



Date: Thursday, 20 January 2022

Time: 2.00 pm

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Contact: Shelley Davies, Committee Officer  
Tel: 01743 257718  
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## HOUSING SUPERVISORY BOARD

### TO FOLLOW REPORT (S)

#### **6 Approval to Increase Share Capital of CDL (Pages 1 - 8)**

To receive a Report from the Assistant Director, Homes and Communities.  
[Report to follow]

Contact Jane Trethewey

#### **7 Cornovii Developments Limited - Update Report (Pages 9 - 16)**

To receive the Cornovii Developments Limited Update Report from the Assistant Director, Homes and Communities. [Report to follow]

Contact Jane Trethewey

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<u>Committee and Date</u>
Housing Supervisory Board
20 January 2022

<u>Item</u>
<b>6</b>
PUBLIC

## **Cornovii Developments Limited: Increase in Share Capital**

**Responsible  
Officer**

Jane Trethewey, Assistant Director Homes and Communities

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Tel:

01743 254917

### **1. Synopsis**

This report seeks approval for Cornovii Developments Limited to increase its share capital by an amount equal to the purchase price of the land at Overton Road, Ifton Heath. The Council, as previously approved, will transfer the land at Overton Road, Ifton Heath to Cornovii Developments in exchange for the newly created shares in the Company. Approval to increase the share capital of the Company will enable Cornovii Developments to proceed with the development of the site at Ifton Heath. In accordance with the planning approval and as detailed within its approved Business Plan.

### **2. Executive Summary**

- 2.1. In accordance with the Shareholder Agreement between Cornovii Developments Limited (CDL) and Shropshire Council, the company requires approval from the Housing Supervisory Board (acting as shareholder) in all matters relating to changes in the company share capital. This report seeks the approval of the Housing Supervisory Board to increase the number of shares in the company by 320,492 shares at the nominal value of £1 per share.
- 2.2. On the 21<sup>st</sup> November 2019 the Housing Supervisory Board approved in principle for CDL to increase its share capital from the existing share capital of one £1 ordinary share in order to issue, 1,625,000 of ordinary shares to Shropshire Council. This amount represented the expected value of the land to be purchased from the Council owned sites of Frith Close, Shrewsbury and Overton Road, Ifton Heath. This had followed agreement by Full Council on the 19<sup>th</sup> September to provide an equity investment in the Company of £1.625m.
- 2.3. Subsequent to this, in the Addressing Unmet Housing Need- Company Disposals Report on the 17<sup>th</sup> December 2020, Council approved a new land purchase structure agreement for sites owned by Shropshire Council sold to CDL. This updated the previous decision (at 2.2) and approved instead to sell all sites at market value, with a value that reflects the actual planning permission received for those sites.

- 2.4. This resulted in the land value at both sites being revalued. The site at Frith Close was revalued at £250,000 and in order to affect the land transfer by way of purchase of additional shares in CDL the Housing Supervisory Board on 11 February approved CDL's request to increase the issued share capital to 250,001. The Ifton site has been revalued at £320,492.
- 2.5. At its board meeting, held on 19 November 2021, the CDL board delegated authority to its Managing Director and Company Secretary to seek approval from the shareholder to increase the share capital of the company by 320,492 ordinary shares of £1 each in the capital of the company. It is under this delegation that the resolution to increase the share capital of the company is put to the Housing Supervisory Board.

### **3. Recommendations**

- 3.1. Approve the proposed resolution, shown at Appendix A, to increase the share capital of CDL by 320,492 ordinary shares at a nominal value of £1 per share, bringing the total share capital to £570,493. This authority to increase the share capital shall, unless renewed, varied or revoked by the Company, expire 12 months from the execution of the Shareholder resolution.
- 3.2. Authorise the execution of a written resolution, to allot shares in the Company up to an aggregate nominal amount of £320,492.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1. The increase in share capital will enable the company to offer shares to the Council to an amount equal to the value of the land at Ifton Heath. The Council will transfer the land at the value of increased shares in the company.
- 4.2. If the increase in share capital is not approved, it will severely compromise CDL's ability to purchase and develop the Ifton Heath site and limit its ability to achieve the objectives of its approved business plan.

