary (2023)	Mott MacDonald	OPDC Delivery

Further due diligence will be needed, such as site investigations and engagement with statutory utilities, in order to progress designs for the purposes of pursuing planning applications and working through the Network Rail approval process in the case of railway infrastructure.

An infrastructure strategy covering design, phasing, delivery and adoption will be developed post-OBC. This will act as a guiding mind for Old Oak West infrastructure, bringing together technical outputs and designs for each intervention with a strategic view of how it all comes together to drive the scheme forward. It will build on the studies above and the evidence base from the Local Plan's Infrastructure Delivery Plan, and it will take account of the MDP procurement, masterplanning timeframes and funding strategy development. This strategy will also incorporate the results of Network Rail's more detailed review of the infrastructure required to unlock the NR-owned sites (including tenant compensations costs payable to achieve vacant possession.) The infrastructure strategy will be a key input to the Interim Business Plan.

OPDC will act as the main sponsor for infrastructure improvements and work with statutory undertakers and stakeholders on the infrastructure strategy to take these works through design, consent, delivery, and adoption. This will be coordinated with other parties via the partnership and interface working groups (see Figure 57).

Market engagement will explore the extent to which the private sector is willing to take on infrastructure delivery risk. Even where OPDC retains infrastructure delivery risk (as opposed to passing it to its private sector partner), OPDC will work with the MDP on the most efficient layout and phasing of infrastructure. OPDC will use its CPO powers to support the delivery of infrastructure where required. Where OPDC retains responsibility for the delivery of infrastructure, it is expected OPDC will commission the relevant statutory

authority to deliver improvements to its own assets. For example, OPDC expects to work closely with NR and TfL on the delivery of station improvement schemes. Early phases of development are not expected to be dependent on major infrastructure. Plot-level infrastructure will be delivered by the developer alongside development across all sites.

6.4.6 Masterplanning, planning consent and early site delivery

The private sector will complete a masterplan and pursue a scheme wide planning consent (or series of consents) following their appointment. This process could take up to two years and once any pre-commencement conditions have been cleared, housing and commercial delivery on site would begin. There may, however, be opportunities available to progress with early sites in a shorter timeframe.

The scale of development proposed at Old Oak West requires a comprehensive and coordinated approach. This includes scheme design, an understanding of infrastructure requirements, timing for delivery, cost and funding arrangements. A complex development of this nature needs a refined, detailed yet flexible masterplan, sitewide planning permission and coordinated programme for delivery. The route to consent is contingent on how development at Old Oak West will be phased and what infrastructure is needed to unlock plots. Full consent needs to be secured for infrastructure to meet the programme and the infrastructure delivery strategy will consider how early infrastructure will be financed.

High level options for the overarching route to consent are:

- '*Option 1 – Outline consent'* involves OPDC procuring a MDP, who secure outline consent for the masterplan.
- *'Option 2 – Hybrid consent'* whereby outline consent is sought for some aspects of the scheme (such as land use, development quantum and layout) and full planning consent is sought for other aspects of the scheme (such as early infrastructure works).
- '*Option 3 – Twin tracked outline and full applications'* where outline consent would be sought for part of the masterplan, with one or more separate applications for full planning consent submitted in parallel. The full applications would seek consent for the elements of the scheme that would be delivered as early works (most likely to comprise infrastructure works).

The option to be progressed will depend on the final infrastructure strategy. Across all options, outline consent would be sought for the masterplan, preferably with MDP input and lead.

6.5 Business Plan

6.5.1 Purpose

Given the complexity and number of partners involved in the Old Oak West project, there is a clear need for an overall vision, strategy, and alignment of objectives. As such, the project's long-term delivery will be guided by a robust Business Plan, following a precedent used on many other complex public-private regeneration projects such as Euston Over-Site Development (OSD), Brent Cross, Earl's Court, Ebbsfleet, and the LLDC schemes on the Queen Elizabeth Park. The purpose of the Business Plan is to set out the pathway and actions required for delivering the Old Oak West project, in line with the strategic objectives. It will include (but not be limited to):

- The commercial and placemaking objectives for the project and associated milestones.
- Operating principals and behaviours.
- Governance and approval processes for day-to-day project decision making.
- Details of the project team and resource requirements.
- Financial forecast.
- Delivery strategy.
- Assessment of development risks.

- Key Performance Indicators (KPIs).

The Business Plan will define the parameters within which the Delivery Agent and private sector partner(s) will deliver the project, on behalf of and in collaboration with the landowners. This will be determined in accordance with the agreed governance structure (see Section 6.6) and in accordance with future legal agreements across public and private sector parties (see Commercial Case).

In **Phase 1** of the programme (delivery planning and partner procurement) an Interim Business Plan (IBP) will be prepared by OPDC and submitted to the Old Oak West Collaboration / Assurance Board for scrutiny and approval. The IBP will be developed in response to a Collaboration Agreement between government partners, which sets out the remit for OPDC as Delivery Agent, along with a scheme of delegation. At this stage, the IBP will focus on:

- Timescales, resourcing and strategy to initiate and manage developer procurement.
- Crystalising the public sector requirements that will feed into the procurement process.
- Further details on the infrastructure delivery strategy, with updated costs.[72]
- More detail on the funding and finance strategy.
- An action plan for acquiring land by negotiation and preparing for CPO.
- Distilling the benefits and social value to be delivered through Old Oak West (amongst other things).

As part of the work undertaken to prepare this OBC, and the wider ongoing work of OPDC, several areas of content for the IBP are already in train or well developed. OPDC recognises the scale of work required to refine and add detail to this content where needed, in order to prepare the IBP. The organisation has sufficient capacity and capability to do this, as set out in section 6.2.3.

In **Phases 2 and 3** of the programme (once the private sector is on-board and the project is moving through planning consents and delivery) the private sector partner will be responsible for updating the Business Plan, in partnership with the public sector and based on the proposals the successfully-appointed partner submitted during the procurement process. At this stage, the Business Plan will be a key document to manage the relationship between the public and private sectors. While the content of the Business Plan will be compliant and aligned with the content of any relevant legal agreements, it will be a more practical and 'live' document, whereas the legal documents are fixed.

The Business Plan will need to be robust, yet appropriately flexible to account for changing market conditions and project resourcing. The private sector partner will need certainty that the project could not be vetoed or changed outside of agreed parameters established in the Business Plan by the public sector partners i.e. there would be limits on their ability to refuse to approve Business Plan updates or prevent phase land drawdowns (see Section 6.9.1 on change management).

6.5.2 Preparation and approval

It is anticipated that a first version of the IBP will be developed by OPDC as Delivery Agent within six months of the OBC being approved. This draft IBP will be populated with as much content as possible on the overall delivery strategy for the project, with a key focus on the final procurement and commercial strategy for the project, which will establish the foundation for the developer procurement process. The full IBP will include the infrastructure delivery strategy and other details. It will be submitted within one year of OBC approval for Old Oak West CAB approval, subject to individual members' authority as per their existing organisational governance. This process is summarised in Figure 52 below.

[72] This will include further detail on the infrastructure required to unlock the Network Rail sites (including tenant compensations costs payable to achieve vacant possession), which will be explored as part of the final stage of the Willesden Rail and Land Development Strategy.

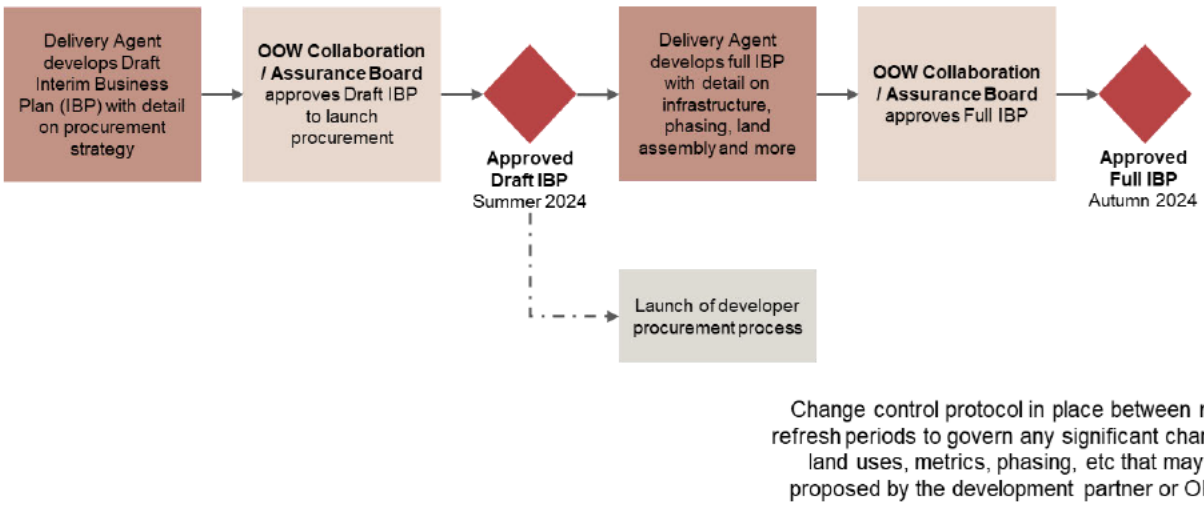


Figure 52 Phase 1 IBP development process | Source: Arup

The IBP will be updated annually until a private sector partner is appointed, at which point the partner would take on responsibility for updating the Business Plan. During Phase 1, primary responsibility for developing, maintaining, and publishing the IBP will sit with OPDC's Executive Director of Delivery.

