

Audit Committee 26th March 2024 – Public Questions and Answers

Name of person submitting question/s	Questions and responses
<p>Goff Welchman</p>	<p>My questions concern loans from this Council to 3 Rivers.</p> <p>A friend of mine has had a very long career in banking with a major high street bank and in particular with business investments lending money to new start-ups. Having looked at it carefully, his view of 3Rivers was that if the original Directors with their lack of experience in the relevant field and with lack of any capital to invest themselves approached his bank without a proper business plan and asked for a loan every red flag in the lending world would have popped up and the request would have been rejected summarily. He also told me that if he had authorised loans to the tune of £23m to 3Rivers on behalf of his bank, he would have been fired. Therefore my questions are:</p> <ol style="list-style-type: none"> 1. How were the loans from Mid Devon District Council assessed? <p>Response from the Cabinet Member for Finance The loans were approved by Cabinet as part of the business case for each site.</p> <ol style="list-style-type: none"> 2. What checks and audits were in place? <p>Response from the Cabinet Member for Finance The company have their own process in place for checking and paying invoices relating to goods and services. Over and above this, the council spot check invoices within the requested loan drawdowns. Both the company and the council have independent audits of their annual accounts.</p>

	<p>3. How were the loans approved and on whose authority?</p> <p>Response from the Cabinet Member for Finance The loans were approved by Cabinet.</p> <p>4. Were Councillors given the opportunity to review the loans and if not, why not?</p> <p>Response from the Cabinet Member for Finance Yes.</p> <p>5. What were the repayment terms of each loan and was the commercial interest rate at the time charged on the loan?</p> <p>Response from the Cabinet Member for Finance The loans were specific to each site, were completed on a commercial basis with a mark-up applied to avoid state aid, and were repaid via sales receipts.</p>
<p>Nick Quinn</p>	<p>Regarding Agenda Item 8 – 3 Rivers Soft Closure Plan.....</p> <p>Question 1 This ‘Soft Closure Plan’ report makes reference to Cabinet being informed of the purchase, or transfer, of assets from 3 Rivers to the Council. One of the items was expenditure relating to a possible development of the Park Road Nursery site, which I believe was described as being “intellectual property” - please can you tell me what actually is the “intellectual property” that the Council intends to buy from 3 Rivers?</p> <p>Response from the Cabinet Member for Finance This included the architectural drawings associated with the new planning application.</p> <p>Question 1(a) Bearing in mind that the Council still owns the Park Road Nursery site and has already obtained Planning permission for a development on it - why does this “intellectual property” have value to the Council?</p>

	<p>Response from the Cabinet Member for Finance It is possible that this might be re-sellable to any new purchaser.</p> <p>Question 2 Has the purchase of the St George’s Court complex, by the District Council, been completed yet?</p> <p>Response from the Cabinet Member for Finance Yes</p> <p>Question 2(a) If so, on what date was this completed?</p> <p>Response from the Cabinet Member for Finance 21 March 2024</p> <p>Question 3 Has the purchase of 42 Banksia Close, by the District Council, been completed yet?</p> <p>Response from the Cabinet Member for Finance No</p> <p>Question 3(a) If so, on what date was this completed?</p> <p>Response from the Cabinet Member for Finance N/a</p>
<p>Paul Elstone</p>	<p>Regarding Agenda Item 9 – Grant Thornton Interim Report 2022/23....</p> <p>Question 1 Page 20 final paragraph says. <i>“The report set out the Judgement made by the Devon Audit Partnership is that the allegations were made on an incomplete understanding of the issues involved. The debate has however continued mistrust between officers, members and some members of the public continues.”</i></p>

Given the last sentence never truer words spoken.

I find it belittling for it to be suggested that former members of this Council and some members of the public did not understand the issues. I would also promptly add the allegations made as much as anything were about Officer, Member and Director misconduct. This opposed to criminal actions. Therefore, I will ask the following related questions.

Why was the Officer most widely associated with the allegations allowed to set the terms of reference and the very tight investigation timelines?

Response from the Cabinet Member for Finance

The Terms of Reference were based upon the allegations made by a small number of individuals and focused on issues relating purely to actions of the company. As the S151 Officer has responsibility for the financial regulations of the council it is therefore appropriate that they set the terms of reference for any investigation. The timeframe was based upon the importance placed upon the investigation.

Question 2

Why were the full reasons behind Rivers paying nearly twice as much above the lands market valuation and for the “*pig in the poke*” Bampton site not investigated?

Response from the Cabinet Member for Finance

The purchase of the land was a commercial undertaking in the commercial market. The council were not involved in the transaction.

We would welcome and ask you to reflect on how you are choosing to describe this development as it would seem a deliberate attempt to belittle this project and potentially do reputational damage which may undermine future sales revenue.

Question 3

Why was the Building Developer and who had an agreement with the landowner to buy the Bampton site and who had spent £80,000 on the development site planning works not interviewed? A developer who has since needed to file for bankruptcy and in part due to these losses.

Response from the Cabinet Member for Finance

The following response relates to Questions 3 – 12

At the outset of the Devon Audit Partnership (DAP) investigation and following initial interviews with the individuals making the allegations, there was no reliable evidence provided that warranted further involvement of any other parties. During the investigation and at the point the DAP report was discussed by the Audit Committee, senior DAP officers repeatedly advised that if any individuals had any evidence to substantiate their allegations, they should make it available to both them and the Police. To this day, no further evidence has been received.

If the questioner remains unsatisfied with the work and outcome of this externally commissioned investigation, it would appear appropriate for him to discuss the matter with DAP directly. However, it is a matter of public record that the Audit Committee fully considered and approved their findings that concluded that none of the allegations had any substance.

Question 4

Why were the full circumstances of a non-existent Ransom Strip not investigated and something alleged had been used by 3 Rivers to destabilise the land-owners sale to the developer?

(See response above)

Question 5

Why was a former MDDC Planning Officer not interviewed and who knew of this building developer's involvement and including of his offer to make a S106 payment of circa £400,000 re: Affordable Homes?

(See response above)

Question 6

Why were conflicts of interest involving key persons involved in the land purchase and the landowner not investigated?

[\(See response above\)](#)

Question 7

Why was the Tiverton Town Clerk not interviewed and who identified the alleged theft of materials at St Georges Court?

[\(See response above\)](#)

Question 8

Why was the Town Clerk and supported by the current and previous Mayor not interviewed. This in respect of the attempts of Officers and Members to suppress any investigation into the alleged theft.

[\(See response above\)](#)

Question 9

Why were Officers, Members and 3 Rivers Directors not interviewed and who provided 3 separate excuses for the removal of the materials?

[\(See response above\)](#)

Question 10

Why was the Manager of a Builders Merchant not interviewed after he raised major concerns about materials being signed out by persons not knowingly associated with 3 Rivers?

[\(See response above\)](#)

Question 11

Why were Builders Merchants sales receipts and signatories not checked?

[\(See response above\)](#)

Question 12

Why were 3 Rivers payment records to this Builders Merchant not checked?

(See response above)

Question 13

Will the Chair of Audit and with the support of this committee agree there is justifiable reason to open a full and independent investigation into the previously made allegations of misconduct or worse?

Response from the Cabinet Member for Finance

The chair of Audit has responded to you directly with the following response.

“I am more than satisfied from the content of independent reports presented to the Audit committee that there is nothing to warrant further investigation.

I also note that there have been numerous opportunities in the past to bring any matters to the attention of auditors which have, for whatever reason, been declined.”