

**Report of the Heads of Regeneration Working Group to the  
Black Country Executive Joint Committee  
on 13 January 2025**

**Land and Property Investment Fund (LPIF) Programme**

**Programme Management Costs &  
Oxley Health & Wellbeing Facility (Wolverhampton) – Project  
Approval recommendation**

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<b>Key Decision:</b>	<b>Yes</b>
<b>Forward Plan:</b>	<b>Yes</b>

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**1. Purpose of the report**

- 1.1 On 20<sup>th</sup> June 2024 an update was provided to Heads of Regeneration Working Group ('Working Group') on the partial 'Sandwell Housing GAP Funding' project withdrawal from the LPIF programme, and it was agreed to explore suitable replacement projects within each Local Authority area.
- 1.2 On 11<sup>th</sup> November 2024, Working Group endorsed an LPIF grant award to the 'Oxley Health & Wellbeing Facility' Wolverhampton City Council (WCC) project, and to ringfence an allocation for Accountable Body programme management costs.

**2. Recommendations**

The Heads of Regeneration Working Group recommends the Black Country Joint Committee (BCJC):

- 2.1 To approve the Accountable Body for the Land and Property Investment Fund (Walsall Council) to proceed to enter into a Grant Agreement with Wolverhampton City Council for up to £1,110,000 to deliver the 'Oxley Health & Wellbeing Facility' project, to commence in 2025/26 financial year.
- 2.2 To approve the Accountable Body for the Land and Property Investment Fund (Walsall Council) to retain and ringfence the remaining £93,740 for programme management costs (see paragraph 5.2).

**3. Report detail**

- 3.1 Sandwell Council confirmed withdrawing part of their 'Sandwell Housing GAP Funding' project from the LPIF programme. The Stanhope Road site was deemed unviable due to cost increases on remediation specifications required by the

Environment Agency, which created a £1,203,740 underspend in the LPIF programme. Working Group were made aware of the underspend in June 2024 and agreed to explore suitable replacement projects within their localities. It was agreed via BCJC Delegated Authority (Decision Ref. 24/DA06 on 9 August 2024) to release 'Sandwell Housing GAP' grant award underspend back to the competitive LPIF fund.

- 3.2 On 11<sup>th</sup> November 2024, Working Group endorsed LPIF funding award recommendation (of £1,110,000) to 'Oxley Health & Wellbeing Facility' project and to ringfence an allocation of £93,740 for the programme management costs.

### **Oxley Health & Wellbeing Facility**

- 3.3 Wolverhampton City Council (WCC) are proposing to undertake the re-development of the former Oxley Day Training Centre site at Probert Road, Oxley, Wolverhampton, WV10 6UF. The scope of the scheme is to remediate the land and construct new residential buildings, a health facility and associated car parking.
- 3.4 WCC are seeking £1,110,000 LPIF grant to cover the costs associated with the viability gap that is attributed to the residential element of the scheme only, which will deliver 23 new residential units, including 25% affordable provision, and 0.5 hectares of land remediated. Table 1 summarises the funding sources for the full scheme, including the health and wellbeing facility and car park.

Table 1. Funding summary:

<b>Funding</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
LPIF Grant	£1,110,000	£0	£1,110,000
Other Public Source (ICB)*	£874,000	£0	£874,000
Other Public Source (LGA)**	£674,000	£0	£674,000
Own Funds	£6,841,000	£5,365,000	£12,206,000
<b>Total</b>	<b>£9,499,000</b>	<b>£5,365,000</b>	<b>£14,864,000</b>

\* ICB (integrated care board)

\*\*LGA (Local Government Association, One Public Estate)

- 3.5 It is considered that further outputs/outcomes identified by the applicant in the Business Case, associated with health facility and car parking, may not be directly attributable to the LPIF funding being sought. Therefore, the business case has been appraised in relation to the housing element of the scheme only.

Table 2. Outcomes/ Outputs summary:

	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
<b>Direct outputs</b>			
Land remediated (ha)	0.5	0	<b>0.5</b>
Houses started	23	0	<b>23</b>
Houses completed	23	0	<b>23</b>

<b>Indirect outcomes</b>			
Apprenticeships starts	6	0	<b>6</b>
Construction Jobs created (FTE)	171	0	<b>171</b>
Land remediated (ha)	1.3	0	<b>1.3</b>
Employment Floorspace (sqm)	0	2,673	<b>2,673</b>
Electric vehicles charging points	2	4	<b>6</b>

- 3.6 Demolition of the existing buildings has been completed and an outline planning permission has been granted. A Reserved Matters planning application has been submitted and, subject to approval, would mean that the development would be largely 'shovel ready'. If funding were to be provided, then it is anticipated that this would be spent and outputs delivered in line with LPIF programme requirements.
- 3.7 The site meets strategic priorities identified through the LPIF programme and a viability gap associated with the development of the residential scheme has been identified and evidenced, without which, there is a danger that the residential element of the proposals would remain undeliverable, hence justifies the LPIF grant request being sought.
- 3.8 The basis of the grant recommendation is related to the residential element of the scheme only, but it is recognised there is a wider synergy with the adjacent health facility and the delivery of the two elements together is likely to offer some economies of scale.
- 3.9 The Accountable Body's independent technical assessor (Thomas Lister) appraised the project business case, and recommended a maximum grant sum of £1,110,000, subject to the conditions set out due diligence report (background paper).

