

To: Cabinet
Date: 10 March 2021
Report of: Executive Director - Development
Title of Report: Approval of additional loan finance to Oxford West End Development (OxWED) to support the redevelopment of Oxpens

Summary and recommendations	
Purpose of report:	The approval of additional loan finance, of up to £1m, to Oxford West End Development (OxWED) to support the preparation and submission of an Outline Planning Application and associated site preparation & promotion works.
Key decision:	Yes
Cabinet Members:	Councillor Ed Turner, Deputy Leader and Cabinet Member for Finance and Asset Management Councillor Alex Hollingsworth, Cabinet Member for Planning and Housing Delivery
Corporate Priority:	Enable an inclusive economy; Deliver more, affordable housing; Support thriving communities; and Pursue a zero carbon Oxford
Policy Framework:	Oxford Local Plan 2016-2036
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Agree, in line with the 21/22 Budget, approved by Council, to provide Oxford West End Development (OxWED) with a loan facility of up to £1m, subject to the OxWED Shareholders approval and Nuffield College providing the same level of facility; 2. Delegate the agreement of terms and draw down of the loan to the Head of Finance, in consultation with the Cabinet Member for Finance and Asset Management; and 3. Agree, in line with the 21/22 Budget, approved by Council, to provide up to £150k (revenue) from the reserve, for costs associated with a review of the OxWED company structure, and the implementation of any associated changes subsequently approved by the Shareholder. 	

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Appendices	
Appendix 1	Additional officer advice – Confidential
Appendix 2	OxWED Stage 1 report - Confidential
Appendix 3	Independent review of OxWED Stage 1 report – Confidential

Introduction and background

1. Further to the (then) City Executive Board’s (CEB) approval in January 2016, the Council entered into a joint venture with Nuffield College and formed a new company, Oxford West End Development Ltd (OxWED) on the 18 January 2016. The aim of the company is to work together to bring forward development that is both commercially viable and socially beneficial in the West End of Oxford. The City Council and Nuffield College both have a 50% share of the company.
2. In February 2016, OxWED purchased freehold land on the Oxpens site from London & Continental Railways, which was added to by adjoining freehold land from Oxford City Council in November 2018, thus ensuring the viability of the site for future development.
3. Oxpens sits within the Area of Change (AOC1) – West End and Osney Mead in the City Council’s adopted Local Plan 2016-2036 and is an allocated site for mixed used development.
4. In late 2017 OxWED launched a procurement exercise to identify a developer to take forward the redevelopment of the Oxpens site. In early 2020, the OxWED Directors, in consultation with the company’s Shareholders decided to conclude the procurement exercise without selecting a developer. This was because it was not possible to agree suitable terms that supported OxWED’s objectives. While unfortunate, this is not uncommon, and given the importance of the site to the city and both partners, was the appropriate course of action.
5. Since then, OxWED has significantly strengthen its Board and Executive and in June 2020, the City Council and Nuffield College subsequently agreed to lend OxWED £500k each (£1m in total) to undertake further masterplanning, infrastructure, planning, viability and deliverability work. This work was to inform options and a decision by OxWED, and its joint venture partners, about the appropriate next steps in realising and maximising the development potential of the site. This “Stage 1” report represent the conclusion of this stage of work and provides the basis for the recommendations in this Cabinet Report. It is included as a confidential appendix to this report, alongside key support technical documents.
6. The OxWED City Council Shareholder is made up of the 10 City Council Cabinet members. A Shareholder and Joint Venture Group provides the governance and decision making for all the City Council’s companies, including OxWED. Earlier on March 10th, this group will consider a report from the OxWED Board seeking approval to progress and to request funds from both Nuffield College and the City Council in order to do so. This report to Cabinet therefore focuses on the subsequent decision that the City Council itself then needs to make in terms of

providing OxWED with access to its share of these funds. The Nuffield College Shareholder is meeting separately to make its decision regard the loan to OxWED.

Proposals

7. As part of the Stage 1 work, OxWED has assembled a world class multidisciplinary team, led by architects and masterplanners, Hawkins/Brown, and including landscape architects, Gillespies, and planning agents, Prior & Partners. BDP and more recently Elementa have been providing input on sustainability, whilst a number of local firms have been working on the project, including AKSWard and Glanville.
8. OxWED and its professional team has produced an initial masterplan to inform the planning strategy and the delivery and viability assessments needed to inform the Stage 1 recommendations. This work has been subject to pre-application advice from the Planning Service and a workshop with the Oxford Design Review Panel. The intention is that the masterplan will form the basis of stakeholder and public engagement in the summer of 2021.
9. While indicative at this stage and subject to further work, viability testing and a ultimately the grant of planning permission, the masterplan demonstrates that the 6 hectare site has huge potential. The mix and quantum of uses has not been agreed, and is subject to further design, planning and delivery considerations. However, the work to date demonstrate capacity for 120,000 sq. m. of mixed-use development, including nearly 70,000 sq. m. of commercial floorspace (which could include space for the science and tech sectors, as well as a hotel, and could support well over 3,000 jobs), together with around 450 dwellings. The expectation is that the residential mix will be brought forward in a policy complaint way, with a range of housing types (including market and affordable housing, alongside potential other uses such as student and later living) to create a multi-generation, mixed tenure community.
10. Based on the advice from OxWED Board and its professional team, the recommendation to the Joint Venture Shareholders of OxWED is for the company to proceed with the preparation and submission of its own outline planning application and associated site preparation & promotion work, rather than seek a development partner at this stage. As noted above, both the Nuffield College and City Council Shareholders of OxWED are meeting separately, prior to the City Council cabinet meeting, to consider this recommendation and, if approved, to confirm their agreement for OxWED to secure additional funds from each of the Joint Venture partners.
11. This recommended approach will maintain momentum, retain control over the scheme during this next critical stage and maximise the opportunity for adding further value and reducing risk, so that when OxWED does bring the site to the market, its requirements will have been fully articulated in the form of an outline planning permission and we will have reduced risk and therefore cost and value uncertainty.
12. This strategy will also give OxWED the opportunity to be at the forefront of defining and driving a joined-up approach and vision for achieving a genuinely mixed use development on the site. This includes informing the upcoming West End and Osney Mead Supplementary Planning Document (SPD); the in development Oxford Railway Station Masterplan; the Oxford West End Innovation District, a priority