Potential private sector partners will be expected to provide a draft Business Plan as part of their tenders, which will be evaluated as part of the selection process. Once procurement is complete, it is anticipated that the private sector partner will prepare the first Business Plan within one year after contracts are signed, building on both the IBP and their procurement submission.

The first Business Plan will be submitted to the Collaboration / Assurance Board for approval. The CAB will agree a process and timescales for approving future iterations of the Business Plan, taking into account views from the MDP. It is expected that the MDP will refresh the Business Plan on a roughly annual basis for their internal use, with formal reviews undertaken by the CAB less frequently as required by project circumstances or at the request of CAB. This process is summarised in Figure 53.

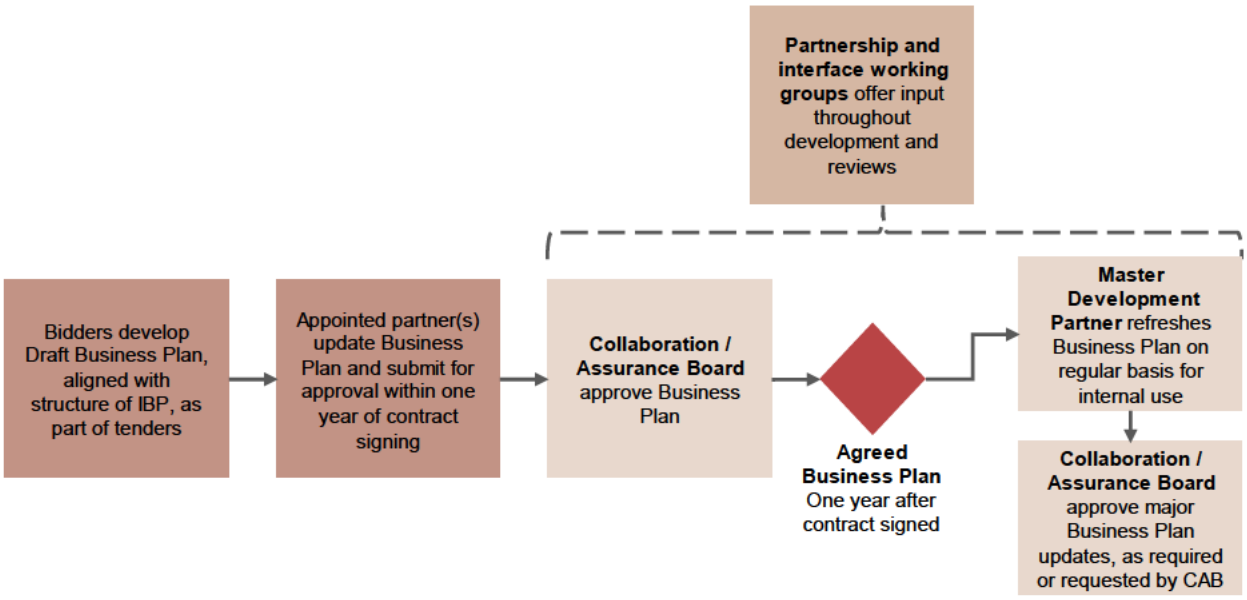


Figure 53 Potential business case development process for Phase 2 onwards | Source: Arup

Across the programme, it is anticipated that ahead of Business Plan approval, there will be informal engagement among relevant partners, as well as a programme of meetings (at least three months in advance) to consider content and potential changes to the Business Plan.

6.5.3 Content

The Business Plan will be split into three sections: Part A - Strategy; Part B – Implementation; and Part C – Benefits Realisation.

- Part A describes the opportunity at Old Oak West; the vision and general principles of development; the role of the organisations involved in delivering it. It establishes priorities for the year, and key financial considerations.
- Part B looks in greater detail at the individual workstreams which influence delivery. It describes how the Delivery Agent will implement the strategy set out in Part A, both through its internal management activities and its development management activities.
- Part C sets out the benefits that will be delivered through Old Oak West; it includes the key metrics which will be used to measure performance.

The content expected to be included in each part of the business case is set out below.

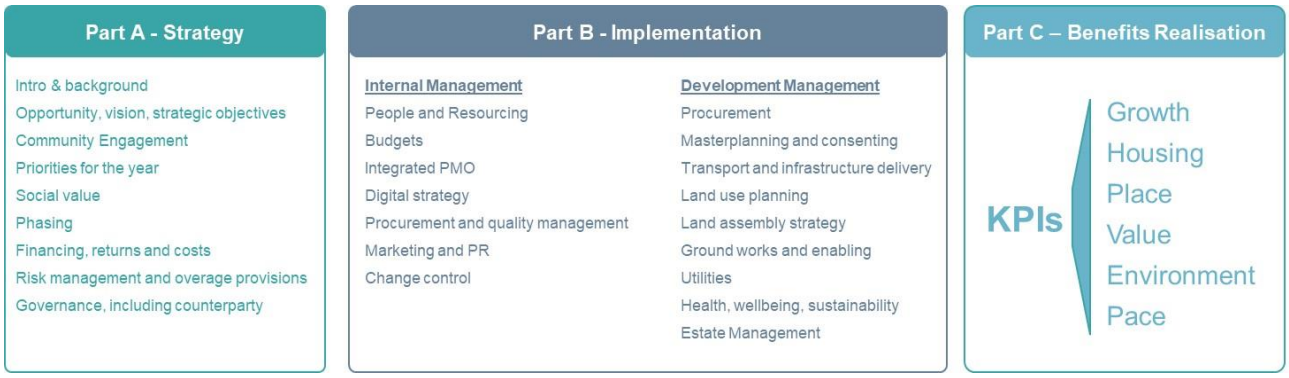


Figure 54 Business Plan content | Source: Arup

6.6 Governance and assurance

6.6.1 Ensuring effective governance

An effective governance structure is crucial for ensuring alignment and coordination of vision, strategy, investment, and action by all the parties involved in Old Oak West to maximise and realise the combined benefits of the project. These benefits (and the risk of not realising them fully) relate to the return on investment to the public sector (in terms of land values and fiscal benefits), transport user benefits, and indirect and wider social / economic benefits – as set out in the Economic Case.

Old Oak West has a complex array of public sector parties with varying roles in the delivery of the regeneration opportunity (development corporation, landowners, asset owners, transport operators, funders, financers). The interests of these parties can be broadly captured against the following five categories:

1. Protection of operational and legal red lines (rail operations, planning etc).
2. Protection of landowner financial interests (DfT, NR, and OPDC).
3. Protection of government economic objectives, including ensuring that the socio-economic benefits of public investment are realised.
4. Provision of a unified remit to the Delivery Agent and MDP, representing landowner interests but allowing hands-off development in the overall interest.
5. Sustaining political sponsorship in central and local government.

These interests can be protected through a number of mechanisms, including:

- An agreed business plan that establishes the parameters within which the project will be delivered by private and public sectors, including financial metrics and other KPIs (set out in the previous section).

- Contractual agreements containing terms and conditions protecting key interests, with remedies identified (set out in section 5.2.4).
- Participation in / membership of decision-making and/or oversight and assurance forums, with clearly identified political escalation routes.
- Participation in project delivery, through multi-organisation working groups and/or secondments into the Delivery Agent.
- Project reporting that provides information on project delivery and realisation of benefits.

The governance structure for Old Oak West must also be attractive to the private sector. Potential private sector partners should understand how it works, who makes decisions, and feel assured that the structure does not overly burden decision-making or project progression; this includes ensuring there is clarity about where approval or veto powers exist. For instance, the private partner(s) will need certainty that the project could not be vetoed or changed outside of agreed parameters established in the contract (and reflecting the Business Plan) by the public sector partners.