#### **4. Benefits cost ratio (BCR) Value for money**

- 4.1 Historically, the Economic Intelligence Unit within Black Country Consortium Ltd at the time, developed a tool to calculate BCRs for LEP Funded projects; this formula was very high level and has not been updated to comply with recent changes to the Green Book and guidance issued in relation to valuation of benefits. Given LEP Legacy funds will be fully committed subject to this report, the old LEP BCR framework has not been updated. However, the BCRs have been calculated using this historic tool to give a comparison to previously approved schemes (albeit these BCRs are no longer green book compliant and do not include all quantified benefits i.e. wider land value uplift). Value for money was assessed separately by Thomas Lister by comparing to other grant intervention rates as part of their due diligence.
- 4.2 The 'Oxley Health & Wellbeing Facility' BCR assessed using historic LEP methodology is 1.06:1 based on the full scheme. However, it should be noted that not all benefits are quantified using this old methodology (i.e. wider land value

uplifts) hence the BCR may be understated. Whilst the £674,000 LGA (One Public Estate) match funding bid as part of this scheme generated a BCR of 3.33:1 based on outputs submitted, this did not include all scheme costs and the BCR has not been verified as part of the technical appraisal. Wolverhampton City Council have not calculated a BCR for the full scheme or housing element of the scheme.

- 4.3 As part of their due diligence report, Thomas Lister advised that the intervention rate per dwelling is calculated as equating to £47,826 per unit, which would extend beyond that which would provide good value for money in comparison to the overall LPIF intervention rate\* based on the original homes target (£33,315) and would be considerably more than the WMCA required intervention rates (£15,000). However, this would be less than the Affordable Homes Programme 2021-26 for the delivery of social rented homes (£69,897). The intervention rate per dwelling is high and, as a result, the value for money associated with the scheme is likely to be challenging.

*\*Although it is recognised that the fund was first conceived in 2019 and since that time there has been significant cost inflation which could now impact the intervention rate.*

- 4.4 Thomas Lister recognised that the development proposed in this location (apartments) are likely to be the most unviable residential development type. This is reflected by the fact that there are not many new build apartment schemes within close proximity to the site and that these often require public sector intervention in order to be delivered. The applicant is also looking to deliver a relatively new product by offering an element of self and custom build options and delivering to BREEAM Excellent standard, all of which is likely to further increase costs and require an additional amount of funding accordingly. In addition, there are wider benefits in terms of the delivery of the wider scheme and the creation of new dwellings, including an affordable element, directly adjacent to the new health hub, as well as benefits deriving from likely economies of scale for delivering the scheme as a single package of works, all of which would assist value for money.
- 4.5 In summary, the value for money associated with the scheme is likely to be challenging, although the intervention rates are less than the Affordable Homes Programme 2021-26 intervention rate for the delivery of social rented homes. The independent appraiser has highlighted areas that may enhance value for money for the scheme (in para 4.2) although a full Green Book compliant BCR calculation would need to be commissioned to assess a more accurate BCR for the project.

## **5. Financial Implications**

- 5.1 The LPIF programme funds allocation for the selected project will be covered by the released underspend of £1,203,740 from the part of the withdrawn 'Sandwell Housing GAP Funding' project.
- 5.2 £93,740 of the remaining unallocated budget would be held for Accountable Body programme management costs associated with due diligence, legal advice and

contracting, and unforeseen resource requirements associated with existing schemes (i.e. Music Institute Deed).

- 5.3 LPIF is a WMCA funded programme, all financial conditions of the programme will be applied to 'Oxley Health & Wellbeing Facility' project. The project award draw down is subject to further funding conditions, which are outlined in the technical assessors' due diligence report (background paper); the award conditions must be resolved prior to grant payments being made.
- 5.4 Any grant award approval is an approval of up to the maximum figure recommended in para 2.1 of this report, subject to the Grant Agreement being in place within 3 months; the grant award to be drawn down as agreed with the Accountable Body and on eligible expenditure.

## **6. Legal implications**

- 6.1 The appropriate grant agreement, up to the maximum total LPIF grant value as specified in the report recommendation para 2.1, will be put in place by the Accountable Body (Walsall Council), together with all terms, conditions, performance measures and sanctions as required by the WMCA, the BCJC and subject to the requirements outlined in this report.
- 6.2 Any contract for grant funding will require satisfactory Accountable Body due diligence completion and compliance with subsidy control requirements.

## **7. Risk management**

- 7.1 LPIF risks are managed through the on-going monitoring of programme position and of individual projects, their ability, and the most recent forecasts, to deliver contracted outcomes and spending profiles.
- 7.2 The risk of non-delivery of individual projects contracted outcomes is managed through grant agreements, which have robust mechanisms set in place to mitigate risk, such as underwriting and clawback provisions.
- 7.3 Individual projects change requests follows the agreed process of the Delegations and Tolerances, which are adhered to and reported on. Risk is managed through the consultation process for Delegated Authority, ensuring that appropriate stakeholders are notified and consulted as required.

## **8. Equality implications**

None at the time of drafting.

## 9. Consultation

Legal and Finance officers at City of Wolverhampton Council and Walsall Council have been consulted as part of the development of this report, as well as Accountable Body's qualified accountants.

### **Background papers**

- Independent technical assessors' due diligence report: Oxley Health & Wellbeing Facility

### **Attachments**

Attachment 1 – Full Business Case: Oxley Health & Wellbeing Facility

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