

## Appendix three

Covering reply above incorporating questions originally posed.

**Txt document arising from scanning Cllr. Adje's document and inserting original questions.**

Dear Mr Walklate and Ms Parker

Thank you for your correspondence and enclosures. It is not clear from the points in your correspondence or from the minutes of the Board what the objective of this further investigation is. Is it to ascertain why Keith Holder and or David Loudfoot failed to refer back to the Board or myself as the then Chair before the changes were applied to the licence and without seeking legal opinion and further approval? If that is the case, then I understand, as this is the crux of the matter as far as I am concerned. I would however like this point clarified.

Whilst I do not have much to add to what I have already said in my letter to the Ham & High and my statement at the Council meeting, I will endeavour to answer some of the points raised in your correspondence as far as I can remember and attach both documents and a copy of an email from Andrew Travers dated 12th February 2007. I hope you find its contents useful especially in relation to the points made by both Mr Tarpey, the observer at meetings for so many years, and Nigel Willmott, former Chair of the Board in relation to Keith Holder's knowledge, experience and role as recorded in the minutes.

Keith Holder was held in high regard and everyone at the time felt that the deal would collapse without his expert knowledge and experience of having run the place for so many years - he had also been driving the development and transfer process. It is against this backdrop that the Board at the time resolved not to terminate Keith Holder's services and requested that he should be retained as a consultant and to train and provide support to David Loudfoot.

Now I turn to your questions;

1. Can you confirm that you attended a meeting between 'Kassam' the General Manager and yourself on Wednesday 11<sup>th</sup> April 2007?
  - What was the purpose of that meeting?
  - Were any notes of the meeting retained?
  - What decisions were reached?
  - What would you summarise as the outcome of that meeting?

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I believe this meeting did take place and notes were as usual taken by Keith Holder. On this occasion, I believe it was to discuss secondment of staff and Kassam's proposals for running the Palace. I can confirm KH took notes of all our meetings but did not produce them. The outcome was that KH and Kassam would continue and finalise matters.

2. Can you confirm that you had subsequent telephone discussions with 'Kassam' over the weekend of the 13/14<sup>th</sup> April 2007?
- Who initiated these phone calls and what was there purpose?
  - What decisions, if any, were reached?
  - What would you summarise as the outcome of those telephone discussions.

I seldom received calls from Kassam. Keith would normally phone me if there were any issues. Kassam did phone to confirm the discussion he had with KH about the Licence. We concluded that I would check with KH.

3. Can you confirm that you had discussions with 'Ormrod' on Monday 16<sup>th</sup> April 2007?
- What was the purpose of that discussion?
  - Were any notes of the discussion retained?
  - What decisions were reached?
  - What would you summarise as the outcome of that discussion?

I can confirm that I met and had discussions with Sean Ormrod on Monday 16<sup>th</sup> April as well as with the marketing staff who filled me into how they were being treated and had been for years. I had had several discussions with Mr Ormrod, KH and David Loudfoot. I was aware that there were issues between them regarding management styles, operational issues and how staffs were treated by KH and DL. I did meet with the staff as stated who felt that they had never been to the third floor of the building unless asked by KH and DL -they had never had staff meetings <EXEMPT 11> . They were grateful for my visit which was the first time ever a member or Chair of the Board had met with them.

4. Were you involved in any of the discussions with the Trust's legal advisors on the 17<sup>th</sup> April 2007?
- What were those discussions?
  - What was the content of their advice?
  - What conclusions were reached?

I do not recall being involved in any discussions with the Trust's legal advisors on 17<sup>th</sup> April regarding the licence.

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5. Did you receive the briefing note (Chairs Briefing Note – April 2007) on the 17<sup>th</sup> April and can you confirm that your email system acknowledged this receipt some minutes later?

I received the note in question.

6. Is the briefing note supplied by Keith Holder (attached) the same as the one you received on the 17<sup>th</sup> April?

I presume so.