### **5. Financial Implications**

- 5.1. The increase in share capital of the company will fund the purchase of the Ifton Heath site from Shropshire Council.

- 5.2. The transfer of the Ifton site, which will be a function of the approval of increase the share capital of CDL, will directly impact on the capital receipts the Council is able to generate to support the future Capital Strategy.

## **6. Climate Change Appraisal**

- 6.1. This report does not have any direct impact on the Council's Climate Change Agenda.

## **7. Background**

- 7.1. The relationship between the CDL and the Council is regulated via the Shareholder Agreement which sets out the terms of the relationship between the company and the Council and sets out a number of consent matters upon which CDL must seek approval from the Council as shareholder. One of the consent matters is for approval to be sought to increase the share capital of the company. This matter is set out in the Shareholder Agreement and is also a feature of CDLs Articles of Association.
- 7.2. The Housing Supervisory Board represents the Council as sole shareholder and has delegated authority to monitor the performance of the company and to provide approval for the consent matters set out in the Shareholder Agreement.
- 7.3. In the Council Report Addressing Unmet Housing Need Site Disposals to the Housing Company, 17<sup>th</sup> December 2020, recommendation (F) was approved which provided that an equity subscription investment via the purchase of shares in Cornovii Developments Limited, representing the updated land value of Overton Road, Ifton Heath site, to be determined in accordance with the reports recommendation B and D and to delegate authority to the Interim Executive Director of Resources to implement the investment further to the equity subscription agreement with the Company. To further this approval and to implement the investment in CDL it is necessary to increase the share capital of the company to a number of shares at a nominal value of £1 per share equal to the purchase price of the land at Overton Road, Ifton Heath.
- 7.4. The current CDL business plan approved by the Housing Supervisory Board was built on the basis that the land at Ifton Heath would be purchased through a share offering to the Council at a number equal to the purchase price of the land. In furthering the development of this site, the transfer of the land from the Council to CDL is required under the terms assumed within the business plan.
- 7.5. On the 03 August planning consent was granted to CDL to develop 35 homes on the Ifton Heath site, to include 13 affordable homes, comprising of 7 affordable rents and 6 shared ownership. It is anticipated that the affordable homes on this site will be purchase by the Council's HRA and managed by STAR Housing.

## 8. Additional Information

- 8.1. The requirement for approval for CDL to increase its share capital is set out in Schedule 1, Shareholder Consent Matters, Part A Corporate Matters, item 3 on page 13 of the Cornovii Developments Ltd and Shropshire Council Shareholder Agreement.
- 8.2. The Company shall not, unless it has Shareholder Consent *'increase the amount of its issued share capital except as provided in this agreement, grant any option or other interest (in the form of convertible securities or in any other form? Over or in its share capital, redeem or purchase any of its own shares or effect any other reorganisations of its share capital'*

## 9. Conclusions

- 9.1. It is this report's recommendation that the Housing Supervisory Board approve an increase in the share capital of CDL of 320,492 bringing the share capital of the company to 570,001.
- 9.2. The additional shares created in the company will be purchased by the Council. The Council will transfer the land at Overton Road, Ifton Heath to Cornovii Developments by consideration and at the value of £320,492 in full for the subscription.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
Addressing Unmet Housing Need Site Disposal to the Housing Company. 17 December 2020.
<b>Cabinet Member (Portfolio Holder)</b> Cllr Dean Carroll
<b>Local Member</b> Cllr Steve Davenport
<b>Appendices</b> Appendix A Resolution to Increase Share Capital

**THE COMPANIES ACT 2006**  
**PRIVATE COMPANY LIMITED BY SHARES**  
**WRITTEN RESOLUTION**  
**OF**  
**CORNOVII DEVELOPMENTS LIMITED Company No: 12088975**  
**(the Company)**

\_\_\_\_\_ 2022

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of the Company propose that the resolution below is passed as an ordinary resolution (the **Resolution**):

**RESOLUTION 1**

**AUTHORITY TO ALLOT**

THAT, in accordance with section 551 of the Companies Act 2006 (**CA 2006**) and Article 28.1 of the Articles of Association the directors of the Company (**Directors**) be generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal amount of £320,492 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 20 January 2023 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and the Directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

This authority revokes and replaces all unexercised authorities previously granted to the Directors but without prejudice to any allotment of shares already made or offered or agreed to be made pursuant to such authorities.

