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Call-in Teville Gate decision

Kevin Jenkins <kevin.jenkins@worthing.gov.uk>

20 March 2024 at 07:50

To: Monitoring Officer <monitoringofficer@adur-worthing.gov.uk>, Joanne Lee <joanne.lee@adur-worthing.gov.uk>, Neil Terry <Neil.terry@adur-worthing.gov.uk>, Nigel Morgan <nigel.morgan@worthing.gov.uk>, Russ Cochran <russ.cochran@worthing.gov.uk>, Kevin Jenkins <Kevin.jenkins@worthing.gov.uk>

Dear All

As within the call-in period, I have conducted further research into this matter and have this further comment to make:

That local authorities have an obligation under S123 to achieve best consideration "reasonably obtainable" when selling land.

It is known that a higher offer of £6.6M was "reasonably obtainable" to the Council as it was offered by Hyde and agreed by the councils and heads of terms agreed. No formal / documented decision has since been made or documented at JSC or an officer decision, not to proceed with the Hyde 'reasonably obtainable' offer, nor has any compelling evidence 'from Hyde' been provided that formally indicates that the Hyde offer has been withdrawn.

So how is the £5.1m valuation considered suitable and "best consideration" when a much larger offer was agreed and approved and is still reasonably obtainable as it has never been formally withdrawn.

This assertion is supported by the officers own report of the 12th September 2023 at para 8.1 which states:

*8.1 Teville Gate remains of high interest from the local, regional and national development market and investors **with officers receiving approaches on a monthly basis.***

This would seem to suggest that Hyde and/or others are still in the market to acquire Teville Gate.

Within the 14th March report the legal officer reports at para 7.4

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.

There has been no compelling evidence that in disposing of this land at lower value has achieved '*quantifiable commercial or monetary value*' - which any normal reader would suggest should be to the positive.

In fact the report outlines a £1.5 - 2.0 million financial capital loss to achieve £850 k in interest savings over 3 years - **this is a negative monetary value** ! You can dispose of the site in that time for a higher value and get a receipt as was agreed in the formative agreement with Hyde.

Please accept this call - in , there are many many questions to be asked of officers and cabinet members alike.

Kevin

Councillor Kevin Jenkins

Leader of Conservative Group

Councillor for Goring Ward

Worthing Borough Council

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On Tue, 19 Mar 2024 at 15:57, Kevin Jenkins <kevin.jenkins@worthing.gov.uk> wrote:

Dear Jo / Neil

RESEND - decision now published in minutes

Please find below a request for a Call-in on the Teville Gate decision made on the 14th March 2024.

Best wishes

Kevin

Teville Gate is a key infrastructure and regeneration foci of this town. It has sat dormant for many years whilst the private sector prevaricated and stalled its redevelopment.

On the **13th July 2021** at the Joint Strategic Committee meeting, this council having worked in close partnership with the owners and the Local Enterprise Partnership to seek to bring the site forward for development, took the strategic decision to acquire the site and directly seek a development partner. That decision was subject to a Full Council decision to approve a budget of £8.12m made up of :

7.2. Overall, the cost of the purchase of the land would be:

Maximum price 7,725,000
 Stamp Duty Land Tax (SDLT) 381,750
 Legal and other professional fees 15,000
 Total £ 8,121,750

On the **20th July 2021** this matter was debated at Full Council and was **approved unopposed and consent was given to the acquisition of Teville Gate.**

On the **7th December 2021** at Joint Strategic Committee members were updated that acquisition had been completed on reduced terms of:

Purchase price - £7,000,000
 ● Stamp Duty Land Tax - £409,500
 ● Legal fees - £40,410
 ● Land Registry fees and search fees - £2,650

The total cost to the Council was therefore: £7,452,560 and was **£668,190 less** than what was budgeted for in the Joint Strategic Committee Report of the 13th July 2021.

The report also went on to map out the three key work streams to deliver progress:

Workstream 1: Maximising the number of homes, especially affordable homes.
 Workstream 2: Focused approach to attract government funding and support to aid viability
 Workstream 3: Design review and phasing.

On the **16th March 2022** at the Joint Strategic Committee, it was reported that the Council had been approached and were working closely with Hyde Housing to bring forward a development of:

Hyde's proposal is to develop the Teville Gate site as a housing led, inclusive and sustainable development. The site would be developed as 100% affordable housing comprising approximately 40% social rent and 60% shared ownership. In working with Hyde they have expressed a strong commitment to deliver high quality public realm as part of the scheme, a strong commitment to sustainable design in line with the Council's commitment to the Climate Emergency.