7. If so do you accept that the briefing note is clear officer advice that:

(Please respond to each of these in turn)

- 'Kassam' had 'no easy escape' from the transfer arrangement
- That 'Kassam' would be challengeable for non performance if he did withdraw
- That no 'methodology' was available to 'Kassam' which would allow him to 'get out'
- That a possibility existed that the whole 'I want out' scenario might simply be a mechanism to launch an inducement argument
- Caution should be exercised
- That there do not appear to be any grounds for a 'rushed decision'
- That any decision to financially assist 'Kassam' would generate public opposition and that any assistance would have to be restricted to some legitimate expense prior to transfer. This latter course having the danger of non recovery being exposed by the liquidator.
- That the process is on track to deliver and that no further action is necessary at this point other than to keep 'a watchful eye' on progress.

I noted the contents of the note and took no further action bearing in mind that KH and Kassam had discussed matters prior.

8. In your interview you stated that you could not recall having any briefings on the licence. Why did you not feel it was pertinent to raise this briefing at that time?

I confirm that I did not receive any particular briefing/s nor discussions regarding any of the proposed changes to the licence and profit or loss implications.

9. Can you confirm that, following the briefing note, you contacted Keith Holder and 'made it clear' that the arrangements with Firoka were not to be jeopardised?

I did not contact Keith Holder to 'make it clear' to him as stated. Keith later informed me that the licence could be novated along with the staff on secondment for a limited period

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Given APTL's financial position. See his appendix 2 dated 1 August 2007. (I attach a copy of the Written Resolution of the Directors). I wondered at the time why he felt it could now be done. He asked when it should be done by and whether it should be done prior to the Group AGM and I remember saying 'if it can be achieved'. He did not however explain why he changed his mind though.

10. Can you confirm that you had discussions with other senior politicians who had agreed that Firoka could operate on the same basis as the lease? If so, whom?

Yes, Councillor Meehan as Leader of the Council. I checked everything out with him before actioning and prior to informing my Labour colleagues as our objective was to transfer the risks. I believe the Chief Executive was going to telephone Keith following my discussion with Councillor Meehan.

11. Did you brief other Members of the AP&P Board before the meeting on 24 April 07 on the substance of KH's briefing paper to you? or copy/show it to other Board Members?"

No, I did not as KH was now progressing matters contrary to his note.

12. Can you confirm that, at meetings in October and November, you referred to such discussions with politicians accordingly?

This is correct.

13. Keith Holder's briefing note suggests that the Leader of the Council, although aware of the licence arrangement, was not aware that this included the retention of profits

This is also correct. As stated in 8 above, there were no discussions or briefings about profit share or loss percentages.

14. Keith Holder implies that he was instructed to produce the report that went to the Board on 24<sup>th</sup> April 2007. Did you see your discussions with him as an instruction? If not, how would you describe them?

Certainly not. KH advised that it would not be prudent to prepare a full report and that what was needed to progress the secondment and licence was to have a brief outline to the meeting for approval as he felt that the information (within a report) could be leaked as has often been the case.

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15. Did you instruct David Loudfoot and Ken Harington to sign the licence?

No, I did not. In fact, following the Board meeting on 24th April, I cannot recall having any further discussions with officers at the Palace regarding any change/s to the licence or progress. (I was not aware of who signed it or when it was signed as I thought KH was dealing with all matters).

16. Keith Holder agrees that he was present at that meeting? Did he offer any advice to David Loudfoot and/or Ken Harington at that time?

I cannot comment as I was not present at the signing.

17. Keith Holder alleges that the response from Firoka to many of the difficulties in resolving disputes on the licence was that 'Cllr Adje agreed the detail and will confirm our view'. This is clearly contrary to many of the points raised in our interview. Do you continue to maintain that you had no involvement in the detail of the licence either in its composition or in the discussions with Firoka that led to the licence and its terms?

