



# Covid-19 - Leisure Management Contracts

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<b>Risk Code</b>	CR68.1	<b>Risk Title</b>	Covid-19 - Leisure Management Contracts
<b>Risk Owner</b>	Vaughan Watson	<b>Updated By</b>	Louise Randall
<b>Year Identified</b>	2020	<b>Council Objective</b>	Respond to challenges to the environment
<b>Risk Description</b>	<p>As a result of the Covid-19 pandemic and associated restrictions regarding service provision, there is a risk that:</p> <ul style="list-style-type: none"> <li>- There is further enforced temporary closure of all facilities, e.g. due to a second wave of the virus;</li> <li>- Customers may not return or have a negative reaction to the changes required to reopen, which could mean targets set out in recovery plans are not achieved;</li> <li>- The contractor becomes insolvent, potentially as a result of the above risks materialising or the withdrawal of another large client;</li> <li>- Alternative options for operating leisure facilities in the district will be required, e.g. delivered in-house or arms-length, or alternatively, leisure facilities could be closed permanently.</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- To ensure the current provision of leisure facilities is maintained and continues to meet the demands of local communities.</li> <li>- To investigate alternative options regarding service provision, to ensure that it remains cost effective.</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Decline in performance indicator.</li> <li>- May not obtain any 'profit share'.</li> <li>- Contractor is unable to meet management fee obligations, as a result of enforced temporary closures.</li> <li>- Decision on future provision of leisure services and facilities.</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Leisure contracts with SLL for RLC, HSC and Letchworth Leisure Management extended to 2023/24.</li> <li>- In March 2020, agreed suspension of all contractor payments to the Council for three months, in view of the temporary closure of all facilities (Covid-19 restrictions).</li> <li>- SLL maintained facilities during temporary closures.</li> <li>- In June 2020, Cabinet agreed to delegate to senior officers/Executive Members decision making regarding Leisure service provision, to protect the Council's financial position and to ensure it prepared effectively for possible issues.</li> <li>- Decision made to not open the outdoor pools in 2020.</li> <li>- Cabinet agreed on 21 July 2020 the SLL Recovery Plan (the phased approach to reopening, which allows flexibility through delegation, aims to ensure business continuity for the leisure contracts and survival beyond the Covid-19 pandemic) and to support SLL using the Open Book approach, as recommended in the Procurement Policy Note PPN 02/20, including further financial support (affordability of financial support provided to SLL assessed on the basis of the cost of alternative outcomes and available short and medium-term resources).</li> <li>- Reopened NHLC, HSC, Archers and RLC from July 2020 and Fearnhill Sports Centre from September 2020.</li> <li>- Council approved the following resolution on 24 September 2020, "To provide financial support to Stevenage Leisure Limited (SLL) on an Open Book basis from 20 March 2020 up to at least 31 March 2021. The support provided would only cover losses relating to the Council's contracts, and will not cover central overheads. SLL would be required to take all reasonable actions to minimise the value of any losses. The actual value of the support required will depend on SLL's income recovery but will be capped at a maximum of £1.8m."</li> <li>- Due to the second national lockdown commencing on 5 November 2020, leisure facilities forced to close again for at least four weeks.</li> </ul>		

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<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Regular monitoring of contractor's credit score rating by Accounts.</li> <li>- Regular meetings held at director level to continually re-assess position, in light of further developments relating to the Covid-19 restrictions.</li> <li>- Regular meetings between SLL's three largest clients (NHDC, SBC and CBC) and the Chief Executive and Operational Director of SLL to ensure a consistent approach, in particular around recovery.</li> <li>- Regular updates to Executive Members.</li> <li>- Open book accounting arrangements in place with the contractor, ensuring full financial transparency.</li> <li>- Ongoing assessment of the options available to respond to the various scenarios.</li> <li>- Officers to continue working with SLL, as delivery of the recovery plan is very challenging and will require regular monitoring/review, and where necessary action will be taken to safeguard the financial position of operating our leisure facilities, whilst ensuring that operations continue to meet Covid-19 and other safety requirements.</li> <li>- Officers assessing the full implications of the second national lockdown and its effect on the current recovery plan.</li> </ul>		
<b>Current Overall Risk Score</b>	9		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	
<b>Date Reviewed</b>	02-Nov-2020	<b>Next Review Date</b>	15-Jan-2021
<b>Latest Notes</b>	<p>02-Nov-2020 Louise Randall and Vaughan Watson increased the risk score from 8 to 9 (high likelihood/high impact) due to the government announcement that a second national lockdown would commence on 5 November 2020. The lockdown means that leisure facilities will be forced to close again for at least four weeks. Officers are working with SLL to assess the implications for the current recovery plan.</p> <p>15-Oct-2020 Risk reviewed and updated by Louise Randall on 15 October 2020. Council approved the support package on 24 September 2020. Since the reopening of facilities, usage has been good in relation to the targets specified in the recovery plan. Officers continue to work with SLL to deliver the recovery plan and to maintain open book accounting arrangements. No change made to the risk score, as there is still the possibility of a further enforced temporary closure of facilities, which could affect the successful delivery of the recovery plan.</p> <p>16-Sep-2020 The proposal to introduce a new Corporate Risk of "Covid-19 – Leisure Management Contracts" with a risk score of 8 was recommended to Cabinet by the Finance, Audit and Risk Committee on 7 September 2020 and approved by Cabinet on 15 September 2020.</p> <p>24-Aug-2020 On 3 August 2020, the Risk Management Group proposed that the "Covid-19 - Leisure Management Contracts" risk entry should be promoted to a new Corporate Risk, sitting alongside the existing Corporate Risk of "Novel Coronavirus (Covid-19)".</p>		