

The reply to this question, from the Deputy Chief Executive, has been published as a supplement to minutes of the meeting held on 23 June 2020, being the meeting at which the question was first put.

Question from Cllr Wilce – PQT – Audit Committee – 23 June

*Cllr A Wilce stated that the MDDC Constitution section 9.1, Audit Committee: General Role says:*

*Within their terms of reference, the Audit Committee may:*

*(a) Provide independent assurance of the adequacy of the risk management framework and the associated control environment including (from the perspective of the Council) those partnership or joint working arrangements the Council has with other bodies and how their risk management and controls might impact the Council.*

*I find it bizarre that this function is permissive according to the Constitution and not a duty or function specifically directed by the Council, to be carried out by this Committee. Certainly, in my mind, the Audit Committee has a duty to examine and comment on risks to the Council.*

*With this in mind, I ask members to carefully consider what was said in the report to the Cabinet of the previous administration, setting up 3RDL on 30th March 2017.*

*This report was about 3RDL was considered in private, as usual, but it was released on the order of the Information Commissioner. Notwithstanding that, it is not available in the meeting pack. In it, in as many words, it was stated 3RDL would not be allowed to fail.*

*5.5 .....There may be a risk that it may not be able to recover any loans or property which has transferred to the company but it is very unlikely a council owned wholly owned company would be willing to allow the company to reach the point of insolvency.*

*This Council has to date paid 3RDL circa £10M of public money, with an option for many millions more; originally another £99 million but reduced to £12.1 million by the current administration.*

*Is this Committee able to give taxpayers assurance that this was done with due diligence and competence by MDDC officers, fully in accordance with the usual business risk management processes and in particular, in accordance with Section 5.17 of that report, in which it was stated that:*

*5.17..... The council will develop robust agreements between the council and the company to ensure the council does not cover the company's full liabilities and indebtedness.*

*The Deputy Chief Executive and S151 Officer stated that a full and thorough response would be provided to Cllr Wilce and the members of the Committee as soon as was practicable.*

Response from the Deputy Chief Executive (S151) – 13 August 2020

I can confirm that the Council has 6 individual project loan agreements with its wholly owned property development company, 3Rivers, totalling £9.061m, as at the 31 March 2020. 4 of them are for individual development projects, 1 is for an individual property acquisition and 1 is for their working capital requirements. The loan agreements stipulate: the project name, start and finish dates, all payments dates, type of loan, interest rate, full amount of the loan, repayment frequency, completion date + a schedule of all estimated drawdowns in amounts and months when required. In addition there is a single working capital loan agreement which covers staffing costs, external consultancy, when required, office accommodation and other associated overheads.

All of these loan agreements comply with amounts agreed in 3Rivers Business Plan approved by Cabinet in February of each year and then reflected in the Council's Capital Programme and Treasury Management Strategy.

All of these loan agreements comply with the overarching Funding Agreement agreed by Cabinet and signed by the 3Rivers MD, the Chief Executive and the Leader on the 8 January 2018.

Qualified accountants within the Council's finance team review the amounts included within all of the loan agreements, are responsible for making any payments requests (after they are duly authorised) and also calculate any impairment provision required, if there is any perceived risk that full recovery may not be forthcoming, in full compliance with Local Authority accounting code.