



**NORTHAMPTON**  
BOROUGH COUNCIL

**CABINET REPORT**

<b>Report Title</b>	<b>Final draft Action Plan for the Report in the Public Interest regarding the Council's loans to Northampton Town Football Club (accounts for the year ended 31 March 2016) and</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	24 <sup>th</sup> March 2021
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorates:</b>	Chief Executive
<b>Accountable Cabinet Member:</b>	Cllr Jonathan Nunn, Leader of the Council
<b>Ward(s)</b>	All

## **1. Purpose**

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Full Council considered the KPMG Report in the Public Interest (Public Interest Report – PIR) dated 27<sup>th</sup> January 2021 at its meeting on 22<sup>nd</sup> February 2021. This meeting accepted the report and recommendations and approved the initial Draft Action Plan addressing the recommendation made in the PIR regarding the Council's loans to Northampton Town Football Club (NTFC) (accounts for the year ended 31 March 2016). This Cabinet report attaches a final draft Action Plan which reflects and addresses issues arising from the consultation undertaken with West Northamptonshire Shadow Authority.

West Northamptonshire Shadow Authority, will be considering the final draft Action Plan at their Shadow Executive meeting on the 23<sup>rd</sup> March 2021 which reflects the consultation undertaken. It recommends that the Shadow Executive Committee:

- a) Approves that the draft action plan is developed with more detail such as timings, and then brought back to a future meeting of West Northamptonshire Council's Cabinet for final approval.

It is now recommended, following feedback from West Northamptonshire Shadow Authority, and the report going to their Shadow Executive, that the final draft Action Plan is agreed by Cabinet and, for completeness, is then forwarded to West Northamptonshire Shadow Authority to allow the successor authority West Northamptonshire Council (WNC) to consider the future actions and determine them as it sees fit.

## **2. Recommendations**

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It is recommended that Cabinet agrees to:

- 2.1 Accept the final draft Action Plan following the Report in the Public Interest (“the Report”) regarding the Council’s loans to Northampton Town Football Club (NTFC) (accounts for the year ended 31 March 2016), and
- 2.2 Forward the final draft Action Plan following this meeting to West Northamptonshire Shadow Authority to allow the successor authority (West Northamptonshire Council) to consider the future actions and how this is managed and reported on, through its own governance processes and determine them as it sees fit
- 2.3 Notes that relevant notices will be published and consultations with the external auditor will be undertaken in accordance with the requirements of the Audit and Accountability Act 2014

## **3. Issues and Choices**

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### **3.1 Report Background**

- 3.1.1 NBC fully recognises the serious nature of The Report issued on the 27<sup>th</sup> January 2021 by KPMG, the Councils former External Auditors. At the Council meeting on 22<sup>nd</sup> February 2021 it accepted the findings, conclusions and recommendations of the external auditor’s report into the governance arrangements at the time, in respect of the loan to Northampton Town Football Club (NTFC).
- 3.1.2 The Council is required under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 to consider the recommendations of The Report and decide what action to take in response. It is also essential that all decisions made by the Council with regard to its governance arrangements are taken in full cognisance of the report’s findings and recommendations.
- 3.1.3 In the course of 2015/16 Northampton Town Football Club (NTFC) defaulted on loans made to it by NBC in 2013 and 2014. In light of this, NBC’s Audit Committee asked its own Internal Auditors (PWC) to conduct a review into the provision of the loans to NTFC. The review’s focus was to provide the Audit Committee with an assessment as to whether the relevant Council policies and procedures to support the loans were adequate and whether the policies were followed in these transactions.

- 3.1.4 The findings of the Internal Audit review were fully acknowledged and accepted by officers at the time and a Governance Action Plan was developed and implemented to address the specific issues raised in the Internal Audit report. Updates were also reported regularly to the Audit Committee. The outcomes of this were used to help shape the initial draft Action Plan that was presented to Council on the 22<sup>nd</sup> February.
- 3.1.5 Since the Council report of the 22<sup>nd</sup> February further work has been undertaken reviewing the Governance Action Plan alongside actions that NBC has undertaken through regular internal audits. The review has highlighted a number of further improvements the council has made linked to the PIR recommendations including:
- There is a clear delegated decisions process in place that was strengthened following the update of the Constitution in 2018. The Democratic Services delegations were audited by PWC in March 2018 which resulted in greater control of the approvals of delegated decisions.
  - A revised Member/Officer protocol has also been approved in 2020 on the back of an audit carried out in December 2018, which includes implementation of a process to make formal decision reports clearer should a situation arise where a political decision runs contrary to professional Officer advice.
  - There have been a number of Cabinet reports requiring decision that have been delayed due to new information being received or felt to be needed.
- 3.1.6 NBC received this Report in the Public Interest on 27 January 2021 less than 3 months before it will cease to exist due to Local Government Re-organisation. Therefore, whilst NBC takes this matter very seriously there is a limit to the extent that it can respond. NBC has however complied with the requirements of the Audit and Accountability Act 2014 and has further taken the key step that it is required to take - to share the Report and the auditor's concerns with West Northamptonshire Shadow Authority.
- 3.1.7 The draft Action Plan that was presented to Council has since been consulted on with West Northamptonshire Shadow Authority, through its officers and Executive Members.
- 3.1.8 West Northamptonshire Shadow Authority, will be considering the final draft Action Plan at their Shadow Executive meeting on the 23<sup>rd</sup> March 2021 which reflects the consultation undertaken. It recommends that the Shadow Executive Committee:
- a) Approves that the draft action plan is developed with more detail such as timings, and then brought back to a future meeting of WNC's Cabinet for final approval.
- 3.1.9 It is now recommended, following feedback from West Northamptonshire Shadow Authority, and the report going to their Shadow Executive, that the final

draft Action Plan is agreed by Cabinet and, for completeness, is then forwarded to West Northamptonshire Shadow Authority to allow the successor authority West Northamptonshire Council(WNC) to consider the future actions and determine them as it sees fit.