**AGREEMENT**

Please read the notes at the end of this document before signifying your agreement to the Resolution.

The undersigned, all persons entitled to vote on the Resolutions on the Circulation Date hereby irrevocably agree to the Resolutions:

<b>Name of Member</b>	<b>Signature</b>	<b>Date</b>
Shropshire Council	.....  For an on behalf of Shropshire Council	



If you agree to the Resolution, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company using one of the following methods:

**By Hand:** delivering the signed copy to the registered office of the Company marked for the attention of [redacted].

**Post:** returning the signed copy by post to the registered office of the Company marked for the attention of [redacted].

**E-mail:** by attaching a scanned copy of the signed document to an e-mail and sending it to [redacted] at [redacted] confirming that the Resolution proposed is agreed. Please enter "Cornovii Developments Limited Written Resolution" in the e-mail subject box.

If you do not agree to the Resolution, you do not need to do anything: you will not be deemed to agree if you fail to reply.

2. Once you have indicated your agreement to the Resolution, you may not revoke your agreement.
3. Unless, within six months of the circulation date, sufficient agreement has been received for the Resolution to pass, it will lapse. If you agree to the Resolution, please ensure that your agreement reaches us before or during this date.
4. In the case of joint holders of shares, only the vote of the senior holder who votes will be counted by the Company. Seniority is determined by the order in which the names of the joint holders appear in the register of members.
5. If you are signing this document on behalf of a person under a power of attorney or other authority please send a copy of the relevant power of attorney or authority when returning this document.

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<u>Committee and Date</u>
Housing Supervisory Board
20 January 2022

<u>Item</u>
<b>7</b>
Public

## **Cornovii Developments Limited Update Report**

**Responsible Officer** Jane Trethewey

e-mail:	Jane.trethewey@shropshire.ov.uk
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### **1. Synopsis**

The purpose of this report is to update the Housing Supervisory Board on the progress of Cornovii Developments Limited against its approved 5-year Business Plan. The report shown at Appendix A provides detail of its overall progress in developing the number of homes set out in the Business Plan and provides detail of its approved schemes at The Frith, Ellesmere Wharf and Ifton Heath.

### **2. Executive Summary**

- 2.1. The report in Appendix A provides the Housing Supervisory Board with an update from Cornovii Developments (CDL) on the Company's progress against the approved business plan since the last board meeting held on 21 October 2021.
- 2.2. The quarterly monitoring report includes a Managing Director's update, which provides some analysis on the housing market and the challenges the sector is currently experiencing. Further, the report provides detail on the progress against the approved Business Plan, providing some detail on the development of the company's two approved schemes at The Frith, Ellesmere Wharf and Ifton Heath.

### **3. Recommendations**

- 3.1. For the Housing Supervisory Board to receive the quarterly Monitoring Report, in accordance with the terms of the Shareholder Agreement.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1. No new risks arise for the Council from the activities set out in this report.

### **5. Financial Implications**

- 5.1. The CDL developments schemes are being delivered within the terms of the approved Shareholder Agreement and loan funding arrangements.
- 5.2. All requests for loan drawdowns are approved by Shropshire Council's Executive Director of Resources. Quarterly Monitoring Meetings are held between CDL and Shropshire Council (as funder) to review CDL's performance against the terms and obligations of the Funding Agreements.

### **6. Climate Change Appraisal**

- 6.1. All new homes at Frith Close and Ifton Heath will have an EPC rating of A compared to building regulations that require an EPC rating of C. Carbon savings from the properties are anticipated to fall within the predicted energy assessment and will be confirmed at completion of the homes by the EPC certificates provided at handover. It is estimated that the homes at the developments will produce 0.34 tonnes per year, which, when considered against a typical EPC rated property which produced 3.2 tonnes of Carbon per year, represents a saving of 2.86 tonnes of Carbon per year.
- 6.2. All new homes at Ellesmere Wharf will have an EPC rating of B compared to building regulations that require an EPC rating of C. CDL were unable to achieve an EPC rating of A on this development due to significant abnormal costs associated with preparing this brownfield site for residential development.
- 6.3. Solar panels are being fitted to the homes at The Frith and Ifton Heath. The installation of the solar panels will not allow the homes to be 100% self-sufficient and there will still be a need to rely on feed from the grid.
- 6.4. It has not been possible to fit solar panels to the homes at Ellesmere Wharf due to the extensive abnormal costs associated with the

schemes meaning that installation of solar panels would have resulted in a financially unviable scheme.

