



**Union Place – Joint Venture Partnership with Roffey Homes Ltd. to secure the redevelopment of the site and delivery of new and affordable homes**

**Report by the Director for Place**

**Officer Contact Details**

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**Executive Summary**

**1. Purpose**

- 1.1.** The purpose of this report is to agree the principle of two land transfers to the formative Union Gardens Joint Venture in order to secure greater certainty over the redevelopment of Union Place, prior to the Joint Venture Agreement (JVA) with Roffey Homes Ltd. being formalised. The report reflects the successful outcome of negotiations with NCP to secure the release of the current car park site to ensure that comprehensive development of the entire Union Place site (comprising sites A,B and C - Appendix 1) can take place in a timely and efficient manner.
- 1.2.** The report updates members of the Sub-Committee on progress with the JVA; and the outcome of negotiations to date and confirms the interest of Homes England in providing a development funding package to support the development.
- 1.3.** An Exempt Appendix 2 to this Report sets out a working draft Business Plan prepared in partnership with Roffey Homes Ltd.

## **2. Recommendations**

That members of the Joint Strategic Sub Committee:

**2.1.** note the significant progress towards the terms of the proposed Joint Venture Limited Liability Partnership (LLP) Members' Agreement (referred to in this Report as a Joint Venture Agreement (JVA)) with Roffey Homes Ltd.

**2.2.** agree to the principle of, and for officers to work towards:

(a) the proposed transfer to the Joint Venture LLP, of the Council's existing two land parcels, being the NCP Car Park site (land parcel A) and the former police station site (land parcel B) as set out in Appendix 1; and

(b) the proposed transfer to the LLP of land parcel C, also set out in Appendix 1, after it is acquired from London & Continental Railways Limited (LCR), as per para 2.5 below.

These land transfers are required, to enable the regeneration of Union Place. The transfers are subject to the Committee's formal agreement (with such Committee agreement, proposed to be requested as part of the Committee's approval of the JVA, in June 2024). The land transfers would be on the basis that the equity share in the LLP which WBC would receive in return for the three land parcels, will reflect an up-to-date valuation report relating to the WBC-owned land, subject to deduction of the cost of purchase as set out at paragraphs 2.3 and 2.5 below.

**2.3.** agree to the surrender of the current lease agreement with NCP in accordance with the Heads of Terms attached at Exempt Appendix 3, and note that the cost of surrender of the lease will be funded by the Joint Venture LLP and deducted from the Council's deemed equity contribution (based on value of WBC land to be contributed to the LLP) to the Joint Venture, on the basis that:

(a) the surrender would only be completed once the JVA is approved by the Committee (approval proposed to be sought in June 2024), finalised and entered into; and

(b) the surrender would be accompanied by a JVA LLP commitment to grant a new 10-year lease to NCP of 146 car parking spaces (from completion of development, expected September 2026) with WBC having an option, under the JVA, to acquire the

landlord's interest in that car parking at an agreed price or market value.

- 2.4.** agree to terminate the Collaboration Agreement with London & Continental Railways (LCR) for Union Place, and (irrespective of whether the JVA proceeds) pay to LCR the agreed promotional and marketing costs of £843,631.05 as set out in the report to this Committee on 11th July 2023.
- 2.5.** agree to purchase the freehold interest in the High Street Car Park site (land parcel C) from LCR for the sum of £542,500, in accordance with the Heads of Terms attached at exempt Appendix 4, to enable the regeneration and development of Union Place, and then to the surrender or other termination of WBC's current lease under which WBC operates the LCR land car park at that property. The costs of the purchase of the LCR land will be borne by the Joint Venture LLP and deducted from the Council's deemed equity contribution (based on value of WBC land to be contributed to the LLP) to the Joint Venture, on the basis that the purchase would only take place once the JVA is finalised and entered into (once Committee authority for the JVA is obtained, proposed to be sought in June 2024).
- 2.6.** To delegate to the Director for Place or Assistant Director for Regenerative Development in consultation with the Leader, the authority to negotiate, agree and enter into agreements with NCP and the LLP (and Roffey Homes, if applicable) for the surrender in paragraph 2.3 above, and with LCR (and the LLP and/or Roffey Homes, if applicable) for the LCR agreement termination in 2.4 above and for the acquisition of the LCR land in paragraph 2.5 above, on the basis that (unless the Committee agrees otherwise) neither the surrender nor the acquisition would be completed until the JVA is approved by the Committee having regard to due diligence reports on the procurement and subsidy advice and the final terms of the detailed business plan to be received and considered by the Committee at the later meeting, and thereafter entered into.
- 2.7.** agree a budget allocation of £85,000 to pay for legal costs to prepare the JV agreement, and related legal documents referred to above, in 2023/24.

