



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
13 July 2021  
Agenda Item 21

Key Decision: No

Ward(s) Affected: Central Ward

## **Securing the regeneration of Teville Gate through acquisition of the site**

### **Report by the Director for the Economy**

#### **Executive Summary**

##### **1. Purpose**

- 1.1 The purpose of this report is to secure the acquisition of the Teville Gate site by the Borough Council for the purpose of redevelopment to deliver new homes and employment opportunities.

##### **2. Recommendations**

2.1 The Joint Strategic Committee is recommended to:

- i. Approve the acquisition of the Teville Gate development site at Teville Road, Worthing for a residual land price of up to £7,725,000 subject to approval of a budget by full Council.
- ii. Delegate authority to the Head of Major Projects & Investment to agree detailed terms of the transaction as set out in the Heads of Terms (appendix A) and enter the contract for the purchase subject to satisfactory legal and technical due diligence.
- iii. Delegate authority to the Head of Major Projects & Investment to make all necessary consultancy appointments and contracts

necessary to implement the proposed development strategy set out in the Strategic Outline Business Case.

- iv. Agree to create a budget of £50,000 to support meanwhile and/or pop-up uses on the site as proposed at paragraph 5.4 while the full scheme is being brought forward through the planning and development process funded from the resources previously released from reserves.
- v. To recommend to Worthing Borough Council to:
  - a. approve an overall budget of £8.12m to meet the costs of acquisition funded from prudential borrowing.
  - b. amend the minimum revenue provision policy as set out in paragraph 7.4.
  - c. To increase the operational and authorised borrowing limits by £8.12m.

### **3. Context**

- 3.1. At the Joint Strategic Committee Meeting of 3rd November 2020, members of the Committee approved the initial costs associated with a pre-purchase funding agreement as a precursor to a Joint Venture with Vivid Homes designed to deliver a residential-led redevelopment of the Teville Gate site.
- 3.2. A considerable amount of due diligence has been undertaken since November which has led to the point whereby acquisition of the freehold of the Teville Gate site by the Borough Council has emerged as the route forward that is most likely to secure the regeneration of this strategically important site.
- 3.3. A Strategic Outline Business Case setting out the basis for acquiring the site has been established and Heads of Terms are agreed in principle with the land owner. By way of background information to this Report, the Outline Business Case and the in principle Heads of Terms are set out in the attached Exempt Appendix A. The acquisition is then at an advanced stage; and the Heads of Terms and commercially confidential terms of this acquisition are set out in a separate paper.

## 4. Background

- 4.1. Members of the Committee will recall that over the past 3 years;
- Coast to Capital funding was used to demolish the former multi-storey car park to help ensure that the site was 'development ready' (and that the Borough Council retained a long lease on the former car park site);
  - Part of the former site occupied by the redundant Inland Revenue building was selected by HMRC as the location for a new digital hub building. This has been constructed and is now open and in use;
  - In March 2020 Mosaic Global Investments Ltd. secured planning approval for the 'Station Square', scheme comprising 378 new homes and an 83 bedroom hotel.
- 4.2. The impact of the Pandemic on the wider economy meant that finding a workable funding solution to support this major development proved to be particularly challenging.
- 4.3. Mindful of the period that Teville Gate has lain vacant, Council officers opened a dialogue with Mosaic and with national agencies such as Homes England and potential development partners, to establish whether an alternative development proposition can be developed.
- 4.4. The outcome of these various discussions was a proposed partnership between Worthing Borough Council and Vivid Housing Ltd. The formative arrangement set out in the November 2020 report to this Committee was predicated upon Vivid purchasing the site and the Borough Council sharing the development risk of delivering 100 new homes for market sale through a joint venture; and the proposed partnership purchasing the site from Mosaic on a "subject to planning" basis.
- 4.5. In the event, an agreement could not be reached that would deliver the values required by the vendor (Mosaic) or the potential purchaser (Vivid).
- 4.6. Mindful of the strategic significance of the site, the Council team has maintained the momentum and continued with the due diligence necessary to secure the redevelopment of this site. The fundamental point that has emerged from this work is that acquisition is key to unlocking development; and that the Borough Council is uniquely placed to make a positive intervention to secure redevelopment of this

brownfield site in line with its Community Strategy and Forward Plan and enables us to achieve best practice.

- 4.7. Securing the site requires an element of managed financial risk, albeit this is limited by the prospect of securing a development partner(s) and not seeking to hold the site in public ownership for the longer term. The intention is to work at pace to identify development partners who will work with the Council to deliver key strategic aims within the next 3 - 5 years.
- 4.8. The Council team has benefited from the work undertaken to date on the Union Place site which is now being actively marketed with our partners at London & Continental Railways (LCR). An active partnership with LCR is currently being explored which could deliver mutual benefits for the delivery of both sites (Union Place and Teville Gate).

## **5. Issues for consideration**

- 5.1. Alternative models have been considered through dialogue with potential development partners and national agencies such as Homes England to help inform the recommended approach.
- 5.2. A positive intervention on the part of the Council, including an element of managed financial risk, is seen as an appropriate response to securing the delivery of a high-quality scheme at Teville Gate with an emphasis on new homes. Should this intervention not succeed for whatever reason, the strategic priority afforded to this site underlines the need to consider further consider the use of the Council's statutory power to compulsory purchase, but this is a long and time consuming process which would additionally require payment to the seller.
- 5.3. Doing nothing would represent a very significant risk. In the absence of a viable scheme, there is a danger that Teville Gate is simply sold on and 'landbanked' with all of the subsequent delay and uncertainty that entails. Alternatively, in the pursuit of financial viability, there is a risk that any new developer may seek to maximise housing numbers to the detriment of good design and place making.
- 5.4. A key effort will be made after acquisition to implement a temporary/ meanwhile and/or pop-up short term use on the site. The land has been vacant and boarded off since the recent demolition. While the planning and development process will take some time to work through, activating the site in the short term is of critical importance.

