

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Wednesday, 23 March 2022

Committee: Housing Supervisory Board

Date: Thursday, 31 March 2022

Time: 2.00 pm

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

You are requested to attend the above meeting.
The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited for health and safety reasons. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Members of the public will be able to access the live stream of the meeting by clicking on this link:

www.shropshire.gov.uk/HousingSupervisoryBoard31Mar2022

Tim Collard
Interim Assistant Director – Legal and Democratic Services

Members of Housing Supervisory Board

Robert Macey (Chairman)	Heather Kidd
Vince Hunt (Vice Chairman)	Tony Parsons
Jeff Anderson	Dan Thomas
Julian Dean	Robert Tindall
Simon Jones	

Your Committee Officer is:

Shelley Davies Committee Officer
Tel: 01743 257713
Email: shelley.davies@shropshire.gov.uk

AGENDA

1 **Apologies for Absence and Substitutions**

2 **Disclosable Pecuniary Interests**

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 **Minutes** (Pages 1 - 4)

To confirm the minutes of the Housing Supervisory Board meeting held on 20th January 2022.

Contact: Shelley Davies on 01743 257718.

4 **Public Question Time**

To receive any public questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 pm, Friday 25th March 2022.

5 **Member Question Time**

To receive any question of which Members of the Council have given notice. Deadline for notification for this meeting is 5.00pm, Monday 28th March 2022.

6 **Cornovii Developments Limited 2022 Business Plan - Summary** (Pages 5 - 16)

To receive a report from the Assistant Director, Homes and Communities. [Report attached]

Contact: Jane Trethewey (01743 254917)

7 Cornovii Developments Limited: Annual Report (Pages 17 - 34)

To receive a report from the Assistant Director, Homes and Communities. [Report attached]

Contact: Jane Trethewey (01743 254917)

8 Exclusion of the Press and Public

To resolve in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and Paragraph 10.4[3] of the Council's Access to Information Procedure Rules, the press and public be excluded during consideration of the following items.

9 Exempt Minutes (Pages 35 - 36)

To confirm the exempt minutes of the Housing Supervisory Board meeting held on 20th January 2022.

10 Approval of Cornovii Developments Limited Business Plan
(Pages 37 - 58)

To receive an exempt report from the Assistant Director, Homes and Communities. [Report attached]

Contact: Jane Trethewey (01743 254917)

11 Cornovii Developments Limited Annual Report - Exempt Appendices 1b & 1c (Pages 59 - 92)

12 Cornovii Developments Limited Teckal Status Update

13 Report to Cabinet - Topics to Cover

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Committee and Date

Housing Supervisory Board

31st March 2022

HOUSING SUPERVISORY BOARD

Minutes of the meeting held on 20 January 2022

In the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

2.00 - 3.00 pm

Responsible Officer: Shelley Davies

Email: shelley.davies@shropshire.gov.uk Tel: 01743 257713

Present

Councillor Robert Macey (Chairman)

Councillors Vince Hunt (Vice Chairman), Julian Dean, Simon Jones, Heather Kidd, Tony Parsons and Nicholas Bardsley (substitute for Dan Thomas)

26 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Dan Thomas (Substitute: Councillor Nicholas Bardsley).

27 Disclosable Pecuniary Interests

None were declared.

28 Minutes

RESOLVED: that the minutes of the meeting held on 21st October 2021 be approved as a true record and signed by the Chairman.

29 Public Question Time

There were no public questions.

30 Member Question Time

There were no Member questions.

31 Approval to Increase Share Capital of CDL

Members received the report of the Assistant Director Homes and Communities which sought approval for Cornovii Developments Limited (CDL) to increase its share capital by an amount equal to the purchase price of the land at Overton Road, Ifton Heath.

The Assistant Director Homes and Communities introduced the report and explained that the Council, as previously approved, will transfer the land at Overton Road, Ifton Heath to CDL in exchange for the newly created shares in the Company. It was added that on 17th December 2020, the Council approved a new land purchase structure agreement for sites owned by Shropshire Council sold to CDL and agreed to sell all sites at market value. This resulted in the site at Ifton Heath being revalued at £320,492.

In response to a question the Managing Director of CDL explained that there would be 13 affordable homes provided at the Ifton Heath site, 1 through the Section 106 legal agreement and 12 additional properties through Homes England. He that added the Council were paying the market value for the site which was the appropriate price and fair to other developers.

RESOLVED:

1. That 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 be approved. The authorisation to increase the share capital shall, unless renewed, varied or revoked by the Company, expire 12 months from the execution of the Shareholder resolution.
2. That the execution of a written resolution, to allot shares in the Company up to an aggregate nominal amount of £320,492 be authorised.

32 Cornovii Developments Limited - Update Report

Members received the report of the Assistant Director Homes and Communities which gave an update from Cornovii Developments Limited (CDL) on the company's progress since the last meeting.