project within Oxfordshire's Local Industrial Strategy [Investment Plan](#); and responding to the climate emergency. This approach will also help OxWED to capitalise on the opportunities arising from the success of the Oxford vaccine and from demand for science and innovation space in Oxford. It also makes sense for OxWED, rather than a third-party developer, to help coordinate work on the new Osney Mead Pedestrian and Cycle bridge, planned to the south of the site, which is being funded and delivered by the City Council. This will help expedite delivery of this key piece of infrastructure and ensure it is not delayed by the process of OxWED seeking a development partner.

13. OxWED has taken professional advice in making this decision and in establishing a financial envelope to cover the costs it will need to incur for this next stage of work. The detail of this budget is set out in Confidential Appendix 2, and totals £2.65m. As OxWED currently receives rent from its tenants on the Oxpens site, and has not utilised all funds from the previous loan, the requirement for further borrowing from the Joint Venture partners is to create a facility of up to £2m (or £1m each from the City Council and Nuffield College).
14. Given the commercial nature of the project, the detailed rationale and supporting information for the recommendations set out in this report, and the budget, is included in confidential appendices.

Programme

15. Following more work on viability and delivery with the professional advisors, OxWED expects to seek further approval from Shareholders in late 2021/early 2022. This will cover the possible delivery options for generating a return from the site, and getting the scheme built. In addition, should an outline planning application be secured, a draft business plan will also be presented to shareholders for approval on this basis. A submission of the planning application is currently programme for early 2022.

Other implications

16. The next stage of work leading up to an outline planning application will involve significant levels of stakeholder and public engagement. The intention is that the first stage of this will be in the summer of 2021. At this point a more detailed programme and strategy for consultation and engagement will be produced. This will ensure that local communities, alongside harder to reach groups, are engaged in the process and OxWED will work closely with the City Council Localities and Communities teams as part of this process.
17. The current masterplan, costs and viability work is based on delivering a scheme that is policy compliant with the new Oxford Local Plan, and so seeks to deliver standards that are at least 40% better in terms of carbon reduction than current Building Regulation for the residential buildings, with the offices achieving BREEAM Excellent. While the scheme is not in the total control of Oxford City Council, both Joint Venture partners are aligned on the need to explore the opportunity to go further, subject to feasibility and viability. As such, environmental sustainability will be a key focus during this next stage of work.

Financial implications

18. The OxWED Shareholder Agreement sets out the basis on which the two Joint Venture Partners can loan funds to the company. This is based on a 6% p.a. interest rate and that both Joint Venture partners must invest equal amounts.
19. To date OxWED has received loans totally £22.5m (i.e. £11.25m each from the City Council and Nuffield College). This includes £10.6m for land purchases and £0.65m in professional fees. Accrued interest to date for the City Council on such loans is around at £2.3 million.
20. The rationale for further investment by both Joint Venture partners and the associated risks and their mitigations are set out within Confidential Appendix 2.
21. The City Council has appointed independent commercial advisors, Montague Evans, to review OxWED's "Stage 1" report and its supporting technical information. They have confirmed that the approach being recommended is reasonable and appropriate. Their report is included as Confidential Appendix 3.
22. There is also an identified need to undertake a review of the OxWED company structure, which will be undertaken jointly by both Nuffield College and the City Council. An allocation of £150k is requested and a note setting out the rationale for this is included in the Confidential Appendix 1 to this report.

Legal issues

23. The Cabinet is being recommended to make a loan to OxWED as set out in the report. The power for a Local Authority to make a loan would be governed by section 111 *Local Government Act 1972* which provides that a Local Authority shall have the power to do anything whether or not involving the lending of money or the acquisition or disposal of any property which is calculated to facilitate or is conducive or incidental to the discharge of any of their functions.
24. Further, section 12 *Local Government Act 2003* provides the Cabinet with the power to invest in OxWED for any purpose relevant to its functions which in this case would be for economic development and regeneration and section 120(b) *Local Government Act 1972* confirms that the Local Authority may invest as such investment is for the benefit, improvement or development of the area of the City of Oxford.
25. Further capital sums are recommended to be released for professional fees associated with the project which will include specialist legal and tax advice in respect of the vehicle of the corporate Joint Venture with Nuffield College. In particular the law has been clarified by the High Court in 2018 around the opportunities for Local Authorities to form Limited Liability Partnerships, and it would be prudent to review the existing corporate vehicle for this joint venture to ensure it is fit for purpose and maximises tax and governance opportunities for the Council, and its partner.
26. Decisions relating to the Council's joint ventures are deemed to be Executive functions in accordance with the Local Authorities (Functions and Responsibilities) Regulations 2000 and therefore this decision, subject to budget approval of the Council, is within the remit of the Cabinet.

Level of risk

27. The risks for this project are commercial sensitive and are included within Confidential Appendix 2.

Equalities impact

28. There are no equalities impact associated with the decision to loan further money to OxWED. However, as part of Stage 2 OxWED will undertake an Equalities Impact Assessment and engage with relevant equalities groups to inform the design and delivery process.

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Background Papers: None