

Report title	Oxley Health and Wellbeing facility and Residential Accommodation	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Bhupinder Gakhai City Assets and Housing	
Key decision	Yes	
In forward plan	Yes	
Wards affected	Oxley	
Accountable Director	Mark Taylor, Deputy Chief Executive	
Originating service	City Assets	
Accountable employee	Julia Nock Tel Email	Deputy Director Assets 01902 550316 Julia.nock@wolverhampton.gov.uk
Report to be/has been considered by	City Assets Leadership Team Strategic Executive Board Full Council	9 February 2022 24 February 2022 6 April 2022

Recommendations for decision:

The Cabinet recommends that Council approves:

1. The project and appropriate capital budgets funded through grant and prudential borrowing as detailed within the report, subject to confirmation of successful grant bids.

The Cabinet is recommended to:

1. Approve the development by the Council of a modern health, wellbeing facility and residential accommodation on the Council owned former Oxley Day Training Centre site.
2. Delegate authority to the Leader of the Council and the Cabinet Member for City Assets and Housing, in consultation with the Deputy Chief Executive and Director of Finance to agree and enter into the required funding agreements, Heads of Terms, Lease agreements with the health facility occupiers and Heads of Terms and Lease agreement with the Registered Provider upon selection together with any ancillary agreements.

1.0 Purpose

- 1.1 The report discusses the need and provision of a modern health and wellbeing facility in Oxley and the ongoing demand for key worker and affordable housing. The Council owns the former Oxley Day Training Centre and is currently a vacant asset. It is subject to ongoing anti-social behaviour and holding costs, with these issues and opportunities a decision is required to determine the future of the site.
- 1.2 With the support of the Wolverhampton Clinical Commission Group (CCG) a proposal has been prepared to consider the site for much needed Council family services and a community health and wellbeing facility. The need of a health facility coupled with the City's housing requirements has resulted in a more wider study, and this report identifies the findings and seeks approval to develop the site for a mixed-use modern health and wellbeing facility with housing.
- 1.3 The paper seeks approval to progress the capital project but not until obtaining outline planning consent, securing grant funding, achieving cost certainty from market tenders, securing leases with health care tenants and a pre-sale agreement with a Registered Provider for the new homes. These conditions will protect the Council by reducing the financial exposure until cost certainty, rental income and grant funding are secured.

2.0 Background

- 2.1 The former Oxley Day Training Centre is being held subject to re-development or disposal (Appendix 1 - site location plan), the existing structure is programmed for demolition.
- 2.2 Public sector stakeholders have a shared interest to work together with the Council to re-develop the site for a health and wellbeing facility and/or housing. Given the priority status of a new health and wellbeing facility in the Oxley area of North Wolverhampton, a feasibility exercise has been undertaken. It was agreed that the Council and Wolverhampton CCG (and subsequently the NHS Black Country and West Birmingham CCG) would jointly provide initial project resource to complete a feasibility study and work with interested parties to undertake early design work and a development appraisal. This work more recently brought forward the opportunity to add residential accommodation to the site which would provide additional outputs, offering much needed new affordable homes and attract grant funding for abnormal costs.

The project proposals have been developed considering two key requirements for the City and both rely upon each other for their successful delivery and achievement of the necessary outputs and outcomes.

A Modern and integrated project with Council Services and Health and Wellbeing Facility

- 2.3 The City of Wolverhampton has high levels of poverty and deprivation with a much higher proportion of the population (55%) living within the poorest 20 percentile range as nationally defined. In addition, significant health inequalities exist across the city. There is

a considerable gap in life expectancy across different ward areas of the city for both males and females.

