

**LEASED LEISURE EQUIPMENT BUYOUT****1. INTRODUCTION**

- 1.1 In 2002/3 the Council entered into 4 leases with separate companies for the acquisition of leisure equipment with a combined purchase cost of £344k. The equipment is currently located across all 5 Health and Leisure Centres and Dibden Golf Centre.
- 1.2 The leases have four expiry dates for return of items of equipment in August/September 2007 and August/September 2009.
- 1.3 In situations where the Council is unable to return equipment, or for operational reasons wishes not to do so, the equipment may be purchased from the leasing company at a price notified by them. While the Council uses a third party to negotiate on the given price there is usually limited scope for achieving a significant reduction.
- 1.4 The Director of Resources has suspended Financial Regulations (Reg. no. 2.4), in relation to the lease buy out, to ensure the relevant centres could place their orders with the supplier for their replacement equipment to ensure guaranteed delivery at the most convenient time for them, minimalising disruption to their members.

**2. REASONS FOR RECOMMENDING PURCHASE OF EQUIPMENT**

- 2.1 Lease 1 with an expiry date of August 2007 covers equipment, with a capital cost of £218k, which is utilised at all 6 sites. The lease buyout price is £53,700. All leasing payments have already been made.
- 2.2 Lease 2 with an expiry date of August 2009 covers equipment with a capital cost of £56k. The lease buyout price is £26,900 but this will be offset by savings in leasing payments of £8,650 in both 2007/08 and 2008/09.
- 2.3 Lease 3 with an expiry date of September 2007 relates to lockers at Ringwood H&LC with a capital cost of £13k. The lease buyout price is £3,100. All leasing payments have already been made.
- 2.4 Lease 4 with an expiry date of September 2009 covers gym equipment at New Milton and Totton with a capital cost of £57k. The lease buyout price is £19,900 but this will be offset by savings in leasing payments of £8,670 in both 2007/08 and 2008/09.
- 2.5 It is recommended that all four of the leases are bought out because:

A major refurbishment of the Totton gym is planned for 2007/08 and the existing gym equipment has leases spread over more than of the above with varying return dates.

It would be necessary to replace equipment which is still fully functional and has a foreseeable life expectancy. There will be some resultant savings from a delay in its replacement.

Some of the equipment e.g. lockers are fixed installations and removal will result in enforced closures and damage to building fabric.

The return of the equipment will require the coordination of its removal and delivery all at the same time and result in significant management and transport costs.

- 2.6 It is also proposed to buyout a further lease with Yorlease, relating to equipment at Applemore. This has a capital value of £25,100 and a buyout price of £2,500. The equipment has already been inadvertently disposed of and is therefore not available for return.
- 2.7 All items of equipment on the various leases have been considered to determine whether they need immediate replacement, delayed replacement, no replacement or can be replaced from other revenue budgets. Where items are to be replaced immediately, and funding is already in place to do so, prices have been obtained for the sale of the current corresponding pieces of equipment.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 The total buyout price is £106k.
- 3.2 Items of equipment totalling £48,800, which are currently programmed for replacement in 2007/08 can be rephased to later years. This will result in revenue savings of £4,100 in 2007/08 and £16,300 overall, as full leasing charges will already have been made on the equipment retained and depreciation charges currently already budgeted for in 07/8 will be saved until later years when the equipment is eventually replaced.
- 3.3 Equipment to the value of £2,400 will either not be replaced or will be purchased from other pre existing revenue equipment budgets.
- 3.4 Receipts from the sale of replaced equipment will be £11,900.
- 3.5 Savings in revenue budget leasing payments, due to the buyout of the leases in advance of the 2009 expiry dates, total £34,600.
- 3.6 The 2007/08 Leisure capital programme includes £30k for an additional sports hall store at Totton Health and Leisure Centre. While this project is not linked to the equipment buyout proposal, its funding can now be vired to fund the equipment buyout, as alternative store arrangements have been found.

### **4. SUMMARY OF FINANCIAL IMPLICATIONS**

- 4.1 The overall cost of the proposal is £42k, as detailed below, but this can partly be met by the virement of the funding of £30k from the Totton sports hall store scheme. The impact specifically in 2007/08 is a supplementary capital estimate request of £25k( NFDC capital resources £13k plus capital receipts from sales £12k)

	2007/08	2008/09	POST 08/9	TOTAL
	£'000	£'000	£'000	£'000
<b>CAPITAL</b>				
Buyout Price	106			106
Less				
Purchase Rephasings	-49	5	44	-
To be funded from revenue	-2			-2
Capital Receipts from sales	-12			-12
<b>Capital cost of Proposal</b>	<b>43</b>	<b>5</b>	<b>44</b>	<b>92 *</b>
<b>Funded By</b>				
Virement from Totton sports hall store	30			30
NFDC Capital Resources	13	5	44	62
	<b>43</b>	<b>5</b>	<b>44</b>	<b>92</b>
<b>REVENUE</b>				
Leasing payment savings	-17	-17		-34
Savings due to rephasings	-4	-7	-5	-16
<b>Revenue savings from proposal</b>	<b>-21</b>	<b>-24</b>	<b>-5</b>	<b>-50 *</b>

\*Total cost of proposal £42k

## 5. EQUALITY AND DIVERSITY IMPLICATIONS

There are none arising directly from this report.

## 6. ENVIRONMENTAL IMPLICATIONS

There are none arising directly from this report.

## 7. CRIME AND DISORDER IMPLICATIONS

There are none arising directly from this report.

## 8. PORTFOLIO HOLDER COMMENTS

8.1 The Portfolio Holder supports the recommendations contained in this report.

## **9. RECOMMENDATIONS**

It is recommended that members note the decision taken by the Director of Resources to suspend financial regulations, as outlined in paragraph 1.4, to approve the buyout of the 4 leases with the following financial implications;

- 9.1 a virement of £30k from the Totton sports hall store scheme to the leisure equipment purchase budget.
- 9.2 a 2007/08 supplementary capital estimate of £25,000, to be partly funded from associated equipment sale capital receipts of £12,000.
- 9.3 note the inclusion of an additional £49,000 in the post 2007/08 Leisure capital expenditure plans, for items rephased from 2007/08.
- 9.4 note the reduction of £21,000 in 2007/08 leisure revenue budgets and overall leisure revenue budget reductions of £50,000 by 2010/11.

### **For Further Information Contact:**

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### **Background Papers:**