6.6.2 Governance structure

As with the wider delivery programme, the governance structure will need to adapt and change across each phase of the project; see Figure 55. This OBC focuses on Phase 1, which covers the period from the approval of this OBC through to developer appointment. During this phase, the public sector partners will be finalising the Public Land Agreements and the Delivery Agent will be preparing the IBP, as well as then moving into contract with the selected private sector partner(s). These agreements and business plans will play a key role in protecting the red lines and objectives of each organisation. As this documentation suite is coming together over this period, there will be a continuing need for some level of cross-Government oversight and assurance, balanced against a need for the Delivery Agent to be able to progress the project efficiently and at pace.

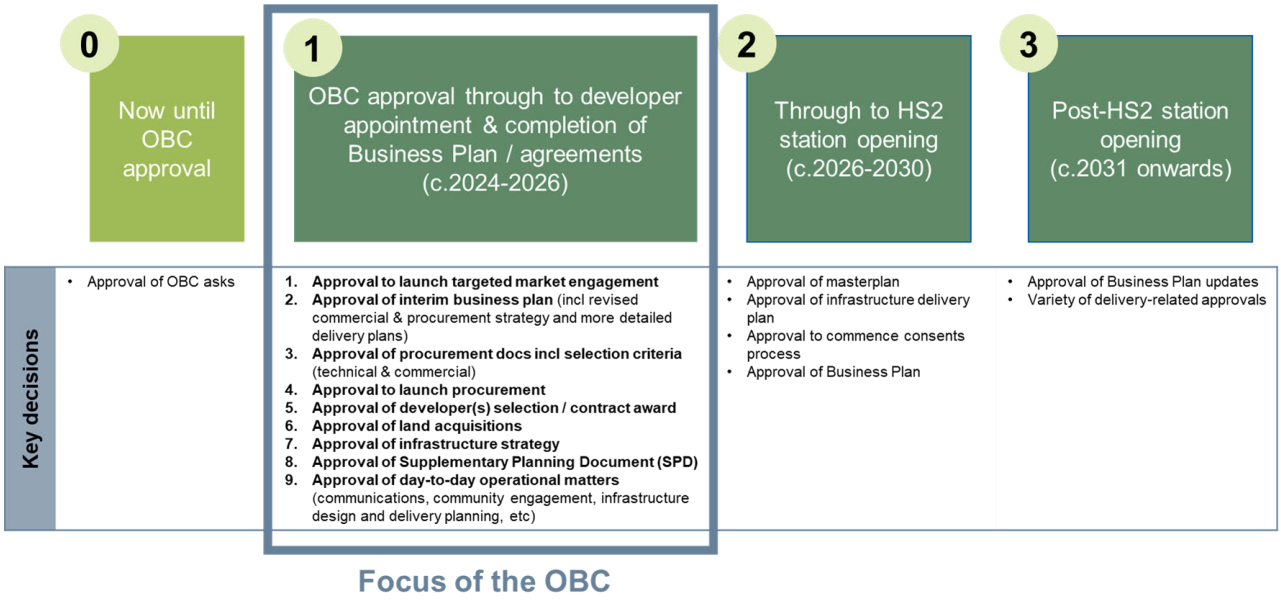


Figure 55 Key decisions by delivery phase

Figure 57 summarises the governance structure that will be put in place to support phase 1 of the programme. In this phase, the Old Oak West Collaboration / Assurance Board (CAB) will be the primary governance forum for driving 'common purpose' across the public sector participants in the project – reinforced and supported by alignment at political level. It will comprise senior officials from each of the sponsor organisations, including DfT, NR and OPDC as landowners. The CAB is being established in shadow form as of January 2024, as an evolution of the Strategic Steering Group that has been in place during OBC development. The CAB will report into political leaders from both central and local government, ensuring an appropriate level of political oversight and guidance to the project over time.

The Old Oak West CAB will oversee the implementation of a Collaboration Agreement between the Delivery Agent (OPDC), landowners (DfT/HS2 and NR) and funding partners (DLUHC). This agreement will address

how the parties collaborate with one another, including the remit of the proposed landowner representatives. It will formally establish governance arrangements and set out the Delivery Agent's remit. The Collaboration Agreement will not cover any commerciality or land principles, which will be the focus of the separate Public Land Agreements. There also needs to be a clear commitment across participants to a set of operating principles and behaviours that set the right culture for delivery – which could potentially be enshrined in the Collaboration Agreement or as a separate project charter. A central principle is that members of the CAB will represent the perspectives and interests from across their organisations; for instance, in the case of DfT, the CAB member will be able to integrate across transport operations, infrastructure / assets (within regulatory and safety parameters), and landowning dimensions.

Most day-to-day decisions in Phase 1 will be taken by the Delivery Agent in consultation and coordination with other project partners. Select 'reserved matters' will be taken to the CAB for agreement (these matters / decisions are identified in below). Members of the CAB will be suitably empowered by their respective organisations to take decisions – the Board itself will not make decisions, but rather members make them on behalf of their respective organisations. Where outside of agreed delegations, these decisions are coordinated by the CAB but brought back to their individual governance boards for approvals, as required.

It is important to recognise OPDC's dual roles in this structure. OPDC's Board will oversee its corporate duties and delivery of core functions, but the Old Oak West development remit and investment decisions on behalf of the landowners are governed via the CAB (where OPDC is represented as a landowner).

This structure will change following appointment of the MDP – enabling a clearer single interface with the partner(s) and most decisions made via this interface. For instance, depending on the final commercial model (see section 5.7.2), this could take form of a JV Board. There is potential for fewer reserved matters requiring cross-Government approvals in these phases, as contractual agreements and an adopted Business Plan provide sufficient protection of red lines and interests. Figure 56 identifies how each of the key decisions in Phase 1 will be made in this structure.

Key Phase 1 decisions	Who makes decision?
Approval to launch targeted market engagement, following consultation with landowners and review with the OOW Collaboration / Assurance Board	Delivery Agent SRO
Approval of interim business plan (incl updated commercial & procurement strategy which sets out the detailed process for running the procurement and the technical and commercial selection criteria)	**OOW Collaboration/ Assurance Board**
Approval of procurement documentation (e.g. PQQ, Invitation to Submit Outline Solutions)	Delivery Agent SRO
Approval to 'go-live' on procurement	**OOW Collaboration/ Assurance Board**
Notification of developer selection and approval of contract signing (Full Business Case)	**OPDC + DfT + DLUHC governance**
Approval of land plan / land acquisition	Delivery Agent SRO
Approval of strategic infrastructure delivery plans	Delivery Agent Programme Director
Approval of Supplementary Planning Document (SPD)	OPDC LPA function
Approval of day-to-day operational matters	Delivery Agent Programme Director