The Assistant Director Homes and Communities introduced the report and updated Members in relation to recent progress at the Frith, Ellesmere Wharf and Ifton Heath sites. It was noted by the Assistant Director Homes and Communities that the progress of CDL against its Business Plan continued to be satisfactory and as a result of the remodelling of one scheme the number of homes to be delivered had increased from 574 to 594.

In response to questions in relation to the Ellesmere Wharf development, the Managing Director of CDL reported that the request from the Board to revisit the decision in relation to fitting solar panels was being investigated but added that any changes to schemes were made on a risk based approach.

The Managing Director of CDL agreed to provide information at the next meeting in relation to a request for a breakdown by area on the percentage of affordable housing provided by CDL compared to the level required by policy and further detail on how much of this was social housing.

RESOLVED: That the report of the Assistant Director Homes and Communities be noted.

33 Exclusion of the Press and Public

RESOLVED: That in accordance with the provisions of Schedule 12A of the Local Government Act 1972, and paragraph 10.4(3) of the Council’s Access to Information Procedure Rules, the press and public be excluded during consideration of the following items.

34 Exempt Minutes

RESOLVED: That the exempt minutes of the meeting held on 21st October 2021 be approved as a true record and signed by the Chairman.

35 CDL Statement of Accounts and Auditors Finding Report 2020/21

RESOLVED:
That the report be deferred to the next meeting.

36 Cornovii Developments Limited - Exempt Items Update Report

Members received an exempt report from the Assistant Director Homes and Communities.

RESOLVED: That the report be noted.

Signed (Chairman)

Date:

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<u>Committee and Date</u>
Housing Supervisory Board
31 st March 2022

<u>Item</u>
6
Public

Summary of Cornovii Developments' 2022 Business Plan

Responsible Officer Jane Trethewey, Assistant Director Homes and Communities

e-mail: Jane.trethewey@shropshire.gov.uk Tel: 01743 254917

1. Synopsis

The purpose of this report is to present to the Housing Supervisory Board Cornovii Developments Limited (CDL) 2022 Business Plan, shown at Appendix 1. The information contained within this report presents a summary of the Business Plan, which omits all commercially sensitive information, which if disclosed publicly would impact on the ability of the Company to trade commercially. The full Business Plan is presented to the Housing Supervisory Board as an exempt item. The proposed outputs contained within the Business Plan will form the basis upon which the Housing Supervisory Board will measure the performance of CDL over the plan period.

2. Executive Summary

- 2.1. This report brings forward a summary of the CDL 2022 Business Plan to the Housing Supervisory Board for consideration and comment. The full Business Plan is presented to the Housing Supervisory Board as an exempt item for approval in accordance with the terms of the Shareholder Agreement.
- 2.2. The Business Plan outlines CDL activity over the plan period 2022-2032, during which period the Company aims to deliver 728 homes, of which 138 will be affordable tenures (rent or shared ownership) across 9 schemes throughout Shropshire. This is an increase of 154 units on the 2021 business plan.
- 2.3. All projects in the business plan exceed the agreed shareholder return margin and will be funded by loans from Shropshire Council on commercial lending terms. A total of £139m is to be invested in development activity over the period.

- 2.4. All CDL homes delivered under this Business Plan will meet the following standards
- All homes will be built to future homes standards, an EPC A rating and will be 31% above existing building regulation
 - Homes will meet Nationally Described Space Standards
 - Schemes will aim deliver a net gain in biodiversity
 - All homes are designed to be tenure blind

3. Recommendations

- 3.1. For the Housing Supervisory Board to receive the Summary of the CDL 2022 Business Plan, in accordance with the terms of the Shareholder Agreement.
- 3.2. The Housing Supervisory Board is asked to receive the Summary of the CDL 2022 Business Plan and to provide comment and feedback as to whether the plan meets Shareholder requirements.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The 2022 Business Plan will deliver 728 new homes across 9 schemes, funded by loans provided by Shropshire Council, increasing the output of the Company from the previous Plan.
- 4.2. Performance of the Business Plan is monitored by CDL's Board of Directors and is the subject of a comprehensive risk register which is reviewed by the CDL Board on a quarterly basis. Sensitivity analysis has been undertaken on the 2022 Business Plan to understand the level of risk in relation to build cost and income, the two major cost categories in the plan, most exposed to wider economic forces. This process of analysis is repeated regularly with outcomes to be reported to the CDL Board and Housing Supervisory Board.
- 4.3. In addition to the Monitoring of the Business Plan by the CDL Board and the Housing Supervisory Board, the CDL Monitoring Board, made up of officers from departments across the Council, meets on a quarterly basis to review the activity of CDL, supported with further oversight by the Homes and Communities Team. A Risk Register, which covers risk to the Council in its role as Company Shareholder, is monitored by the CDL Monitoring Board and the

Assistant Director of Homes and Communities and the Client and Commissioning Manager.

- 4.4. The proposed Business Plan will be delivered within the terms of the Shareholder Agreement and approved loan funding arrangements.