I confirm that I did not have any detailed discussions with Kassam about the Licence nor did I have any involvement in the detail or composition of the Licence. If I did, I would certainly know the details and confirm same but I did not and still do not. I have not seen the licence and do not know what it looked like before or now. Everyone deferred to Keith as the font of all knowledge as far as these matters are concerned. Keith led on all the negotiations. On the issue of the comments by Firoka, I would ask why Keith did not check / corroborate this with me. This is the first I have heard of this statement. I cannot fathom why Keith would suggest that he was instructed or pressurised to complete the Licence by 4th or 5th May when as you both know deadlines can and are often missed. If Keith was having difficulties with Kassam why did he not report back or call me as he often had done? Whenever there had been issues or problems with Kassam, Keith would phone me or ask for a meeting. I would then speak to Cllr Meehan depending on the issue at hand. I received no such calls during the Licence negotiations from either Keith or David Loudfoot.

I would also like to know why, if legal advice or Counsel opinion were sought they were not provided to me or the Board prior to completion. It was Keith who called and advised me to continue as the Chair of APTL after my Group's AGM despite my concern about possible potential conflict. He said that there was no conflict and that it was only for a short period as the transfer to Firoka would soon be complete and the company wound up. He felt it was too much trouble to go through the process of completing forms to change directors and signatures. Just so that you know, Keith did thank me for letting him run the business without any interference. He said he was very grateful and appreciated it. I am very disheartened and disappointed at his current stance. I feel rather let down.

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APPENDIX 16

From: Young Stuart <Stuart.Young@haringey.gov.uk>  
Subject: **RE: Employment - Keith Holder and David Loudfoot**  
Date: 29 April 2010 17:12:00 GMT+01:00  
To: 'Martin Walklate' <martin.walklate@ntlworld.com>  
Cc: Mitchison Terence <Terence.Mitchison@haringey.gov.uk>

Martin,

Apologies for the delay in response.

I have re-read the appointment documentation and thought about the process that was followed.

I recall that David Loudfoot undertook a comprehensive set of assessment exercises arranged by me using the services of Reed. The results of the assessment were fed to the interview panel with areas for them to probe. I recall that they used this information to supplement a dozen or so questions. The panels' recommendation having determined Mr Loudfoot as their preferred candidate was considered by the full Board. In this respect Mr Loudfoot's appointment was in the hands of a number of Members and ultimately at the discretion of the entire Board. For a single Member to have exerted undue influence would have been challenging & Mr Loudfoot would have been fully aware of this. In addition, I did not at any time see or sense any indication of any assessment or determination in regard to Mr Loudfoot's appointment that was not merited by the information in front of the appointment panel.

Keith Holder was the subject of a contract termination and subsequent re-engagement under a contract for services. The reasons for the change in engagement was made clear in the exempt report to the Board. The Board received advice from the Council's legal advisers in the report and heard from their own adviser at the meeting. The Council's section 151 officer provided comments also. I was clear at the time that the desire of the Board to retain Mr Holder's services after his post became redundancy was motivated by a wish to make use of his knowledge of the Palace and its business during a period of potential change. My overall view of their decision was that they had valued his advice and experience and wished to retain access for a period whilst the business model of the Palace developed. I recall that this was the view of a number of Members of the Board. I cannot see how any single Member would have been able to overly influence this position.

So in conclusion I can see no reason to assert that Cllr Adje either did or would have had the ability to motivate either person to act in a particular manner on the subject of the License to Operate granted to Firoka by using their employment status.

I trust that this response is of use, please contact me if you require further clarification.

Stuart Young  
Assistant Chief Executive  
People & OD  
London Borough of Haringey  
020 8489 3174

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-----Original Message-----

From: Martin Walklate [mailto:martin.walklate@ntlworld.com]

Sent: 29 April 2010 14:48

To: Young Stuart

Cc: Mitchison Terence

Subject: Employment - Keith Holder and David Loudfoot

Stuart

I am in the closing stages of completing my investigation and report into the complaint under the Members' code of conduct against Councillor Charles Adje.

I sent an enquiry to you on the issue of the appointment of David Loudfoot as General Manager of the Alexandra Palace in April 2007 and the consultancy agreement with Keith Holder at around the same date.

Whilst I intend to discount this area of the complaint I do need a reply from you to my email of the 26th March 2010 which was forwarded to you by Diana St Hilaire and which actioned the associated documents sent to you by Terence Mitchison a few days later.

