

To: Finance, Resources and Customer Services Policy Board

On: 30 January 2019

Report by: Director of Finance and Resources

Heading: Guarantor for Renfrewshire Leisure Limited

1. Summary

- 1.1 At previous meetings of the General Management and Finance Policy Board (5 December 2011, 3 June 2009 and 4 June 2008) and the predecessor General Management Policy Board (21 March 2007) authorisation was given to the Director of Finance and Resources to sign Guarantees for and on behalf of Renfrewshire Council, such Guarantees relating to sports equipment lease contracts between Renfrewshire Leisure Limited ("RLL") and various leasing companies.
- 1.2 The leases associated with those contracts have expired with the exception of one contract which is due to expire in October 2019.
- 1.3 RLL intends to enter into a further lease contract for new sports equipment which will be used in sports facilities operated by RLL.
- 1.4 RLL engaged UniLink Finance Limited to assist them in seeking an appropriate lessor for this contract. The proposed contract is for a period of four years, with an indicative annual rental payment of £23,532.75 plus VAT, followed by an optional final payment of £14,734 plus VAT for the outright purchase of the equipment at the end of the lease term. The total cost over the four-year period would therefore be around £108,865 plus VAT, with RLL retaining ownership of the equipment on the expiry of the lease. The lessor requires Renfrewshire Council to act as Guarantor to the lease agreement.

- 1.5. The Chief Executive of RLL has therefore requested the Council to provide a Letter of Comfort / Guarantee for this lease contract. The Guarantee offered by Renfrewshire Council would only be called in by the lessor should RLL cease to trade and be unable to repay its liabilities under the lease agreement. RLL has provided satisfactory information which demonstrates that the contractual costs of the lease arrangement detailed at 1.4 above can be met.
- 1.6 Further, the Chief Executive of RLL has requested the Council to accept various obligations relating to the provision of access to the equipment (since it will be sited within Council premises) by the lessor during the term of the lease.
- 1.7 The Council report approved on 15 August 2002 that outlined the transfer of the Council's leisure facilities to RLL highlighted that it was likely that, at some point in the future, the Council would be required to act as Guarantor for RLL in relation to borrowing or capital finance arrangements. The Council agreed to this in principle subject to the satisfactory appraisal by the Director of Finance and Resources.
- 1.8 The Council has the legal powers to act as Guarantor for RLL in the proposed sports lease contract by virtue of Section 15(2) of the Local Government and Planning (Scotland) Act 1982. Delegated approval is sought for the Director of Finance and Resources to sign the Guarantee for and on behalf of the Council.

2. **Recommendations**

- 2.1 It is recommended that the Director of Finance and Resources be authorised to sign a Guarantee for and on behalf of Renfrewshire Council for the sports equipment lease contract, relating to sports equipment between Renfrewshire Leisure Limited and the lessor.
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Implications of the Report

1. **Financial** – As described in the report. The Guarantee by Renfrewshire Council would only be called in by the lessor should Renfrewshire Leisure Limited (“RLL”) cease to trade and be unable to repay its borrowings.
2. **HR & Organisational Development** – none
3. **Community/Council Planning** –
 - Our Renfrewshire is well – The proposed fitness equipment lease contract will provide funding for equipment which will promote health and well-being.
 - Our Renfrewshire is fair – RLL’s charitable objectives are consistent with Renfrewshire Council’s core values, in particular their policies on equal opportunities.
4. **Legal** – It is intended that the Director of Finance and Resources will sign a letter of comfort for and on behalf of Renfrewshire Council that, whilst the finance agreement is in existence, Renfrewshire Council will ensure that at all times RLL will have sufficient funds at its disposal to meet in full its obligations to the lessor as and when due.
5. **Property/Assets** – As described in the report. The sports equipment to which the Guarantee relates will be purchased by RLL at the end of the lease term. During the term of the lease, Renfrewshire Council will permit access to the equipment, as appropriate, by the lessor.
6. **Information Technology** – none
7. **Equality & Human Rights** – The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals’ human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council’s website.
8. **Health & Safety** – none
9. **Procurement** – none

10. **Risk** – There is a risk that, should RLL cease to trade and be unable to repay its borrowings, then Renfrewshire Council would be called in by the lessor to settle any sums outstanding under the terms of the lease. However, Renfrewshire Council will continue to ensure that at all times RLL will have sufficient funds at its disposal to meet in full its obligations to the lessor as and when due.
11. **Privacy Impact** – none
12. **COSLA Policy Position** – none

List of Background Papers

None

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