



Joint Overview and Scrutiny Committee  
15 July 2024

## ADUR & WORTHING COUNCILS

### **Teville Gate, Sale to Homes England**

### **Report by the Assistant Director for Regenerative Development**

### **Executive Summary**

#### **1. Purpose**

1.1 This report sets out a history of events leading to the freehold sale of the Teville Gate site to Homes England and explains the changing landscape in property sales between the purchase of the site by Worthing Borough Council in 2021 and its sale to Homes England which completed on 28th March 2024.

#### **2. Recommendations**

2.1 That the Joint Overview and Scrutiny Committee is asked to consider and note the contents of this report and the decision making process leading to the freehold land sale of the Teville Gate site and further consider if it would like to refer any comments onto the Worthing Cabinet Members for further consideration.

#### **3. Context**

##### **3.1 A Teville Gate Chronology**

As a gateway to Worthing, Teville Gate has been a long standing vacant plot close to Worthing Railway station and has been subject to a number of

development proposals since 2004. Below is a chronology of committee reports and recommendations to Cabinet Members since 2004:-

**14/12/2004** - This report updated the Cabinet Members on negotiations taking place with the new owner of Teville Gate with a view to securing early redevelopment, promoting the idea of a swimming pool and multiplex cinema as well as a high-density residential development.

**12/09/2017** - Working with the Freehold Owner of the site with a view to unlocking development, the Joint Strategic Committee (JSC) authorised the demolition of the multi storey car park and created a surface car park whilst varying terms of the existing lease.

**03/11/2020** - The JSC authorised progress towards a partnership with Vivid Homes Ltd to support the development of Teville Gate and provide 230 new homes; 130 of which were to be affordable homes as part of a housing led mixed use development with an emphasis on placemaking and design.

**01/12/2020** - The JSC authorised spending from the Local Growth Fund to be allocated to the Teville Gate Project to support public realm improvements at Railway Approach (and the formative partnership with Vivid Homes to develop the site).

**13/07/2021** - The Vivid Homes partnership did not progress, and the JSC recommended to Full Council to secure the acquisition of the Teville Gate site by the council for the purpose of redevelopment and to deliver new homes and employment opportunities, Full Council approved the recommendation.

**07/12/2021** - This report updated JSC on the purchase of the site whilst seeking authority to enter into a Collaboration and Promotion Agreement with London & Continental Railways Property to promote successful development of the site.

**16/03/2022** - Following the December report the Council was approached by Hyde Housing with a view to working in partnership to develop the site. JSC delegated authority for officers to develop heads of terms with Hyde Housing and thereafter report back to JSC for authority to enter into a conditional sale contract subject to those Heads of Terms.

**12/01/2023** - A report to the JSCSC acknowledged that while a delivery partner for the site had been identified at the March 2022 JSC meeting, following a review of the proposed partnership with Hyde in Summer 2022, it was felt that a marketing exercise should be undertaken to ensure other interested parties were given the opportunity to express their interest. The Committee agreed seven site aspirations

which confirmed that proposals bids would also be considered based on financial viability and implementation/ deliverability criteria. Considerations will include:

- Financial offer;
- Funding strength;
- Strength of covenant;
- Track record of delivery;
- Due Diligence;

The report acknowledged that this *adopted approach* 'ensured that the assessment balanced the price offered with an ability to deliver the development at pace. Further assessment will take place of bids based on design and sustainability of the project to ensure that it meets high quality design standards that reflect the local context and an assessment of proposals in terms of their environmental impact. Following the marketing period each of the bids received will be assessed against these aspirations for the site and surrounds, and will help to identify the proposal which contributes most to the overall goals and objectives of the Council for the site'.

**12/09/2023** - A report to JSCSC authorised officers, during the finalising of the marketing brochure (being prepared by CBRE Consultants), to enter into dialogue with Homes England to secure development of the site. The report noted that Homes England is the Government's housing and regeneration agency with ambitions to accelerate the delivery of new homes in England and improve affordable housing. The agency had recently published its new five year [Strategic Plan](#) (2023-2028) which was under-pinned by five main objectives:-

- Supporting the creation of vibrant and successful places that people can be proud of, working with local leaders and other partners to deliver housing-led mixed-use regeneration with a brownfield-first approach.
- Facilitate the creation of the homes people need, intervening where necessary to ensure places have enough homes of the right type and tenure.
- Build a housing and regeneration sector that works for everyone, driving diversification, partnership working, and innovation.
- Promote the creation of high-quality homes in well-designed places that reflect community priorities by taking an inclusive and long-term approach.
- Enable sustainable homes and places, maximising their positive contribution to the natural environment impact.

It was agreed that officers would continue negotiations with Homes England and if those negotiations failed, then the council would continue with issuing the marketing brochure. It was agreed working directly with Homes England provided a greater opportunity for the council to secure the delivery of its housing-led regeneration ambitions for the site with lower commercial risks.

**14/03/2024** - This report asked Members to authorise the sale of the site to Homes England for the sum of £5.1m. The report set out the financial implications of the sale, with the purchase and borrowing costs, confirming that the sale and capital receipt would significantly reduce the annual MRP charge as well as the effect of the loan repayments costs.

The legal paragraphs confirmed the council's obligations under section 123 of the Local Government Act 1972 to dispose of land for best consideration. This is not limited to the monetary purchase price paid, but may include other elements in the transaction, provided those elements have a quantifiable commercial or monetary value. Best consideration was evidenced by a 'red book valuation'.

This report also noted that Homes England recognised the strategic significance of Teville Gate and had 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.

On 14th March 2024, the JSSC approved an unconditional freehold sale of Teville Gate to Homes England and agreed to continue to work in partnership with Homes England to develop the critical site. Members delegated authority to the Assistant Director for Regenerative 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.