If I can assist you in any way in the production of a reply that I can use in the report please dont hesitate to contact me.

A copy of my original note to you is attached.

with best wishes

Martin

Martin Walklate  
martin.walklate@ntlworld.com

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Mr. Keith Holder

It is not the intention of these notes to provide a verbatim record of the conversation that took place. It is a note of the meeting and seeks to record the salient points relating to the matter under review. Beyond the interview, the notes are developed in an iterative process until a record of the events surrounding the development of the licence is agreed.

#### General

Mr Holder began the interview by helpfully providing a detailed history of the issues leading to the work with Firoka. This included the development of the tendering process, the difficulties with the Local Authority and the work with the Charity Commission. Mr. Holder provided a letter as example of the difficulties that had been faced and this will be appended to the main report.

*This section of the discussion seeks to find out more about the roles and responsibilities of the individual and to gain clarification of their reporting chains.*

#### How long have you been in your present role?

Keith was employed as General Manager to the Trust from 1996 to 30th April 2007. Following the incorporation of APTL in 1999 and to which all non-primary activities were transferred, all responsibility for these activities transferred to the newly appointed managing director and Keith's role of managing the charity reduced to part time of approximately 3 days per week. By March 2004 the directors of APTL were disappointed with the performance of APTL and the managing director was summarily dismissed. Keith was asked to take over the managing director role in the interim and pending the transfer of the asset. An entirely separate contract of employment was entered into with effect from April 2004. The contract covering the two remaining days of the working week was at a nominal salary without any pension or holiday provision. The contract ended in March 2007 in preparation for the final transfer of the asset and business to the Firoka Group. From the 1<sup>st</sup> May 2007 he became a consultant to the Trust under a contract for service and works three days per week in that role.

#### How have you been made aware of the limitations of that role with regard to your ability to commit the organisation(s) resources and to incur liabilities?

In regard to the company, Keith had the duties of the managing director as described in his job description and contract of employment. The emphasis in this role was to maximise profit for covenanting back to the charity. The reporting arrangements and meetings were less formal. His powers in regard to the Trust were described by his job description and contract and these were closely allied to Local Authority conditions and arrangements.

#### To whom do you report and how does this take place?

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In the case of the company Keith reported to the Board of Directors. In the case of the Trust he reports to the Trust Board. He maintained a working relationship with the Chair of the Trust.

**Did you have direct reports to your role?**

In regard to the Trust, Keith had the facilities manager and the ice rink manager reporting to him. In the case of the company a number of direct reports existed including finance, events and marketing, catering etc.

**The trading position**

**This section of the discussion seeks to clarify the trading situation at the time of the licence preparation and agreement in order to assess the main drivers for the development of this licence.**

Could you clarify for me the differing roles and responsibilities for trading between the trust and the company?

Keith outlined the tax situation for charities and the difficulties that this caused for non primary purpose trading. He explained that the Trust had responsibility for the buildings and its infrastructure as well as management of the Ice Rink. The company existed solely for the purpose of delivering the non-primary purpose trading and its profits were returned to the Trust by a formalised gift aid arrangement.

**Prior to the agreement of the licence with Firoka (Alexandra Palace) Ltd what did you understand to be the trading situation within the company?**

The trading situation, and in particular its achievement of net income, had deteriorated in the previous years prior to Keith undertaking the two day role with the company. It was this and the lower "conversion to profit" rate which lead to the removal of the previous Managing director.

The forward trading position for May/July of 2007 showed an order book of £245,000 as compared with £1,250,000+ for the same quarter of the previous year. Keith explained that it is the nature of the exhibition and event business that large contracts are in place at least five to six months in advance and consequently there was no likely prospect of the financial situation materially improving. On this basis it was realistic to be concerned that the company would not be trading solvently. The directors would not therefore be able to give the statutory declaration of solvency required for the members voluntary liquidation process to the liquidator when appointed at end of July.

