



Key Decision [Yes/No]

Ward(s) Affected:

## Freehold Land Sale of Teville Gate to Homes England

### Report by the Director for Place

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#### 1. Summary

- 1.1. Following negotiations with Homes England, in December 2023 Homes England has made an offer of £5.1m for the unconditional freehold sale for Teville Gate. The Homes England offer utilises their Brownfield Infrastructure and Land Fund - making Worthing the first recipient of this intervention in the South.
- 1.2. Homes England anticipates delivering over 250 homes in a lower density, lower height development which places a significant emphasis on successful placemaking and delivery.
- 1.3. Homes England recognises the strategic significance of Teville Gate and has signalled its ambition to:
  - drive regeneration and housing delivery to create high-quality homes and thriving places;
  - work with partners to support them and enable the delivery of new homes and housing-led, mixed-use regeneration;
  - deliver place making and regeneration of the area;
  - intervene where the market has failed; and
  - deliver mixed-tenure housing that Worthing needs.
- 1.4. Teville Gate was purchased by the Council for £7m in 2021 via prudential borrowing. Securing an immediate payment of £5.1m will

deliver savings in interest payments of £850k over three years, plus retaining a budgeted £100k pa in parking income, in addition to any meanwhile-use returns. By comparison, a typical market transaction would be conditional and likely to be subject to planning permission, meaning any capital receipt would not be received for several years.

## **2. Recommendations**

That members of the Joint Strategic Sub-Committee:

- 2.1.** Approve an unconditional freehold sale of Teville Gate to Homes England, and continue to work in partnership with Homes England to develop this critical site.
- 2.2.** Delegate authority to the Assistant Director for Regeneration Development, in consultation with the Cabinet Member for Regeneration, to negotiate and enter into the legal documentation required to effect legal completion of the sale of Teville Gate to Homes England.
- 2.3.** Delegate authority to the Assistant Directors for Place and Economy, and Regenerative Development in consultation with the Cabinet Member for Regeneration, to seek and agree to a suitable meanwhile-use as a priority for the site, aligned to council objectives to utilise the site during the leaseback period.

## **3. Background**

- 3.1.** Teville Gate is a long vacant plot of land at the 'Gateway to Worthing'. Located by the mainline railway station, and a 15 min walk to town centre and seafront, it should be an attractive development site, however it has a long history of failed schemes due to the complexities and abnormalities of the site. Due to utilities constraints the site naturally falls into 4 sections if you include the HMRC building: NW (HMRC); NE (currently HMRC car park); SW (in front of HMRC, adjacent to Kwik Fit); SE (alongside the A24 fly-over). The Council is also committed, as part of the HMRC agreement, to find alternative parking provision nearby once the Teville Gate car park is removed.

- 3.2.** Teville Gate features in the Worthing Local Plan (2020-2036) and indicates the provision of 250 residential units delivered in the 2020-2025 period.
- 3.3.** Whilst a number of ambitious proposals for the redevelopment of the site have come forward the site has remained empty since the demolition of the former car park in 2019. The Council secured ownership of Teville Gate in 2021 with the intention of securing a suitable redevelopment.
- 3.4.** By March 2022, a formative arrangement had been reached with Hyde Housing Association, although this did not proceed further at that time. Subsequent reviews of the Council's Corporate Risk Register identified the importance of undertaking a marketing exercise prior to entering any partnership arrangement to secure the development of the site.
- 3.5.** Since the acquisition of the land in 2021, there had been significant changes to prevailing market conditions with respect to interest rates and the wider construction industry which made it appropriate to review the approach being taken with this project.
- 3.6.** Mindful of these changed circumstances, members of the Council's new Administration reviewed the criteria for development later in 2022 and considered how to ensure they reflected their new priorities for Worthing. Following this review, members of the Sub-Committee agreed that the priorities for the development of Teville Gate should balance the price offered with an ability to deliver the development at pace based on key themes of:
- A gateway to Worthing
  - Affordable homes delivery
  - Public realm
  - Active travel / connectivity
  - Sustainable development
- 3.7.** The sustainable development theme is consistent with the Council's commitment to greening Worthing and securing attractive, well designed public spaces that maximise the benefits of planting to enhance biodiversity.

#### **4. The Homes England Offer**

- 4.1.** In September 2023, members of the Sub-committee agreed to explore the potential freehold sale of Teville Gate to Homes England. Following

the subsequent dialogue with Homes England and a period of negotiation, Home England has made a final offer of £5.1m *via* its '[Brownfield, Infrastructure and Land Fund](#)', launched in July 2023. The offer is based on a 'red book' valuation (a formal opinion of value which can be relied upon by the instructing party), and viability studies. This fund is intended to be used specifically for sites where the market is unable to develop them in the near term. Use of the Brownfield, Infrastructure and Land Fund would make Teville Gate (and Worthing) the first in the South of England to be developed under this Fund and one of only 3 nationally, to date.