Figure 56 Phase 1 decision alignment

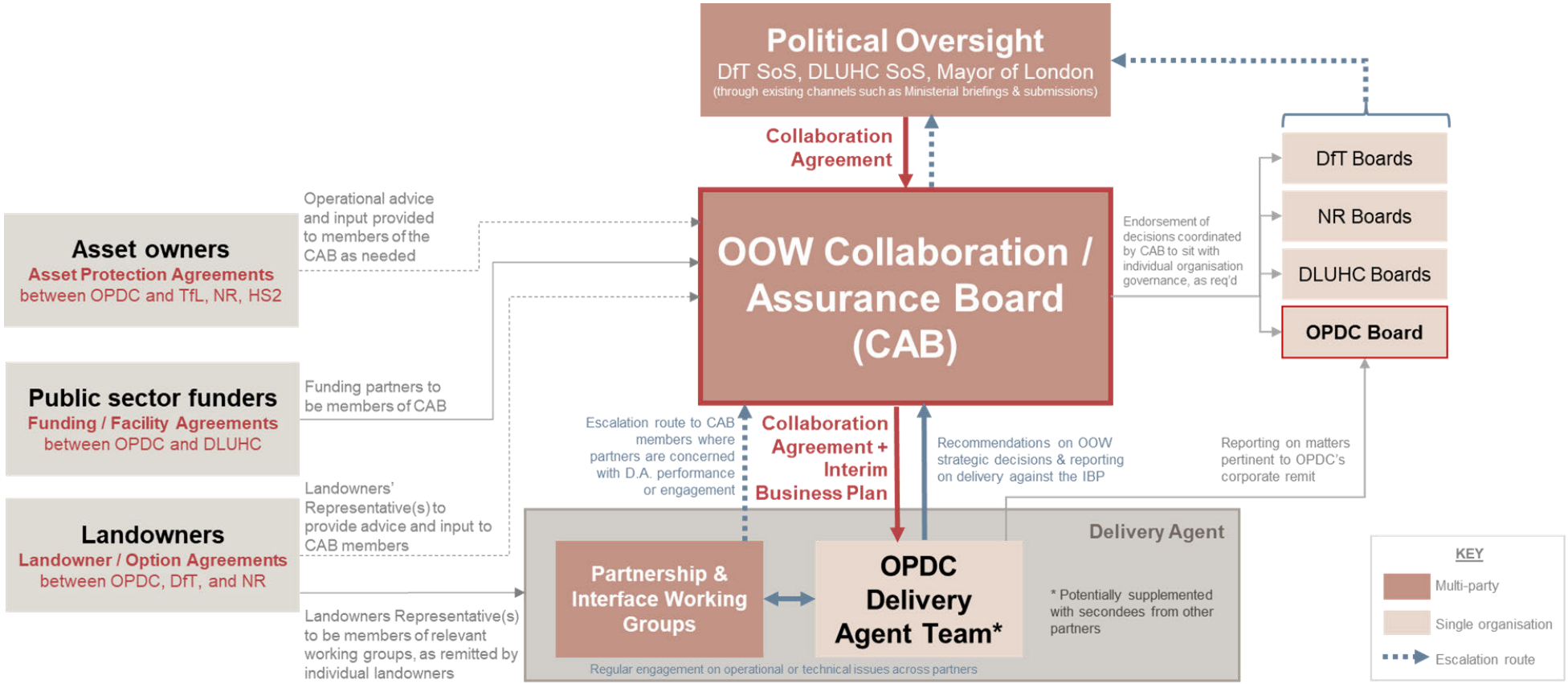


Figure 57 Phase 1 governance structure | Source: Arup

6.6.3 Draft Terms of Reference (ToRs)

The Commercial Case sets out a summary of the contractual documents that will underpin this framework, and Table 49 sets out the high-level ToR for each of the governance bodies. These ToRs will be finalised through the process of agreeing the Collaboration Agreement

Table 49 High level ToR

Entity	Purpose	Documentation	Chair	Members (indicative)	Frequency
Political Oversight	Enable political alignment between local and central Government on strategic direction and commitments at Old Oak West. Initial view is that this would be carried out via regular Mayoral / Ministerial briefings process, but there may be value in a standing, infrequent forum – to be agreed during finalisation of the Collaboration Agreement.	Collaboration Agreement	[If a forum], jointly chaired by Mayor and a Government Minister	• Mayor of London • SoS-Transport • SoS-DLUHC • Minister for London (TBC)	[If a forum] regular but infrequent meetings (1-2x / year)
Old Oak West Collaboration / Assurance Board	Provide overarching assurance that the Collaboration Agreement is being adhered to and facilitate key 'reserved matter' decisions requiring joint central-local Government approvals; in subsequent phases, provide assurance over Business Plan and other contractual agreements	• Collaboration Agreement • Interim Business Plan	Independent	• OPDC CEO • DfT Senior Sponsor • DLUHC Senior Sponsor • NR Group Property Director • [HS2 Commercial Development Director]	Quarterly
OPDC Board & Committees	Provides leadership, advice and support to OPDC. Sets strategic direction and overall policy; monitors standards and corporate governance; and represents OPDC with other partners. Includes committees for development/infrastructure, audit/risk, and planning.	• Collaboration Agreement • Public Land Agreements • OPDC Standing Orders and Scheme of Delegation • Interim Business Plan	Appointed by Mayor of London	As per existing ToR, with option to add seats for DfT and NR	Quarterly
Partnership & Interface Working Group *(within Delivery Agent)*	Provide operational-level review and coordination of infrastructure and land-related delivery issues; coordination of wider activity across partners (e.g. communications and community engagement); briefings and coordination with other specific infrastructure projects, e.g. OOC Station delivery; West London Orbital (if progressed); district heat network.	• Public Land Agreements • Asset Protection Agreement(s)	Overall sponsor: OPDC Executive Director for Delivery Individual leads will vary by topic, e.g. OPDC Head of Infrastructure	Key operational leads from each organisation with direct role in delivery of various aspects of the scheme, plus landowners and operational interface representatives as required; e.g.: • OPDC Development Director • OPDC Head of Infrastructure • DfT landowners representative • DfT operations representative • TfL TBC • HS2 operational representative • NR Principal DM • Other attendees as required for specific matters • Private sector partner(s) *(Phase 2 and beyond)*	Varies; primarily biweekly or monthly

6.6.4 Integrated assurance

The assurance of the Old Oak West project will take an integrated approach that follows recognised best practice.[73] It needs to provide assurance for partners that:

- Robust programme and project delivery plans are in place to deliver against the agreed scope, cost and programme.
- Reporting for the programme is consistent and provides transparent and shared understanding of progress against plan and provides assurance that risks are being identified and managed by the programme.
- Effective governance and controls assurance frameworks are in place in line with industry good practice.
- The programme objectives are delivered efficiently and effectively and will deliver the agreed project outcomes.

The draft Interim Business Plan will include a detailed integrated assurance plan. This will draw on the GLA Group's extensive experience of designing assurance arrangements for similar projects. It will take account of OPDC's existing assurance processes, which are overseen by its Audit and Risk Committee. However, given the particular requirements and governance arrangements for the OOW project, a bespoke assurance process will be implemented.

The integrated assurance plan will follow the 'three lines of defence' model, with increasing levels of independence through each line of defence.

- The first line of defence will be owned by the Delivery Agent Team. It will follow the management processes as set out in this OBC, particularly the risk and change management processes described in section 6.9. These processes will be outlined in more detail in the Interim Business Plan.
- The second line of defence will be led by the OPDC Programme Management Office supported by OPDC Governance and Finance. It will provide assurance that information across the project is consistent, objective and robust and that management processes are being followed appropriately.
- The third line of defence will be fully independent of the project team. An independent organisation will be appointed to provide an objective opinion on the effectiveness of project management processes and how they are implemented. This organisation will report to the CAB. OPDC will lead the procurement in coordination with the project partners.

Based on experience of similar arrangements within the GLA Group, it is expected that third line assurance activities will include observing project meetings, reviewing project documentation such as the risk register, regular "check-ins" with project partners, and reviews of agreed assurance action plans and second line assurance activities. There will also be programme wide reviews on key thematic issues such as risk management and financial management. The outputs of this activity will be reported both to the Old Oak West CAB and to individual organisational governance boards as required. It will also be timed to inform key decision-making points, such as the planned procurement launch in late 2024, where appropriate.

6.7 Project dependencies and constraints

6.7.1 Dependencies

Dependencies are external factors that a project is reliant upon to be successful, but which are beyond the direct control of OPDC and its delivery partners.[74] The successful delivery of Old Oak West's objectives depends on them being realised or resolved.

[73] See, for example, Infrastructure and Projects Authority, Project Routemap: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1080238/Governance_-_FINAL.pdf

[74] HMT, 2022 Green Book https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/the-green-book-2020

Table 50 identifies the dependencies for the delivery of Old Oak West that are critical in informing the overall management and delivery approaches. OPDC, as the Delivery Agent, will be responsible for identifying the potential impact of any existing or emerging dependencies as the programme develops and will identify the appropriate management approach.

Table 50 Old Oak West Interdependencies for delivery

Phase	Dependency	Impact on scheme	Management
1	**West London Orbital**	An OBC is in progress for the West London Orbital, an outcome should be announced in winter 2024. If the scheme is approved, a new Overground Station, OOC Lane Station, will form part of Old Oak West.	The OPDC Local Plan is not contingent on the West London Orbital but would benefit from it, therefore OPDC will continue to engage with TfL on the emerging business case.
1	**Electrical capacity in West London (GLA, UKPN)**	Successful resolution of utility capacity is a key consideration for any development proposal. The utilities supplied for the delivery of a project are limited to resources that are available in the surrounding area. Concerning Old Oak West, there are ongoing limitations to electrical capacity in West London, meaning new developments may not be able to secure capacity from the grid.	This issue is currently being reviewed by the GLA and OPDC, alongside a strategy for local energy generation to lessen the impact on the grid. A preliminary utilities delivery and phasing strategy will be completed by Q3 2023.
1	**Availability of the right capability and capacity in the market**	Successful delivery is contingent on OPDC to continue to ramp up delivery resources, and this is dependent on the ability to be able to accommodate/reflect prevailing conditions in a tight market to attract and retain talent.	Close working with Human Resources (HR) on resource planning and routes to secure the right personnel at the right time and retain these. Potential for secondees from partner organisations.
2	**OOC Station delivery works**	HS2 delays or changes to scope are outside of the control of Old Oak West and could impact on the extent and timing of land release, and therefore the development programme or scope. HS2 will be undertaking upgrades to Old Oak Lane and Victoria Rd highways, and these will need to align with the scheme development.	Ongoing coordination with DfT and HS2 Limited through the Partnership and Interface Working Group, to understand programme risks and ensure publicly held land is released on time

6.7.2 Constraints

Constraints are external considerations that set limitations within which a proposal must work[1]. Table 51 identifies the constraints within with Old Oak West will need to operate. As Delivery Agent, OPDC will be responsible for identifying, monitoring, and responding to these constraints.

