

To: Cabinet
Date: 8 February 2023
Report of: Executive Director (Development)
Title of Report: Approval of additional loan finance to OXWED LLP (OXWED) to support the redevelopment of Oxpens

Summary and recommendations	
Purpose of report:	To secure a budget to allow the City Council to lend OXWED up to £750,000 to support continuing work on the Oxpens project and in particular preparing (and subject to LLP Member approval and planning permission) implementing the Delivery Strategy for the Oxpens development.
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:	
1.	Recommend to Council that it includes £750,000 in its capital budget to allow the City Council to loan these funds to OXWED to continue work on the Oxpens project in accordance with the LLP Members agreement, and in particular preparation and (if planning permission is granted) implementation of the Delivery Strategy; and
2.	Delegate authority to the Head of Financial Services / S151 Officer in consultation with the Deputy Leader (Statutory) – Finance and Asset Management to agree terms and draw down the up to £750,000 loan to OxWED.

Appendices	
Appendix 1	Confidential Appendix – Detailed costs and rationale

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 was 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 had 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 2021 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 within its 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). OXWED LLP has now been established, with the Council and Nuffield as Members of the LLP ('LLP Members').
4. In July 2022 Cabinet and Council, in parallel with Nuffield College, agreed an additional loan to OXWED to support costs associated with additional costs associated with the preparation and submission of an Outline Planning Application and site acquisition & promotion works.
5. In December 2022, OXWED submitted an Outline Planning Application ('OPA') for the development and an Enabling Works Application ('EWA') for enabling works, both supported by an Environmental Impact Assessment.
6. 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 West End and Osney Mead SPD and OXWED owns the majority of the allocated site.
7. The Oxpens project is a long term investment for the Council and Nuffield College, as Joint Venture Partners, requiring on-going funding to ensure the objectives of the LLP Members Agreement are fully realised. A Cabinet report in March 2021 set out the case which forms the basis for this continued investment, with the Shareholder and Joint Venture Group reviewing the most recent viability work in October 2022. An updated business case will be needed to guide future stages of the development. This paper requests the funds necessary to a) develop Delivery Strategy to inform this, and b) subject to its approval by LLP members (via the Shareholder and Joint Venture Group in the Council's case), to take forward its delivery.

Proposals

8. Following adoption of the West End and Osney Mead SPD, the extensive and positive pre-application process and subsequent submission and validation of the planning applications for enabling works and the first phase of the Oxpens scheme, OXWED now needs to move to the next stage identified in the March 2021 report and December 2021 report to the Council's Shareholder and Joint Venture Group and to put together its Delivery Strategy to be approved by LLP Members. The funds now requested are to cover these workstreams over a 15 month period to the March 2024 and the project through to the point contracts could be signed with developments partner(s) if the planning permissions are granted (target Q3 2023). The Delivery Strategy will form a central part of an updated investment case for ongoing investment, and this will be brought back to the LLP members for approval before it is implemented.
9. The Delivery Strategy work will encompass the proposed strategy for procuring a Development Partner (or Partners) and will be presented in a report to LLP Members setting out the objectives of the delivery strategy, the preferred options, financially modelled outcomes and timings/profile of any income to LLL members, risks, programme, budget and recommendations for approval.
10. Work will also continue on unlocking value from the project, including the enabling works needed to facilitate the development and the planned Oxpens River Bridge works, together with on-going work on the third party land strategy.
11. In terms of cost and risk, the Delivery Strategy work is divided into two parts: the lower cost but higher risk first part (given it is pre-planning permission) will draw up a strategy to be approved by the LLP Members, with a target of July 2023. The second part will follow subject to LLP member approval and if the planning permissions are granted, includes significant professional fees for entering into contracts with the selected delivery partner or partners.
12. The first part of the Delivery Strategy work will build on the framework for delivery set out in the December 2021 report to the Council's Shareholder and Joint Venture Group and regardless of the outcome of the submitted planning applications, this work is crucial for determining the LLP Members strategy for ensuring the site is built out in due course. Whilst acknowledging the first part of this work would be undertaken at risk, given the planning application has not yet been determined, running this work in parallel will put OXWED in the best position to go promptly to market should the planning applications be approved and deliver the much needed homes and laboratory space at an earlier stage.
13. The request for funds for the works required is a standalone workstream and entirely separate from any decision that the Council's Oxford City Planning Committee will be required to take in determining the planning applications.
14. As noted above, OXWED has submitted two planning applications. The first, an outline planning application for the Phase 1 masterplan, and the second a detailed planning application for the enabling works needed to address the flood risk and create a development platform. Separately, the Council has provisionally allocated an additional £3.1m in its proposed Medium Term Financial Plan 2023/4 to cover the potential cost of undertaking the enabling works envisaged by the Enabling Works Application, and further work linked to land assembly

15. The drawdown of these funds will be subject to future decisions by Cabinet and will also be subject to LLP Members agreeing the Delivery Strategy and updated business case for on-going investment, which will need to provide the detailed rationale for the use of these funds. Nuffield College would also need to make the same level of investment, in line with the LLP agreement.

Financial implications

16. The OXWED LLP Members Agreement sets out the basis on which the LLP Members can loan funds to the company. This is based on a 6.5% p.a. interest rate and that the LLP Members must invest equal amounts.
17. To date (30th November 2022) OXWED has received loans totally £35.864m (i.e. £17.932m each from the LLP Members). This includes £21.52m for land purchases (£10.76m each from the LLP Members) and accrued interest.
18. This Cabinet and Council report deals with the request for an in-year increase to the Council's budget of £750,000 to be added to the capital programme and draw down as a loan to OXWED to enable funds to support the Delivery Strategy to be used in this financial year (2022/23).
19. It should be noted that the Budget Cabinet report, also to be considered at the February 2023 Cabinet and Council meetings, includes a proposal for a further £3.1m to be added to the capital programme from 2023/4 to cover the delivery of future enabling works and additional land assembly work. This is not part of this Cabinet Report, or decision, as the drawdown of these funds will need to be approved as part of a separate Cabinet decision (target July 2023), and only following the completion of the Delivery Strategy and the approval of a business case for such further investment. The drawdown of the funds associated with the enabling works would also require the relevant planning application to be approved.
20. The rationale for further investment by the LLP Members and the associated risks and their mitigations are set out within Confidential Appendix to this report.

Legal issues

21. 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.
22. 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

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

Equalities impact

24. There are no equalities impact associated with the decision to loan further money to OXWED.

Environmental Impact

25. The Outline Planning Application and Enabling Works Application include an Environmental Impact Assessment.

Programme

26. The grant of planning permission is anticipated for the second half of 2023.

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Background Papers: None

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