- 6.5. Neither the homes at Frith Close or Ellesmere Wharf benefit from any additional carbon off-setting measures over and above the landscaping measures approved at planning. The Ifton site is to benefit from the planting of additional trees.
- 6.6. At the Frith Close, Ellesmere Wharf and Ifton Heath developments the flood risk assessment undertaken demonstrated that there is no risk of a 1 in 100 + 30year flood event, which was also demonstrated by the Engineer's drainage calculations. Rainwater goods have been sized by the Architect to capacities required by Building Regulations. The homes at The Frith and Ellesmere Wharf scheme are generally situated on a NE/SW axis, with principal rooms situated in that axis, to prevent extreme heating and extreme cooling. Ifton Heath plots 1-17 are situated on a NW/SE axis, with principal rooms situated on that axis. All other plots are on a NE/SW axis, however, all principal rooms are positioned to limit solar gain and heat loss.

## **7. Background**

- 7.1. The report in Appendix A, provides an update on progress since the last meeting of the Housing Supervisory Board on 21 October 2021.
- 7.2. Cornovii Developments Limited, Shropshire Council's wholly owned Local Housing Company, has been progressing its 5-year development programme of 574 new homes. The Company's report identifies an increase in the number of homes to be delivered up to 594, as a result of two sites no longer proceeding and one scheme being remodelled to bring forward additional homes. CDL is continuing to engage across the market to identify future opportunities for growth.

## **8. Additional Information**

- 8.1. The progress of CDL against its Business Plan continues to be satisfactory, with an additional 20 homes planned for delivery. Furthermore, the company will present, in March 2022, an updated business plan to the shareholder for approval, which will see the number of homes it aims to deliver increase.
- 8.2. CDL is monitored by the Council's Homes and Communities Team, with further oversight being provided the CDL Monitoring Board, formed of a group of Officers from various departments across the Council.

## 9. Conclusions

- 9.1. The Housing Supervisory Board is asked to note the CDL update report on the Company's delivery against its Business Plan, and its progress in respect of its approved schemes at The Frith, Ellesmere Wharf and Ifton Heath.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

**Cabinet Member (Portfolio Holder)**

Cllr Dean Carroll

Portfolio Holder for Highways, Assets and Built Housing

Cllr Robert Macey

Chair of Housing Supervisory Board

**Local Member**

N/A

**Appendix A**

CDL update report

# CDL Quarterly Monitoring Report

## Public

### 1 Purpose of the report

- 1.1 The purpose of the Monitoring Report is to update Housing Supervisory Board members on CDL activity to the end of November 2021.

