

To: City Executive Board

Date: 1st July 2009 **Item No:**

Report of: Interim Head of Property & Facilities Management

Title of Report: Land South of Grenoble Road - Possible South Oxford Urban Extension - Update

Summary and Recommendations

Purpose of report: To advise Members as to the outcome of the initial work undertaken by the Council's appointed advisors Knight Frank in respect of the above, and to seek approval to next steps, involving the opening of negotiations with Magdalen College and Thames Water with a view to completion of an Equalisation Agreement on terms to be agreed.

Key decision? Yes

Executive lead member: Councillor Oscar Van Nooijen - Service Transformation
Councillor Colin Cook - City Development

Report approved by: Mel Barrett, Executive Director, City Regeneration

Finance: Sarah Fogden/Penny Gardner
Legal: Jeremy Thomas

Policy Framework: This project will be influential in delivery of all of the Council's stated priorities.

Recommendation(s):

1. To note the outcome of the initial work undertaken by the Council's retained consultants Knight Frank and the advice that has been provided.
2. To approve the opening of negotiations with Magdalen College and Thames Water with a view to the entering into of an appropriate tripartite equalisation agreement on terms and

conditions to be agreed, subject to a detailed report back to CEB in respect of those proposed detailed terms and conditions prior to any commitment being given.

Background

1. At its meeting on 22nd October 2008 the City Executive Board considered a report in relation to the Council's land holdings South of Grenoble Road, particularly the opportunities that exist for a possible urban extension south of Oxford, and whether or not the Council's best interests might be served in working collaboratively with the other principle landowners namely Magdalen College and Thames Water.
2. At that meeting, CEB resolved 1. to endorse the undertaking of preliminary work to establish if the Council's objective of the early delivery of Grenoble Road can best be achieved through collaborative working with Magdalen College and Thames Water, subject to a detailed report back on whether such an arrangement would represent best value. 2. to note that specialist external consultancy support will be procured to advise the Council as to the optimum way forward.
3. This report then serves to update CEB on progress since that time and to seek approval to the way forward and further actions as detailed herein.

Report

4. Following approval by CEB in October agents Knight Frank have been appointed to advise the Council in relation to this project. They were appointed on a competitive basis through the OGC Estates Professional Services Framework contract. The instruction was to undertake an initial high level review and appraisal of this matter and, subject to concluding that the entering into of an arrangement with Thames Water and Magdalen was the optimum way forward, to then advise the Council in the negotiation and settlement in all aspects of the agreeing of an "Equalisation" Agreement.
5. Phase 1 of the work related to the undertaking of the high level review and recommendations, Phase 1A will deal with the negotiation and agreement of terms for the Equalisation Agreement, and beyond that Phase 2 the retention of an appointed agent on a long term basis to advise the Council on the evolution of the project, quality assurance and ultimately the disposal of the Council's land for development and all that involves. Phase 1 of the work specifically required the following outputs:
 - To undertake a high level review of the proposal and the joint work undertaken by Magdalen and Thames Water to date, and to advise

the Council whether participation in the project is the optimum way in which to secure:

- The best initial opportunity for obtaining a planning consent to enable residential and other enabling development;
- Maximise the return on its (the Council's) land holdings that would be proposed to be put into the scheme;
- Advise as to the point at which it will be feasible to provide advice on the likely quantum of capital receipts to be generated for the Council from this proposal (either initially as an informal opinion and/or in due course a Red Book valuation).
- To advise on the relevance (if any) of the adjacent land (comprising approximately 100 acres) within the ownership of Hallam Land Management/Bloor Homes, and to make any relevant recommendations in that respect.

The matter is complex in any event, but made more so potentially by the current planning situation.

