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MID DEVON DISTRICT COUNCIL

MINUTES of a MEETING of the CABINET held on 6 June 2023 at 5.15 pm

Present

Councillors

L Taylor (Leader)
N Bradshaw, J Buczkowski, S J Clist,
S Keable, J Lock, J Wright and D Wulff

Also Present

Councillors

D Broom, E Buczkowski, G Czapiewski,
G Duchesne, M Fletcher, A Glover,
C Harrower, B Holdman, L Knight,
S Robinson and N Woollatt

Also Present

Officers:

Stephen Walford (Chief Executive), Andrew Jarrett (Deputy Chief Executive (S151)), Richard Marsh (Director of Place), Maria De Leiburne (District Solicitor and Monitoring Officer), Matthew Page (Corporate Manager for People, Governance and Waste), Paul Deal (Corporate Manager for Finance, Property and Climate Change), Simon Newcombe (Corporate Manager for Public Health, Regulation and Housing), Jason Ball (Climate and Sustainability Specialist), Andrew Seaman (Member Services Manager) and Sarah Lees (Member Services Officer)

1. APOLOGIES

There were none. Cllr Mrs F J Colthorpe, Cllr L Cruwys and F Letch attended the meeting virtually.

2. PUBLIC QUESTION TIME

Nick Quinn asked questions in relation to item six the financial outturn report, his questions were read out by the Leader. Mr Quinn asked for the date of the meeting of the Council, at which the loan impairment stated in the report (more than £4.5m) was considered and this conclusion reached?

It was also asked, which loans to Three Rivers Development Ltd were being impaired and how was the specific amount of this impairment arrived at.

Furthermore, in relation to the £3m leisure VAT refund, it was asked if there was a requirement to have specific approval to use this refund to mitigate the financial impact of the impairment.

The final question was in relation to existing impairments that had been written down over a five year period. It was asked if this impairment was just a way of “writing-off” another £4.5Million of Public Money loans to Three Rivers Developments Ltd - while some cash was available.

Barry Warren asked questions in relation to items five 2022/23 Annual Treasury Management Outturn Report and six 2022/23 Financial Outturn Report of the agenda, regarding the Council’s relationship with Three Rivers Development Ltd. It was asked if the company was currently making interest payments to the Council.

Question 2 was worded as follows: If the Company has not sold any properties since The Orchards in Halberton, is it not therefore a fact that 3 Rivers are paying interest to the Council out of loans from the Council?

Final questions were asked in relation to the commission of an external options appraisal into Three Rivers Development Ltd, with £30k included in the revised 2023/24 budget and for a reviewer to be appointed by 4 May 2023. It was asked if this review had been commissioned by the due date and when would it report; if it had not been commissioned by the due date had it been commissioned since that date and when will it report and finally, were the suggestions in paragraph 3.6.12 of item 6 from Officers or an independent source.

Paul Elstone raised concern over item, 6 Financial Outturn Report over the loan impairments related to Three Rivers Development Ltd and asked if Cabinet would commission a wide-ranging external investigation into what had gone wrong.

In relation to the £3m VAT refund from HMRC that the Council was due to receive, it was asked if Cabinet would reject the report and ask that Leisure Services identified those customers who were wrongly charged VAT and return the overcharged amounts to them.

A final question was asked if Cabinet would implement an external investigation into an increased project impairment not being reported to the Audit Committee amongst others at that time (March 2022).

The Leader explained that written answers to the questions asked would be provided and reassured the questioners that the Cabinet would look into all aspects of Three Rivers Development Ltd.

3. DECLARATIONS OF INTEREST UNDER THE CODE OF CONDUCT

None were made, Councillors were reminded to make declarations of interest where appropriate.

4. MINUTES OF THE PREVIOUS MEETING

Due to the new administration, the minutes of the previous meeting were noted. With the addition that former Cllr Wilce attendance be added to the minutes of the previous meeting.

5. 2022/23 ANNUAL TREASURY MANAGEMENT OUTTURN REPORT

Cabinet received a report* which provided Members with a review of activities and the prudential treasury indicators on actuals for 2022/23.

The following was discussed:

- The return rate of return at 1.84% seemed low, it was asked if this was expected at the beginning of the year. The Corporate Manager for Finance explained that next year's return was expected to be better but reassured that this average return was good for this particular financial year.
- Asked whether the Council could mitigate rates set by the Bank of England the Corporate Manager for Finance explained that the Council could not.
- Asked why treasury investments had reduced by £11m, it was explained by the Corporate Manager for Finance that the Council had been holding Government money which made up the majority of that difference.
- It was noted that there seemed to be a discrepancy with the NHS figures. The Corporate Manager for Finance explained that the figures were all correct and the differences were due to loan payments being made.
- In relation to the interest received from Three Rivers Development Ltd it was asked how much was paid from their own earnings. The Corporate Manager for Finance explained that the repayments were based on loans to the company and were classified as working capital.
- It was asked if officers could expand on the credit loss model being problematic. The Corporate Manager for Finance explained that any loan had risk attached to it and with factors such as the pandemic and the cost of living crisis negatively impacting the housing market, the likelihood of repayment was now less likely.
- Concern was raised over the financial management and the impairment of over £4.5m and was noted that this was a quarter of the loans to the company. The Corporate Manager for Finance explained that the Council had agreed to fund existing loans.
- Loans to other authorities was raised with concern that they might be outstanding. The Deputy Chief Executive (S151) explained that these loans were repaid and that there were no concerns of these loans not being repaid.
- It was asked if all members would be involved in decisions relating to Three Rivers Development Ltd, to which the Leader said decisions on this would go to Council and invited Councillors to attend Cabinet meetings to have an input.

