

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 7

Clay Farm Equity Investment

To: **Joint Strategic Growth Implementation Committee**

Date: **10 November 2010**

From: **Geoff Bruce, Delivery Manager**

Purpose: **For information – (FI)**

Recommendation: **The Committee is invited to note progress and comment on the matters raised in the report.**

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1. OVERVIEW

- 1.1 The equity investment agreement with Countryside Properties was completed on 30 September 2010. Cambridgeshire County Council, on behalf of Horizons, is injecting £8m of Housing Growth Fund into the Clay Farm development.
- 1.2 The investment agreement incentivises Countryside to deliver key site infrastructure by an agreed date and to deliver the first 600 homes in accordance with an agreed schedule. Countryside Properties has requested that the detail of the agreement is commercially sensitive, but a summary of the agreement can be made available to Members on request.
- 1.3 Progress with the development itself is reported at Item 5a.

2. PAYMENT OF THE FUNDING

- 2.1 Once a number of conditions (relating to *inter alia* production of certificates of title for the land, collateral warranties, and the role of the certifying officers) have been fulfilled, the investment funding can be paid into an escrow account. Funding may only be transferred from escrow to Countryside upon approval of certificates that funding has been spent on agreed specified infrastructure. A process is being established to manage the processing of the certificates by all parties.
- 2.2 The Council will receive an agreed internal rate of return (“IRR”) on the investment that will be reduced if Countryside delivers the specified infrastructure by March 2013.

3. FUNDING RETURNED TO THE COUNCIL

- 3.1 Clause 11 of the funding agreement makes provision for all returns from the agreement to be paid into a ring fenced account held by the County Council, but owned jointly by the six Cambridgeshire local authorities.
- 3.2 A rider in the agreement states that funds in the account “*will be used towards the same objects as the Housing Growth Fund from which this equity investment is being made, with decisions on its use to be made by [the six local authorities]. For practical purposes payments may be made into the ring-fenced fund number 2377543*”.
- 3.3 The County Council’s Executive Director for Finance has advised that, as with all its dealings on behalf of Horizons, is expecting to make no gain or loss as a result of its role in this agreement. It is, however, not yet clear time what mechanism may exist for determining the expenditure of the returns and it is incumbent upon the authorities to ensure that the potential funding stream is efficiently and prudently managed in the future.

4. RECOMMENDATION

- 4.1 Committee Members are requested to note the completion of the equity investment agreement.