5. Financial Implications

- 5.1. Full financial details pertaining to the 2022 Business Plan are contained within the associated Exempt Report.
- 5.2. The Business Plan will be financed by loans provided by Shropshire Council on commercial terms. The performance of the company against the terms of the loan are monitored by Shropshire Council's Finance Department, with quarterly meetings scheduled.
- 5.3. All requests for loan drawdowns are approved by the Executive Director of Resources and subject to a viable Development Appraisal, approved by CDL's Board of Directors.
- 5.4. The 2022 Business Plan will deliver a return to the Council in line with stated expectations. With a total of £139m is to be invested in development activity over the period.
- 5.5. The peak debt within the Plan period reaches £42,681m in July 2025. This is within the funding availability and below the required 7.5% headroom to be left available within the loan capacity at all times.

6. Climate Change Appraisal

- 6.1. *Energy and fuel consumption.* In order to facilitate carbon reduction and energy efficiency, the projects contained within the Business Plan will capitalise on sustainable design solutions, use processes and materials that are not detrimental to the environment and ensure that post-construction operations are environmentally friendly. Carbon savings from design measures will be quantified wherever possible.
- 6.2. *Renewable Energy Generation.* There are a range of opportunities for the generation and storage of renewable energy from building mounted solar panels and battery energy storage, which will be incorporated into the design of homes where possible.
- 6.3. *Carbon offsetting or mitigation.* Designs of schemes within the Business Plan will incorporate tree planting and landscaping to support carbon capture and storage, biodiversity, natural flood management and urban cooling. CDL will also aim to deliver a

biodiversity net gain across all development sites within the business plan.

- 6.4. *Climate Change adaptation.* It is anticipated that the homes will be designed in a way which is sympathetic to the climate using materials and construction methodologies that reduce the emission of carbon into the atmosphere and also ensure homes are protected from overheating.
- 6.5. CDL understand the importance of their role in helping the county reach net zero targets. The Business Plan encompasses 15 carbon zero homes, which will operate using air source heat pumps, not only reducing carbon footprint but also addressing energy usage, having a positive impact on future residents' energy bills. Within the 2022 Business Plan CDL have set out their intention to be at least 31% more energy efficient when compared to the current UK building regulation standards.

7. Background

- 7.1. CDL was incorporated in 2019 by Shropshire Council to meet unmet housing need across the County. Since its establishment CDL has successfully developed a pipeline of sites for delivery of homes and is currently on site with three schemes, recently completing homes at its first scheme, The Frith, where all 33 homes have now been sold or reserved.
- 7.2. The 2022 Business Plan presented to the Housing Supervisory Board demonstrates the growth of the Company as it moves to a period of direct delivery, which during the Plan period will see the development of 728 new homes, 590 market sale and 138 affordable homes.
- 7.3. The approval of the Company's Business Plan requires Shareholder Consent under the terms of Shareholder Agreement. The Housing Supervisory Board, acting as Shareholder in respect of matters requiring Shareholder Consent is asked annually to approve the Business Plan. The approved Business Plan forms the basis upon which the Housing Supervisory Board monitors the activity of the Company over the Plan period, through Monitoring Reports presented to the Housing Supervisory Board and attendance by the Managing Director of CDL at quarterly meetings.

8. Additional Information

- 8.1. The Business Plan has been presented to the Executive Director of Place, Executive Director of Resources and the Assistant Director of Homes and Communities. Following which no concerns in relation to the proposed Business Plan have been raised.

- 8.2. CDL will be building all homes to National Described Space Standards and Future Homes Standards. The majority of CDL homes will be built to M4 L2 standards, making the homes easily accessible to wheelchair users, ensuring the homes remain sustainable.

9. Conclusions

- 9.1. The CDL 2022 Business Plan aims to deliver 728 new homes on 9 sites across Shropshire, providing 590 homes at Market Sale and 138 new affordable homes. It is anticipated that all homes will be built to an average EPC A standard with full consideration given to the environmental impact of the build and occupancy of the homes.
- 9.2. The Housing Supervisory Board is asked to note the summary 2022 Business Plan and to provide comment and feedback as to whether the plan meets Shareholder requirements.

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 & Built Housing

Local Member

N/A

Appendices

Appendix 1 CDL Summary Business Plan

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Housing Supervisory Board: 31/02/2021

Item: 2022-2032 CDL Business Plan (Public)

Report Author: Ros Bridges

Contact No. 01743 258948

Purpose/ Summary: To present to the Board the 2022 10-year Business Plan CDL Business Plan.

Recommendations:
 The Housing Supervisory Board is requested to:

- Receive the March 2022 10-year Business Plan business plan

Discussion or Decision	Decision	Anticipated time	90 mins
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Financial Implications:
 The report brings presents the 2022 Business Plan. The following are the key financial headlines:

- A total of £139m to be invested in development activity over the period

Intended outcomes:
 The Business Plan aims to deliver the following key outcomes:

- 728 new homes

People: shareholder, customer, stakeholder and staff implications:
 A fully funded Business Plan ensures that adequate resources are available for CDL to achieve its Corporate Objectives.