Table 51 Old Oak West Constraints on delivery

Constraint	Impact on scheme
Funding	Projects are constrained by the level of investment that is required to deliver them. In the case of Old Oak West, the scale and speed of delivery is dependent on securing funding from multiple sources, including the public sector and several private investors. There are also some specific limits on spend (via allocated funds) which could further constrain delivery. OPDC has been awarded funding from the GLA Land Fund and the BIL. These will need to be deployed appropriately to deliver the Old Oak West scheme, and in accordance with funding conditions and programme timescales.
HS2	The delivery of Old Oak West is constrained by HS2 priorities and requirements and there will be critical interfaces with HS2 during the design and delivery of Old Oak West. The scheme will be fundamental to the delivery of the OOC Station, and any delay is expected to have implications for the station and wider HS2 programme. The intervention at Old Oak West must be delivered in such a way that it does not put delivery of the OOC Station at risk.
Legislation	*The Railways Act* – The Railways Act (1993) establishes the regulatory framework for licensing, railway infrastructure access, access charges and capacity allocation. Of relevance to Old Oak West, the Act dictates how and whether surplus land belonging to NR can be released. This legislation may constrain delivery on the 13 acres of NR-owned land that falls within the scheme boundary. *Procurement Law* - Compliance with public sector procurement policies, rules and processes will put constraints on the procurement programme and overall delivery. Old Oak West is subject to public sector procurement law, and the procurement strategy and all procurement/contractual documents must be compliant with public sector procurement legislation. *Planning Law* – Development schemes must be compliant with existing planning legislation. Old Oak West must secure the necessary planning consents before commencing development and must conform to all relevant

Constraint	Impact on scheme
	planning laws throughout the project's delivery. Compulsory Purchase legislation and guidance will need to be followed in the event that a CPO is pursued.
Private sector appetite	Large development projects rely on private sector support and investment that must be sourced from the market. Initial market testing has indicated that Old Oak West is an attractive opportunity (see Commercial Case), but the number of companies that could plausibly act as a MDP will be limited due to the scale of proposed intervention, prevalence of competing schemes including others along the HS2 route, and likely requirement for early commitment of private funding. This means the procurement process will need to be carefully managed to ensure a competitive process that secures a high-quality partner, and the process should be open to consortia of different parties prepared to collaborate.
Market capacity	Successful development schemes typically reflect local market conditions, which require the ability to flex and respond to economic cycles. For long-term projects such as Old Oak West, future population growth and employment demand can constrain the ability of a scheme to be delivered within the envisaged timeline. Old Oak West will have to be delivered at pace and with the appropriate mix of homes and employment opportunities to meet future demand. There is more scope for doing this in a comprehensive regeneration approach, which offers potential to flex delivery across sites, types and tenures over the lifetime of the project.

6.8 Communications and stakeholder management

6.8.1 Approach

Regeneration at Old Oak West will impact on a wide and varied group of parties and interests ranging from local authorities, the Mayor of London, landowners, businesses, residents, statutory consultees, internal organisational leaders, Members of Parliament (MP), and ministers across Government. Inclusive public and stakeholder consultation is essential to ensure that the various aspirations are taken into account throughout the planning, development and delivery of the project, and to manage the communication and flow of information relating to the scheme. Genuine engagement that helps to shape plans with the local community and host boroughs is crucial to the success of Old Oak West and is embedded across the approach to delivery.

To manage communications and engagement at Old Oak West, a Communications and Stakeholder Management Plan (the Plan) has been developed to identify key stakeholders and the appropriate tailored engagement for each; the timescales for engagement; highlight key engagement undertaken to date; and outline the approach to messaging and media relations. This has been, and will continue to be, developed by the Communication and Stakeholder Working Group, with representatives from each public sector sponsor. There has already been a substantial leave of engagement with a many local and strategic stakeholders, involved in the delivery of Old Oak West.

The Plan outlines and agrees the following principles:

- Creating awareness by highlighting the benefits of Old Oak West as a comprehensive regeneration scheme.
- Ensuring that all stakeholders are engaged inclusively, using the most appropriate media.
- Ensuring that consistent messaging is agreed and used across all stakeholders.
- Supporting and ensuring maximum impact from the project's leadership, including Ministerial and Mayoral representation.

6.8.2 Key stakeholders

A summary of the stakeholders and the approach to engagement is presented in Table 52. Additional stakeholder interests are also continually being identified through a stakeholder register and map which is regularly updated.

Table 52 Old Oak West Stakeholders and engagement strategy

Stakeholder Category	Stakeholder	Interest / Involvement	Engagement Strategy	Owner
Local and Central Government	**Local authorities** LB Ealing LB Hammersmith & Fulham LB Brent	Old Oak West sits within LBHF and LBE borough boundaries and the Old Oak West scheme must be developed in the context of their policy objectives.	Working relationship on development of proposals and specific focus areas with regular meetings and touchpoints.	OPDC
	Local political stakeholders Local Councillors Local MPs	Responsibility for constituent/local interests	Regular engagement with local councillors and MPs via meetings, site visits and briefings. The OPDC Board and Planning Committee includes representation of the leaders of all three boroughs and local councillors.	OPDC
	Central Government political stakeholders Ministers	Management of public-sector owned land; existing investment in OOC Station/HS2 legacy; responsibility for exploring funding opportunities to help support delivery	Working relationship between central Government officials through a Stakeholder & Comms group. Officials from individual departments and organisations remain in close contact with own Ministers and other central Gov. political stakeholders to ensure they remain informed and lead on key steers and decisions throughout the lifetime of the project.	DLUHC, DfT and HE
	Regional authorities Mayor of London GLA London Assembly	OPDC is a functional body of the GLA and has a Mayoral mandate to deliver regeneration in the Old Oak and Park Royal Opportunity Area, in line with the Mayor's London Plan.	The Mayor's Office influences and drives strategy through quarterly liaison meetings and is thoroughly briefed regularly. OPDC's CEO sits on the GLA's Group Collaboration Board and OPDC has shared service agreements to further enhance collaborative working. OPDC regularly appears before the London Assembly scrutiny committees and hosts site visits for assembly members.	OPDC
Communities and businesses	Community organisations Local businesses Local service providers	Existing groups who have an interest in the impact of the scheme on the local community and will be sensitive to disruption during construction. Potential future residents and	Extensive engagement via a programme of co-design with local businesses, residents and community groups, as well as ongoing engagement via drop-in surgeries,	OPDC

Stakeholder Category	Stakeholder	Interest / Involvement	Engagement Strategy	Owner
		employees who will live or visit Old Oak West.	community newsletters and additional online and print communication channels. An established OPDC Community Review Group made up of 12 resident and business representatives who live or work in the local area to review planning decisions before they go to OPDC's planning committee and board.	
	Third Party Land and Interests	A variety of businesses and dwellings within the site area, some of which form part of the Old Oak West boundary and whose interests may need to be acquired.	OPDC will seek to secure the control over land and interests required by agreement, through engagement with affected parties. Any outstanding land and interests are likely to be acquired using OPDC's compulsory purchase powers. Refer to the Land Assembly Strategy for further detail (Appendix 12).	OPDC
Statutory organisations	**Statutory authorities** National Grid Canal and Rivers Trust	Landowners of land adjacent to key sites and responsible for key infrastructure and utilities in the area.	Existing working relationship with key Statutory utilities and CRT. Forum to be set up to communicate and collaborate on infrastructure workstreams.	OPDC
	Transport organisations NR TfL Arriva	The organisations are landowners, leaseholders or operate transport infrastructure in the area.	Existing working relationship with TfL, NR, and Arriva. Regular meetings to discuss collaboration and specific workstreams ongoing.	DfT and OPDC
Private sector	Developers	Potential developer partners and other developers submitting planning applications within the Old Oak West and wider OPDC area will have an interest in proposals.	Structured market engagement as detailed in the Commercial Case.	OPDC
	Private finance organisations	Potential private funders	Structured market engagement as detailed in the Commercial Case.	OPDC

6.9 Risk and change management

6.9.1 Change management

OPDC is continuing to develop the change management structures, with the principal aim of implementing a simple, collaborative, and proactive model. Old Oak West is a long-term project, and it is inevitable that during its lifetime there will be policy, regulatory, market and personnel changes. Having an established, formal and smooth process for change management – both for project governance and in day-to day operations – will ensure that the project can continue to deliver whilst responding to these changing circumstances.