- 4.2.** The offer is for the unconditional freehold sale, leased back to the Council for up to 3 years to allow Home England to carry out site testing and analysis, secure planning permission and assign a development partner to deliver. The Homes England offer will enable the Council to receive £5.1m in March 2024.
- 4.3.** In assessing this offer, officers have been mindful of a number of factors, including the differential with the purchase price; the cost of the site remaining vacant; the benefit of securing development; and changes in the wider economic context outlined in paragraphs 3.5 and 4.4 of this report, together with the Financial Implications set out in Section 6 of this report.
- 4.4.** Homes England cites a number of relevant factors that have informed the offer:
  - changes to the legislative framework at a national level, in particular new legislation relating to health and safety requirements for taller buildings;
  - land values for residential development have fallen significantly as a result of changes in global and national economic conditions;
  - construction price inflation and associated supply chain challenges; and
  - interest rate increases.
- 4.5.** As a consequence, Home England anticipates a development with over 250 new homes; 128 fewer than the 378 new homes that secured planning permission in 2020.
- 4.6.** Delivery of a lower rise, less dense scheme reflects the new economics of development, but Homes England has argued strongly that it also increases the opportunity to deliver a scheme that places a greater emphasis on successful placemaking in this location with the

associated community infrastructure, including well designed open spaces and opportunities for active travel.

- 4.7.** It is important to acknowledge that the reduction in the proposed number of new homes does impact on the development value that any scheme will generate and this is reflected in Home England's offer. Homes England recognises that its offer is below the price paid by the Council to secure the site. However, Homes England has emphasised that its core priority is to ensure that a successful scheme is delivered and that unlike a traditional developer, it has the ability to ensure that a greater proportion of the uplift in value as a result of development is re-invested into the scheme.
- 4.8.** In terms of housing delivery, Homes England would not require Section 106 mechanisms to deliver affordable homes and could in fact, support the Council to address its wider housing needs. Homes England relies on its partnerships with Registered Providers to offer the best outcome for affordable homes delivery, and therefore a likely outcome could be a proportion of affordable homes above the Local Plan requirement of 20% and/or being able to offer support in addressing a mixed-tenure housing approach to address the wider needs of Worthing.
- 4.9.** It should be noted that given the reduction in value between the offer received from Homes England, and what the Council paid for the site, the Council should consider its obligations under Section 123 Local Government Act 1972 which places an obligation on local authorities to dispose of land for best consideration. The assessment is not limited to the monetary purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value. The offer made by Homes England is sufficient enough that it does not require Secretary of State approval.
- 4.10.** Homes England anticipate the need for the site to be leased back to the Council for up to 3 years whilst a development scheme is pursued. The lease back of the site to the Council would be at £1pa with security and maintenance costs covered by the Council.
- 4.11.** The Council would retain the HMRC/car park income budgeted at £100k p.a. for the leased back period, which means that as per the Council's contract with HMRC, it not only retains the income, but also provides the Council with up to 3 years to find alternative provision for HMRC parking.

- 4.12. Councillors have highlighted just how important it is to bring activity and interest to the site that has been vacant for too long. The pursuit of active meantime uses will therefore be a priority. The Council will seek and agree to a partner(s) to best utilise the site and will work with Homes England to best utilise the site prior to development.
- 4.13. Council officers will seek to develop plans for meantime use for the site prior to its development with an intention of activating the site from Summer 2024.
- 4.14. Meantime activity would also enable public engagement with respect to plans for Teville Gate to take place on-site and improve public participation and understanding with respect to this significant change for the town.
- 4.15. A significant benefit of the Homes England Offer is that it is unconditional with the capital receipt to be received in-year. By comparison, a typical market transaction would take time to be realised as it would likely be conditional and subject to planning permission.
- 4.16. In making its offer, Homes England has highlighted the opportunity to develop an approach that delivers an attractive new gateway to the town. Homes England stresses that it brings the convening power to bring together national and regional institutions together to unlock challenging sites at Teville Gate and potentially other sites in Worthing.
- 4.17. Homes England does not 'landbank'. As a public body and the Government's regeneration and homes agency, Homes England is subject to public and political scrutiny in its use of public funds. It is monitored by the Government on the basis of delivering timely development in partnership with local authorities.