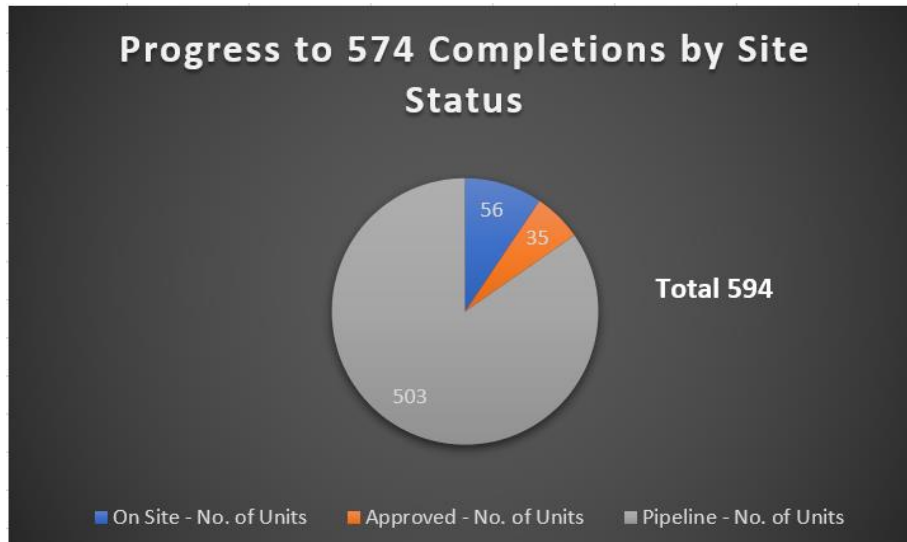
### 2 Managing Director Update

- 2.1 CDL has recently completed the successful recruitment of a Self-Build and Technical Manager, Head of Development, Chair of the CDL Board and Finance Director and Company Secretary.
- 2.2 Shropshire based estate agents continue to confirm that the market in Shropshire remains buoyant with many new purchasers buying properties within Rural Communities with excellent transport links. Shrewsbury and some of the North Shropshire Towns continue to be popular with new buyers. A key issue currently is a lack of supply, with many offers being accepted that are at least 5% above the asking price. During the past 12 months house prices have increased by over 10% in Shropshire. The housing market has seen a small dip since the end of the stamp duty holiday; however, this is related to the number of transactions which were accelerated due to the deadline.
- 2.3 Employers Agents, Contractors and Suppliers confirmed that post lockdown tenders have seen a trend of approximately a 6% increase since March 2020 as a result of the lack of materials, increased costs, labour shortages and new working practices. The Cornovii Team continue to monitor tender prices, material supplies with partners and will continue to update the Housing Supervisory Board on any substantial changes.
- 2.4 CDL continues to see delays in planning decisions, undertakings of surveys and appointment of certain consultants due to the backlog created by the lockdowns, limited access to sites, revised working arrangements and staff absence. CDL have also found it difficult to undertake engagement with community groups and the wider community as a result of Covid restrictions. This has resulted in delays in engaging with communities and undertaking community events.

### 3 Development Summary

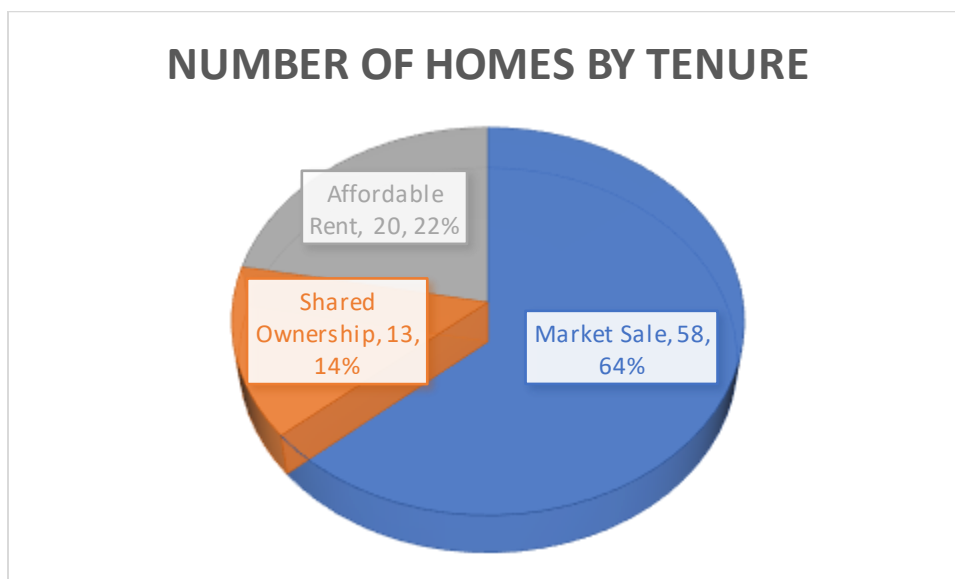
3.1 A total of 11 schemes were approved in the March 2021 Business Plan. The business plan will deliver a total of 574 new homes during the life of the business plan. The charts and tables below report on progress against this business plan.

