

£350m GDV Public Sector Site Re-development, London



V4 Services (V4S) continue to support the London Borough of Ealing as it redevelops its main administrative building, Perceval House. Perceval House currently provides 215,000 sq ft gross of office space over 5 stories on the edge of Ealing town centre. Ealing Council recognised the opportunity provided by the site to modernise, generate a capital receipt and contribute to the delivery of a significant number of affordable homes in the borough. The V4S team have worked with the council since 2017 to help realise those ambitions.

The challenge

Like many public sector administrative buildings of its age and type the building is inefficient, expensive to run and heading towards the need for a substantial overhaul/refurbishment. 215,000 sq ft was also considered too large for the council's modern day needs.

The building itself was designed for a possible road widening which never took place and so represented a particularly inefficient use of the land available in an area of high land value.

Councils across London remain under enormous pressure to increase the supply of new and genuinely affordable homes.

A number of public sector buildings in close proximity were considered imperfect (either as a result of location, condition, lease term or opportunity cost) and had therefore to be considered for inclusion in any redevelopment.

The solution

The council had experience of working with developers as a planning authority and in redeveloping housing estates, but it had not undertaken commercial development of this scale on its own sites or contemplated a joint venture on this scale before.

The V4S team performed the intelligent client role to support the council through every stage of the project. Deploying expert resource we have ensured the council has achieved its key milestones, fully understood the implications of its decisions and has been supported to maintain appropriate grip over both programme and costs.

The project is large and complex and has therefore required expert input and support at each key stage from the initial options appraisals, development of the financial model, specification and requirements, through to framing the market approach, procuring a joint venture partner and directly supporting delivery.



The key stages

Setting the objectives

Through a series of workshops, the V4S team helped members and senior leaders to set out their relative priorities in terms of office accommodation, affordable housing and the commercial aspiration.

These workshops were supported by detailed modelling which was key to giving the management team and members the confidence to proceed.

The initial options appraisal and development of the financial model

- Informed by our in-depth knowledge of development and supported by our informal engagement with the market. This set out some options previously not considered by the council and/or dismissed as undeliverable when in fact they represented a strong, viable option.
- Exploration of the financial plan and revenue savings, site constraints and operating assumptions allowed us to present a high-level financial model together with our recommendations for progressing the scheme.

**Local knowledge,
business expertise and insight**

Office accommodation

- Initial review of space requirements in which every team set out its current workforce and its plans for the future.
- A workplace utilisation study in which every desk was surveyed twice an hour Monday to Friday for two weeks. (This identified a considerable amount of unused space with a peak occupancy of only 70% and an average of 40%).
- A review of the lease positions of nearby public facilities and engagement with potential public sector partners.
- A review of best practise flexible working principals along with visits to recently completed public sector office facilities.

In the final analysis it was considered that 120,000 sq ft was the requirement and the management board were confident to plan on the basis of 7.5m² per work-station and a staff ratio of 10 staff to 6 desks.

Specification / Employers requirements

- The council's decision to move to more modern and flexible ways of working meant an entirely new working environment for which, internally, it had no specifications.
- Research was undertaken into both private and public sector recent experiences and the V4S team visited several councils that had recently moved into new buildings or were developing new offices to help identify good and bad experiences.
- Specialist support was commissioned to help work with the council team and produce a set of specifications for the building. This was an important part of ensuring potential partners could price the council requirements sufficiently robustly, reducing the risk that the council would end up with costly variations once construction started.

Affordable housing

- The V4S team modelled the implications of higher/lower affordable requirements and the impact of broader narrower definitions of affordable. This ranged from a nil subsidy with significant capital receipt to a scheme that would have required significant capital investment by the council.
- Identified that the need for flexibility in the procurement evaluation to consider objectively and transparently all of the affordable housing options tabled by developers was key and this was taken forward into the formal marketing process.
- Beyond the requirement to deliver affordable housing the council was keen to take on any affordable housing through either its housing revenue account or its new development company Broadway Living. V4S assisted to:
 - Assess the capacity of the HRA and the housing company including through the development of rental models based on a 40 year business plan.
 - Assess the potential for deploying Right to Buy receipts, including commissioning specialist advice.
 - Develop the purchase option to increase developer certainty by making the council the agreed purchaser.
 - Explore more detailed options (for example to set up a community benefit society) to minimise tax implications and facilitate the use of Right to Buy receipts.