- 2.4 The Wolverhampton health and social care economy faces significant challenges to service a population of 280,000 with relatively high levels of deprivation and growing numbers of people living with multiple Long Term Conditions putting additional strain on primary care. The local NHS and City of Wolverhampton Council (CWC) are addressing these challenges through a partnership approach with health and social care partners across the Black Country.
- 2.5 There is a requirement for a new health, wellbeing facility and this is entirely consistent with the key themes of the Sustainability and Transformation Partnership (STP) Estates Strategy, the 'One Public Estate' initiative and the latest published 'Commissioning Intentions' report of both the CCG and CWC. The need for a premises solution for the Oxley area was clearly identified in the Estates Strategy, specifically committing to assessing the feasibility of a new facility in the Oxley area of North Wolverhampton. This requirement with the need to relocate other Council health related services and surrender leases offering savings, created an opportunity for integrated services.
- 2.6 The local Oxley Surgeries are rated 'Red' in the CCG's most recent assessment of building condition, quality and capacity. The Red rating is indicative of facilities which are operating with significant shortfalls in two or more of (i) lack of capacity and/ or (ii) poor quality and/or (iii) poor security of tenure.
- 2.7 In addition to the need identified by the Wolverhampton CCG, during 2020/2021 the NHS made a commitment to become carbon net zero, setting ambitious targets to achieve this by 2040 for emissions under NHS direct control and 2045 for the "Carbon Footprint Plus" measure which includes the wider supply chain. This supports the Council's intentions and development of its assets to also become net carbon zero.

Key worker housing and affordable living

- 2.8 Around 12,600 people live in the Oxley ward of Wolverhampton. The City as a whole has the need to increase housing supply and has an ambition to make way for key worker housing and affordable living. There are a number of brownfield and redundant sites whose undeveloped nature damages perception of the City but, represent an opportunity to deliver housing.
- 2.9 Through the Strategic Economic Plan (2016), Housing Deal (2018), the emerging West Midlands Industrial Strategy (2019), the Housing and Land Portfolio Business Plan (2020-2021) and the Recharge for the West Midlands (2020), there is great commitment to delivering new homes by 2031 and taking a brownfield first approach.
- 2.10 The Wolverhampton Housing Strategy 2019-2024 seeks to deliver more and better homes, safe and healthy and access to secure homes. In doing so it aligns with the Economic Growth Strategy and seeks to retain and attract economically active people to live and work in our city. The strategy has identified groups to ensure good quality homes in the city at a price they can afford for; first time buyers and second stage movers,

households who want to rent, people who need affordable homes, homes for new communities and housing for graduates.

- 2.11 It is imperative that brownfield site clearance and unlocking of sites is a key focus and the importance of vibrancy is considered in residential deliverability. This will help appeal to a broad range of occupiers considering a future in the city, coupled with the increasing flight to quality demanded of both public and private open space. This would enable delivery of attractive and joined up placemaking opportunities and ultimately encourage a substantial increase in transactional and rental values across the city.

3.0 Project progress and proposals

- 3.1 To progress the early stages of the project and understand the challenges and opportunities, activities have been undertaken to help develop a way forward and reach a position where alternative options can also be presented for discussion (see section 4.0). Specific progress has been made within the last 12 months with:

1. Preparation of Initial development appraisals, taking account of land value and new build construction costs
2. Due diligence on the site to identify any constraints and site abnormalities
3. Development of the draft Outline Business Case (OBC) offering an understanding of the management, commercial, economic, financial and strategic case and risk.
4. Collaborative working with stakeholders and the project team representing CWC, CCG, local GPs and Royal Wolverhampton Trust (RWT) to develop site layouts and floor plans.
5. Subsidy Control advice to ensure the scheme model is compliant with relevant rules and regulations.
6. Submission of grant applications
7. Pre application discussions with the Local Planning Authority planning officer.

- 3.2 The proposal is a locally led programme, bringing multiple public sector partners together, to:

- help reduce Council service running costs, surrender leases and relocation of services to a new facility.
- assist with rationalisation, consolidation and modernisation of assets.
- Develop a net zero carbon project.
- Utilise Modern Methods of Construction (MMC) and provide new homes.
- Create construction jobs, five apprenticeships, help upskill the work force with H&S training and vocational qualifications, deliver local economic growth, offer social value.
- release capital value with re-development.
- give access to health care and quality accommodation to improve the lives of the local people.
- and really help with levelling up for much needed services in Oxley and support the economic recovery.

