



<u>Committee and Date</u>	<u>Item</u>
Housing Supervisory Board 21 st November 2019	
	<u>Public</u>

CORNOVII DEVELOPMENTS LIMITED SHARE CAPITAL REPORT

Responsible Officer Mark Barrow
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1. Summary

- 1.1 This report recommends and seeks approval for Cornovii Developments Limited 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. The increase is proposed following agreement by Full Council on the 19th September 2019 to provide an equity subscription investment of £1.625m to the Company.
- 1.2 This amount represents the value of land to be purchased from the Council for sites at Frith Close, Shrewsbury and Overton Road, Ifton Heath.
- 1.3 In accordance with the Shareholder Agreement between Cornovii Developments Limited and Shropshire Council, the Company requires approval from the Housing Supervisory Board acting as Shareholder, to increase its share capital.

2. Recommendation

- 2.1 That the Housing Supervisory Board note the resolutions of the Board of Directors of Cornovii Developments Limited (attached in Appendix A) and:
 - A. Approve in principle, and authorise the execution (when circulated) of a Written Resolution pursuant to Chapter 2 Part 13 of the Companies Act 2006 containing a proposal by the Director of Cornovii Developments Limited, to increase Cornovii Developments Limited's issued share capital to 1,625,001.

- B. Approve in principle, and authorise the execution (when circulated) of a Written Resolution pursuant to Chapter 2 Part 13 of the Companies Act 2006 containing a proposal by the Director of Cornovii Developments Limited, to issue 1,625,000 of ordinary shares to Shropshire Council in return for an equity investment in the company of £1,625,000.

3. Risk Assessment and Opportunities Appraisal

- 3.1 This investment will enable the Company to purchase the land required for the first two development sites.
- 3.2 If the share capital increase is not approved, it will severely compromise Cornovii Developments Limited's ability to purchase the sites and develop them.

4. Financial Implications

- 4.1 The increase in share capital investment will fund the purchase of the two development sites at Frith Close, Shrewsbury and Overton Road, Ifton Heath from Shropshire Council.
- 4.2 The purchase of the sites from the increase in share capital combined with approved loan funding will facilitate the development of both sites in accordance with the Company's Business Plan 2019 – 2020 and enable it to achieve its objectives.

5. Background

- 5.1 The Council's wholly owned local housing company 'Cornovii Development's Ltd' was Registered on 6th July 2019. Its purpose is to undertake development to address unmet housing need in the Council's administrative area and deliver a financial return for the benefit of the Council.
- 5.2 Council has delegated its functions as Shareholder of the Company to the Housing Supervisory Board to provide oversight of the Company's actions and performance on behalf of the Council as sole shareholder in the Company and to provide consent as appropriate on any company matters which require Shareholder Consent pursuant to the Companies Act 2006 or the Shareholder Agreement between the Council and Cornovii Developments Limited.
- 5.3 The Housing Supervisory Board's responsibilities are laid out in the Board's Terms of Reference which incorporates requirements from the Shareholder Agreement. These responsibilities include the approval of any changes requested to issued share capital.

- 5.4 Specifically, this requirement for approval 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.
- 5.5 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 reorganisation of its share capital....*
- 5.6 Council on the 19th September 2019 approved a funding facility for the development of the Company's first two sites, at Frith Close, Shrewsbury and at Overton Road, Ifton Heath. It also approved the equity subscription investment of £1.625m via the purchase of shares in Cornovii Developments Ltd, representing the value of land to be purchased from the Council.
- 5.7 Shareholder approval is required for all Company land purchases over £1m in accordance with Schedule 1, Part B of the Shareholder Agreement. Approval to purchase the land for a combined total of £1.65m was given by the Housing Supervisory Board on the 5th September 2019 with the approval of the Cornovii Developments Limited Business Plan 2019 – 2020.
- 5.8 The Company have therefore requested, and this report seeks and recommends the increase in issue of ordinary shares to Shropshire Council.
- 5.9 The report to Full Council on 28th February 2019 establishing the company, approved for the Director of Legal and Democratic Services to authorise and sign, on the Council's behalf, any documents and resolutions to implement the recommendations approved by Council, and is therefore authorised to execute a Written Resolution on behalf of the Council as Shareholder, where this has been approved by the Housing Supervisory Board under their delegated authority.

6. Additional Information

- 6.1 None.

7. Conclusion

- 7.1 It is this report's recommendation that the Housing Supervisory Board approve the Cornovii Developments Ltd request to increase its issued share capital as detailed above.

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

None

Cabinet Member (Portfolio Holder)

Cllr. Robert Macey - Portfolio Holder for Housing & Strategic Planning

Local Member

All Members

Appendix A

Cornovii Developments Limited Share Capital Resolutions

Appendix A



Share Capital Resolutions

Dear Sirs

At the Cornovii Developments Limited Board of Directors meeting held on 14th November 2019, the following resolutions were adopted. The resolutions were proposed as ordinary resolutions and received the approval of the Company's sole director.

- That Cornovii Developments Ltd will seek consent and approval from its Shareholder (Shropshire Council) to increase the authorised share capital to 1,625,001 of ordinary shares in accordance with the Shareholders Agreement.
- That Cornovii Developments Ltd will issue 1,625,000 ordinary shares to Shropshire Council in accordance with the Equity Agreement.

Pursuant to the Shareholders Agreement, the powers to issue shares and to increase the Company's authorised share capital requires Shareholder approval. The board considers these resolutions are in the best interest of the company and its shareholder and we recommend that you vote in favour of them.