

Amendments to previously published agenda items following the conclusion of the Audit

Group Accounts – Introductory Narrative – positioned at end of the current narrative at the start of the Group Accounts Section

On 6 September 2023, Mid Devon District Council agreed to soft close the company, meaning that the company would complete the development of its live projects, but would not start any new developments. Closure would follow the sales of all assets, which was targeted to be achieved before the end of the 2023/24 financial year.

As such, the accounts of 3 Rivers Developments Ltd were completed on a basis other than going concern. This was highlighted in an Emphasis of matter by their auditor, Simpkins Edwards. The audit opinion was that the financial statements gave true and fair view and were fully compliant with UK GAAP and the requirements of the Companies Act 2006.

Post Balance Sheet Event – Note 59

3 Rivers Developments Limited

On 6 September 2023, Mid Devon District Council (the company's 100% parent) agreed to "soft close" the company, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full.

Mid Devon District Council has therefore undertaken a review to assess whether any amendments are required to either the Council's single entity accounts or the Group accounts. Clearly, this means that the company can no longer be considered a going concern. However, for the single entity, this does not alter the going concern status as it holds sufficient balances to mitigate the impact of the impairments.

The assessment of the impairments required to the loans to 3Rivers as at 31 March 2023 included within the accounts is £4.527m based on a net realisable value for the sale of St George's Court, the estimated value of the land held at Knowle Lane, the value of the costs incurred in seeking planning permission on Park Nursery and the forecast unrecoverable Working Capital given the company is no longer permitted to undertake new developments. The final loan impairments required in closing the company will be included within the 2023/24 Accounts. This is estimated to be c£1.5m largely relating to Working Capital as the company can no longer pay this loan back through generating profits.

Group Accounts – Note 5 Post Balance Sheet Event

On 6 September 2023, Mid Devon District Council (the company's 100% parent) agreed to "soft close" the company. As such, the company's financial statements were

prepared on a basis other than going concern. Clearly, this means that the company can no longer be considered a going concern.

To achieve the “soft close”, all of the assets held by the company will need sold or transferred to Mid Devon District Council. The aim is to complete this by the end of March 2024. This will take the form of St George’s Court being sold to the Housing Revenue Account at an agreed price of £8.15m to enable an over 60’s social housing scheme. Knowle Lane, Cullompton, will be sold to the Council at book value (£3.66m) to be held until such time as development is permitted within Cullompton. A decision can then be taken as to the most appropriate use for the site. Any unsold units at Hadden Heights, Bampton, will be bought by the Council at the marketed price (£3.135m) and continue to be marketed for sale. The investment property will also be bought by the Council at book value (£180k). Finally, any outstanding balance on the Working Capital Loan will be written off (c£400k). Once all assets / liabilities are settled, the company will enter a dormant period of three months before being struck off at Companies House – in line with a voluntary strike off.

Annual Governance Statement – Replacement Section 2

2. Significant operational event’s in 2022/23

- 2.1. At the end of 2022/23 (as reflected on within the Grant Thornton Value for Money findings), there was a significant change in political control of the organisation. Following an initial approval of the third 3Rivers Business Plan, the Conservative members of the Cabinet resigned when it became clear the Leader intended to remove them. There was a brief period where the Leader was unable to form a Cabinet and thus the Council had no executive governance in place. This resulted in the cancelling of a scheduled Cabinet meeting on the grounds of inquoracy. Subsequently, a call for a vote of no confidence in the Leader was added to the agenda of the meeting of Council on 22 February, and immediately prior to that meeting the Leader resigned. On 22 February 2023, a new leader was appointed, who subsequently formed a new Cabinet formed from independent members.
- 2.2. The 22 February Full Council meeting was also the meeting where the proposed 2023/24 budget was set for approval. The budget was rejected due to the financial implications included in relation to 3Rivers. In the following extraordinary Cabinet and Full Council meetings, the 3Rivers Business Plan was subsequently rejected and removed from the budget to be replaced by a draw from General Reserves, which were to be replenished during the year.

- 2.3. On 4 May 2023, the District Election took place. This delivered further significant change in the political structure of the council, moving from no overall control to heavily weighted to Liberal Democrat who duly formed a cabinet.
- 2.4. On 6 September 2023, Mid Devon District Council (the company's 100% parent) agreed to "soft close" the company, with all assets being realised and a commitment to paying all contractors, suppliers and tradesmen in full.
- 2.5. The 2022/23 Annual Governance Statement remained in draft until April 2024 as the Accounts for that year had not yet been audited. Following the decision to soft close the company, the accounts of 3 Rivers Developments Ltd were completed on a basis other than going concern. This required the company to amend its impairments of work in progress. The company's accounts were submitted for audit in January 2024 and the audit completed in March. Other than to include an "Emphasis of matter" highlighting the accounts were completed on a basis other than going concern, the independent auditor made no further findings.
- 2.6. The 2022/23 Value for Money opinion was considered by the Audit Committee on 26 March 2024. It identified two significant weakness in arrangements:
 - The first was in relation to governance and the impact that debate on the 3 Rivers Developments Limited's business plan and the impact that had on the 2023/24 budget setting process; and
 - The second was in relation to the council not exercising its shareholder role effectively.

No significant weaknesses were noted in relation to financial sustainability.