



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

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

## **Cornovii Developments Limited: Annual Report**

**Responsible Officer** Jane Trethewey, Assistant Director Homes and Communities

e-mail: [Jane.trethewey@shropshire.gov.uk](mailto: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.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
<b>Cabinet Member (Portfolio Holder)</b> Cllr Dean Carroll
<b>Local Member</b> N/A
<b>Appendices</b> 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