

To: Cabinet
Date: 13 July 2022
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:	To secure an in-year budget increase to allow the City Council to lend Oxford West End Developments (OxWED LLP) up to £600,000 to support additional costs associated with the preparation and submission of an Outline Planning Application and site acquisition and promotion works.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
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; Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> Recommend to Council that it increases the capital budget by £600,000 to allow the City Council to loan Oxford West End Developments (OxWED) LLP these funds; Delegate authority to the Head of Financial Services/Section 151 Officer in consultation with the Deputy Leader (Statutory) - Finance and Asset Management to agree terms and draw down the up to £600,000 loan to OxWED. 	

Appendices	
Appendix 1	Confidential – Detailed costs and rationale
Appendix 2	Confidential – Risk Register

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. In March 2020 Cabinet and Council, in parallel with Nuffield College, agreed an additional loan to OxWED to support costs associated with the submission of an Outline Planning Application for land it ins control at Oxpens. Funds and approvals were also agreed to OxWED move from being a company limited by guarantee (LTD) to a Limited Liability Partnership (LLP). The LLP has now been established.
4. Oxpens is an allocated site for mixed used development, which sits within the Area of Change (AOC1) – West End and Osney Mead in the City Council's adopted Local Plan 2036. The site forms part of the proposed West End and Osney Mead SPD.

Proposals

5. 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. G&T are the project managers and cost consultants, Max Fordham are providing providing input on sustainability, whilst a number of local firms have been working on the project, including AKSWard and Glanville.
6. OxWED has entered in a Planning Performance Agreement with Oxford City Council as the Local Planning Authority. To date OxWED has held 13 pre-application meetings, with two further meetings scheduled for June and July. While significant progress has been made, the complex nature of the site, and the need to find the right balance of uses on the site has led to a number of iterations to the masterplan, taken alongside the subsequent changes to related technical work, this has increased the cost for the work needed to secure a planning submission. While unfortunate, this is not unusual for a site of the scale and complexity. A detailed breakdown of the additional cost, set against the original budget is included in the Confidential Appendix to this report.
7. The masterplan, costs and viability work is based on delivering a scheme that is policy compliant with the Oxford Local Plan 2036, which include land use and housing tenure mix. This also means it seeks to deliver standards that are at least 40% better in terms of carbon reduction that 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.

8. In addition, work has continued on the third-party land acquisition strategy for the wider Oxpens area. As such, there is a need for both Oxford City Council and Nuffield College to loan OxWED additional funds to advance and deliver critical elements of this work.
9. 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.

Other implications

10. Two stages of public consultation have been carried out. A third stage of consultation, which will set out the key messages from earlier rounds, and who OxWED is responding to those will be undertaken in the early autumn ahead of the submission of the Outline Planning Application.

Financial implications

11. 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 6.5% p.a. interest rate and that both Joint Venture partners must invest equal amounts.
12. To date OxWED has received loans totally £33.34m (i.e. £16.67m each from the City Council and Nuffield College). This includes £10.6m for land purchases and accrued interest.
13. The rationale for further investment by both Joint Venture partners and the associated risks and their mitigations are set out within Confidential Appendix to this report.

Legal issues

14. 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.
15. 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.

Level of risk

16. The risks for this project are commercial sensitive and are included within Confidential Appendix 2. This is focused on risks and mitigation in relation to securing the planning permission and a return on investment from the Phase 1 scheme and the third party land acquisition strategy.

Equalities impact

17. There are no equalities impact associated with the decision to loan further money to OxWED.

Environmental Impact

18. The Outline Planning Application will include an Environmental Impact Assessment.

Programme

19. A submission of the planning application is currently programmed for late 2022.

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Background Papers: None