**A report produced on the 24<sup>th</sup> April to the Trust states that the order book was 'thin'. What is meant by this statement and how does this trading position differ from other times and previous years?**

As above

The grant of the licence would assist with that commitment. It would also ensure that the company directors did not trade illegally (resulting from potential insolvency) and it transferred the trading risk.

In response to supplemental questions, Keith explained that the 'risk' arose from the very tight margins that existed in most of the contracts envisaged during that period. Experience indicated that contribution to overheads from such events may be as low as under 7% of gross income and that this could easily be absorbed by part three costs.

**In correspondence I have seen it is suggested that the licence needed to be completed by the 15<sup>th</sup> May. What was the reason for this deadline/urgency?**

A group meeting of the Labour Group was to take place around this date and the Chair wished to confirm to his fellow members that the matter had been settled by this date.

**Did you prepare or contribute towards any background papers or briefings relating to that licence development?**

Keith prepared the tabled report that went to the Trustees on the 24<sup>th</sup> April 2007. He confirmed that no other papers were produced for the board of trustees. The board of directors had been provided with a report and written resolutions which evolved from that report were signed by the majority of the directors.

**Either for;**

**Other company officers/directors**

**The Board either as an entity or for individual trustees**

**Local Authority Officers**

**Local Authority Members**

**Legal advisors**

**Did you seek briefings from either Iain Harris or Ken Harrington to allow you to understand the full consequences of the granting of the licence?**

No. The advice of Iain Harris was that the functions could be transferred. He received advice from Laurie Heller. Ken Harrington was the company secretary at that time but his experience and understanding did not appear to cover the circumstances here.

**Could you assist me in drawing up a notional understanding of the financial consequences of the licence?**

As Keith had stated earlier, the objective was to place Firoka in as close a trading position as was possible to that which would be experienced following the enactment of the lease. It was not possible to achieve this in regard to the buildings or staffing.

Keith clarified that the costs incurred by the Firoka were those which directly arose from trading such as catering, casual labour, marketing etc. The costs retained by the company and

**Why was this 'thin' trading position the case and what led you to believe that it would continue?**

As above

When, if ever, was the trading company involved in formal discussion considering its financial position and the consequent advantages of pursuing the Firoka licence route?

The board of directors were continually apprised of the progress with Firoka at their meetings. Concurrently the company secretary was also advising of the perilous state of the finances of APTL and had been doing so for some months. This is a matter of record in the company's records of meetings. The directors asked for research on the most appropriate route for dissolution of the company once the lease had been completed. Advice was initially taken from Bates, Wells and Braithwaite. On the basis of this initial advice the insolvency partner at the auditors, Deloitte and Touche was contacted and further advice taken. At that stage the member's voluntary liquidation (MVL) route was considered the most appropriate. This required the directors to declare the company was solvent. Any other form of dissolution was not considered acceptable for a variety of reasons.

#### **The Licence to operate with Firoka**

*This section of the discussion seeks to gain general information regarding the licence development, the extent to which decision makers were fully informed and the options considered.*

**When did you first become aware of the need to enter into such a licence?**

The first intimation of a need for a licence took place in April 2007.

**Under whose instruction did the licence development take place?**

Keith authored the licence with the assistance of Laurie Heller and David Loudfoot. He was working to a concept outlined in discussions between his Chair and Firoka that the licence should reflect a situation as close as possible to that which would exist after the lease had been enacted.

**What did you believe was to be achieved by the award of that licence?**

The strategy from the charity perspective had been one of risk transfer since the early 1990's. Arising from discussions between Firoka and his Chair, Keith was aware of the potential for the deal with Firoka to fail given the time that had elapsed since the original tender was submitted. He knew that discussions had taken place between his Chair and Firoka and that offering the opportunity for Firoka to trade in circumstances as closely allied to the lease agreement would be one way of securing Firoka's continued commitment.

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The grant of the licence would assist with that commitment. It would also ensure that the company directors did not trade illegally (resulting from potential insolvency) and it transferred the trading risk.