3.1.10 Alongside the consultation, the Chief Executive, has since the Council meeting on 22<sup>nd</sup> February 2021, kept the authors of The Report KPMG informed of progress and also its current External Auditor, EY. Similarly, updates on the status of The Report and NBC's actions thus far have been shared with the Local Government Association (LGA) and the Ministry for Housing, Communities and Local Government (MHCLG). A final status update will be provided to all organisations detailed in 3.1.10 after the Cabinet meeting.

### **3.2 Issues**

3.2.1 Accountability for the delivery of the report and Action Plan (once agreed) will, until 31 March 2021, be with the Leader of the Council and the Chief Executive Officer. From 1 April 2021 responsibility for the Action Plan will rest with WNC and it will determine how this is managed and reported on through its governance processes, including the engagement of external auditors, both past and present.

### **3.3 Other options considered in making recommendations**

3.3.1 In February 2021, Council noted the circumstances and timing of the Report and the progress in addressing the recommendations by NBC will be limited by Local Government Re-organisation. Therefore, in discussions with West Northamptonshire Shadow Authority it was agreed the approach outlined in this report and the Council report of 22<sup>nd</sup> February 2021 would be undertaken.

### **3.4 Choices (Options)**

3.4.1 Full Council has considered and agreed the recommendations of the external auditor and as such has complied with the Council's obligation under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The attached final draft Action Plan contains feedback following consultation with West Northamptonshire Shadow Authority. Cabinet is recommended to agree to send the adjusted Action Plan to WNC.

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

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### **4.1 Policy**

4.1.1 There are no immediate changes to Policy arising from this report. Any changes required to address the recommendations, resulting from the agreed final Action Plan will be taken by WNC through its governance arrangements.

## **4.2 Resources and Risk**

### **Resources and risk**

- 4.2.1 The recommendations may prove useful to WNC as a check and balance of its governance arrangements going forward post Vesting Day.
- 4.2.2 There may be costs for WNC with implementing the recommendations. At the time of publishing this report these costs are unknown. Any update regarding any associated costs will be considered by WNC as the successor authority, for consideration and approval.
- 4.2.3 The costs associated with this objection to the accounts of NBC and subsequent report are currently £201,970 in respect of the Auditor Fees and legal advice.

### **Legal**

- 4.2.4 Under the provisions of the Act, NBC is on receipt of a Public Interest Report, required to publish the report and recommendations as soon as practicable, consider it at a meeting of the authority within one month, decide what action it will take in response to the report and publish a summary of that decision following approval by the External Auditor. Full Council approved the PIR and Recommendations on 22nd February 2021.
- 4.2.5 At the meeting on the 22<sup>nd</sup> February 2021 the Council had to decide whether the Report was accepted along with the recommendations. It also had to decide what action to take in response to the Report and its recommendations. The recommendations and proposed actions by the Council were agreed at the meeting on the 22<sup>nd</sup> February 2021.
- 4.2.6 The function related to the consideration and acceptance of the PIR and Recommendations is a Full Council function. Section 7 of Schedule 7 of The Local Audit and Accountability Act 2014 makes it clear that this function is not one which can be delegated to the Executive (Cabinet). However, given the need to consult West Northamptonshire Shadow Authority and the authority which will be responsible for implementing many of the actions in the Action Plan, this activity was undertaken following the Full Council meeting on 22<sup>nd</sup> February 2021. After considering the Report and its response to it, the Council must notify the external auditor of its decisions, and publish a notice containing a summary of those decisions which has been approved by the external auditor. This will be actioned following the Cabinet decision of the 24<sup>th</sup> March 2021.

### **4.2.7 Equality**

- 4.2.8 There has not been an equality impact assessment of this final draft Action Plan. However, each of the individual actions included in the draft Action Plan will be considered in due course by the successor authority, WNC, as it's taken through its own governance processes.

## **4.3 Consultees (internal and external)**

- 4.3.4 Internally - Corporate Management Board and Cabinet Members.
- 4.3.5 Externally - West Northamptonshire Shadow Authority.

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

- 4.5.1 This report will contribute to the priority corporate outcomes of:
- Exceptional Services to be proud of:
    - o Using public resources effectively
    - o Improving our governance

#### **5. Background Papers**

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- 5.1 Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014.
- 5.2 PWC Internal Audit Report – November 2016
- 5.3 Northampton Borough Council: Report in the public interest regarding the Council's loans to Northampton Town Football Club (accounts for the year ended 31 March 2016)
- 5.4 Governance Action Plan 2016

Appendices

**Appendix 1** – Final Draft Action Plan

**George Candler, Chief Executive**