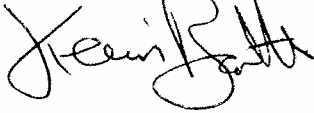


Haringey Council

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| Report for: | Cabinet Procurement Committee 12 th April 2012 | Item number | |
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| Title: | Financing the Leisure Service Fitness Suite Equipment |
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| Report authorised by : | Interim Chief Financial Officer  28 MARCH 2012 |
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| Lead Officer: | Interim Chief Financial Officer kevin.bartle@haringey.gov.uk 020 8489 5972 |
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| Ward(s) affected: ALL | Report for Noting |
|------------------------------|--------------------------|

1. Describe the issue under consideration

- 1.1 To inform the Committee that the Interim Chief Financial Officer has made a decision to alter the financing arrangements for the Leisure Service Fitness Suite equipment pursuant to his delegated authority.

2. Cabinet Member Introduction

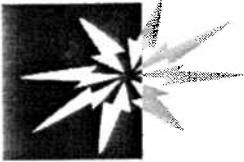
- 2.1 Not applicable.

3. Recommendations

- 3.1 That the report be noted.

4. Other options considered

- 4.1 Financing the equipment through a finance lease was considered.



5. Background information

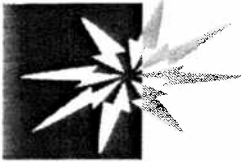
- 5.1 On 3rd February 2011 Cabinet Procurement Committee resolved:
- “That in accordance with Contract Standing Order 11.01 (b) approval be granted to the award of the contract for Fitness Suite Equipment Supply and associated Maintenance and Support Services to Technogym on the terms set out in the Appendix to the interleaved report for a period of five years to be funded via a finance lease arrangement.”
- 5.2 In accordance with section 151 of the Local Government Act 1972, the Chief Financial Officer is responsible for the proper administration of the Council's financial affairs. The Council's Financial Regulations expressly delegate all decisions on borrowing, investment, leasing or financing to the Chief Financial Officer (the Section 151 Officer), who is required to act in accordance with CIPFA's code of practice for Treasury Management.
- 5.3 Pursuant to this delegated authority, the Interim Chief Financial Officer has made the decision to alter the finance arrangements for the Leisure Fitness Suite equipment so that it is funded through borrowing rather than via a finance lease arrangement. The reason for this is that funding it through borrowing will give greater flexibility if the service is externalised. A finance lease cannot be novated to a third party, so entering into a lease for five years removes any flexibility for that period. Given current leasing and borrowing rates, the cost of the two options are broadly similar.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 Entering into a five year finance lease to finance this equipment would restrict the Council's options if the service is externalised. Finance lease providers quote on the basis of the lessee's credit risk and therefore it would not be possible to novate a lease to a third party. Given this lack of flexibility and the fact that current leasing and borrowing rates are broadly similar, I have made the decision that borrowing to finance this equipment will be a better option for the Council than entering into a finance lease.

7. Head of Legal Services and Legal Implications

- 7.1 The Chief Financial Officer is responsible for the proper administration of the Council's financial affairs, pursuant to section 151 Local Government Act 1972.



Haringey Council

7.2 Further, the Council's Constitution expressly delegates all decisions on borrowing, investment, leasing or financing to the Chief Financial Officer (the Section 151 Officer) in its Financial Regulations, at Part 4 Section I, para 7.15.

8. Equalities and Community Cohesion Comments

8.1 Not applicable.

9. Head of Procurement Comments

9.1 This report aims to appraise Cabinet Procurement Committee of a subsequent decision by the Chief Financial Officer to amend the original financing recommendation (5.1 above) from leasing to one of borrowing.

9.2 This change of funding arrangement does not alter in anyway the contract with Technogym to supply the gym equipment; but it does have the effect of keeping open all options for the Council when considering the future of its Leisure Centres.

10. Policy Implications

10.1 None.

11. Use of Appendices

11.1 None.

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