### **End of Chronology**

3.2 After May 2022 there was an ambition for the council to ensure that all the options for disposal of Teville Gate had been considered against the context of the changing political priorities for housing and regeneration. The deal with Hyde had not been formalised at that time with only an indicative offer from Hyde on the table. There was a preference for further soft market

testing to take place and during this further soft market testing, Homes England came forward as a potential purchaser and developer of the site.

- 3.3 In what was an unstable commercial market arising from the global cost of living crisis, Homes England's strategic plan aligned with and appealed to, the Council's ambitions to deliver new homes and employment opportunities. As the Government's Housing and Regeneration Agency, Homes England confirmed its aim to accelerate the delivery of new homes in England and improve the affordability of housing.
- 3.4 As a government body, and rather than a private enterprise with the current pressures in the market, it was acknowledged that after many years of attempting to negotiate deals with developers, that a sale to Homes England would be placing the site in safe hands. Working directly with Homes England provided (and still provides) a greater opportunity for the council to secure the delivery of its housing-led regeneration ambitions for the site with lower commercial risks.
- 3.5 Although it was initially thought best to deliver at pace it was acknowledged that the prevailing market conditions and the agreement that Homes England would make the site available back to Worthing Borough Council while they worked up their plans for delivery, was a preferable arrangement. Prior to the sale, Homes England proposed a realistic and reasonable timeframe of up to 3 years to prepare their development proposal and strategy; undertake the necessary due diligence; secure planning permission on the site and begin work; during this time the council retains the benefits in its use as set out at paragraph 5.1 below.

#### 4. **The changed landscape between 2021 and 2024**

- 4.1 The March 2024 Report confirmed how the landscape has changed significantly since the site was purchased in 2021. The effects of Covid, war, and the cost of living crisis, changed the landscape for property values with significant changes to prevailing market conditions which also included the rise in interest rates and the wider impact across the construction industry. It was appropriate to revisit the desire to deliver at pace against this backdrop and the benefits of the offer from Homes England.
- 4.2 The red book valuation which informed the sale price was prepared by Montague Evans LLP and their surveyors, who are MRICS registered. An MRICS surveyor has a duty to the Royal Institute of Chartered Surveyors to provide the valuation in an unbiased, impartial way in accordance with

professional standards. The valuation was initially obtained by Homes England and subsequently re-addressed to Worthing Borough Council.

- 4.3 The two indicative options explored as part of the valuation were:
1. Option 1 proposes a total of 276 x 1 and 2 bedroom apartments across 6 blocks ranging from 3 to 5 storeys in height, together with 9,881 sq ft of Class E commercial space at ground floor.
  2. Option 2 proposes a total of 283 x 1 and 2 bedroom apartments across 3 blocks ranging from 4 to 5 storeys in height, together with a 19,000 sq ft supermarket and 3,315 sq ft of Class E commercial space at ground floor.
- 4.4 The addition of a supermarket, option 2, delivers a lower valuation figure given the additional height (and Building Safety implications) and supermarket car parking requirements to accommodate a feasible scheme. The justification for a lower density, lower height(s) development is set out clearly by Homes England and with reference to the passage of time, new legislative framework and due to the technical and abnormal issues associated with the development. The nature of the tenure mix that will be delivered on site is yet to be determined with allocation of nomination rights to be agreed during the planning process.
- 4.5 Taking into account the length of time that the site has lain vacant and the failure of successive owners to deliver schemes even with the benefit of planning permission, there has not been a failure to test the market. Soft market testing did take place and this resulted in the rationale for exploring a direct sale to Homes England instead of a full marketing exercise for the site. Best consideration was met by Homes England paying the full MRICS red book valuation purchase price.
- 4.6 In terms of affordable housing delivery, rather than through Section 106 mechanisms, Homes England often 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 the development being able to offer support in addressing a mixed-tenure housing approach to address the wider needs of Worthing.
- 4.7 As part of attracting HM Government into Teville House, the Council agreed to the provision of car parking spacing in the locality. The proposed options

by Homes England include provision of 10 spaces to support the office. This alleviates some of the requirement on the Council to find suitable alternative provision.

## **5. The ongoing benefit to Worthing Borough Council in using the site prior to development**

- 5.1 The Council still retains the income benefits from
- a) Retention of the HM Government parking arrangements and associated income until completion.
  - b) Hemiko site lease to enable the District Heat Network, including hoarding telling the story and benefits of the heat network, plus income, and partial making safe of the unused site.
  - c) Opportunities for short term community and meanwhile use once the remaining bit of the site is made safe.

## **6. Financial Implications**

**(Extracted from the Report to JSCSC dated 14/03/2023 for JOSC Members)**

- 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 loan 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.

## **6. Legal Implications**

6.1 Section 1 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.

6.2 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.

6.3 Section 1 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.



- 6.4 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.
- 6.5 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.

### **Background Papers:**

The background reports which support the chronology in this Report are listed below.

14.12.2004 Cabinet Report (exempt report)

[12.09.2012 JSC Report](#)

[03.11.2020 JSC Report](#)

[01.12.2020 JSC Report](#)

[13.07.2021 JSC Report](#)

[07.12.2021 JSC Report](#)

[16.03.2022 JSC Report](#)

[12.01.2023 WJSSC Report](#)

[12.09.2023 WJSSC Report](#)

[14.03.2024 WJSSC Report](#)

### **Officer Contact Details:-**

Chris Maughan

Assistant Director Regenerative Development

Tel: 01903 221109

[chris.maughan@adur-worthing.gov.uk](mailto:chris.maughan@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

- The Teville Gate 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. This report is being presented to JOSC because it was agreed that it should be included in the JOSC Work Programme for JOSC to scrutinise the timeline of decisions relating to the sale of the Teville Gate site.