- 3.3 The project will also play a key role towards the city's recovery from the COVID-19 impact in years to come and act as an opportunity to reduce the Council's Carbon footprint, provide key worker housing and will directly link to the Council's 'Relight Our City campaign'.

A modern and integrated health and wellbeing facility

- 3.4 GPs, RWT and the Council, have continued to work collaboratively with the project team to develop the clinical service model, schedules of accommodation and initial design layout options. Design development workshops have been held to progress initial concepts into more detailed layouts and plans, seeking to offer:
- improved Council health and family services with integrated general medical services.
 - more integrated working between primary care, community services, social care and secondary care providers.
 - accommodation for two local GP practices, a base for RWT's district nursing teams and a clinical bookable suite to support local delivery of 'out of hospital' services.
- 3.5 As next steps, it is planned to build on the feasibility study and prepare an outline planning application. This will require re-engagement with all the stakeholders, public consultation with the local community, development of the design and renewed commitment for the updated proposals.

Key worker housing and affordable living

- 3.6 The early design for the residential accommodation has been developed mainly above the health and wellbeing facility, with separate access. The proposal allows for a mix of apartments and some dwellings across the site to be sold to a Registered Provider. Consultation with the Local Planning Authority has been positive with advice to further consider surrounding developments and the site access. The option for a residential development only, was not explored due to the greater community need for a combined health and wellbeing facility. The inclusion of supplementary residential accommodation provides an opportunity to attract grant funding for support with the site abnormal costs.
- 3.7 To attract the LGA grant funding the project is required to include Self & Custom Build (S&CB) residential units. Further details on the S&CB government initiative have been included in Appendix 2. The project proposes a completed shell and core at the 2nd floor for the residential S&CB element, which will be made available to the successfully procured Registered Provider to then work with the occupiers to design and self-finish their homes. With this approach a first in Wolverhampton, the S&CB owners will be able to design open or conventional layouts, determine room sizes, kitchen layouts, bathroom pod layouts, internal finishes and material specification.

Scheme financial viability

- 3.8 An outline construction cost plan for the development, estimating the project cost has been prepared and this includes contingency to cover project risk. Grant funding and public intervention is required to ensure the project is viable. Should the project costs increase where the contract is tendered there is a possibility that this grant may be increased to reflect the larger viability gap, however if this is the case this will be brought forward in a further report.
- 3.9 Considering current residential sales rates, the appraisal estimates the sale value for the apartments, this income will be sought from the Registered Provider in advance of expenditure, to offset against the costs of the development. If this value and/or the amount required to support the cost of the residential build is not achieved with offers from Registered Providers then the project will look to seek open market offers from the private sector. This would impact on the S&CB proposals but maintain the viability of the scheme.
- 3.10 In addition to the sale income of the apartments and dwellings, the project will also benefit from savings from surrendering leases in alternative locations and utility costs. To maintain a strong and disciplined control on project costs and programme, in addition to the provision of internal resources an external team of professional consultants will be appointed to lead the project after obtaining planning consent and for monitoring purposes. This will offer assurance during the development stages of the project and robust contract management during the delivery stage.

Delivery Timescales

- 3.11 The following are key milestones to help understand the roadmap to delivering the overall project based on the preferred option evaluated in section 4.0:

Cabinet Approval	Mar 2022
Planning consent approval	Oct 2022
Release of Tenders	Jan 2023
Start Construction works	April 2023
Construction completion and site opening Health facility	Sept 2024
Shell completion for residential and handover to Registered Provider for internal fit-out and self & Custom Build	Oct 2024
Completion of residential by Registered Provider and overall project	Oct 2024

Proposal Conditions and Consideration

- 3.12 To reduce the financial risk to the Council and maintain an ambitious project but affordable, the following activities are proposed as conditions, prior to any construction contract award:
1. Outline planning consent is obtained.
 2. Grant funding is secured to support costs and bridge the viability gap.