Framing the approach to the market

The approach to risk sharing was discussed with the council at an early stage and their appetite to share development risk was determined. This led to a procurement approach which permitted forms of joint venture.

This was a detailed piece of work which considered a whole host of development delivery options and implications including;

- Land purchase.
- Contractual vs full joint venture.
- The use of the councils housing company.
- The tax implications.
- The options for retaining completed affordable housing units.
- Financial guarantees.

Financial modelling was undertaken to set out the implications of the respective approaches.

The council determined, as a result of this process, the boundaries of its appetite for risk and the formal approach to market was framed appropriately. Bidders were offered the opportunity to table either a straightforward land purchase model or varying forms of contractual joint venture.

In the event the successful bidder created a hybrid with a guaranteed land payment and a profit share arrangement.



Early market engagement

We consider it key to be working with and in partnership with the market on developments of this scale. Such a project represents a significant investment for potential partners, both in developing out the scheme but also crucially in the time and resource required up front to compete for preferred bidder status. It is therefore important to ascertain early the capacity in the market. It's also important to give the market confidence in your ability to deliver the site and ensure they understand and have the opportunity to input to and shape the award process.

The V4S team undertook a formal, structured, early market engagement process which included;

- An initial presentation and Q&A hosted by the leader of council and the executive director for Housing and Regeneration.
- Asking prospective development partners to complete and return a short survey – designed to assess their appetite for the development proposed and inviting them to comment on elements of the scheme and procurement process.
- Offering short 1 to 1 sessions for those who completed the survey with the core project team, allowing them to further input to the process.

The formal procurement process

The redevelopment was clearly of a scale where European procurement regulations applied and while options to avoid those regulations were available it was considered that they would only serve to either limit the council's ability to shape the re-development or created substantial risk of legal challenge later on.

The council was clear that it wanted a selection process in which they picked the partner not one where the scoring system and the approach picked the partner for them. Supported by the V4S team, the council pursued a competitive dialogue procurement approach.

Key areas of support included;

- Selection of specialist legal support for the project.
- Advising on the EU procurement route to provide a process that worked for the council.
- Drawing up the tender documents and placing all required notices.
- Developing the financial appraisal methodology to ensure the varied bids could be compared on a quantitative basis and that bidders could understand how the scoring worked.
- Managing the dialogue process.
- Managing the scoring process and providing the requisite reports to support the Councils decision making structures.
- Managing the award process.

Delivery

The intelligent client function has and continues to provide support through;

- Managing ongoing dialogue with the appointed development partner.
- Managing the development agreement from Heads of terms into a full agreement.
- Identifying solutions and options to the post selection challenges.
- Preparing reports for the decision-making process of the council.
- Managing and overseeing the budget for the project.
- Preparing for the planning application.
- Procuring and managing the client-side multi-disciplinary team.

The outcome

Working in partnership with Ealing the V4S team;

- Supported the council to successfully implement its new ways of working programme as an enabler to the re development of Perceval House.
- Enabled the planning, procurement and execution of a £350m GDV contractual joint venture for the construction of;
 - 400+ new homes (50% of which will be affordable).
 - 120,000 sq ft of grade 1 office space – funded entirely through the sale of new homes.
- Lead the recruitment and subsequently management of the full, multi-disciplinary, professional team to provide Ealing the professional client function required to manage the scheme to completion.

400+
new homes

Get in touch

We'd love to talk to you about your project

Call: 0161 537 8200

Email: contactus@v4services.com

Web: v4services.com