343 residential units in 3 blocks

- Block A: 56 units – 8 storeys
- Block B: 177 units – 4-11 storeys
- Block C: 110 units – 7-11 storeys
- Food store (Block B): 1,804 sqm (confirmed offer/interest by ALDI)
- Commercial and community space (Block B): 700 sqm
- 110 commercial surface car park spaces
- 115 residential parking spaces
- 17 surface car park spaces
- 98 MSCP spaces within Block C (47 ground floor / 51 first floor)

That the work streams remained unchanged:

Workstream 1: Maximising the number of homes, especially affordable homes

Workstream 2: Focused approach to attract government funding and support to aid viability

Workstream 3: Design review and phasing

The offered advantage of Hyde being:

Hyde is a national Registered Provider with a strong track record in delivering large regeneration schemes within Sussex. As they own and manage approximately 60,000 homes in the UK they share a number of objectives with the Council and identified three areas that they could collaborate with.

Hyde also has a proven track record in ADUR delivering 100% affordable housing on sites.

These areas are:

A. Development and Regeneration

- a. Access to Homes England grant funding via Hyde's Strategic Partnership, enables greater numbers of affordable homes to be built and support schemes with low viability
- b. Unlocking priority sites through collaboration
- c. Deliver new affordable homes (social rent and shared ownership) in the area
- d. New homes designed and delivered to high standards of sustainability
- e. New homes designed to deliver successful communities with long term management arrangements in place

B. Addressing climate change and asset management collaboration

- a. The proposed partnership provides an opportunity to implement a holistic approach to delivering a sustainable scheme on this strategically important site. Hyde's sector leading approach to sustainability seeks to integrate energy and water use; the efficient use of natural resources (including considerations of embodied carbon); and the delivery of green infrastructure for active use, including travel.
- b. Collaboration on procurement will help to reduce costs of decarbonisation works. In terms of asset management, knowledge sharing between partners and collaboration on pilots and bids for funding will:
 - i. Help identify best practice 139
 - ii. Reduce costs
 - iii. Result in more efficient and effective solutions for properties
 - iv. Deliver a better experience and outcomes for residents

C. Community and Tenancy Support Opportunities

a. Tenancy sustainment benefits:

- i. Hyde to share learning from Successful Tenancies programme e.g. Rent Relief Fund and UC App
- ii. Identify those at risk of homelessness and provide intervention
- iii. Reduced arrears for landlord iv. Avoidance of eviction and temporary housing costs (e.g. c.£300,000 p.a. for 10 failed tenancies)

b. Better outcomes for customers and their families (e.g. mental health, physical health, educational attainment)

c. Community resilience benefits:

- i. Hyde to share Neighbourhood Plan approach and consider extension to AWC
- ii. Targeted interventions which improve life chances and wellbeing e.g. jobs and skills training, digital inclusion

d. Community engagement & empowerment benefits:

- i. Engagement in the design of new homes and communities results in greater customer satisfaction and support for projects
- ii. Engagement in works to existing homes and on new technology ensures that works are completed and that benefits are realised.

The report also set out a series of milestones that would have met the Council's financial needs to 'sell-on' the site within 3 years and could have seen development on site as of the Summer of 2023.

- Negotiation of agreement and Due Diligence March 2022 - July 2022
- JSC Committee on final agreement July 2022
- Planning & Design Development including consultation March 2022 - October 2022
- Planning Application Period Autumn 2022
- Planning Committee Winter 2022/2023
- Final Disposal of the land to Hyde Spring 2023
- Site Preparation and Procurement Spring 2023
- Construction Period Summer 2023 - 2026

May 2022 saw a change in the administration in Worthing and this work with Hyde slowed / stopped.

On the **12th January 2023** a report went to the now Worthing Joint Strategic Sub Committee that stated that following a review by the new administration they required that a marketing exercise should be undertaken to secure a development partner. There was no explanation as to why the well progressed work with Hyde Housing was being rejected. This committee agreed that the following criteria should be adopted to identify a suitable development partner:

4.6 In considering proposals bids will 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;

This approach was stated to ensure 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

4.7 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.

The report went on to state:

5.6 As part of any land deal, the Council will be disposing of the freehold of the land to the preferred development partner. The final consideration for the land is yet to be determined but will be supported by the expert independent valuation. The proposed approach will ensure that aspirations for the site are reflected in design and commercial decisions which will ensure that the Council's investment is recouped within the planned timescale. Members should be aware that the final price for the land may be a lesser amount than that paid for it depending on prevailing market conditions and how the Council's aspirations influence the final use of the land.

6. Target Milestones & Next Steps

6.1 The marketing will commence in January 2022 and will last a number of weeks depending on interest and appetite for the scheme.

