



## CABINET REPORT

<b>Report Title</b>	<b>Executive Approval for loan to Northamptonshire County Cricket Club</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	21 <sup>st</sup> October 2015
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Chief Executive
<b>Accountable Cabinet Member:</b>	Leader of the Council – Cllr Mary Markham
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 The purpose of this report is to seek the authority of Cabinet to support Northamptonshire County Cricket Club (“NCCC”), working with the County Council and the England and Wales Cricket Board (“the ECB”), through the provision of a secured loan.
- 1.2 This secured loan would allow NCCC to implement a new financially sustainable business plan.

### 2. Recommendations

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- 2.1 That Cabinet approve the principle of providing a secured loan to NCCC.
- 2.2 That Cabinet delegates to the Chief Executive the authority, in consultation with the Chief Finance Officer and the Leader of the Council, to approve the amounts, up to a maximum of £250,000, and terms of any loan finance arrangements on a basis that takes into full account the matters set out at 3.2 of this report.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 This Council wishes to support NCCC. It has sought to work with the club to ensure that it can continue to deliver County Cricket in the town. NCCC have indicated that they would like to take out a secured loan from the Council to allow them to do this.
- 3.1.2 The loan would initially comprise an amount of up to £100,000, but NCCC would have the facility to borrow an additional £150,000 on top of this if required, giving a maximum loan value of £250,000. Interest payments would be factored into the agreement so the cost would be cost neutral for the Council.
- 3.1.3 The Council's secured loan to NCCC would be one element of financial support for the club. Other elements of financial support are to be provided by other parties.
- 3.1.4 NCCC have provided a business plan to demonstrate how they intend to become a financially sustainable business. This business plan shows how NCCC will return to a position where they are able to repay the secured loan to the council within three to five years.

#### **3.2 Issues**

- 3.2.1 The Council would need to ensure that it is satisfied, before advancing funding to NCCC, that:
- i. There would be no net initial or later costs to the Council of setting up, administering and servicing any borrowing it in turn makes, whether via the Public Works Loan Board or from any other external source, to in turn provide loan finance to NCCC.
  - ii. There is sufficient tangible security offered by NCCC to the Council from the time of taking loan finance until full repayment is made. This security may be through the Council being granted a legal charge on the County Ground and/or other NCCC property assets.
  - iii. The length of the loan and its repayment are linked to NCCC's business plan. NCCC should be able to generate sufficient income to service the debt and be in a position to be able to fully repay the debt by the end of the loan period.
- 3.2.2 The potential issues associated with "State Aid" within European law would need to be properly considered.

#### **3.3 Choices (Options)**

- 3.3.1 This Council could choose not to make loan finance available to NCCC. This would avoid or limit any financial risk being taken by the Council.

3.3.2 This Council could choose to make loan finance available to NCCC on suitable, prudent terms to protect the position of this Council and NCCC.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 There are no policy implications arising from this report.

### **4.2 Resources and Risk**

#### **4.2.1 *Treasury Strategy:***

4.2.2.1 The Council's Treasury Strategy 2015/16 provides for the Council to make grants or loans to third parties under the Localism Act 2011. The Localism Act 2011 gives local authorities a general power of competence to act in the same manner as any other legal person, except where those powers are specifically limited by statute.

4.2.2.2 Officers will ensure that any loans to or investments in third parties comply with legislative requirements. Loans of this nature must be approved by Cabinet.

4.2.2.3 The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan to a third party.

4.2.2.4 Recipients of this type of investment are unlikely to be a financial institution and therefore unlikely to be subject to a credit rating. In order to ensure security of the Authority's capital, extensive financial due diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. Where it is deemed necessary, additional guarantees will be sought. This may be via security against assets and/or through guarantees from a parent company.

4.2.2.4 In the event that the loan to NCCC is funded by borrowing, this can be accommodated in the Council's existing headroom under its affordable borrowing limit.

4.2.2 **Revenue:** If the Council was to provide loan finance to NCCC it would need to ensure that this was provided in such a way so as to marry with the timing and extent of revenue impacts on the Council, arising from any external borrowing that it needed to make to fund this.

4.2.3 **Risk:** The security provided by NCCC for any loan finance provided to them would need to be sufficient to ensure that the Council was not exposed to the risk of default. Without such security being in place, the consequential ongoing

revenue liabilities of the Council servicing debt as a result could negatively affect delivery of other services to the public.

### **4.3 Legal**

4.3.1 Local authorities have wide powers to provide this type of support under General Powers of Competence under the Localism Act 2011. The making of loans would be permissible, subject to any statutory financial services or similar regulations that may be relevant. The fiduciary duty of the Council to the tax payer would require that there should be sufficiently robust arrangements concerning the repayment of any loans provided and adequate tangible security in place to cover the position in the event of default.

4.3.2 The Council would need to comply with EU law in relation to “State Aid”. Any loan would therefore need to be structured to be fully compliant with the State Aid rules.

### **4.4 Equality and Health**

4.4.1 There are none specifically.

### **4.5 Consultees (Internal and External)**

4.5.1 Internal Departments, LGSS Finance.

4.5.2 Northamptonshire County Cricket Club.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The proposals above would support the stated commitment of the Council to actively support the town’s sports clubs.

### **4.7 Other Implications**

4.7.1 There are none specifically.

## **5. Background Papers**

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5.1 NCCC business plan (confidential).

**David Kennedy, Chief Executive**  
**Glenn Hammons, Chief Finance Officer**