

HEADS of TERMS
for a
strategic collaboration agreement

Between

South Cambridgeshire District Council (SCDC)

And

Homes and Communities Agency ('HCA') currently trading as Homes England

Objective

To express the framework within which both parties will work together to:

- Utilise the receipts realised through "staircasing" (as defined in the section 106 agreement for the development dated 9 January 2017 and varied on 22 December 2017) from the Northstowe Starter Home Units being delivered as part of the affordable housing provision at Northstowe Phase 2 (Planning permission reference S/2011/14/OL).

These funds realised through staircasing from the Northstowe Starter Home Units (NHSUs) must only be reinvested by agreement of SCDC and the HCA to support the delivery of new affordable housing, with priority given to provision within the Northstowe development, but if there is an opportunity elsewhere within the South Cambridgeshire District then HCA and SCDC are not precluded from reinvesting funds for those purposes.

Finance

The monies generated from staircasing from the Northstowe Starter Home Units shall be paid into an escrow account controlled by both parties as and when such monies become available (i.e. upon sale or full purchase of the Northstowe Starter Home Units in accordance with the relevant provisions of the section 106 agreement).

The precise model for controlling unpurchased equity in Northstowe Starter Home units and the mechanism for releasing units from restriction when fully purchased shall be subject to further consideration as there are a variety of options available including a second charge attached to each NSHU in favour of HCA.

Any fees or costs associated with staircasing, acquisition or disposal shall be borne separately by the initiating party such that the full value of discounted equity is realised and paid into the escrow account.

Only monies actually available shall be paid into the escrow account. So for example: if the discount in relation to a relevant NSHU is controlled by a second charge, and a disposal arises as a result of the holder of the first charge exercising its power of sale/taking possession which results in no monies being available under the second charge then there are no monies to pay into the escrow account.

The monies shall be invested without liability on either party to repay the equivalent or different value of funds back into the escrow account unless a mechanism can be agreed in relation to a scenario where the housing scheme into which monies have been invested realises a profit.

The meaning of 'profit' shall be defined for each case, as appropriate. In the main, it shall mean either:

- uplift in land value (if site is sold to a developer or Housing Provider); or
- total return less development costs (including land purchase)

The profit from future housing schemes and realised equity where this fund is invested shall be recycled back into the escrow account for future use with the same objectives.

Both parties shall agree a method of accounting for the monies and at the half-yearly meeting of the Steering Group an up to date report shall be tabled setting out the accounts of the escrow including costs to date and forecast expenditure and balances

Use of the funds

Funds shall only be used for capital projects including all building works, infrastructure, associated design and planning fees and land purchase but shall not be used at any time for payment of staff salary or revenue costs.

Projects within Northstowe shall be prioritised and no monies shall be spent beyond the SCDC boundary.

Neither party will remove any funding from the escrow account without the express approval of the other.

Governance

The Strategic Collaboration Agreement shall be governed by two representatives from SCDC and two representatives from Homes England and written records shall be kept of meetings and decisions.

Decisions will only be effective upon agreement between the parties. In the event of non-agreement, this will be referred to a dispute resolution procedure to be agreed.

Partnering Ethos

Both parties shall respect each other's ambitions and constraints, shall be open and honest, re-imagining the way we deliver and are committed to the

mutual objective of delivering more and better housing for the people of South Cambridgeshire, continuous improvement; and mutual problem solving.

Ending of Agreement

After a period of twenty years from the date of the agreement, the HCA and SCDC shall agree and institute a framework to place full responsibility with the council for the funds in so far as the objectives shall remain and they will publish annual account of the sum and investments for public scrutiny.

Assignment

Within the 20 year period, the HCA may where it is obliged to do so as a result of specific national policy or legislation assign its role in the Agreement to a successor in function or to a specified alternative organisation that is designated by the change in policy or legislation as having direct responsibility for enabling the delivery of affordable housing. It is acknowledged that in the SCA the term “HCA” shall be construed to include its successor (if any) to its statutory functions.

Within the 20 year period, SCDC may where it is obliged to do so as a result of specific national policy or legislation assign its role in the Agreement to a successor in function or to a specified alternative organisation that is designated by the change in policy or legislation as having direct responsibility for enabling the delivery of affordable housing. It is acknowledged that in the SCA the term “SCDC” shall be construed to include its successor (if any) to its statutory functions.

Otherwise the HCA and SCDC must agree to an assignment by either party of its role.

The Strategic Collaborative Agreement may otherwise be terminated upon the mutual agreement of both parties. What sums of money are available in the escrow account at the time of termination, as well as any profit eventually realised from Funds in ‘active investment’ shall;

- i. be split 50/50, or if both parties agree
- ii. be transferred into another body with similar objectives such as a community trust.

Target date of 1st June 2018 for formal exchange of a Strategic Collaborative Agreement signed by SCDC and HCA to reflect the above Heads of Terms.