In response to supplemental questions, Keith explained that the 'risk' arose from the very tight margins that existed in most of the contracts envisaged during that period. Experience indicated that contribution to overheads from such events may be as low as under 7% of gross income and that this could easily be absorbed by part three costs.

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**Local Authority Members**

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No. The advice of Iain Harris was that the functions could be transferred. He received advice from Laurie Heller. Ken Harrington was the company secretary at that time but his experience and understanding did not appear to cover the circumstances here.

**Could you assist me in drawing up a notional understanding of the financial consequences of the licence?**

As Keith had stated earlier, the objective was to place Firoka in as close a trading position as was possible to that which would be experienced following the enactment of the lease. It was not possible to achieve this in regard to the buildings or staffing.

Keith clarified that the costs incurred by the Firoka were those which directly arose from trading such as catering, casual labour, marketing etc. The costs retained by the company and

the Trust were the indirect costs relating to the infrastructure and the cost of designated posts seconded to Firoka for the period the licence was in operation.

The inclusion of the income from the Ice Rink was to compensate for the acceptance by Firoka of risk.

#### **In summary**

##### **Benefit**

Use of the building without rent or payment other than the licence fee

Staffing costs

Ice Rink Income

Any profit arising from trading

##### **Disbenefit**

Risk of loss arising from trading

**Were you involved in any written or verbal communications with Firoka over the content of the licence? If yes, in what respects?**

Keith was in contact with a Firoka director to seek clarity over a number of issues on the licence which had been previously discussed with the Chair including TUPE and Insurance liability. These latter matters were subsequently resolved by David Loudfoot.

**The report of the 24<sup>th</sup> April and subsequent written approval gives authority for the assignment of the existing company licence. What do you understand by this authority?**

Keith saw this as a framework within which to develop the new licence. At the time of the meeting the detail was not known. Keith believed that the Trustees present had been briefed by the Chair as to the strategy to transfer the risk earlier than the lease would allow and that the licence development was following. He was not certain as to whether the Liberal Democrat Members had been similarly briefed but was aware this had happened in the past on other issues.

**Why did the report of the 24<sup>th</sup> April get tabled rather than holding a special meeting on such an important subject.**

The need to move forward quickly against the background of limited income and probable insolvent trading. It would not be appropriate to relay to Firoka the fact that business was diminishing at a time when they were about to take the business over and be granted a lease of the building.

**Similarly, the report gives approval for the development of a management arrangement for the Ice Rink. What is your understanding of the term 'management arrangement' in such circumstances?**

Again, Keith repeated that the intention was to place Firoka in as close as possible a 'post lease' situation.

**The licence was signed by Mr. Loudfoot and Mr. Harrington on the 5<sup>th</sup> May. Were you involved in this decision?**

Keith said he couldn't be but agreed that it was appropriate for Mr Harrington to sign the licence on behalf of the company as he was company secretary and its most senior employee and for Mr. Loudfoot to sign on behalf of the trust as he was, at that time, the General Manager. Indeed his appointment as general manager by a Panel of the board of trustees and the revised duties and responsibilities for the new post were compiled on the basis of the 'post lease' position as described.

**What is your understanding of the powers delegated to these individuals to sign such a licence?**

I expressed to Keith my concern that the authority to sign derived from the decision of the Board on the 24<sup>th</sup> April to assign the APTL license and to seek a management agreement for the Ice Rink and that the licence to operate that was signed materially differed from this situation. It was his view that the licence reflected the requirement of the Trustees, recognised the differing arrangements and relationship that would apply to Firoka and achieved the objectives of the licence as stated earlier in these notes by transferring the immediate risk.

**Following the implementation of the licence in May 2007 what responsibilities did you have for monitoring the implementation of that licence and recognising the financial consequences of that agreement?**

Keith had no direct responsibility in this respect as he was no longer an employee. His new contract for service did not confer any such responsibility. The licence was deemed to run for three months and would continue unless at least one party sought to terminate. At the conclusion of the three months it was known that the Judicial Review application had been made but that the chances of getting leave were low and the chances of success were seen as even lower. The trading position had not improved and in consequence continuing the licence was appropriate.

