

Name of decision maker: Corporate Director (Finance & Operations)

Service Areas: Finance & Resources and residents

Title of Decision: For the Council to act as guarantor for Dacorum Sports Trust in relation to the lease of gym equipment.

Decision made and reasons:

Decision:

To approve that the Council act as guarantor for Dacorum Sports Trust in relation to a 5-year lease arrangement with Santander Asset Finance plc, for the provision of replacement gym equipment at the Berkhamsted and Hemel locations.

Reason

Lessors are prepared to offer Dacorum Sports Trust access to lower finance costs for the leasing of gym equipment if the Council acts as a guarantor on behalf of the Trust. The three quotes secured by the Trust for the provision of replacement equipment in its Berkhamsted and Hemel Hempstead sites, demonstrate around a £30k saving over 5 years if the Council acts as guarantor. This is money that can usefully be invested back into the community.

In its capacity as guarantor, the Council is entering into a legal agreement with Santander Asset Finance plc to continue making the contractual lease payments on behalf of the Trust in the event that it should default. The annual cost of the lease is around £80k for five years (£400k in total), payable on an annual basis. In the event of a default by the Trust, the Council would not face punitive charges other than interest costs for delayed payments made to the lessor.

Risks

The Trust's financial plans do not cover the full 5-year period during which the lease obligations will be in place. On this basis, it is difficult to assess the likelihood of default by the Trust over the full term of the lease agreement, and therefore to assess the probability that the Council will be required to assume the payment obligations of this lease at some point in the future.

This risk is mitigated by the structure of the Council's partnership with the Trust. The Council receives regular opportunities to scrutinise the performance of the Trust, as well as retaining an influence commensurate with the contribution it makes to the partnership in the form of assets and grant.

The Council's financial risk exposure will reduce on an annual basis as the Trust reduces the outstanding liability through its lease repayments to Santander. The first payment will be on signing of the lease, which means that within 12 months, two payments will have been made, thereby reducing the Council's exposure by £160k.

Authority

At its meeting of 29 April 2014, Cabinet (minute CA/051/14) delegated authority to the Corporate Director (Finance and Operations), in consultation with the Portfolio Holder for Finance and Resources and the Portfolio Holder for Residents and Regulatory Services, to give approval to the Council acting as guarantor for Sportspace in relation to such loans and/or lease arrangements which Sportspace may wish to enter into for the purpose of developing or improving sports facilities across the Borough.

Reports considered

29 April 2014, Cabinet 'Additional Funding for Sportspace'

Consultees

Cllr Graeme Elliott, Portfolio Holder for Finance & Resources
Cllr Neil Harden, Portfolio Holder for Residents' Services

Steven Baker, Assistant Director (Chief Executive's Unit)

Finance comments:

Contained within the body of the report.

Deputy Monitoring Officer Comments:

The guarantee agreement provides that the Council is the 'primary obligor' in the event that Sportspace default on the lease agreements. This means that if Sportspace default then the Council is immediately liable for any missed payments without the need for Santander to take any legal action against Sportspace for recovery. It is noted that the Council is willing to proceed on this basis due to the mitigation noted in the report and in particular the community benefits that the facilities provide.

S151 Officer Comments:

This is a S151 Officer report.

Officer Signature:

Date: 5 June 2015