### **3. Background**

- 3.1.** Union Place lies east of the Connaught Theatre and west of the High Street. It incorporates a surface car park adjacent to the theatre acquired by the Council in 2017; a cleared site of unmade ground and

footings to the former Police Station acquired by the Council in 2018; and an adjoining small area of car park along the High Street. It is close to Chapel Road (secondary shopping area) and links to the central shopping area via the Guildbourne Centre. A plan showing all of the land included is available at Appendix 1.

- 3.2.** A number of sites have been set out in the Worthing Local Plan that will be brought forward to deliver market and affordable housing in Worthing over the 2020 - 2036 plan period. Union Place being one of these sites situated in a key strategic location of Worthing.
- 3.3.** To support the redevelopment of the site, Worthing Borough Council undertook the land assembly before entering into a Land-Pooling and Promotion Agreement with government owned regeneration specialist London and Continental Railways (LCR) in 2018.
- 3.4.** LCR brought considerable knowledge and experience and helped to attract a delivery partner to build out a successful scheme. The partnership with LCR was established through a land pooling arrangement and is a model that LCR are now using with partners in other places.
- 3.5.** A Development Strategy was prepared with LCR to deliver a mixed use scheme and outline planning permission was secured in November 2020. Obtaining this consent helped to de-risk the development strategy and helped define the achievable land use, density, scale and height.
- 3.6.** At the Council's Joint Strategic Committee (JSC) in February 2022 members considered an update on marketing the site following the successful enabling exercise with LCR Property. The report identified Roffey Homes Ltd as the preferred bidder for the site, and delegated authority to officers to negotiate a Joint Venture Agreement to support land transactions.
- 3.7.** The Worthing Joint Strategic Sub-Committee in March 2023 considered an update on progress with the Joint Venture Agreement and noted the outstanding issues that remained to be resolved.
- 3.8.** On 11 July 2023 the Joint Strategic Committee agreed to progress the negotiations and drafting of the Members' Agreement and all contractual documentation required to establish the Joint Venture Limited Liability Partnership (LLP) between the Council and Roffey Homes Ltd for the purpose of developing the Union Place site.

- 3.9.** The key principles underpinning the councils' involvement in Union Place have been to:
- Maximise the number of homes delivered, in particular, genuinely affordable homes;
  - Maintain a focused approach to support the viability of the scheme and potentially, attract central government funding to support new homes;
  - Bring forward other uses that will enhance the town's centre and promote economic recovery;
  - Deliver high quality, and environmentally friendly, design and architecture; and
  - Deliver capital receipts that can be used to support the delivery and maintenance of new infrastructure.
- 3.10.** Council officers have previously taken legal (procurement and subsidy control) advice as well as financial due diligence in the development of the Business Plan for the proposed Joint Venture Partnership alongside Roffey Homes Ltd. These documents will be updated having regard to the finalised proposals and reported back to the Committee in a further report.

#### **4. Terms of the Joint Venture**

- 4.1.** A Joint Venture Limited Liability Partnership (LLP) Members' Agreement is proposed to be entered into between Worthing Borough Council and Roffey Homes Ltd is subject to member approval in June 2024 as the subject of a further report to this Committee, once the detailed joint venture/Members' Agreement terms are finalised.
- 4.2.** The key aim of the LLP is to deliver 216 flats on the site in a series of connected blocks surrounding raised residents' gardens. The homes and gardens would sit on top of a 236-space car park, of which 90 of the spaces would be for the residents and 146 available for visitors to the town centre. A pocket park would be situated at the south-eastern corner of Chatsworth Road and High Street, where there could also be a community café.
- 4.3.** The structure of the JV LLP will incorporate a 50/50 equity stake and profit share in the partnership. This includes land being transferred into

the JV by the Council and capital funding, development costs and development expertise being provided by Roffey Homes Ltd.

- 4.4. The fundamental aims of entering into a Joint Venture for Union Place is to maximise the number of homes delivered, in particular, genuinely affordable homes, to attract central government funding, to promote economic recovery and to deliver high quality, environmentally friendly design and architecture that reflects Worthing's heritage.
- 4.5. The intent of the Joint Venture is to deliver capital receipts that can be used by the Council to support the delivery and maintenance of new infrastructure, including additional affordable homes. A working draft Joint Venture LLP's Business Plan has been prepared as summarised in exempt Appendix 2 of this report and the final Business Plan to be agreed at the JSSC committee in June 2024.
- 4.6. As part of the agreement to enter into the Joint Venture, it is proposed that the Council agrees to transfer two land parcels into the Joint Venture LLP, in order to enable the regeneration of Union Place:

- 1) the former police station site (land parcel B); and
- 2) the NCP Car Park site (land parcel A);

as set out in Appendix 1. WBC would also transfer to the LLP land parcel 3 after its acquisition from LCR, as referred to in paragraph 2.6 above.

