

To: City Executive Board and Full Council

Date: 14 April 2016 (CEB)
18 April (Council)

Report of: Executive Director Regeneration and Housing

Title of Report: Sale of Oxpens Land and Loan to Oxford West End Development Ltd

Summary and Recommendations

Purpose of report: To seek budgetary approval.

Key decision Yes

Executive lead members : Cllr Ed Turner, Board Member for Finance, Asset Management and Public Health. Cllr Bob Price, Board Member for Corporate Strategy and Economic Development.

Policy Framework: Corporate Plan - vibrant & sustainable economy; Core Strategy 2010; West End Area Action Plan 2008; Regeneration Framework 2010; Oxpens SPD 2013

Recommendations: That the City Executive Board resolves to recommend full Council to approve:

1. A loan of £4.16 million to Oxford West End Development Ltd to provide funds to the company to purchase land owned by Oxford City Council on terms set out in this report.
2. A capital budget of £4.16 million in the Council's General Fund Capital Programme in 2017/18 funded from the Capital Receipt received from the sale of the land.

Appendices

Appendix 1 Risk Register
Appendix 2 Land Ownership Plan

Background

1. Further to the City Executive Board's (CEB) approval in January 2016, the Council has now entered into a joint venture with Nuffield College and formed a new company, Oxford West End Development Ltd (OXWED). The company has successfully acquired land previously owned by LCR and will now proceed with the procurement of a developer partner, complete land assembly and bring forward a scheme of comprehensive development comprising a new mixed-use neighbourhood with essential business space and homes, both market and affordable. The previous CEB approval agreed the transfer of Council owned land into the joint venture, including the financial principles. However, separate budgetary approval is required to fund the transaction and this is the subject of this report.
2. The Council's own landholding will transfer into the joint venture company for an agreed price, each partner paying its share of the acquisition cost for which a budget facility is required.
3. Additionally, the new company requires sufficient working capital from the partners to cover legal, property and technical fees to undertake a marketing exercise to secure a developer partner and to cover other sundry and one-off expenses. The CEB report of January 2016 made provision for up to £150k to be invested in the company to cover the City Council's share of these fees.

Priority

4. The Oxpens development is a strategic priority in the Oxford City Deal and the Oxfordshire Strategic Economic Plan unlocking major private sector investment and jobs as well as delivering significant wider benefits, including:
 - business space and accommodation for new and growing enterprises and services which require links to the universities and service economy
 - city centre regeneration linked to major investment committed at the railway station and Westgate (£500m redevelopment now under construction)
 - transport improvements and flooding infrastructure which are essential to enable the city's economy to grow
 - providing a platform for wider regeneration including employment areas near the station and Osney Mead, and supporting redevelopment around Frideswide Square
 - providing new market and affordable housing (over 300 homes), and visitor accommodation.

Timing and Sale of Council Land

5. The Council has entered into a conditional contract for the sale of its land to the OXWED investment vehicle for development at an agreed price of

£8million. It will now seek vacant possession of its property in order to meet the contract unconditional date which is the 31st December 2017. At this point the Council will need to lend £4million plus £160k Stamp Duty to the company (which is half the cost to the joint venture) to complete the acquisition. The Council will receive £8million from the JV in payment for its land. The value of the loan may be reduced, depending on the terms agreed with a developer partner who may invest additional funds into the JV thereby reducing the Council's share to be funded.

6. Provision of car parking is maintained for the period of the Westgate construction and a licence will be granted post this period, up to 31st May 2018, to accommodate any risk of construction overruns and enable deconstruction of the temporary car parking structure. Currently, the Westgate development is on programme for opening before Christmas 2017.
7. For the avoidance of doubt, the land to be transferred does not include the Ice-rink or the Oxpens Meadow (see plan attached), and provision has been made to retain 50 parking spaces for the ice rink, in addition to any other public car parking.

Fees and Costs

8. The Company requires working capital to cover costs including the appointment of auditors, accountants and payment of insurances. These are expected to be covered by rental income from occupational leases.
9. In addition; the Company will incur costs associated with legal, property and technical fees to undertake the marketing exercise to secure a developer partner. These activities were originally anticipated as being covered by the Council as a single partner but will now be undertaken jointly with Nuffield College through the OXWED company. The CEB report of January 2016 made provision for up to £150k to be invested in the company to cover these fees and £50k was initially allocated as working capital.
10. The company has since incurred unexpected one off insurance premiums connected to the land sale. Consequently, the OXWED Board has requested that each partner increases its contribution to working capital by a further £50k. Therefore, a total of £100k of the £150k fees provision will now be invested in the Company, as additional loan stock. Nuffield College will also invest £100k.

Legal and Procurement Issues

11. No new legal issues arise out of the matters set out in this report.

Financial Issues & Due Diligence

12. The Council has sufficient financial resources to meet its share of the cost of acquiring the Council land. This will be funded from the Capital Receipt

received from the sale of the land. The investment will count as loan stock and attract interest of 6.5% as per the terms in the shareholders agreement.

13. The Council's £100k investment in the company will count as loan stock and attract interest of 6.5% p.a. as per the terms in the shareholders agreement.

14. **Timeframes for receipts:** The Council will receive its land payment of £8 million at around the same time that it makes its investment of £4.16 million, allowing for normal transactional processing times. The anticipated date for completion of the sale is December 2017. Returns on loan stock will be funded from receipts from sales of land parcels post-planning.

15. Table 1 – Cashflow Scenario

	2017-18	2018-19	2019-20	2020+	£m Total
Loan stock investment to company for share of Council land & working capital	(4.26)				(4.26)
Receipt for Council Land	8				8
Accrued Interest on loan stock				0.885	0.885
Reimbursement of loan stock				4.26	4.26
Net return	3.74			5.145	8.885

16. It is recommended that:

- Council establishes a capital budget of £4.16 million in the Council's General Fund Capital Programme in 2017/18 in order that the loan investment can be made, this to be funded from the Capital Receipt received from the sale of the land.

Environmental Impact

17. The land is on the Council's Prioritised list under Part 2A of the Environmental Protection Act 1990 and an intrusive investigation will be required as a condition of planning for any proposed change of use. Remediation will be required to make the land suitable for residential use. The Council has already received desktop assessments on the potential ground conditions and has made allowances for ground works in its financial assessments.

18. The project provides the opportunity to remediate or remove the historic landfill on the site and to improve the flood capacity of the Oxpens area.

Equalities Impact

19. The Initial Assessment is that the contents of this report do not lead to any unjustifiable differential impact on relevant groups. The project will provide an important means to deliver new private and affordable housing and commercial spaces in support of economic development and the creation of new jobs.

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Background Papers: None.

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