Shareholder: CDL will deliver a mix of homes which will meet unmet housing demand within Shropshire. This includes 2 bedroom homes, bungalows and low carbon homes.

Stakeholder: CDL will engage with key stakeholders including Homes England, STAR Housing, local contractors and Registered Providers (RPs) to support CDL to deliver the programme.

Staff Implications: CDL has outlined a revised staffing structure within the business plan, this includes new posts to support the sales and operations teams

Risks and Controls:

Description of Risk	Current Controls
Increased construction costs	CDL are unable to progress sites due to increased construction costs within the sector. The Business plan confirms exposure by capturing the most up to date costs. Stress testing is currently undertaken on the business plan.
Shocks to the economy including Brexit, war in Russia, COVID 19 and interest rate changes	Impacts on the housing market, people's ability to buy, cost of materials, cost of borrowing. The updated business plan facilitates sensitivity testing to increase understanding of impact for this risk area.
Insufficient Land Supply	Insufficient land supply within Shropshire Council ownership impacts delivery of the forecasted homes over the business plan period. The business plan focusses on certainty of pipeline to understand exposure in this risk area.
Funding Structure	Failure to put in place a debt: capital structure that is state aid compliant and meets the requirement of HMRC

Legal and regulatory issues:	No	Advice taken:	Yes
CDL continues to procure financial advice where appropriate from its external advisors including; RSM tax advisors, Trowers and Gateley's legal advisors, Azets Accountants and Shropshire Council finance department.			

1. Report Headlines

- 1.1. In accordance with the Shareholder agreement the Housing Supervisory Board is required to approve Cornovii's annual business plan.
- 1.2. The report brings forward the 2022 CDL Business Plan for consideration. The following are the main headlines:
 - The 2022 CDL business plan delivers 728 units across 9 Schemes
 - Homes delivered will average an EPC rating of A
 - There are an additional 346 units in the developing pipeline
 - The number of affordable units could be increased subject to additional Shareholder support

2. Business Plan Deliverables

Units

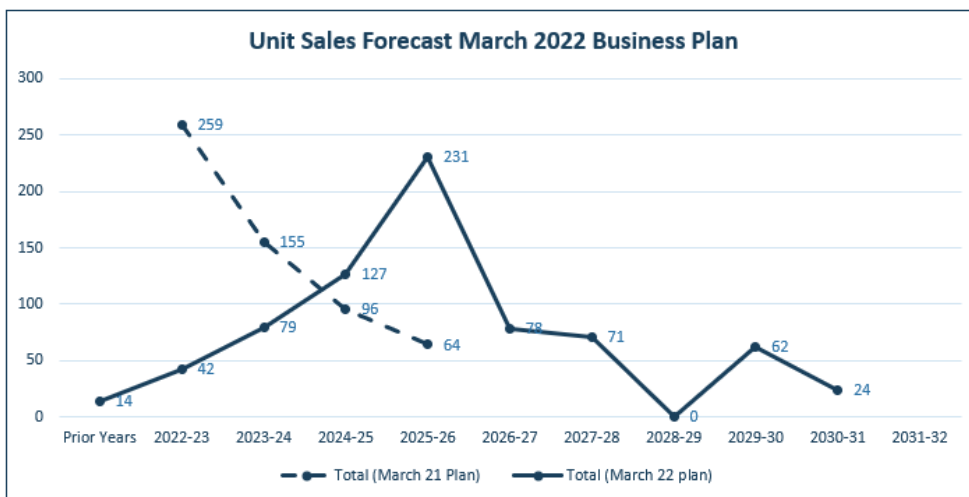
- 2.1. The 2022 CDL business plan delivers 728 units across 9 Schemes. This is an increase of 154 units on the 2021 CDL business plan. The table below summarises the main scheme changes and the graph shows their forecast completion dates.

Scheme Name	Number of Homes
The Frith, Crowmoor (approved)	33

Ellesmere Wharf (approved)	23
Ifton Green (approved)	35
Phase 2 Scheme	80
Phase 2 Scheme	56
Phase 2 Scheme	23
Phase 2 Scheme	89
Phase 2 Scheme	61
Phase 2 Scheme	72
Phase 2 Scheme	41
Phase 2 Scheme	86
Phase 2 Scheme	105
Phase 2 Scheme	24
TOTAL (1 & 2 confidence)	728

2.2. Starts on site are forecast as below:

Year	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Start on site	192	190	128	0	41	0	86



2.3. The total number of affordable units has increase. The business plan presents a policy compliant approach only across the majority of developments along with additional affordable units at Ellesmere Wharf, The Frith and Ifton Green. This proposal presents the most commercial

proposition and maximises the financial return to the shareholder. The business plan gives the shareholder an option to increase the percentage of affordable homes.