Given the Business Plan will set the parameters for the delivery strategy of Old Oak West, it will also be the main agent for change management. In Phase 1, it is the responsibility of the Executive Director of Delivery at OPDC to propose changes to the Business Plan, taking account of input from landowners and funders. This responsibility will become shared with an appropriate individual in the private sector during Phases 2 and 3. Material changes to the Business Plan will be subject to the approval of the Old Oak West Collaboration / Assurance Board (CAB), in accordance with the scheme of delegations contained within the Collaboration Agreement. Informal engagement, and a programme of meetings, prior to formal Board approvals will ensure that partners are consulted on upcoming changes.

It will be important that the Delivery Agent has certainty over its remit, and confidence that partners cannot stall, veto, or change the project outside agreed parameters. For this reason, a scheme of delegations will be developed, such that the Delivery Agent is able to take decisions within those parameters. The scheme of delegations for Phase 1 will be set out in the Collaboration Agreement and the scheme of delegations for Phase 2 and 3 will be agreed during the procurement process.

For changes and decisions within the Delivery Agent's scheme of delegations, decisions do not need to be approved by the Old Oak West CAB. Instead, the CAB will be informed, and changes will be reflected in the (likely annual) refreshes of the Business Plan. For changes and decisions outside the Delivery Agent's scheme of delegations, these will be taken to the Old Oak West Collaboration / Assurance Board against the process described above. In some cases, were particularly major decisions to arise, these would need to be considered via individual organisational governance. Escalation and resolution measures will need to be put in place to manage, monitor and report such changes over time. A high-level view of the proposed arrangements, with illustrative examples of potential changes, is set out in Figure 58. These arrangements will be developed in more detail in the Interim Business Plan.

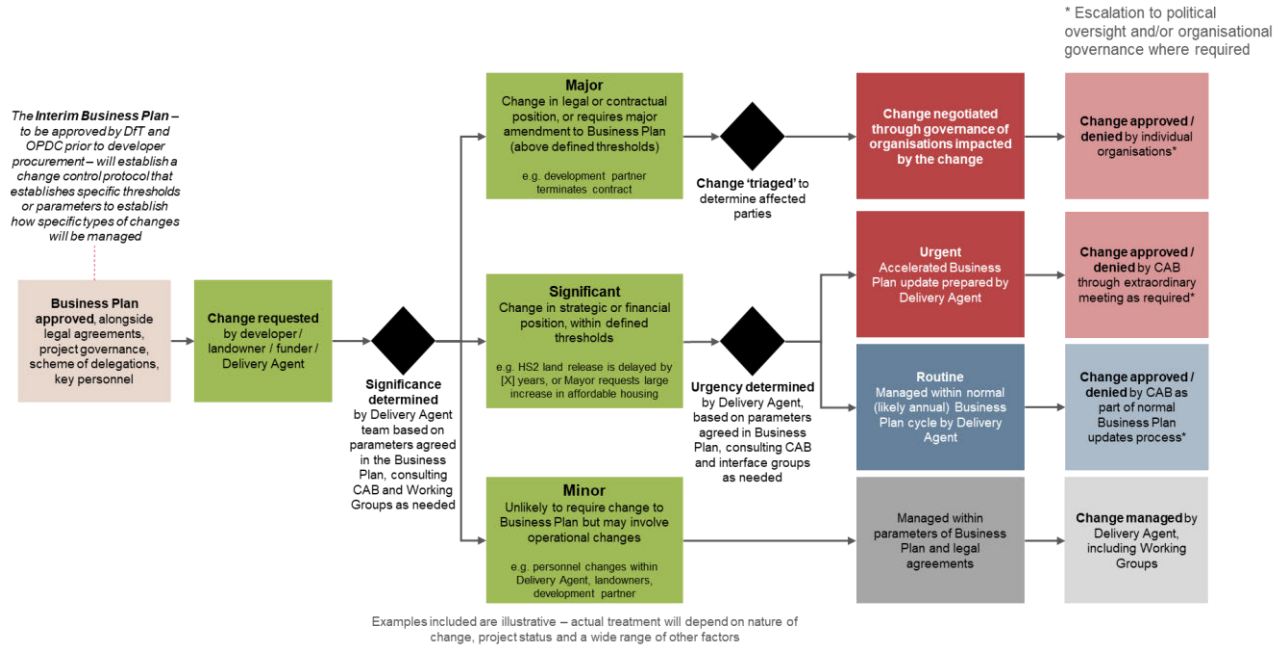


Figure 58 Change management pathways

6.9.2 Risk management

The Delivery Agent will lead on risk management, adopting OPDC's existing processes. These are based upon a formal and robust Risk Management Framework with clear rules and defined processes. The Framework is regularly reviewed and updated by the OPDC Governance team and is monitored by its Audit and Risk Committee. It establishes a structured approach to risk management and promotes a culture of ongoing and proportionate risk management. The framework establishes a process for identifying, assessing, recording, mitigating and monitoring risks and issues with a clear hierarchy of responsibilities and governance and reporting arrangements.

Decision making at OPDC ultimately derives from delegations from, the Mayor of London (to whom OPDC is accountable) although almost all decisions are matters that in practice are taken by the OPDC Board, its sub-committees or executive. Operational and programme decisions with financial implications less than £150,000 are taken via Decision Forms with larger financial approvals taken via Board decisions. All approvals incorporate an assessment of all risks and issues, including risk appetite, providing scrutiny, rigour and transparency. Subject to commercial and other legitimate confidentialities, all decisions are publicly accessible. The OPDC decision making framework, which closely links to risk management, is designed to ensure that each decision is taken at the right level, offers VfM for the taxpayer, takes full account of legal and other relevant considerations, is transparent, and demonstrates accountability.

Within OPDC, a risk and issues register is maintained specifically for the Old Oak West programme (Appendix 9). This will continue through subsequent phases by its role as Delivery Agent and is the responsibility of the Programme Director. The Programme Manager reviews the Old Oak West risk register monthly, with project leads reporting on individual project risk and issues. Key programme risks and issues are reported monthly to the Old Oak West Strategic Steering Committee and quarterly to the Board's Audit and Risk Committee through OPDC's corporate performance and finance report (maintained by the OPDC Governance team and owned by the OPDC Senior Management Team).

6.9.3 Summary of strategic risks

Table 53 Summary of strategic risks

Strategic risk	Impact	Risk mitigation	Risk owner
Difficulty or delays assembling private and public land	If OPDC is unable to secure privately owned land when required, the scale of development may need to be altered or delayed. Any significant reduction in site area or delay would adversely impact on the outputs as well as outcomes.	The Land and Property team will acquire interests by private treaty where possible, whilst also preparing for a CPO by actively engaging with landowners to demonstrate the benefits of comprehensive development.	OPDC Land and Property team
	NR statutory and regulatory processes protect operational uses. Failure of or stalling this process will result in delays to the programme, or a reduction in land available for development.	NR is embedded in the project team responsible for refining the parameters of the scheme. They will work with operational stakeholders to deliver the strategy and requirements to release assets for development.	OPDC Land and Property team
HS2 programme delay or scope changes	A delay or changes to the HS2 scope will delay the dates by which the HS2 worksites become available for redevelopment. Socio-economic regeneration of this area could be impacted if the scope of the OOC Station is materially changed.	Facilitating ongoing coordination with DfT and HS2 Ltd through governance arrangements as set out, to understand programme progress and emerging risks as early as possible, allowing for corrective planning.	DfT and HS2
Failure to agree the terms of Public Land Agreements	The Public Land Agreements fail to materialise or the amount of land available for development is materially reduced, impacting the scale of transformative regeneration at Old Oak West.	Ongoing collaborative working and implementation of good governance, including the establishment of a senior level working group to lead the development of a Collaboration Agreement. The headline principles of the Public Land Agreements are proposed in this OBC.	Public sector landowners: DfT, NR, OPDC
	The Public Land Agreements do not offer sufficient certainty to the private sector		Public sector landowners: DfT, NR, OPDC

