

Report to	Cabinet / Cabinet Briefing
Date of meeting	6 th January 2025
Lead Member / Officer	Jason McLellan – Lead Member for Economic Growth & Tackling Deprivation, Tony Ward - Corporate Director - Economy and Environment
Head of Service	Emlyn Jones – Head of Planning, Public Protection and Countryside Services
Report author	Amy Selby – External Funding Manager, Gareth Roberts - Public Protection, Regeneration & Economic Development Manager
Title	Former North Wales Hospital - Approval to Issue Third Party Agreement

1. What is the report about?

1.1. The approval process required to issue the Third-Party Funding to NWH Ltd to support the delivery of Phase 1 of the Former North Wales Hospital (FNWH) Project as part of the Levelling Up Fund (LUF) Vale of Clwyd (VoC) Programme.

2. What is the reason for making this report?

2.1. As UK Government have recently formalised the LUF VoC Grant Award, the Council is now able to issue the match funding secured from this external grant to support the delivery of Phase 1 of the FNWH project.

2.2. To seek the appropriate approvals from Cabinet to issue the funding in line with its own policies and procedures and to ensure compliance with the UK Government Assurance requirements for Levelling Up Funding.

3. What are the Recommendations?

- 3.1. That Cabinet notes the position of the UK Government funding award for this project.
- 3.2. That Cabinet approves the recommendation from Capital Scrutiny Group to proceed with the match funding contribution to support Phase 1 of the FNWH project in line with the Council's own financial procedures and the associated Capital Business Case. (Appendix 2).
- 3.3. That Cabinet authorises the issue of the Grant to the Development Partner acknowledging i) the checks that have been undertaken as a part of the Due Diligence process required by UK Government and ii) understanding this is subject to satisfactory subsidy control assessment, and finalisation of all outstanding S106 and land transfer items being addressed.
- 3.4. That the Committee confirms that it has read, understood and taken account of the ANW Impact Assessment as part of its consideration.

4. Report details

Background

- 4.1. The Former North Wales Hospital project is a complex project on a large site of historical significance for North Wales. The ambition of the current project is to deliver a scheme of physical regeneration improvements to the site of the Former North Wales Hospital and to save a Grade 2* listed building of significant importance that has not been occupied since 1996. The proposal represents a huge economic development opportunity to Denbigh and Denbighshire.
- 4.2. This is a project of regional significance and although instigated by Denbighshire County Council more than 15 years ago, it is now being led by Ambition North Wales (ANW) and sits within the Land and Property Programme for the North Wales Growth. The full history surrounding the site and its development can be found in Appendix 1.

- 4.3. ANW have undertaken a robust 5 stage business case process for this project which was formal approved by the Regional Partnership earlier this year. The total project development cost has been identified as £107 Million.
- 4.4. The Project in its entirety is expected to be undertaken over a 12-year period in 3 phases with Phase 1 of this scheme for the demolitions and site remediation works inclusive of primary site, upgrading utilities, establish bio habitat infrastructure and construction skills centre.
- 4.5. The costs of Phase 1 is £13M of which ANW have secured £7M from the UK Government's Growth Deal funding and £3M of private investment.
- 4.6. Denbighshire County Council's Cabinet resolved in December 2021 to include Phase 1 of this project within its application for UK Government Levelling Up Funding. Following a comprehensive grant appraisal process, the Council has now received formal notification that this funding has been awarded with £3M allocated to this project.
- 4.7. The Council is now required to undertake the following steps which ensure compliance with the UK Government Funding requirements and its own Financial Regulations.
- 4.8. **Step 1 – Undertake a due diligence assessment of the development partner as grant recipient:** A thorough assessment has been undertaken in line with UK Government recommendations and has been overseen and approved by the Chief Audit Officer, the Section 151 Officer and the Monitoring Officer. This has involved a review of information pertaining to the financial position, structure, experience and governance of the Development Partner. For the purpose of this project, the Council will be entering an Agreement with Jones Bros via its subsidiary company NWH Ltd. Due diligence appraisals have been undertaken on both and no significant issues have been identified with the recommendation to proceed with the issue of the Grant.
- 4.9. It has also been noted as a part of the Due Diligence appraisal that there will be robust project governance and contract management in place which will allow close monitoring of the project and claims process to manage risks associated with the issue of the grant. Claims will be paid in arrears and only on approval from the Council's Quantity Surveyor from the Design & Construction Service.

4.10. **Step 2 – Approval of the Capital Business case:** The Capital Business Case was reviewed and endorsed by Capital Scrutiny Group earlier this year in line with the Council's usual financial procedures. Due to the value of the grant to be awarded, Cabinet are required to approval the Capital Business Case in line with the Council's Procurement Contract Regulations. The Business Case is attached as Appendix 2).

4.11. Subject to Cabinet being satisfied with the above, the Council's legal team will then issue a Third-Party Funding agreement which will set out the Terms & Conditions of the grant in line with the funder's and Council's requirements.

4.12. It should also be noted that the Third-Party Agreement and release of any grant funding will also be subject to the satisfactory completion of a subsidy control assessment on the contribution to this project, and finalisation of all outstanding planning requirements.

5. How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?

5.1. The project seeks to have a visible impact in local areas, particularly those areas most in need. As a condition of the Planning approval there is substantial investment into preserving the site's biodiversity. The bid therefore contributes to the Corporate Plan themes around a Prosperous Denbighshire and A Greener Denbighshire. The work contributes to developing an economic strategy that will regenerate a prominent historical landmark in Denbighshire, its neighbouring town centre and support the growth of the local economy.

6. What will it cost and how will it affect other services?

6.1. The total project cost for Phase 1 of the FNWH Project is £13m of which £3m has been approved by UK Government from the LUF VoC Programme, with £7m Growth Deal via ANW and £3m Private Sector match funding. There is no additional cost to the Council.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. The Business Case and Impact Assessment activities have been undertaken by Ambition North Wales as the projects sits within the Land and Property

Programme for the region. The completed Integrated Impact Assessment (Appendix 3) and Benefit Register (Appendix 4).

8. What consultations have been carried out with Scrutiny and others?

8.1. This project has been in development for over 10 years and has been reviewed by a wide range of stakeholders including Council, elected members, WG Gateway assessors, ANW and regional partners. The project was selected for inclusion for LUF funding and supported by the MAG, Cabinet and MP. The project will be required to continue to engage with the MAG on an on-going basis.

9. Chief Finance Officer Statement

9.1. Levelling Up Funding is an important source of capital funding to regenerate our communities. Given the Council's current financial situation greater reliance will need to be placed on external funding to fund our capital plan in the future. This funding also attracts an additional £10M to the County through other public and private match funding as well as the longer-term potential of a further £97M of inward investment into the County.

10. What risks are there and is there anything we can do to reduce them?

10.1. Due to challenging timescales, delays in approving the issue of the grant may put the project and match funding at risk.

10.2. Should delays occur in approval process, the window to act on the biodiversity and ecology measures on site to ensure Phase 1 can be completed by March 2026 will be missed and delay the project by a further 6 months.

11. Power to make the decision

11.1. General Power of Competence under the Local Government and Elections Wales Act 2021 s.24