



## CABINET REPORT

<b>Report Title</b>	<b>UPDATE ON RECOVERY OF SIXFIELDS LOAN MONEY</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	13 <sup>th</sup> July 2016
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Borough Secretary and Finance
<b>Accountable Cabinet Member:</b>	Councillor Markham
<b>Ward(s)</b>	St James

### **1. Purpose**

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- 1.1 The purpose of this report is to provide an update on steps that have been taken to recover the Sixfields loan money, and to request that further reserves be made available to continue the recovery of these monies.

### **2. Recommendations**

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2.1 That approval is given to:

1. Transfer upto £500,000 from the Future Pressures Earmarked Reserve for professional fees to continue the recovery of monies lent to Northampton Town Football Club (NTFC).

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

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#### **3.1 Report Background**

- 3.1.1 At its meeting on 24<sup>th</sup> November 2015, Cabinet was updated on progress towards resolving the position with regards to loans outstanding to NTFC. At this meeting Cabinet agreed to use existing budgets and reserves (if required) to finance the additional costs of resolving the position and attempting to recover the loan monies.
- 3.1.2 The Cabinet Report estimated that the cost of the initial professional fees from legal and financial experts would be £200k, and that the costs associated with the recovery of monies would be £250k. This amount of £450k has now been spent or committed on the activity outlined below.
- 3.1.3 On-going work has included:
- The cancelling of the loans and the land agreement following non-payment of monies due under the loan facility;
  - The use of specialist administration and insolvency advice, prior to the sale of NTFC;
  - The recovery phase, including forensic accounting on the NTFC records, the issuing of injunctions and commencement of proceedings against the individuals and companies concerned;
  - Liquidation of 1<sup>st</sup> Land Ltd and related parties.

#### **3.2 Issues**

- 3.2.1 The work to date has been successful in establishing a firm position from which the Council can continue its work to recover monies.
- 3.2.2 However, further monies will be required to continue with this recovery. It is estimated that an additional amount of up to £500k will be required for this. It is requested that this additional money be made available from existing reserves, specifically the Future Pressures Earmarked Reserve.
- 3.2.3 To ensure the costs of the recovery of the loan monies and liquidation of 1<sup>st</sup> Land Limited are minimised the Council will continue to utilise a mix of external and internal professional advice. The Council is also using Conditional Fee Arrangements, colloquially known as “no win no fee arrangements” to risk share on certain recovery streams.

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

- 3.3.1 Not commit any further resources to the attempted recovery of the loan monies.
- 3.3.2 Set aside a further amount from reserves to allow the attempted recovery of the loan money to continue.

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

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### **4.1 Policy**

4.1.1 No policy implications

### **4.2 Resources and Risk**

#### Financial Implications.

4.2.1 By continuing to fund the attempted recovery of monies, the Council will retain the potential to recover, in total or in part, the monies that were lent to NTFC and passed on to third parties.

4.2.2 These costs are anticipated to be funded through reserves on a temporary basis. It is intended, as mentioned in the Cabinet report on 24<sup>th</sup> November 2015 that these costs will ultimately be recovered through either the recovery of monies from the individuals and companies concerned, and/or the sale of the development land at Sixfields.

4.2.3 Throughout this process it is important that the Council ensures that the money being spent on the attempted recovery is obtaining value for money. It is therefore important to balance the potential recovery of the monies for the taxpayer with the amount being spent on that recovery. This value for money position is being regularly monitored.

#### Risks

4.2.4 There is a litigation risk – any actions taken are subject to legal process, and there can be no guarantee of the successful recovery of the monies. There is therefore a risk that the Council will be unable to trace or recover, in total or in part, monies that were lent to NTFC and passed on to third parties. However, litigation risks will be minimised so far as possible and will be considered continuously through the recovery process.

### **4.3 Legal**

4.3.1 All legal issues are covered in the body of this report.

### **4.4 Equality and Health**

4.4.1 No particular implications have been identified.

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

4.5.1 The Leader of the Council, Executive Members and Officers are being consulted at all stages of this work.

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

4.6.1 The intention of this work is to protect the public purse.

## **4.7 Other Implications**

4.7.1 None

## **5. Background Papers**

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5.1 Report to Cabinet meeting of 24<sup>th</sup> November 2015

**Glenn Hammons  
Chief Finance Officer**

**Francis Fernandes  
Borough Secretary**