3.2 Fig. 1 - Progress to 574 completions in accordance with the approved business plan:



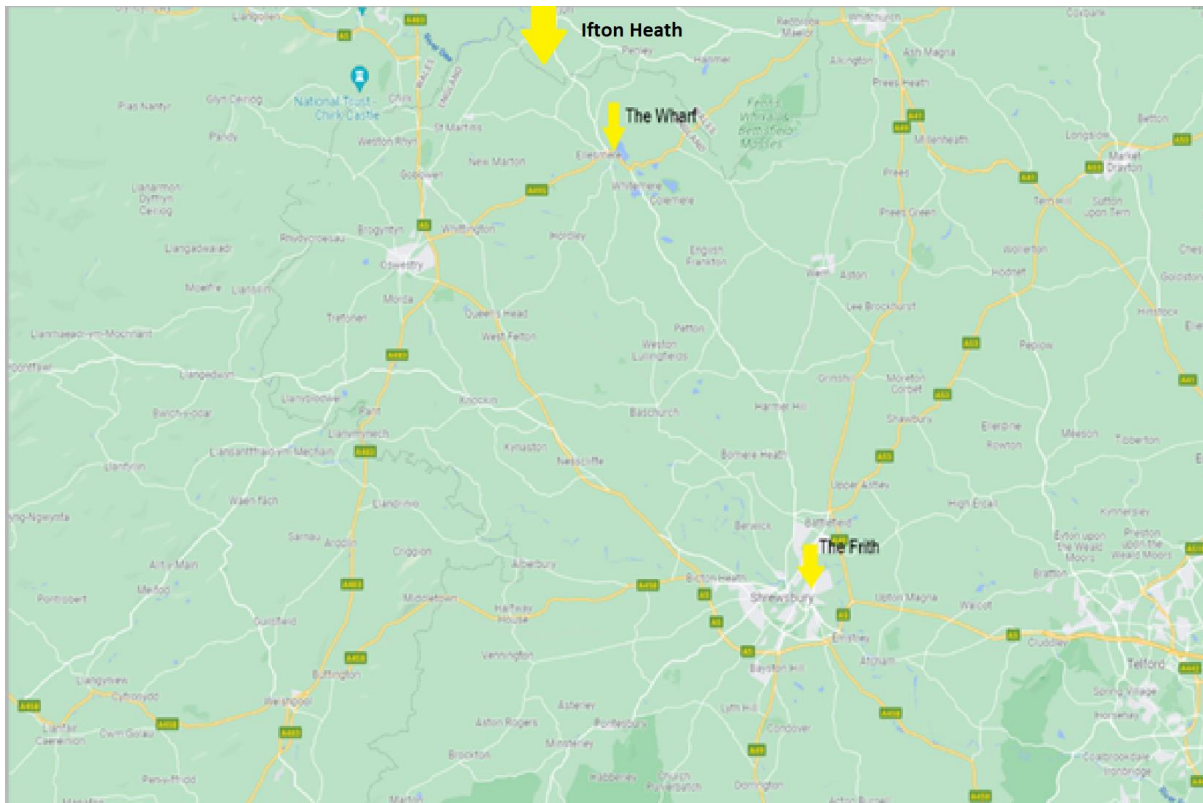
There has been an increase in the number of potential new homes against the 11 sites in the March 2021 Business Plan; two sites are no longer proceeding, and London Road has been significantly remodelled.

3.3 Fig. 2 - Tenure chart approved schemes only:





3.4 Map 1: – Location of sites across the county (approved schemes only)



**4 Social Value**

4.1 CDL are currently investing in the following percentage of contractors and subcontractors from a Shropshire postcode on current on site schemes:

- The Frith – 100%
- Ellesmere Wharf – 41% to date

4.2 Average EPC and carbon savings:

- The Frith – EPC rating A. Carbon savings of 2.86 tonnes/yr in comparison to a property with an EPC rating of C.
- Ellesmere Wharf – EPC rating B. Carbon savings of 1.93 tonnes/yr in comparison to a property with an EPC rating of C.

4.3 Employment & training:

- The Frith – The contractor is working with Shrewsbury College to Champion Apprenticeships and have recently taken on an Apprentice Site Manager.
- Ellesmere Wharf – An Apprentice Ground Worker from St Martins has currently been on site for 5 months.

4.4 Number and detail of Education settings supported by CDL activities:

- The Frith – CDL and the contractor are supporting Shrewsbury College's Virtual School.
- Ellesmere Wharf – CDL and the contractor are currently engaging with Welshampton Primary School.