6.2 Once the marketing team are confident of receiving a range of suitable bids they will call for offers that are accompanied by the required information to respond to the Council's criteria for the site.

6.3 It is anticipated that a preferred partner would be identified early in 2023, with a view to having an agreement in place by Summer 2023.

6.4 If the above steps are successful a planning application would be expected by the end of 2023 with a commencement on site in mid-2024.

On the **12th September 2023** at the Worthing Joint Strategic Sub Committee an update report stated that the marketing exercise had been completed and that the council had aspirations to sell Teville Gate to Homes England. It went on to say:

5.1 Whilst the marketing brochure and assessment criteria for the regeneration of Teville Gate were being finalised, officers entered into an initial dialogue with Homes England to consider a more direct intervention to secure development of Teville Gate. This followed the Council's successful Housing Conference held earlier in the year, attended by Homes England representatives and which included a site visit to Teville Gate.

Paragraph 5.7 sets out a key benefit/driver for this change in approach:

5.7. The key benefits of working with Homes England is their access to funding to help build new affordable homes and the ***potential for a capital receipt in 2023/24 which would negate the need to repay debt and interest on the funds used to purchase the site*** (see financial implications in section 9).

It also stated:

8.1 Teville Gate remains of high interest from the local, regional and national development market and investors ***with officers receiving approaches on a monthly basis.***

9.6. As part of any land deal, the Council will be disposing of the freehold of the land to Homes England. ***The final consideration for the land is yet to be determined but will be supported by the expert independent valuation.*** The proposed approach will ensure that aspirations for the site are reflected in design and ***commercial decisions which will ensure that the Council's investment is recouped within the planned timescale.***

9.7 ***Members should be aware that the final price for the land may be a lesser amount than that paid*** for it depending on prevailing market conditions, ***the quantum of housing and commercial space to be delivered,*** and other community benefits and ***how the Council's aspirations (as set out in section 4) influence the final use of the land.*** This may be mitigated to an extent by the pace at which Homes England are able to move to make the acquisition.

On the **14th March 2023** at the Worthing Joint Strategic Sub Committee a report advised members that discussion with Homes England had secured a selling price of £5.1 million.

The impact of this decision being:

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 **and a financial capital loss of circa £2 million.**

Reason for Call-in:

It is our contention that at a time when the financial and housing pressures on this council are severe, there has been no clear rationale for the random actions that have or have not been undertaken, these were set and agreed as guiding principles and tasked to officers to deliver. Many have not been so.

There has been no opportunity for debate or ability for councillors to review this final decision.

It is only now in March 2024 where the parameters of this deal with Homes England has exposed the loss of:

- £2 million in capital receipts
- 128 homes,
- 340 car parking spaces
- Food store bringing employment for local people.
- Community space
- Public Realm improvements

Yet whilst the decision to 'buy' Teville Gate went through Full Council for consent, the disposal has not been subject to the same process, nor have councillors of any political persuasion been able to debate the implications that will be long lasting for Worthing.

The administration committed to a marketing exercise - **not done** - so we don't know if there is a stronger developer offer available in the market

The administration committed to a development partner - **Homes England are NOT a developer** - they are a regeneration agency who will seek developers - this does not comply with the stated aspirations

The administration committed to deliver at pace - in the 14th March report - **Homes England want 3 years to work on it**

Other caveats that were stated as objectives and not met:

- Financial offer - it is contended that Homes England have disregard the commercial offer by excluding the Aldi store option - this **artificially reduces** the value of the whole site.
- Financial offer - by reducing the commitment to 250 homes it **artificially reduces** the value of the whole site
- Financial offer - there has been **no independent valuers report** as committed
- Due Diligence - due diligence has **failed to test the market** - there may be a stronger financial offer available
- Due Diligence - this offer **fails to meet the councils acute housing need** to secure nominations rights
- Due Diligence - this offer **secures only 20% affordable housing** against a previous offer of 100%

Constitution:

This matter has not previously been subject of scrutiny by JOSOC.

This decision has NOT been listed / identified as urgent in any of the report papers.

Any argument that this decision should be considered as urgent, cannot be argued to be *highly likely to result in the council incurring significant additional expenditure or cost*, when set against the planned loss of £2m. the additional interest / repayment costs will already be incurred as this 'sale' will pass the 3 year deadline if implemented and have therefore 'already been incurred'.

The most additional cost involved is circa £2k per month in MRP based on the Chief Financial Officers report of March 2024 - extract

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.

Signatory's

Cllr Kevin Jenkins

Cllr Nigel Moran

Cllr Russ Cochran

Councillor Kevin Jenkins

Leader of Conservative Group
Councillor for Goring Ward
Worthing Borough Council
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