The Cabinet **NOTED** the treasury activities for the year.

RECOMMENDED to full Council that the actual 2022/23 prudential and treasury indicators in this report be approved.

(Proposed by the Leader)

Reason for Decision: So that the treasury indicators could be approved and the Cabinet were kept updated on the treasury activities for 2022/23.

Notes: (i) *report previously circulated and attached to the minutes.

(ii) At the meeting on 6th June 2023 Cabinet approved the Treasury and Management Outturn Report. However, they should have made a recommendation to full Council instead. At their subsequent meeting on 4th July 2023 Cabinet agreed to correct this and take the report to full Council on 19th July with a recommendation from the Cabinet for approval.

6. 2022/23 FINANCIAL OUTTURN

Cabinet received a report* which presented the Revenue and Capital Outturn figures for the financial year 2022/23 for both the General Fund (GF) and Housing Revenue Account (HRA).

The following was discussed:

- Agency costs were raised and it was clarified by the Deputy Chief Executive (S151) that the costs in the report detailed the gross spend.
- Had all grants been paid in their entirety? The Deputy Chief Executive (S151) explained that 90-95% had been paid and that a final settlement was due to be paid.
- Explanation was sought on the slippage within the capital programme. In addition it was asked if there had been no external borrowing. The Deputy Chief Executive (S151) explained that a capital programme was a best estimate and that these estimates were still on track and was likely to roll into the next financial year. In addition it was confirmed that there had been no external borrowing as internal borrowing and cash flow management had been utilised.
- Concern was raised in regards to the improvements in recycling uplift effectiveness of the 'Bin It 1, 2, 3' refuse strategy and whether this strategy had provided good value for money. It was explained that a report due to the Environment PDG would provide more up-to-date data.
- With regards to the Leisure VAT refund a councillor suggested that the Council considered prices be reduced by 20% for the customer due to the overcharging, particularly during a cost of living crisis. The Leader highlighted that this refund, if kept, would not offset the loss made by the loss making leisure centres.
- It was suggested that if Leisure centre prices were to increase, an open and transparent review would be needed.
- Household support fund grant was raised and confirmation was sought over whether air-fryers had been distributed as a scheme and if so why had Councillors not been informed. The Deputy Chief Executive (S151) offered for an officer to clarify this.
- Asked if there was a plan to restore the reserve to £2m, the Deputy Chief Executive (S151) explained that there was a need to find savings, otherwise the Council would be below the recommended threshold of £2m.
- It was felt that the rough sleepers grant was successful, which had prevented 75 people sleeping rough and was noted to be commended.
- The management of staff vacancies was raised and how this was reported to Councillors, to which it was explained that a quarterly report was provided to Councillors, with services managers providing necessary updates.
- On the amount of £2m reserves, it was asked how often the reserve was needed. The Deputy Chief Executive (S151) explained that the last three

years had seen the council use roughly £200k each year but could easily be needed unexpectedly.

RESOLVED:

That Cabinet consider the finance position reported and:

1. Note the General Fund Outturn achieved in 2022/23 which shows an overall over spend of £190k (1.38% on the Net Cost of Services Budget) and the Housing Revenue Account which shows an under spend of £312k (2.90% on the Total Direct Expenditure Budget).
2. Approve the transfer of the £190k General Fund over spend to the General Fund Reserve which will decrease the balance to £2,025k; above the minimum recommended level of £2,000k. Similarly, approve the transfer of the £312k Housing Revenue Account surplus to the ring-fenced HRA Earmarked Reserves.
3. Approve the Net Transfers from Earmarked Reserves of £2,496k detailed in the General Fund Service Budget Variance Reports shown in Appendix 1a and 1b and summarised in Appendix 3. Similarly, approve the Net Transfers to HRA Earmarked Reserves of £312k as detailed in the HRA Budget Variance Report shown in Appendix 2 and summarised in Appendix 3.
4. Approve the slippage of £7,229k from the 2022/23 Capital Programme and the £29,940k for the schemes to be delivered in 2023/24 or later years. Also approve the virement as explained in para 7.8 for the amalgamation of budgets for the modular developments.
5. Note the procurement waivers used in Quarter 4 of 2022/23, as outlined in Section 10.

(Proposed by the Leader)

Reason for Decision: The financial resources of the Council impact directly on its ability to deliver the Corporate Plan prioritising the use of available resources carried forward into 2023/24. The Outturn Report indicates how the Council's resources have been used to support the delivery of budgetary decisions.

Note: *report previously circulated and attached to the minutes

7. LOAN TO CREDITON PHARMACY

Cabinet received a report* which considered a long term loan arrangement to help facilitate the construction of a Pharmacy at the NHS Hub building in Crediton.

The following was discussed:

- The pharmacy supported a local community, but concern was raised of the commercial elements.
- Officer reassured Cabinet that there was no conflict of interest with this arrangement.

- Asked why this loan was repayable over 13 years, it was explained that this was the requested timeframe and was not an issue for the Council.
- It was raised that there were already three pharmacies within this area and would not want to see an independent pharmacy disappear, however it was noted that the public wanted an extra pharmacy. It was explained that this was a relocation of an existing pharmacy.

RESOLVED:

1. To delegate approval to the Deputy Chief Executive (S151) of a loan to the GP Practice of £240k repayable over 13 years on an annuity basis at a commercial fixed interest rate, subject to the completion of legal due diligence and documentation.

(Proposed by the Leader)

Reason for Decision: Achieving a greater return on investments would enable additional service provision.

Note: *report previously circulated and attached to the minutes

8. NOTIFICATION OF KEY DECISIONS

The Cabinet had before it, and **NOTED**, the notification of *Key Decisions.

(The meeting ended at 6.31 pm)

LEADER