3. Cost certainty is achieved with market tendering for the construction.
4. Pre-lets to health care GP's, RWT district nurses team and a Pharmacy, all with long term leases are in place.
5. Pre-sale sale of the residential accommodation to a procured Registered Provider is achieved.

The following are advantages and disadvantages identified to understand the benefits, challenges, risks and likely issues, whilst trying to unlock the Council asset.

Advantages

- Securing the future of high-quality primary care in Oxley area for the existing population and provide capacity to respond to future growth in demand.
- Provision of new much needed quality homes in Oxley that are affordable, suitable for key workers and available for self & Custom build and supports the Wolverhampton Housing Strategy 2019 – 2024.
- The addition of housing to the health facility attracts opportunity for grant funding to support abnormal costs.
- The Council would hold an occupied asset upon completion.
- The design quality and control would be maintained by the Council to deliver a sustainable and net carbon zero asset.
- Any adaptations to the proposed design could be easily considered at cost should end user space requirements change.
- Avoid an alternative use being proposed over a much needed community facility.

Disadvantages

- Council capital investment required to fund project
- Increased asset management requirements

4.0 Evaluation of alternative options

- 4.1 In addition to the proposal there are alternative options explored to seek beneficial use of the site and opportunities to unlock the Council asset. Whilst evaluating the options and determining the preferred option in the outline business case, it was imperative to ensure good value for money, maximising outputs from the asset with job creation, remediation of brownfield land and addressing community needs with the provision of modern health facilities and affordable housing are accomplished.
- 4.2 **Option 1: Do nothing** – The buildings have already been programmed to be demolished and this is included in the Corporate Asset Capital Programme, seeking approval. Beyond this activity there would be no new proposals and the asset would continue to result in non-recoverable maintenance and management costs.

Advantages

- No additional capital expenditure or borrowing is required to develop the site.
- The site remains as a void asset increasing in value overtime.

Disadvantages

- Continuation of anti-social behaviour affecting neighbours including Oxley Lodge a care facility for the elderly which shares access from the Council asset.
- The opportunity to offer other beneficial uses to the community which cannot be provided locally, is deferred indefinitely.
- Ongoing non-recoverable costs with site security, insurance, business rates, fly tipping clearance and grounds maintenance.
- Deterioration of the neighbourhood due to a redundant building with no upkeep.

4.3 **Option 2: Freehold disposal of the asset** – This option would result in the asset to be auctioned to the highest bidder.

Advantages

- Any existing liabilities such as anti-social behaviour and non-recoverable expenditure would transfer to the new proprietor.
- The sale of the site would generate income for the Council.

Disadvantages

- No control to the type of development, quality and use can, other than those permitted under planning policy.
- It is likely the communities need for a health facility will not be provided.
- The growing need and search for land to develop a modern health facility and provision of affordable housing would remain with the Council, in particular the health facility considering the responsibility and partnership with the CCG.

4.4 **Option 3: Develop a Modern Health and wellbeing facility** – This option would result in the asset being designed and built by the Council with pre-lets to health care GPs, RWT district nurses team and a Pharmacy, all with long term leases.

Advantages

- Securing the future of high-quality primary care in Oxley area for the existing population and provide capacity to respond to future growth in demand.
- Adequate capacity to expand facility in the future
- Any adaptations to the proposed design could be easily considered at cost should end user space requirements change

- Avoid an alternative use being proposed over a much needed community facility

Disadvantages

- Council capital investment required to fund project
- Additional funding required to fund abnormal costs as grant funding would not be eligible as there is no housing proposed
- Increased asset management requirements

5.0 Reasons for decision

- 5.1 Based on the proposal and alternative options, the recommendation for Cabinet is to pursue the proposals as outlined in section 3.0, which would offer a mixed-use scheme with a modern health facility and residential accommodation for key workers and affordable housing. Without public intervention, provision of land and funding the opportunity to develop a prominent site in the heart of the Oxley community and close proximity to the city's transport links, is unlikely to progress and will continue to be stalled, due to the viability issues.
- 5.2 The advantages and disadvantages of the alternative options considered are detailed above. Option 1 is difficult to pursue and be seen as 'lack of activity' by the Council. Option 2 is not advised unless alternative sites are made available for a health facility in Oxley, which currently is not possible based on property and land searches. Finally, option 3 to develop a health facility only will result in the lost opportunity to attract grant funding, the site would also be underutilised considering there is opportunity to provide an additional use, such as housing, further it does not meet the needs of the wider community and so this is not recommended to be pursued.