2.4. The mix of unit types in the business plan is shown below.

1 Bed	82	11%
2 Bed	241	33%
3 Bed	250	34%
4 Bed	123	17%
Self/Custom Build	32	4%
Total Units	728	

Bungalow	86	12%
House	508	70%
Flat	102	14%
Custom/Self	32	4%
Total Units	728	

2.5. Whilst the overall cash return to shareholder has increased the gross annualised return reduces from 12.52% to 9.41%. This is due to extending the programme as can be seen in the capacity planning section.

Specification

2.6. CDL remains committed to building good quality sustainable homes. All CDL Homes will meet the following standards

- All Homes will be built to future homes standards which will result in all homes having renewable technologies, a EPC rating A and will be 31% above existing building regulations. Further, CDL is exploring options to move all properties from gas heating to electric renewable heating.
- All CDL Homes will meet National Defined Space Standards and will be built to M4(2) compliance where possible.
- CDL will aim to deliver a net gain in biodiversity across all our development sites
- All CDL homes are designed to be tenure blind.
- Affordable homes will be integrated into CDL sites rather than being isolated on a layout.

Supporting the local economy

2.7. A key objective of CDL is to support local SME and suppliers to build capacity, create job and training opportunities. CDL will deliver the following:

- CDL will invest at least £60m with Shropshire based contractors during the life of the Business Plan
- Support at least 138 apprentices as part of the development programme
- Support one local school per development

Social Value – Live Sites

- 2.8. In addition to the affordable housing delivery the operational sites are currently expected to deliver the following social value outputs.

Project Name:	The Frith	Ellesmere Wharf	Ifton Heath
Version:			
Update Date:			
Social Value Headings			
% of contractors and subcontractors from a Shropshire postcode	100%	30% (not all subcontractors appointed yet)	70%
Average EPC and carbon savings.	A	A	A
Employment and training opportunities	4	2	N/A
Number and detail of Education settings supported by CDL activities	Virtual School, Shropshire	Wleshampton C of E Primary School Ellesmere, SY12 0PG	St Martins School St Martins Oswestry SY10 7BD
Other	Stakeholder Group meeting on a monthly basis	Quarterly updates to Ellesmere Town Council clerk and local member	Quarterly Stakeholder Group meetings
Other	Homes England Grant	Homes England Grant	Regular engagement with childrens services home adjacent to the site
Other	PV Solar Panels	PV Solar Panels	

3. Company Financing

Capacity

- 3.1. The peak debt in the refreshed business plan reaches £42.681m in Jul-25. This is within the overall funding availability of £49.000m and below the Golden Rules level which requires 7.5% headroom is left available within the loan capacity at all times.
- 3.2. Compared to the March 2021 business plan the delivery period has been extended. This yields a greater interest receipt to the Shareholder but reduces the annualised return as the borrowing period is longer.

Pipeline

- 3.3. The plan brought forward for approval will deliver 728 units however, there are additional pipeline schemes with a confidence rating of 3 which at the moment could deliver a further 346 units, including 67 affordables. The team will continue to work on these in the background and these may come forward to add to or replace schemes in the business plan as required to maintain continuity of unit delivery. Quarterly updates will report on the status of scheme delivery and pipeline compared to plan.

4. Summary and Recommendation

- 4.1. The HSB is requested to:

- Receive the March 2022 business plan



<u>Committee and Date</u>
Housing Supervisory Board
31 March 2022

<u>Item</u>
7
Public

Cornovii Developments Limited: Annual Report

Responsible Officer Jane Trethewey, Assistant Director Homes and Communities

e-mail: Jane.trethewey@shropshire.gov.uk Tel: 01743 254917

1. Synopsis

In accordance with the Shareholder Agreement the Company is required to report to the Housing Supervisory Board on the operations and performance of the Company and to report on internal audit reports of the Company. This report presents to the Housing Supervisory Board the Cornovii Developments Limited (CDL) Annual Report for 2020/21, shown at Appendix 1. The report summarises the overall financial position and performance of the Company at the end of 2020/21, providing the Statement of Accounts and Audit Finding Report. The full Statement of Accounts and the Audit Finding Reports are presented as Exempt Items due to the commercially sensitive nature of the documents; an abridged version of the Accounts is shown at Appendix 1A.

2. Executive Summary

- 2.1. The Annual Report of CDL summarises the overall financial position and performance of the Company at the end of 2020/21. The report features a Directors' Report outlining the operation and performance of the Company during the period and a Finance Report detailing the financial position of the Company at the end of 2020/21.
- 2.2. It is a requirement of the two existing loan facilities in place between Shropshire Council and CDL that the company's financial statements are audited by a top ten firm of auditors. The 2020/21 company accounts have been audited by CDL's external auditor Azets, with the audit taking place between August and November 2021.
- 2.3. The Statement of Accounts are shown at Appendix 1A have been audited by Azets and an unqualified opinion has been issued.