## **5. Consideration of Alternatives**

- 5.1. The alternative options considered prior to exploring the potential sale of the site to Homes England to secure its regeneration are referred to in the body of this report. Should the purchase of the site by Homes England not materialise, officers would move quickly to prepare the material necessary to re-market the site to interested parties for the purpose of seeking legitimate regeneration proposals capable of being delivered within a reasonable timescale that reflect the Council's priorities.

## 6. Financial Implications

6.1. Worthing Borough Council has a debt associated with the Teville Gate purchase of £7.448m, broken down as follows;

Purchase cost	£7,000,000
Stamp Duty Land Tax	£409,500
Professional fees	£38,320
Total	<u>£7,448,000</u>

The loan interest payable on the debt is currently £354k per annum at an average interest rate on borrowing of 4.75%.

6.2. In addition the council will be required to make a Minimum Revenue Provision (MRP) charge to the revenue account each year commencing 1st April 2024. MRP reflects a charge the council must make to its revenue account each year (over the life of an asset) to set aside for the repayment of debt, taking into account the time value of money. As the MRP only relates to the principal element the annual amount gradually increases during the life of the asset, for Teville Gate the assumed asset life is 50 years and the annual MRP charge will increase to £265k by 2074/75 if the asset is retained.

6.3. A sale of Teville Gate for £5.1m will generate a capital receipt which will reduce the interest cost on the council debt and significantly reduce the annual MRP charge. A full year financial saving from a £5.1m capital receipt in 2024/25 would be circa £242k in loan interest costs. Thereafter the saving would be;

- a reduction in annual interest costs of circa £242k
- a reduction in the annual MRP charge. Overall the MRP charge will be reduced by the value of the £5.1m receipt over 50 years.

6.4. The Council will retain the costs associated with the remaining debt, circa £112k per annum in interest costs and an MRP charge which will be £23k in 2025/26 increasing over the remaining years to a total overall charge of £2.4m reflecting the residual principal cost. The council will expect to refinance the debt over the loan period and look to reduce the interest costs where possible.

- 6.5.** The HMRC/public car park is currently budgeted to return circa £100k pa in revenue to the Council, which would end at the point of development. During the leaseback period, however, the Council would retain this income. The Council would also retain any income generated from meanwhile use of the site.

## **7. Legal Implications**

- 7.1.** s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 7.2.** Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on 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.
- 7.3.** s1 Local Government (Contracts) Act 1997 confers power on the Council to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.
- 7.4.** Section 123 Local Government Act 1972 places an obligation on local authorities to dispose of land for best consideration, which is not limited to the monetary purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value.
- 7.5.** The grant of a meanwhile lease to a third party provider must not be in conflict with the Council's obligations to treat all potential suppliers equally and transparently and to have regard to rules relating to concessionary arrangements.

## **8. Background Papers**

- [September 2023 Worthing JSSC](#)
- [January 2023 Worthing JSSC \(Agenda Item 9, pg 73\)](#)
- [Worthing Local Plan 2020-2036](#)
- [JSC Report - Teville Gate Update & Hyde Housing Proposed Development Partnership - March 2022](#)





## **Sustainability & Risk Assessment**

### **1. Economic**

- The project is strategically interlinked with a planned wider investment programme connected with future developments at other key sites in Worthing.
- Redevelopment of the Teville Gate site will contribute to the creation of an enhanced entrance to the town and town centre, providing an economic boost to existing businesses, and encouraging an increase in investment across the town as the most visible regeneration challenge gets addressed.
- Economic and financial risk to the Council if the site remains undeveloped includes further interest payments and further delays in the delivery of economic benefits, new homes and jobs for the Borough's residents.

### **2. Social**

#### **2.1 Social Value**

- The delivery of much needed new homes, including affordable homes, to meet the needs of the Borough.
- The promotion of sustainable travel opportunities and reducing the need for car parking.
- Development on the site would send a positive message to the community, visitors, commuters and business, that change is taking place in Worthing and improvements to the built environment will be realised in the near future.
- Redevelopment of this important gateway site to enhance the street scene and act as a catalyst for the regeneration of the wider area.

#### **2.2 Equality Issues**

- Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

- Works will be managed under the Construction Design & Management (CDM) Regulations 2015.

## **2.4 Human Rights Issues**

- Matter considered and no issues identified.

## **3 Environmental**

- It is intended that redevelopment will bring forward a high quality development in a sustainable town centre location. Noise, dust and highway obstructions will be kept to a minimum using industry standard techniques, and monitored by the Council throughout the works.
- The project aligned to the council's strategic approach to Climate Emergency

## **4 Governance**

- Matter considered and no issues identified.