- 4.7. The Council will agree to the surrender of the lease agreement with NCP and note that the costs for this surrender will be covered by the Joint Venture LLP, and deducted from the Council's deemed equity contribution (based on value of WBC land to be contributed to the LLP) to the Joint Venture. As part of this arrangement the Council will have a further option to re-secure the new lease ie. to again become NCP's landlord and receive rent from it (subject to an additional) market value payment to acquire that landlord's property interest). The rental income generated from the new NCP operated undercroft car parking facility would be £250,000 per annum, as per para 2.4 above.
- 4.8. The JV Agreement further presents the Council with the ability through its partnership status, should it choose, to purchase new affordable housing units from the Development. This opportunity will provide the Council with the ability to increase its affordable housing requirements and reduce the longer term cost burden on taxpayers.

- 4.9. The Council is seeking further legal advice on state subsidy and procurement from its external legal advisors, Bevin Brittan LLP legal advisors, for the selection throughout the process of formation of the Joint Venture partner, and agreement of the joint venture terms. Further details of this advice will be presented to members for consideration at the June 2024 JSSC committee.
- 4.10. The Council is also seeking further commercial advice for its advisors, CBRE, on the proposed land transactions for its land into the Joint Venture to test and ensure it meets the Council's obligations under S123 and best consideration (see para 11.5).

## **5. Termination of Collaboration Agreement**

- 5.1. The Collaboration Agreement with London & Continental Railways (LCR) for Union Place would be terminated following the successful conclusion on the Council's working partnership relations with them. LCR have been instrumental working in collaboration with the Council through planning and design development, de-risking the site constraints and securing outline planning consent.
- 5.2. The partnership will be concluded following the agreement for WBC to pay to LCR development, promotional and marketing costs of £843,631.05 and purchase of the freehold interest by WBC in the High Street Car Park site (land parcel C) (Appendix 1) from LCR for £542,500 to enable onward sale of that site (along with land parcels A and B) to the JV LLP and subsequent regeneration and development of Union Place as set out in the report to this Committee on 11th July 2023. The costs of the purchase will be borne by the Joint Venture LLP and deducted from the Council's deemed equity contribution (based on value of WBC land to be contributed to the LLP) to the Joint Venture.

## **6. Joint Venture Management Structure**

- 6.1. A management structure for the JV LLP has been prepared in order to determine key decision making, frequency of meetings and representation.
- 6.2. A Joint Venture Board would be established with Partner (ie. LLP equivalent of company director) representatives from both Worthing Borough Council and Roffey Homes Ltd. The meetings will be chaired

by a representative of one or other member (ie. a representative of WBC or Roffey), on a rotating basis.

- 6.3. Although the general day-to-day management and accounting will be managed through the Joint Venture. The Council would incorporate its own finance and monitoring controls and checks throughout the development process.

## 7. Union Place Development Delivery

- 7.1. On the formation of the Joint Venture partnership there will be a number of enabling works and mobilisation requirements to prepare the site for construction. An indicative construction delivery programme is being prepared, subject to planning approval and agreement to enter into the Joint Venture Member's Agreement, which will be included in the June JSSC committee report for consideration. The JV partners have agreed that it will be important to ensure that information on progress with the development is readily available and kept up-to-date.
- 7.2. Roffey Homes Ltd has led discussions to identify senior development finance from the Government's leading Homes and Regeneration agency, Homes England, to ensure the successful delivery of the new and affordable homes at Union Place. Homes England has written to Roffey Homes on 14th February 2024 stating "*[we] confirm our interest in providing a senior development finance facility to the SPV between Roffey Homes and Worthing Borough Council, in order to deliver the Union Gardens mixed-use scheme in central Worthing. We view Union Gardens as an important example of town centre regeneration, place making for the local community that is being delivered by a local SME developer, and as a result it aligns perfectly with our values and strategic plan.*"

## 8. Issues for consideration

- 8.1. Entering a Joint Venture with Roffey Homes Limited, will provide equal benefit to Roffey Homes and WBC. In particular, the LLP (and through it, Roffey) will have access to WBC's former land at the site, for development, and WBC will have the benefit of Roffey's development expertise, and ability for JV LLP to access funding from Roffey (along with third party debt funding), over and above the WBC land value, and



equivalent Roffey funding, the JV partners (ie. WBC and Roffey) will provide to the LLP.