- 2.4. Azets has produced an Audit Finding report detailing its opinion on the accounts. The Audit Findings Report is shown as an Exempt Item, Appendix 1C. The Audit Report was presented to the CDL board on the 19 November 2021 by a representative of the Azets Audit Team. There were no significant finding of the audit.

3. Recommendations

- 3.1 In accordance with the terms of the Shareholder Agreement the Housing Supervisory Board are requested to receive the CDL Annual Report for 2020/21, Statement of Accounts and Audit Finding Report.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. The audited accounts, apart from being a legal requirement, provide the Council with important and valuable insight into risk management and governance arrangements within CDL.
- 4.2. Confirmation in the accuracy of the financial records of the company provide assurance as to the robustness of internal controls in place and an assessment as to the ability of CDL to continue as a going concern.

5. Financial Implications

- 5.1. The audited accounts provide credibility and confidence to Shropshire Council, as sole shareholder in CDL, that the company's financial statements are true and fair and that it has the financial capability to continue to trade as a going concern.
- 5.2. There have been no significant findings of the audit. There has been one adjusted misstatement which reclassifies the purchase of software from a tangible asset to an intangible asset.

5.3. CDL is reporting a loss of £347,173 for the financial year. This is in line with expectations and represents costs which cannot be capitalised.

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. CDL was incorporated in 2019 with the aim of meeting unmet housing need across Shropshire Council's administrative area. In accordance with the Shareholder Agreement between CDL and Shropshire Council in respect of Cornovii Developments Limited, the Company agrees that it will report to the Shareholder via the Housing Supervisory Board on the operations and performance of the Company. The Annual Report presents to the Housing Supervisory Board a summary of the performance of the Company at the end of 2020/21, which represents the Company's second year of trading.

7.2. Azets Audit Services were appointed as CDL auditors in accordance with Section 485 of the Companies Act 2006, to audit its financial statements for the financial year 2020/21. The company's accounts were approved by the CDL board on 19 November 2021. The final accounts have been filed with Companies House and in accordance with the deadline of 31 December 2021.

7.3. The financial statements are subject to the small company's regime. This applies where:

- Annual turnover is not more than £10.2 million
- The balance sheet total is not more than £5.1 million
- The average number of employees is not more than 50

7.3 The Audit Finding Report (Exempt Item Appendix 1C) reports on Internal Controls and has highlighted some areas for improvement. The CDL team has provided a response to the control matters identified within the report. Nothing has been highlighted to be significant.

7.4 There have been no significant findings of the audit. The loss reported is in line with expectations and represents costs which cannot be capitalised.

8. Additional Information

8.1 None

9. Conclusions

9.1. This report asks that the Housing Supervisory Board receive the Annual Report, which reports on the operations and performance of the Company for 2020/21. The report also presents to the Housing Supervisory Board the Audit Findings Report and Statement of Accounts for the financial year 2020/21.

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
Local Member N/A
Appendices Appendix 1: CDL Annual Report Appendix 1A: Statement of Accounts for year ended 2020/21 Appendix 1B: Full Statement of Accounts for year ended 2020/21 – This is an exempt item Appendix 1C: Azets Audit Findings for year ended 2020/21 – This is an exempt item



Housing Supervisory Board: 31st March 2022

Item: CDL Annual Report (PUBLIC)

Report Author: Ros Bridges & Harpreet Rayet

Contact No. 01743 258948 & 07931 727809

Purpose/ Summary: To present to the Housing Supervisory Board the annual report for 2020/21

Recommendations:

Board is requested to:

- Note the contents of the report

Discussion or Decision	For information	Anticipated time	5 mins
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Financial Implications:
 There are no direct implications of this report. This report summarises the overall financial position and performance of the Company at the end of 2020/21.

Intended outcomes:
 CDL was established in July 2019 to meet unmet housing need in Shropshire This report summarises the overall financial position and performance of the Company at the end of 2020/21.

People: shareholder, customer, stakeholder and staff implications:
 There are no direct implications

Risks and Controls:
 Reflecting on the past year in terms of performance ensures lessons learnt are carried forward as improvements for future years. This strengthens the financial control environment.

Legal and regulatory issues:	No	Advice taken:	No

1. Directors' Report

- 1.1.** The principal activity of the company in the year under review was the undertaking of development of a mixed portfolio to address unmet housing need in Shropshire Council 's administrative area. The company was formed to operate as a commercial company to address unmet housing need in Shropshire Council's administrative area.