Strategic risk	Impact	Risk mitigation	Risk owner
	developer market and the number and calibre of bidders in procurement is reduced.		
Political uncertainty and policy change	A change in political leadership could impact the continuity of decision making for Old Oak West and affect the strategic direction and policy alignment of the project, necessitating material changes to OOW plans.	Programme takes into account political cycles and monitoring of policy priorities and emergent themes. Tri-lateral meetings will take place to agree principles across all organisations. Implementing an effective and enduring governance structure, aligned to a robust Business Plan. Strong contractual agreements between the public and private sector that are signed by either central or local government. Implementing strong contractual agreements public sector organisations where required.	OPDC, with support from DfT and DLUHC
Changes to Master Development Partner	If there is a significant deterioration in the financial standing or collapse of the MDP, this may cause delays or financial harm to the delivery of the scheme.	Procurement of any private partners will be subject to procurement processes as detailed in the Commercial Case, to be further developed in the draft IBP. Once contracted they will be subject to ongoing monitoring, and contingency plans will be worked up. An exit strategy has been developed and the principles and mechanics of this will be embedded within proposed commercial agreements with the private sector.	OPDC
Securing finance sources when they are required and on the right terms	If adequate funding sources cannot be secured when they are required, and on the right terms, there may be an inability to undertake early works including land assembly and infrastructure / enabling works resulting in adverse impacts on delivery and outcomes.	The public sector has identified a number of options to address potential financing. These are further explored in the funding and finance strategy set out within the Financial Case of this OBC (and in Appendix 7), and will be further detailed as part of the Interim Business Plan.	OPDC

6.10 Benefits realisation

Benefits management is required to ensure that Old Oak West delivers the Strategic Objectives and the benefits identified in this (and future) business cases, including social, economic, and environmental benefits. Old Oak West is a long-term project so whole-life value and benefits are considered throughout key stages of the project, including the development and design of the scheme, the funding and financing arrangements, the commercial arrangements, including the procurement strategy and the evaluation of consultant and developer proposals.

A Benefits Realisation Plan has been developed to ensure that:

1. There is a systematic process for the identification, evaluation, measurement, and reporting of the benefits.
2. Old Oak West remains a benefits-led project throughout the projects' development, where benefits management is driving decision-making through the various workstreams including; commercial, scheme development, and communications and engagement.
3. Benefits are captured, monitored, and updated to ensure that they are on-course to be realised.

The Programme SRO is ultimately accountable for the delivery of benefits, however responsibility for individual benefits will be allocated to the individuals, teams and partner organisations with the requisite skills and expertise.

Table 54 below sets out the emerging benefits register for Old Oak West. This will be developed alongside the Benefits Realisation Plan and refined post-OBC.

Table 54 Old Oak West emerging benefits register

Strategic Objectives	Benefit description	Outcome
Growth	Create a nationally significant cluster of new and existing businesses that drives economic growth and invests in the local workforce.	• Improved connectivity as catalyst for growth • Increase median earnings locally • Knowledge-based business growth • Local business benefits from Old Oak West development • Increase access to higher level vocational qualifications and higher and further levels of education • Better progression pathways from school/college into employment or further learning • Growth in green skills
Build more homes	Maximise the number of affordable and private homes, ensuring all are built to a high standard of design and construction.	• Contribute towards the West London sub-regional need to provide housing for circa 170,000 (>6,000 per annum) additional households by 2041. Deliver against the West London sub-regional affordable housing need (> 4,000 per annum) • Deliver high quality places for people to live in • Deliver housing typologies that meet demand
Create a place to be proud of	Create a distinct place with resilient town centres, quality public realm that reflects local heritage and social infrastructure that meets the community's needs.	• Increase the amount of quality public realm and community spaces for local people and visitors to enjoy • Pride of place for residents and employees • Old Oak West seen as an investment opportunity for high growth knowledge sectors
Ensure value	Maximise value for the UK taxpayer by optimising the use of public land to deliver financial, transport, housing and regeneration outcomes.	• Legacy created from HS2 and Elizabeth Line investment • Enhanced connectivity between existing communities and OOC Station • Increased attraction from private sector due to upfront investment in infrastructure
Create a better environment	Create a place which is resilient to the climate crisis and positively contributes to people's health, wellbeing and the environment.	• Reduced air pollution • Reduced carbon emissions throughout the project lifecycle • Sustainable energy solutions • Enhanced green spaces
Pace of delivery	Act quickly to ensure that Old Oak West is a flourishing place to help maximise the investment in the OOC Station.	• Accelerated delivery of development that maximises the investment in HS2 • Increase median earnings locally • Increase access to higher level vocational qualifications and higher and further levels of education • Better progression pathways from school/college into employment or further learning

6.11 Monitoring and evaluation (M&E)

6.11.1 Purpose of M&E

In addition to the Benefits Realisation Plan, complementary M&E of benefits is required to assess the extent to which the scheme meets its core objectives as set out in the Strategic Case and the economic benefits described in the Economic Case.

In contrast to the Benefits Realisation Plan, the M&E will concentrate on understanding how and why the outcomes were achieved, providing key lessons learnt for the future. M&E will also typically have a greater focus on longer term outcomes compared to the Benefits Realisation Plan.

M&E will run throughout implementation to assess short and long term outcomes and impacts. An example of the types of outputs, outcomes, and impacts that should be monitored and evaluated are presented in Table 55 below, closely aligned to the strategic objectives.

Table 55 Example outputs, outcomes, and impacts for M&E

Strategic objective	Potential M&E indicators
Growth	Number of homes unlocked Increase in density Land value uplift Increase in population Increase in businesses locating / starting / growing Number of local supply chain wins Number of workers paid the London Living Wage Number of apprentices Number of jobs created Increase in employment Increase in productivity Number of school-industry partnerships in place Number of residents qualified to NVQ4+
Build more homes	Number of affordable homes Number of overall homes
Create a place to be proud of	Increase in social infrastructure Increase in quality public realm Increase in footfall in key areas
Ensure value	Amount of public land used to deliver outcomes
Create a better environment	Improvements in air quality, noise, carbon, life cycle emissions Mode shift to public transport Improved accessibility Improvement or creation of new green spaces Mode shift to active travel Number of green jobs
Pace of delivery	Number of homes completed by the opening of OOC Station Amount of infrastructure delivered by the opening of the OOC Station

6.11.2 Approach to M&E

A detailed M&E Strategy that aligns with the requirements of all public sector partners will be developed as part of the IBP. This will be an important task to understand the benefits of the interventions. The strategy will set out data requirements, potential data sources and how the data will be obtained and monitored at the start of the project (the baseline), and at intervals throughout the project lifecycle to assess the trajectory of outputs and impacts, that align with the theory of change presented in the Strategic Case.

The Evaluation Plan will describe in detail the proposed evaluation approach, evidence base and monitoring strategy. The plan will be developed following the guidance contained in the Magenta Book, the Government's guidance on evaluation. The evaluation plan may draw on existing evaluation processes where relevant, for example Post-Occupancy Evaluations (POE) for housing. A key consideration for the evaluation methodology will be to demonstrate a robust counterfactual to make sure the impacts of the investment specific to Old Oak West can be properly isolated accounting for additionality and displacement.

As set out in the Strategic Case, some work to establish the current socio-economic baseline in the Old Oak West area has been completed already and a fresh baseline study is currently being commissioned by OPDC. As the process for M&E is developed, this will be important in assessing progress against intended benefits. The impacts of the project will be monitored as per the current governance arrangements and the CEO of OPDC, as SRO for the project, will be responsible for benefits realisation. The governance and reporting arrangements of the monitoring will evolve as the project develops.



7. Conclusions

Old Oak West OBC

Homes England | Department for Transport | Department for Levelling Up, Housing & Communities | OPDC Old Oak and Park Royal Development Corporation

7. Conclusions

7.1 OBC asks

This OBC is seeking approval against six key decisions (the 'asks'):

1. **Public land:** The principles for proposed Public Land Agreements between DfT, NR and OPDC.
2. **Committed funding:** Confirmation that already committed DLUHC funding (£54m) can proceed.
3. **Funding strategy:** Confirmation that the long-term funding and finance strategy is reasonable.
4. **Patient capital:** A long-term 'patient capital' approach to public sector land receipts is preferable, but options remain open for future decisions.
5. **Delivery Agent:** OPDC will be the lead Delivery Agent on behalf of the public sector.
6. **Governance:** The proposed governance structure is agreed.
7. **Pathway:** Confirmation of future decision-making pathway.

7.2 OBC conclusions

The key conclusions of the OBC which support those asks are as follows:

- **The strategic rationale for public sector intervention at Old Oak West is strong.** There is clear evidence of market failure and close alignment with local and national policy objectives – including maximising the social, economic, and environmental benefits from the significant investments in HS2 and the Elizabeth Line.
- **A shared vision has been established.** The public sector sponsor group has agreed a vision statement and strategic objectives for the project, with clear agreement on the need to act now. Early design work has been carried out to establish the scale of potential, indicating capacity for over 9,000 homes and 3.0m sq ft of commercial and community space (compared to around 4,300 homes and 2.3m sq ft of commercial and community space under the core 'business-as-usual' scenario).

