

## Leisure Procurement Strategy – Summary of Key Finance and Contract Risks Associated with Proposed Capital Works

Risk	Mitigating Measures and Comments
New facilities opened in the Borough that draw customers away from Waverley facilities	DC Leisure take the business plan risk for the 15 years in terms of attendance and actual income and expenditure projections. However, it is not in the Council's interest for a major contract to become financially unsustainable due to factors outside of the contractor's control. Therefore, the contract allows for 5-yearly reviews that enable the Council and contractor to assess the impact of any such factors and report to Members.
Contractors consider that requirement for two-site option is too onerous and are deterred from submitting tenders.	Early indication from Waverley's property advisors is that the market is still active and there remains a high likelihood of wide-ranging interest in this contract.
Any closure period for capital works loses customers (depending on site at Godalming)	DC Leisure is an experienced contractor and have undertaken many successful major leisure construction projects. Officers will work with DC and their appointed contractors to minimise the length and extent of the disruption and to ensure that customers are kept informed. Officers will seek to ensure that customers are able to use alternative Waverley facilities during closure time. The estimated cost is included in the capital estimates.
The capital works identify unexpected building issues, leading to delays and additional costs during construction.	A comprehensive programme of surveys would be undertaken. The JCT contract includes provision for dealing with this situation. Members would be kept informed and any additional approvals would be sought.  Contingencies are allowed for in the capital estimates to pay for unexpected issues arising during construction. The Council would need to ensure that it provides adequate funding in its capital programme in future years to pay for

	proper maintenance and replacement items. Officers will work with its advisors to build adequate safeguards into the construction contract. Waverley's normal Financial Regulation procedure will apply with any approvals or variations being sought as necessary. Members will be presented with options including reducing the scale of works. Officers will work with its advisors to build adequate safeguards into the construction contract. Any unutilised contingency from the Cranleigh/Farnham elements of the programme may give the Council flexibility. The Council is proposing to appoint a monitoring surveyor to work with DC and the contractor before and during construction, acting in the Council's best interests. Whilst the Council has some protection against the financial impact, this scenario would not accord with Waverley's corporate and service objectives. During the 15-year contract period, if the range and quality of facilities is not improved, customers may join competitor facilities and potential new customers may be deterred from joining. Recent surveys of the current Godalming centre identified a number of major issues with the building that may require major expenditure in the short to medium-term. This presents the potential for disruption to the service. Clearly this is out of Waverley's control but officers will maintain a watching brief. Rates presented to members in this report are current. Any change from the projected costs would be reported to Members if necessary. A pre-determined procedure with safeguards will be included in the contract and regular client/contractor meetings will be held during the works. The capital budget will include an
The capital works overspend or run over estimated time frame	
The tenders received show higher capital costs than the estimates	
The capital works are sub-standard or not in line with Waverley's specification	
Failure to invest in new and improved facilities at the centres results in falling attendances and income falling short of projection	
Borrowing rates increase between taking the decision and raising the loans	
Unexpected price variation in the capital works during construction	

<p>Failure to agree on contractual terms with DC on the capital construction issues</p>	<p>appropriate level of contingency. Officers have developed a constructive, open relationship with DC Leisure and have discussed many of the Council's key contract terms and principles. DC Leisure are very keen to secure this contract and officers will work with its advisors to iron out any disputes, whilst protecting Waverley's interests.</p>
<p>Failure to secure agreement under the King George V covenants to develop on the tennis club site</p>	<p>Officers will work with colleagues to understand the process and prepare an appropriate proposal.</p>
<p>Failure to reach agreement with the tennis club</p>	<p>Officers will work with the Club and endeavour to agree heads of terms to enable this site-option continues to be deliverable.</p>
<p>The income levels achieved following the capital works differ from the estimates included in DC's business plan</p>	<p>If the income is lower than estimated, DC Leisure will take the business plan risk and the financial impact. If income is higher, the contract includes a profit-share mechanism for Waverley.</p>