Some of CDL key achievements are as follows:

- 91 new homes started onsite including 33 affordable homes
 - 148 new homes submitted for planning
 - 14 new homes sold
 - All new homes meeting an EPC rating A
 - Investment of over £4m with Shropshire based contractor
- 1.2.** The company was incorporated under the Companies Act 2006 on 6 July 2019. The company was incorporated pursuant to the general power of competence in the Localism Act 2011. The company is financed by Shropshire Council through a combination of equity in the form of share capital and debt finance.
- 1.3.** The year ended 31 March 2021 represents the company's second year of trading. The company has access to funding of £49m to deliver a programme of residential housing development. Some of the homes developed will be for affordable tenures and will be sold to registered providers of social housing. It is expected that the development of many of these homes will be supported through the provision of central government grants.
- 1.4.** During the year the company undertook feasibility works on a number of sites which have either been taken forward for development or are still under consideration. A small amount of this work has been on sites which have proved not to be proceedable.
- 1.5.** Shropshire Council offers Development Agency Support to the company managed via a support contract. At the close of 2020/21 three officers had been appointed to work for the company, a further two were secured under a Finance contract.
- 1.6.** The Covid-19 pandemic continued to have a major impact on Cornovii Development's key activities during the year. Whilst the housing market remained buoyant, inflation, material and labour shortages continued to have an impact on key operations. These issues resulted in delays, price uncertainty and sales uncertainty.
- 1.7.** The Directors that held office during the period were as follows:
- Executive: Harpreet Rayet Appointed 20 February 2020
 - Non Executive: Chris Poulton Appointed 7 July 2020

- Timothy Pritchard Appointed 7 July 2020
- Richard Cambray Appointed 7 July 2020
- Derek Humphreys Appointed 7 July 2020 (Board Chair)
- Hayley Owen Appointed 7 July 2020
- Leela Cottey Appointed 7 July 2020

2. Finance Report

- 2.1.** Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006.
- 2.2.** Attached at Appendix 1 is the Statement of Accounts for the year ended 2020/21. These are also available at company's house. It is a requirement of the two existing loan agreements that CDL's financial statements are audited by a top ten firm of auditors. The 2020/21 accounts have been audited by CDL's external auditors Azets, with the audit having taken place between August and November 2021. The audit is complete and an unqualified audit opinion was issued.
- 2.3.** Azets has produced an Audit Findings Report (AFR) detailing its opinion on the accounts.
- 2.4.** The financial statements are subject to the small companies regime. This applies where:
- annual turnover is not more than £10.2 million
 - the balance sheet total is not more than £5.1 million
 - the average number of employees is not more than 50
- 2.5.** There were no significant findings of the audit. There was one adjusted misstatement which reclassified the purchase of the Proval and Sequel software from a tangible to an intangible fixed asset.
- 2.6.** The AFR reports on Internal Controls and has highlighted some areas for improvement. The CDL team has provided a response to the control matters identified within the AFR report. Nothing that has been highlighted is considered to be significant.
- 2.7.** Finally, CDL has reported a loss of £347,173 for the financial year. This is in line with expectations and represents costs which cannot be capitalised.
- 2.8.** The CDL team worked effectively with the Azets external audit team and the final accounts were lodged at Companies House before the filing deadline of 31st December 2021.

3. Recommendations

The board is requested to:

- Note the contents of the report

4. Schedule of Appendices

Appendix 1 – Statement of Accounts for the year ended 2020/21 (Filing company)

Appendix 2 – Statement of Accounts for the year ended 2020/21 (Full) Exempt Item

Appendix 3 – Azets Audit Findings Report for the year ended 2020/21. (Exempt Item)

CORNOVII DEVELOPMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
PAGES FOR FILING WITH REGISTRAR

CORNOVII DEVELOPMENTS LIMITED

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CORNOVII DEVELOPMENTS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	4		21,147		-
Tangible assets	5		5,205		2,798
			<u>26,352</u>		<u>2,798</u>
Current assets					
Work in progress	6	1,214,967		155,449	
Debtors	7	44,762		5,109	
Cash at bank and in hand		2,910,840		993,060	
		<u>4,170,569</u>		<u>1,153,618</u>	
Creditors: amounts falling due within one year	8	(1,629,632)		(413,697)	
Net current assets			<u>2,540,937</u>		<u>739,921</u>
Total assets less current liabilities			<u>2,567,289</u>		<u>742,719</u>
Creditors: amounts falling due after more than one year	9		(3,132,515)		(960,772)
Net liabilities			<u>(565,226)</u>		<u>(218,053)</u>
Capital and reserves					
Called up share capital			1		1
Profit and loss reserves			(565,227)		(218,054)
Total equity			<u>(565,226)</u>		<u>(218,053)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 19 November 2021 and are signed on its behalf by:

Harpreet Rayet
Director

Company Registration No. 12088975

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Cornovii Developments Limited is a private company limited by shares incorporated in England and Wales. The registered office is Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

More recently the emergence of Covid-19 is a new risk that presents concern for the company and the economy as a whole. Despite the challenges that Covid-19 presents the company remains confident in its ability to deliver on the aims contained within the business plan and to achieve its targets and for the company to continue as a going concern.