6. The South East Plan has recently been published and in simple terms has endorsed the prospect of an urban extension providing up to 4,000 dwellings. It is the case however that South Oxford District Council remain resistant to a proposal in that form, and their position has been crystallised in the publication of their Draft Core Strategy Options paper which is due to be the subject of examination in public in the near future.
7. Members will recall that at their meeting of 20th May 2009 CEB considered a report from my colleague the Head of City Development in relation to the City Council's response to the consultation on South Oxfordshire District Council's Core Strategy Preferred Option, and within that report resolved to endorse the suggested formal response to SODC. The matter is potentially further complicated by the prospect of a General Election at some point between now and the summer of 2010. All of these factors, to varying degrees have the potential to influence the timing, success etc of any planning application.
8. On that basis Knight Frank have considered a variety of options including for the Council to "go it alone" or to adopt a "wait and see" attitude with regard to the urban extension and the success (or otherwise) of the emerging proposals from Magdalen/Thames Water, but take a clear view that they consider this to be a higher risk strategy than working co-operatively with the other land owners. There is a comprehensive report that has been produced by Knight Frank, but it is not appropriate at this time for this to be released into the public arena given that it contains commercially sensitive information which would undoubtedly be prejudicial to the Council's forthcoming negotiations. On that basis, Knight Frank's clear recommendation is that the Council should endeavour to work collaboratively with Magdalen and Thames

Water and to enter into negotiations in an attempt to settle satisfactory terms for a tripartite Equalisation Agreement.

9. In simple terms, such an agreement will determine how the arrangement between the three parties is structured, how the costs of preparing and submitting a planning application and ultimately taking the site to the market will be shared and funded, and in due course how the proceeds of any sale will be distributed between the parties.
10. It is therefore now proposed to enter into those formal negotiations on the basis that a further report will be presented to CEB once provisional agreement has been reached, and before any commitment is entered into. Because time is of the essence in relation to this matter those negotiations have now commenced on a “subject to formal approval” basis.

Environmental Implications

11. Any development of the site will accord with current building regulation requirements. As an integral aspect of this matter the Council will consider how it may be able to use its land ownership to achieve increased levels of affordable housing, enhancement of the public realm, the increased use of renewable energy sources and sustainable materials and generally contribute to driving the delivery of an exemplar development.

Planning Implications

12. Planning issues have been brought out in the body of the report. As detailed above the Council has formally responded to South Oxfordshire District Council’s Core Strategy Options proposals.

Financial Implications

13. Initial consultancy support is funded through the Council’s planning and delivery grant. Additional funding may be required should it prove necessary to procure any other external consultancy support as the project unfolds. There are no other direct financial implications arising at the present time.

Legal Implications

14. The Council’s powers to dispose of land comprised within the General Fund are contained within Section 123 of the Local Government Act 1972 for best consideration.

Equalities Implications

15. Any development of the site will be in accordance with current building regulations. Consideration as how the Council may be able or wish to improve on those minimum standards, issues relating to the provision of affordable housing, nomination rights etc will develop as the project unfolds.

Risk Implications

16. A risk assessment has been undertaken and the risk register is attached as Appendix 2.

Recommendations

17. To note the outcome of the initial work undertaken by the Council's retained consultants Knight Frank and the advice that has been provided.
18. To approve the entering into of negotiations with Magdalen College and Thames Water with a view to the entering into of an appropriate tripartite equalisation agreement on terms and conditions to be agreed, subject to a detailed report back to CEB in respect of those proposed detailed terms and conditions prior to any commitment being given

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List of background papers: CEB Report 22nd October 2008, Land South of Grenoble Road - Possible South Oxford Urban Extension

Version number: 1

CEB Report Risk Register

Risk Score **Impact Score:** 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic
Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
								Action:	Outcome required:	Q 1	Q 2	Q 3	Q 4	I	P
					Mitigating Control: Level of Effectiveness: (HML)			Action: Action Owner:	Outcome required: Milestone Date:	☹	☹	☹	☹		
					Mitigating Control: Level of Effectiveness: (HML)			Mitigating Control: Control Owner:		☺	☺	☺	☺		
					Mitigating Control: Level of Effectiveness: (HML)			Action: Action Owner:	Outcome required: Milestone Date:						
					Mitigating Control: Level of Effectiveness: (HML)			Mitigating Control: Control Owner:							

THIS IS TO FOLLOW