Opportunities such as pocket parks, drive in cinema, open air theatre uses, or short term commercial uses will all be considered to try and activate and drive footfall to the site and reduce dereliction.

## 6. Engagement and Communication

- 6.1. Council officers have engaged with the landowner, national agencies and potential development partners to explore options for the development of the site.
- 6.2. Officers have sought the views of the relevant Executive councillors as part of the preparation of this report. In addition to expert advice from legal and financial officers, external advice has been secured from senior consultants at CBRE.

## 7. Financial Implications

- 7.1. The Council has previously released reserves of £246,000 to fund the proposed Teville Gate project. £180,000 of this budget remains and can be used to fund the revenue consequences of the new proposals including any 'meanwhile' uses .
- 7.2. Overall, the cost of the purchase of the land will be:

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

- 7.3. The Council will have to fund the debt charges associated with the purchase until such time as the site can be sold and developed by a third party. Based on the likely profile of payments associated with the purchase, the interest costs associated with the acquisition are:

Annual interest cost	£
2021/22	45,150
2022/23	82,730
2023/24	97,730
2024/25	121,830

The cost in 2021/22 can be absorbed within the current treasury management budgets, however looking ahead the impact of financing the site acquisition will add to the Councils financial pressures from 2022/23 onwards.

- 7.4. The intention is to purchase the land with a view to selling it onto a preferred development partner within three years, it is proposed to amend the Minimum Revenue Policy as follows:

'Where the Council purchases a property to facilitate a development whether via a Compulsory Purchase Order or via a negotiated arrangement with the intention of disposing of the property to a development partner, no MRP shall be provided for the first three years. Any capital receipt received for the land shall be used to repay the associated debt '.

This will have the effect of reducing down the short term financing costs, especially in light of the longer term intention to sell the site onto a development partner. However, if the site is held for more than three years then the financing cost of the purchase will increase to £232,050 from 2024/25 onwards when MRP must be provided.

- 7.5. The budget strategy elsewhere on the agenda identifies the financial pressures on Worthing Borough Council and the Council should not add to these until it is certain that the budget can be balanced.
- 7.6. The Major Projects team have a revenue budget of £275,000 to fund the revenue costs associated with major projects, it is recommended that the budget be top sliced to fund these debt charges costs. The consequence of this will be to reduce capacity to take on new unfunded projects.
- 7.7. As set out above, the longer term intention is to sell the site onto a development partner at market value. The viability assessment of the site indicates that at a land cost of £7.7m the development of the site is financially challenging, consequently there is a risk that the Council will receive back less for the land than it paid (including SDLT and fees), effectively subsidising the development of the site irrespective of who develops the site out. Whilst clearly this is not the intention, it nevertheless remains a risk.
- 7.8. As a result of approving the purchase which is funded through borrowing, the Council will need to increase the operational and

authorised borrowing limits to ensure that there is sufficient capacity to allow the borrowing to progress within the prudential limits set.

- 7.9. Currently the budget for the purchase of the land includes SDLT. The Council will seek expert opinion on whether there are any mitigating measures that can be taken.

## **8. Legal Implications**

- 8.1 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.
- 8.2 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.
- 8.3 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
- 8.4 Section 1 of The Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a local authority confers the powers on the local authority to enter into a contract with another person for the provision or making available of assets or services, or both (whether or not together with goods) for the purposes of, or in connection with, the discharge of the function by the local authority.
- 8.5 S120 Local Government Act 1972, provides that principal Councils may acquire by agreement any land for the purpose of their functions or the improvement of their areas for money or money's worth as a purchaser or lessee.
- 8.6 After the initial 3 year period, on disposal of the land to a developer, the Council will need to obtain best consideration, having regard to s123 of the Local Government Act 1972 and related guidance to that Act. Where there is a disposal at an undervalue within the Secretary of State's general consent, then the disposal must be compliant with the rules on subsidies in force at the time of disposal.

8.7 The Council is advised to take specialist tax advice on the proposals set out in this report.

### **Background Papers**

- Report to the Joint Strategic Committee dated 7th July 2020: Impact of Covid 19 on the Council's finances - Update on current financial performance and developing a revenue budget for 2021/22
- Report to the Joint Strategic Committee dated 3rd November 2020: A Partnership Approach to Secure New Homes at Teville Gate.

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

Martin Randall

Director for the Economy

01903 221209

[martin.randall@adur-worthing.gov.uk](mailto:martin.randall@adur-worthing.gov.uk)

Cian Cronin

Head of Major Projects & Investment

07824 343896

[cian.cronin@adur-worthing.gov.uk](mailto:cian.cronin@adur-worthing.gov.uk)



## **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.

### **2. Social**

#### **2.1 Social Value**

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.

The existing cleared site and hoarding does little to enhance this part of Worthing from road or rail, and 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)**

Matter considered and no issues identified.

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.