6.0 Financial implications

- 6.1 At this point the pre-tender gross project cost is estimated and this includes all construction works, professional fees and a robust contingency, which has been allowed for in the development costs estimate to cover risk of inflation, impact of COVID-19, design risk and BREXIT related matters.
The success in securing the grants and contribution from the CCG as detailed above will reduce the financial risk of the project to the Council.
- 6.1 It should be noted there are financial risks associated with the project; these will be monitored as the project progresses.
[HM/10032022/V]

7.0 Legal implications

- 7.1 In the event of the recommendations detailed in this report being approved, the Council propose to procure the development of a modern health, wellbeing, and families facility and residential accommodation at former Oxley Day Training Centre site. As such, the Council will need to ensure that it complies with its Constitution and its statutory powers in the public interest and for the purpose of which those powers have been conferred.

- 7.2 The Council has fiduciary duties that require it to act in the interest of local taxpayers. Section 151 of the Local Government Act places a general duty on local authorities to make arrangements for the proper administration of its financial affairs.
- 7.3 The Council will need to undertake a procurement for the proposed development and associated goods, works and services. It will need to adhere to its Contracts and Procedure Rules and the law relating to Subsidy Control.
- 7.4 In relation to the Council's assets the Council will need to comply with its Constitution and Section 123 of the Local Government Act 1972 in relation to the proposed disposals in the leases. Section 123(1) of the Local Government Act 1972 states that a council may dispose of land held by them in any manner they wish. This includes granting leases as proposed in the report. In Section 123 (2) of the Local Government Act 1972, except with the consent of the Secretary of State, a Council shall not dispose of land, otherwise by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.
- 7.5 Under the Local Government Act 1972, the Secretary of State can issue a General Disposal Consent covering particular types of cases. For instance, a local authority may consider disposals at a reduced consideration if the purposes for which the land is to be disposed of is likely to contribute to the promotion or improvement of the economic, social, or environmental well being of its area. However, the Council must be aware of the rules relating to Subsidy Control as disposing of land at an undervalue could confer a benefit and therefore stand alone and unequivocal legal advice is required in respect of this proposal. The advice has therefore been sought and obtained from an external law firm.
- 7.6 The Council's Legal Services will provide legal advice throughout the progression of the matter in relation to the various legal agreements, which include the leases, funding agreements, contracts, and other ancillary agreements.
[JA/10032022/D]

8.0 Equalities implications

- 8.1 An equalities analysis has established that this project is relevant to the Council's duty to advancing equality of opportunity. The Senior Equality Diversity and Inclusion Officer has been satisfactorily consulted on this matter and no implications have been highlighted whilst jointly reviewing the Equality Analysis Form.

9.0 All other implications

- 9.1 The proposed solution is supported by Corporate Landlord as it provides new facilities for the Council's North Social Care Team that are much needed in the area and helps reduce operation costs. The scheme will also address the CCG's requirements which seeks the Councils assistance. A consultation with the Health and Wellbeing team members was also carried out.

- 9.2 The Health & Safety team have been consulted on the concept and at this stage there are no concerns. As the project develops the team shall be involved throughout the process. The demolition of the buildings is being managed as a separate project by Corporate Landlord
- 9.3 The selection of the Registered Provider and award of the professional team and construction works will be fully tendered compliant with the Councils and public procurement rules and policies. A clear procurement and contract strategy are to be developed as part of the project in consultation with the Councils procurement team.

10.0 Schedule of background papers

- 10.1 None.

11.0 Appendices

- 11.1 Appendix 1: Site Plan
- 11.2 Appendix 2: Self & Custom Build Initiative Background