## **9. Financial Implications**

**9.1** The financial considerations within the report are in relation to the following:

- (i) The transfer of council owned land (A) former police station site and (B) NCP car park site to the JV LLP as the councils equity share. The value will reflect an up to date valuation report.
- (ii) Surrender of the lease with NCP for the car park site (B) and, following the council entering the member agreement for the JV, transfer of the land to the JV for development purposes,. The cost of will be funded by the JV LLP with a reduction in the councils equity share value of the same. There is no budget requirement instead the value will reduce the councils equity value within the JV LLP. Currently the council receives rental payments within the revenue account from NCP of c.£330k and this will cease on the surrender of the lease.
- (iii) Purchase the freehold interest in land at site (C) currently the High Street surface car park from LCR for £542,000 consideration. The sale transaction to be funded by the JV LLP with a reduction of the councils equity share of the purchase value plus associated purchase costs. As with (ii) there is no budget requirement instead the value will reduce the councils equity value within the JV LLP.
- (iv) Termination of the Collaboration Agreement with LCR as set out in section 5 will require agreement for WBC to pay to LCR development, promotional and marketing costs of £843,631.05. These costs are to be funded from a capital budget in the current programme of £582,210 and £261,421 from reserves. The capital borrowing cost associated with this payment is circa £42,000 which will need to be met from the corporate treasury budget.

Finance Officer: Emma Thomas

Date: 28/02/2024

## **10. Legal Implications**

- 10.1.** Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 10.2.** Section 3(1) of the Local Government Act 1999 (LGA 1999) applies a general duty for a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 10.3.** Section 1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract or the provision of making available of assets or services for the purposes of, or in connection with, the discharge of any statutory function of the local authority.
- 10.4.** Section 123 Local Government Act 1972 provides the Council with the power to dispose of land, with the caveat that, subject to certain exceptions the Council must not do so for a consideration less than the best that can be reasonably obtained.
- 10.5.** Under s.123 of the 1972 Act Circular 06/03 Local Government Act 1972 General Disposal Consent (England) 2003 provides criteria and guidance for circumstances when a local authority considers it appropriate to dispose of land at an undervalue with steps to be followed and/or considerations for the Council when using the general disposal consent.
- 10.6.** Paragraph 3.10.3 of the Officer Scheme of Delegations provides authority to the Council's Assistant Director for Regenerative Development to dispose of land (up to a value of £50,000) in connection with the Council's functions and to grant leases, easements, licences and wayleaves of, in, or over buildings or land in connection with the Council's functions. Paragraph 1.11 provides that all delegations shall be exercised in accordance with the Constitution and any relevant policy, paragraph 1.12 provides that any officer exercising a delegation shall only do so in accordance with the Financial Procedure Rules.
- 10.7.** The Council must ensure that any authorised use and development of the site at Union Place is compliant with any obligation imposed on the Council by the Homes England Grant funding terms and conditions.

- 10.8.** The Grant Funding must also be spent by the Council in a way that does not breach the Homes England funding terms and conditions or create any unlawful public subsidy to any commercial undertaking.
- 10.9.** At Appendices 2 - 4 (inclusive) there are additional documents which are exempt under the Local Government (Access to Information) Act 1985 as the information relates to the financial or business affairs of Worthing Borough Council and/or contains legal advice. This information must be given due consideration and taken into account prior to members reaching a decision.
- 10.10.** Prior to executing a JV Agreement, members will need to consider the further procurement and subsidy advice to be taken on the final arrangements as well as approve the final business plan and financial due diligence.

### **Background Papers**

- [Report to Joint Strategic Committee 11/07/2023 - Joint Venture Partnership with Roffey Homes](#)
- [Report to Joint Strategic Committee 16/03/2022 - Union Place Joint Venture with Roffey Homes Update](#)
- [Report to Joint Strategic Committee 08/02/2022 - Union Place - selection of preferred developer](#)
- Report to Joint Strategic Committee 06/11/2018 - Union Place Update
- Report to Joint Strategic Committee 10/04/2018 - Union Place Redevelopment