[redacted]

- **The Medium and Medium+ options are both investable propositions with high levels of value for money.** Medium+ is the Preferred Option at this stage based on a balanced strategic and economic assessment, in line with Green Book guidance. However, it is recognised that the scheme is at a relatively early stage of development, so this conclusion is subject to further consideration at future stages of business planning.
- **The project is 'pump-primed' through central-local government partnership, but significant private investment is needed.** Investments have been made of £50m from the Mayor of London and £54m from DLUHC to acquire land, and £36m from DESNZ to support a district-wide heat network. A strong partnership with the private sector is vital. The public sector has a key role to play in assembling of land and investing in some infrastructure. Doing this and articulating a clear offer to the market has potential to unlock substantial private sector capital (£10bn+), resource and expertise.
- **Analysis to date indicates that the project is viable from the public and private sector perspectives.** Modelling is at a relatively early stage and subject to change as the project progresses. It shows that a developer's IRR of 15% is possible, ensuring an attractive yet competitive proposition to the market. For the public sector, the scheme could be a net positive financially – potentially generating a long-term surplus of more than £100m over and above a circa £379m cost allowance for the current DfT and NR-owned land. This is based on a 'patient' approach to extracting land value from public sector landowners, but approval of this OBC does not constrain HM Government's options for when value is released from public sector land.

- **No further irrecoverable grant funding is expected to be needed from the Exchequer.** However, further public sector recoverable funding (£100-400m) could be required to support land assembly and infrastructure delivery. This scale of recoverable funding is plausible based on recent precedents from likely sources of public sector finance. This OBC is not seeking an investment decision from DfT, and no future investment from DfT will be required to deliver the housing and regeneration elements of this project.
- **Public Land Agreements have been identified as the preferred method of collaborating on public sector land.** A set of headline principles for the Public Land Agreements are proposed, covering both a wraparound Landowner Agreement and underlying series of Options Agreements. These agreements will sit alongside various other contractual arrangements between public sector organisations.
- **A balanced approach to partnering with the private sector is proposed, with further market testing needed.** This could take the form of a Development Agreement, Joint Venture or Development Manager with one or more MDPs, each of which offer a shared risk and reward profile that offers suitable control to the public sector. The model is likely to change as the project progresses through its delivery phases, with private sector views to be sought during market testing and as part of the procurement itself.
- **OPDC is an established Mayoral Development Corporation with the powers, funding and resource to act as lead Delivery Agent.** OPDC is actively implementing an enhanced target operating model, which identifies specific roles and organisational changes, with a corresponding budget uplift that will enable OPDC to fulfil its Delivery Agent remit. OPDC will play a leading role in Phase 1 of the programme up to partner procurement and then work closely with the MDP as the project moves into its main delivery phases. The landowners will undertake a further 'readiness review' of OPDC's ability to effectively fulfil the Delivery Agent remit prior to any future investment decision (i.e. contract signing with the MDP). Considerable progress has already been made by OPDC, with key leadership roles now filled by high calibre individuals, two strategic sites acquired, and four further sites approved for acquisition.
- **Governance has been agreed for continuing cross-Government collaboration in the next phase.** The newly established 'Old Oak West Collaboration / Assurance Board', which is currently being established in shadow form, will be the central feature of the governance arrangements. It will oversee implementation of a Collaboration Agreement between OPDC, DfT/HS2, NR and DLUHC. An Interim Business Plan will also be developed in the next phase, transitioning into a full Business Plan following the MDP appointment. Alongside other contractual agreements, these will provide a robust basis for protecting organisational 'red lines' and maximising delivery of the strategic objectives.

7.3 Next steps following OBC approval

Approval of the OBC by OPDC, DfT, and DLUHC will be a major milestone, but represents just the next step in a long-term programme. Several activities will need to be undertaken following OBC approval, many of which will lead to a series of future decisions and approvals by these (and other) organisations in the months and years ahead. Below is a non-exhaustive summary of the key next steps in relation to this business case, which will be undertaken by OPDC and the other government partners, to further advance the thinking and analysis presented in this document.

Commercial next steps

1. Negotiate and adopt a Collaboration Agreement, including scheme of delegations, to establish the governance framework and provide remit to Delivery Agent.
2. Negotiate the Public Land Agreements, in order to ensure an effective mechanism for drawing down public sector land and sharing value.
3. Undertake further targeted market engagement and formulate the final commercial strategy to identify the preferred route to partnering with the private sector.
4. Prepare procurement documentation and approve procurement selection criteria.

Financial next steps

1. Complete infrastructure delivery strategy, building on work to-date. This will provide a more detailed understanding of costs, phasing, and funding mechanisms for individual infrastructure requirements.
2. Undertake further refinement of the underlying financial model.
3. Undertake further engagement with the DfT, NR and TfL on the funding and delivery approach to station upgrades.
4. Undertake further negotiation with private landowners.

Delivery next steps

1. Implement the new governance framework to provide the basis for coordination and partnership.
2. Develop the Interim Business Plan, to include a delivery plan for the project's strategic objectives, including finalised KPIs against which progress can be monitored, as well as further detail on the infrastructure delivery strategy.
3. Continue to implement OPDC's target operating model.



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8. Annex

Old Oak West OBC

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8. Annex

8.1 List of preparers

This OBC was developed under the oversight of a Strategic Steering Group chaired by the Infrastructure and Projects Authority. This group brought together the sponsor organisations – DLUHC, DfT, OPDC, HS2 and NR – along with Homes England which has played a cross-cutting leadership and facilitation role.

Arup was the lead author of this OBC, with overall responsibility for bringing together and editing content across all five cases.

Technical inputs were commissioned from a range of government and consultant sources. The key contributing organisations were:

- Economic Modeller — Homes England, with Arup updating the economic models for the sensitivities included in the Version 2 OBC issued in December 2023
- Financial Modeller — Homes England, with OPDC updating the financial models for the sensitivities included in the Version 2 OBC issued in December 2023
- Strategic Development Advisor — Deloitte, Mott MacDonald and DeVono
- Capacity Study Lead Consultant — Gort Scott

8.2 List of acronyms

Acronym	Phrase
BAME	Black, Asian and Minority Ethnic
BAU	Business as Usual
BCR	Benefit Cost Ratio
BIDEN	Beautiful, Infrastructure, Democratic, Environment, Neighbourhood
BIL	Brownfield Infrastructure and Land Fund
CAB	Collaboration Assurance Board
CCR	Concession Contracts Regulation
CD	Competitive Dialogue
CEO	Chief Executive Officer
CIL	Community Infrastructure Levy
CPN	Competitive Procedure with Negotiation
CPO	Compulsory Purchase Order
CSF	Critical success factors
DA	Development Agreement
DESNZ	Department for Energy Security and Net Zero
DfT	Department for Transport
DLUHC	Department for Levelling Up, Housing and Communities
DM	Development Manager
GDV	Gross Development Value
GLA	Greater London Authority
GVA	Gross Value Added
GWR	Great Western Rail
HMG	His Majesty's Government
HMT	His Majesty's Treasury
HR	Human Resources
HS2	High Speed 2
IBP	Interim Business Plan
IPA	Infrastructure and Projects Authority
IRR	Internal rate of return
JV	Joint venture
LAWG	Land Assembly Working Group
LB	London Borough
LCR	London and Continental Railways Ltd
LLDC	London Legacy Development Corporation

Acronym	Phrase
LVU	Land Value Uplift
M&E	Monitoring and Evaluation
MDC	Mayoral Development Corporation
MP	Member of Parliament
MDP	Master Development Partner
NPSV	Net present social value
NR	Network Rail
OB	Optimism bias
OBC	Outline Business Case
OOC	Old Oak Common
OPDC	Old Oak and Park Royal Development Corporation
PCR	Public Contracts Regulations
POE	Post-Occupancy Evaluations
PVC	Present Value Cost
PWLB	Public Works Loan Board
RACI	Responsible, Accountable, Consulted and Informed
SMART	Specific, Measurable, Achievable, Relevant and Timebound
SMEs	Small to medium enterprises
SOBC	Strategic Outline Business Case
SoS	Secretary of State
SPD	Supplementary Planning Document
SPV	Special Purpose Vehicle
SRO	Senior Responsible Owner
SWOT	Strengths, weaknesses, opportunities and threats
TAG	Transport Appraisal Guidance
TfL	Transport for London
TOM	Target operating model
ToR	Terms of Reference
U&As	Undertakings and Assurances
UKIB	UK Infrastructure Bank
VfM	Value for money

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