In the absence of any notification of the on-going deteriorating financial position to the directors it was drawn to the attention of the directors at a meeting in early August at which the new Chair of the Board of trustees was in attendance. No positive action resulted.

Following the Judicial Review judgement, Keith returned from his holiday and was involved in discussions with Politicians and others as to the way forward. He was concerned that the licence should be terminated in order that the substantial income that could be anticipated from the 'darts' event would fall to the company. Advice was given that although a five day notice to terminate was a condition of the license it would be appropriate to give a longer notice period. The licence was terminated in early December and came to an end on 4 January 2008. Even allowing for the longer notice period, it could have been agreed to give notice at an earlier point in November and the financial benefits from the World Darts

Tournament (and possibly two concerts) would have flowed to APTL, enhanced the covenant and reduced the quantum of financial support required.

**Mr. Harris, in response to further correspondence arising from this statement gives advice that the prudent course for the trustees would be to wait until the one month period has expired?**

I explained to Keith that I was awaiting clarification on this issue from Mr. Harris but asked what he felt might be the issue. His view was that although a three month period was available in which a judicial review could be sought, the legal advice received was that if a challenge were to be mounted it would be registered within the first month.

**What discussions were you involved in regarding the actions to be taken following this advice?**

Any delay would have increased anxieties of Firoka further and would not have met the political deadline of the risk transfer by 15<sup>th</sup> May. The issues of solvency remained and so any delay was not seen as productive.

**I understand that Firoka are now claiming additional monies are due as a result of a side agreement. Do any other agreements exist.**

Keith was similarly aware that recent discussions had taken place where monies for staff salaries were being claimed. He felt these must have arisen from the discussions that originally took place between his Chair and Firoka. He was certain that no other document or side agreement existed.

#### **Liaison with the local authority**

***This section seeks to understand the relationship between the Trust and the Authority and the extent to which liaison took place over this matter given that the Authority is a key stakeholder and underwriter of virtually all trust activity.***

**The Memorandum and Articles of Association state that a local authority officer shall be a director of the company. This practice appears to have ceased between 2005 and late 2007? Do you know why this happened and what steps were taken to remedy the position during that time?**

Keith was aware of this provision. Once David Warwick left in 2005 the interim Chief Executive did not see directorship as a priority. This was despite attempts to bring about that interest. He also agreed with David Loudfoot's view that given the company would be liquidated once the lease had been completed any unnecessary change should be avoided.



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**What liaison, if any, took place with the Authority over the development of the licence and its subsequent agreement?**

None other than through the Chair.

**The report of the 24<sup>th</sup> April 2007 had clear financial consequences to the Authority. What steps were taken to ensure that these were evaluated by the Authority and the opportunity for advice to be given accordingly?**

A number of previous discussions and Counsel's opinions had determined that the Trust had different objects to that of the local authority and decisions relating to the trust were to be made by the charity trustees to avoid the obvious conflicts of interest and to comply with Charity Commission rules and requirements. However, a practice had developed whereby local authority officers could proffer views which were not included in reports but considered alongside the main report. The Local Authority Clerk was responsible for the distribution of reports for this purpose. The Chair of the Board of Trustees was dealing with the matter at a high political level.

Given that the report of the 24<sup>th</sup> April was tabled, this process may not have been followed although whether the Clerk had the papers in time for such consideration is not known.

#### **Concluding Remarks**

***This section of the discussion is to allow any other issues to be raised by the interviewee which they would either wish to have taken into context in the report or may add additional understanding and clarity to the review***

Keith was keen throughout the interview to ensure that this very complex issue was not seen simplistically. In discussion it was recognised that had the Firoka withdrawn from the project then the costs of remounting the tender exercise would have been very significant c.£1.25m and that there was no basis to conclude that any future bid would either materialise or offer the benefit that the Firoka submission gave the trustees. Since the original bidding round the costs of building repair and subsequent investment by Firoka would have risen by an estimated £9m from inflationary adjustments alone. It is currently unclear what additional costs the further deterioration in the fabric over the period would bring.