1.3 Income and expenditure

Operational income is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Interest income is recognised in the profit and loss account on a cash basis when received.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer software	10% straight line
-------------------	-------------------

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

IT Equipment 10% and 33% straight line

No depreciation is charged in the year of acquisition.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Borrowing costs related to work in progress

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Work in progress

Work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost Include all costs pf purchase, costs of conversions and other costs incurred in bringing the work in progress to its present location and condition.

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 Employees

Wages and PAYE system is operated by the parent company, which employs the Director and four members of staff (FTE of four, on average, including the director). Agency costs are also included in the recharges from the parent.

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

3 Director's remuneration

	Year ended 31 March 2021 £	9 Months Ended 31 March 2020 £
Remuneration paid to director	110,586	18,560

Director's remuneration is recharged from the parent company, see Note 2 above.

4 Intangible fixed assets

	Computer software £
Cost	
At 1 April 2020	-
Additions	21,147
At 31 March 2021	21,147
Amortisation	
At 1 April 2020 and 31 March 2021	-
Carrying amount	
At 31 March 2021	21,147
At 31 March 2020	-

5 Tangible fixed assets

	IT Equipment £
Cost	
At 1 April 2020	2,798
Additions	2,687
At 31 March 2021	5,485
Depreciation	
At 1 April 2020	-
Depreciation charged in the year	280
At 31 March 2021	280
Carrying amount	
At 31 March 2021	5,205
At 31 March 2020	2,798

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Work in progress

	2021 £	2020 £
Work in progress	1,214,967	155,449

7 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Amounts owed by group undertakings	1,230	-
Other debtors	43,532	5,109
	<u>44,762</u>	<u>5,109</u>

8 Creditors: amounts falling due within one year

	2021 £	2020 £
Loan (secured - see note 10)	1,016,989	39,228
Trade creditors	236,529	363,337
Amounts owed to group undertakings	370,614	-
Other creditors	5,500	11,132
	<u>1,629,632</u>	<u>413,697</u>

9 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Loan (secured - see note 10)	3,132,515	960,772

10 Debentures

Debentures dated 25 February 2020 and 4 August 2020 were agreed between Cornovii Developments Limited and Shropshire Council, a registration of charge for each debenture has been registered at Companies House. The debentures relates to loan facilities. At 31 March 2021 the committed borrowing facility was £49,000,000 (2020: £14,000,000) of which £44,750,000 (2020:£13,250,000) was undrawn.

11 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

CORNOVII DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

11 Audit report information

(Continued)

The senior statutory auditor was John Hegney FCCA and the auditor was Azets Audit Services.

12 Events after the reporting period

On 9 April 2021 250,000 Ordinary shares were issued and fully paid for non-cash consideration. The non-cash consideration comprised of the transfer of the title to freehold land owned by the holder of the shares which was valued at £250,000.

13 Financial commitments, guarantees and contingent liabilities

At 31 March 2021 the company had identified the following contingent liabilities:

During the course of 2020/21 it was identified that the company is obliged to register as a Mainstream Contractor under the Construction Industry Scheme (CIS) prior to making any payments to sub-contractors. Retrospective registration is underway which will result in the submission of retrospective CIS returns covering the period February 2021 to the point of registration. All of the company's sub contractors currently have gross payment status for CIS so no deductions have been missed meaning all returns to date will be zero in value. The company may be charged a late filing fee for submitting the retrospective returns. The company has been advised that this is likely to be under £1,000 in total and will appeal any penalty.

14 Related party transactions

The company has taken advantage of the exemption available under FRS 102 section 33.1A from disclosing transactions with other wholly owned subsidiaries of Shropshire Council.

15 Parent company

The ultimate controlling party and parent is Shropshire Council, by virtue of its 100% shareholding. Consolidated group accounts can be obtained from Shropshire Council, The Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND.

CORNOVII DEVELOPMENTS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	£	Year ended 31 March 2021 £	£	9 Months ended 31 March 2020 £
Opening work in progress - long term	148,799		-	
<i>Purchases and other direct costs</i>				
Raw materials purchases	975,337		148,799	
Borrowing costs included in construction contract costs	90,830		-	
Total purchases and other direct costs	1,066,167		148,799	
Closing work in progress - long term	1,214,966		148,799	
Other operating income				
Other operating income		1,025		-
Administrative expenses				
Wages and salaries recharged	7,558		135,729	
Staff costs	8		1,475	
Directors' remuneration recharged	110,586		18,560	
Software costs	9,432		-	
Professional subscriptions	159		-	
Legal and professional fees	103,428		3,640	
Audit fees	5,750		3,625	
Bank charges	200		-	
Insurances	6,919		4,442	
Stationery	41		(2,583)	
Advertising	29,105		-	
Telephone	824		46	
Start up costs	-		20,582	
Support costs	67,017		25,031	
Depreciation	280		-	
		(341,307)		(210,547)
Operating loss		(340,282)		(210,547)
Interest payable and similar expenses				
Non bank interest on loans		(6,891)		(7,507)
Loss before taxation		(347,173)		(218,054)

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