

REPORT TO CABINET

DATE OF MEETING: 17th July, 2012

LEAD MEMBER: Councillor David Smith

REPORT AUTHOR: Head of Planning, Regeneration and Public Protection

TITLE: **FORMER NORTH WALES HOSPITAL,
DENBIGH – PROGRESS REPORT**

1. WHAT IS THE REPORT ABOUT

This report is to update Cabinet on progress with this site, to provide information on costs to date together with anticipated costs and to recommend authorisation for further action.

2. WHAT IS THE REASON FOR MAKING THE REPORT

On 26th October 2010, Cabinet authorised the service of an Urgent Works Notice. The service of a Repairs Notice and the creation of a single purpose vehicle which will take ownership of the site should Denbighshire County Council compulsory purchase it. In the light of progress to date and expenditure incurred and anticipated, this report recommends that Cabinet endorses further action.

3. REPORT DETAILS

On 6th June, 2011, the Urgent Works Notice was served on the owner of the site. This followed several months of preparation dealing with matters relating to Listed Building legislation, protected species legislation and health and safety matters in relation to the structural condition of the building and the presence of asbestos. In addition it was necessary to have an experienced contractor prepared to enter the site should the owner fail to respond.

The owner did not respond within the 2 week deadline and so our contractor entered the site on 21st July, 2012 in order carry out the Urgent Works in default. The contract was costed at approximately £800k. Unfortunately, the building was found to be far more fragile than anticipated and as a result the contract period has been extended and the cost of the work is now expected to be £930k.

- As part of the planning process a Section 106 Agreement had been entered into with the owner and a Bond Agreement entered into with Lloyds TSB. The outcome was that D.C.C. received a payment of £1.9m from the bank to be spent on the building and it is out of this sum that the Urgent Works is being financed. Appendix B profiles the spend to date against that £1.9m (i.e balance after Urgent Works paid for approximately £750k.
- By the date of this meeting it is anticipated that the contractor will have completed the work and will have left site.
- Demands for payment in regard to the Council's expenditure have been served on the owner (an off shore company) but no payment has been received. It is anticipated that a charge be placed on the property, subject to Court approval, in respect of the debt.

- In addition to the cost of carrying out the Urgent Works, D.C.C. has incurred additional costs associated with consultancy fees in order to progress, not only the Urgent Works contract, but also the broader project which ultimately will lead to a solution for this problem site. The costs incurred to date are set out in Appendix A. Also in Appendix A are indicative anticipated costs against the remaining balance of approximately £750k. These are difficult to estimate in some cases because we do not know how the owner will react. He has regularly threatened litigation for example but has not taken action to date. We have included a sum in Appendix A as a contingency.
- The Council has employed the services of the Prince's Regeneration Trust not only to advise us throughout this process but also to set up a Single Purpose Vehicle in the form of a Building Preservation Trust. The creation of the S.P.V. is essential prior to serving the Repairs Notice. The establishment of the S.P.V. is nearing completion and therefore serving the Repairs Notice in the near future would be timely and appropriate in order to maintain momentum. With the S.P.V. in place and a back to back agreement between the Council and S.P.V. to transfer ownership should the Council compulsory purchase the site, the risk to the Council is minimised.
- The schedule of repairs has been prepared in some detail. This will be attached to the Repairs Notice. If within 2 months the owner has made no progress with the repairs, then the Council can begin compulsory purchase proceedings but only if the S.P.V. is in place.
- Prince's Regeneration Trust has indicated that the setting up of the S.P.V. is now imminent. This will allow the service of the Repairs Notice (the volume of work on which has been completed) to be served in the near future. We will know soon therefore how much resistance and legal challenge the owner is prepared to put in. The CPO could take up to 18 months if fully challenged.

5. HOW DOES THE DECISION CONTRIBUTE TO THE CORPORATE PRIORITIES

The preservation and ultimate restoration of this historic listed building is a statutory function and will have significant potential regeneration benefits for Denbigh and the county as a whole.

6. WHAT WILL IT COST AND HOW WILL IT AFFECT OTHER SERVICES

There will be no affect on other services. The anticipated costs are set out in Appendix A.

7. WHAT CONSULTATIONS HAVE BEEN CARRIED OUT

There have been extensive discussions with Welsh Government (CADW, Bio Diversity Officer and Planning Division), local Members and the Prince's Regeneration Trust. Responses have informed our proposed course of action.

8. CHIEF FINANCE OFFICER STATEMENT

This is a very complex situation made more difficult by the relationship with the current owner of the site. There are risks around all the costs of delivering a successful solution to the project and the council must be very clear on its role, powers and duties going forward. There is still a significant sum left to fund the project but progress to date has shown how quickly money can be spent here. Care must be taken that the finances are very closely monitored and problems highlighted as early as possible.

9. WHAT RISKS ARE THERE AND IS THERE ANYTHING WE CAN DO TO REDUCE THEM

The Repairs Notice is a precursor to starting C.P.O. proceedings. The Council does not want to acquire the site and buildings for any period of time hence the need to set up the S.P.V. and a back to back agreement to transfer ownership immediately. We will also keep costs within the available budget including a substantial sum to cover costs associated with any potential litigation.

10. POWER TO MAKE THE DECISION

Section 2 Local Government Act 2000 – Power of well being. See previous report to Cabinet on 26th October, 2010.

11. RECOMMENDATION

That Cabinet confirms its approval to serve a Repairs Notice set up a S.P.V. and proceed to Compulsory Purchase action.