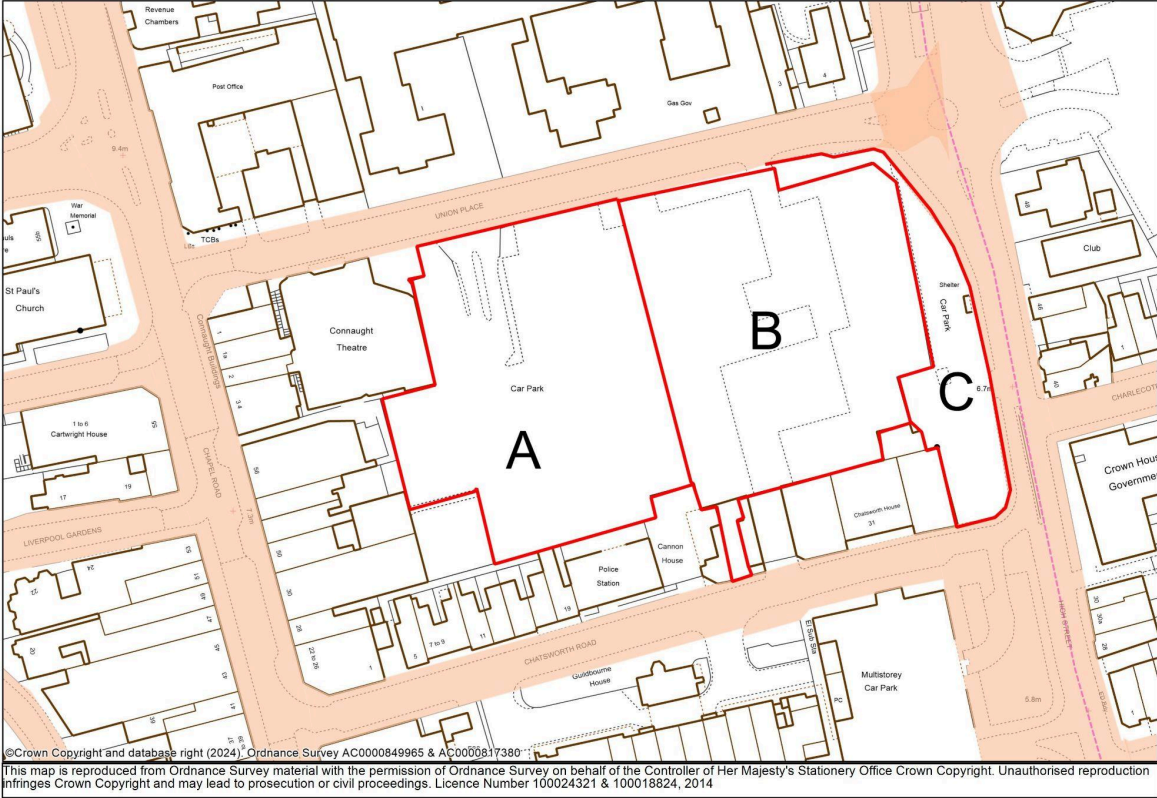
### **Appendix 1. Site Plan**

**Appendix 2 (Exempt).** Summary and working draft of the joint venture Business Plan

**Appendix 3 (Exempt)** Heads of terms for lease surrender by NCP

**Appendix 4 (Exempt)** Heads of terms for lease surrender by LCR

APPENDIX ONE



## **Sustainability & Risk Assessment**

### **1. Economic**

The development delivers new homes and space for businesses to expand. The scheme is strategically important for the town centre and will benefit local shops and services.

### **2. Social**

**2.1** Social Value: the development provides an important opportunity to secure the delivery of genuinely affordable homes; to demonstrate local employment and offer opportunities for young people to secure training and develop skills.

**2.2** Equality Issues: the project offers an important opportunity to address diversity and inclusion matters through the recruitment and selection of those people working on the project and in the provision of training and skills.

**2.3** Community Safety Issues: the development will take a positive approach to designing out crime and addressing matters such as safe pedestrian routes and areas for play. Design aspects such as lighting will take into account the importance of people feeling safe at night.

**2.4** Human Rights Issues: the project will ensure that aspects such as people trafficking are considered through the construction process and in the selection of contractors and sub-contractors.

**2.5** The construction programme will deliver local procurement and employment strategies and offer on-site opportunities for training and skills development for local residents and communities.

### **3. Environmental**

Sensitive redevelopment of the site offers a significant opportunity to enhance biodiversity and to improve the local environment through planting and the provision of open spaces.

### **4. Governance**

An internal officer board consisting of representatives from key departments essential to successful delivery has met and reviewed the programme at key stages of the marketing exercise. The governance associated with the delivery of the project is set out in the body of the report and formal updates will be provided to members of the Worthing Joint Strategic Committee Sub-Committee.