

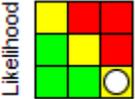


Covid-19 - Leisure Management Contracts

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Risk Code	CR68.1	Risk Title	Covid-19 - Leisure Management Contracts
Risk Owner	Sarah Kingsley	Updated By	Louise Randall
Year Identified	2020	Council Objective	Respond to challenges to the environment
Risk Description	<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"> - There is further enforced temporary closure of all facilities. - Customers may not return or have a negative reaction to changes required to remain open/reopen, which could mean targets set out in recovery plans are not achieved. - The contractor becomes insolvent, potentially as a result of the above risks materialising or the withdrawal of another large client. - 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. 		
Opportunities	<ul style="list-style-type: none"> - To ensure the current provision of leisure facilities is maintained and continues to meet the demands of local communities. - To investigate alternative options regarding service provision, to ensure that it remains cost effective. 		
Consequences	<ul style="list-style-type: none"> - Decline in performance indicator. - May not obtain any 'profit share'. - Contractor is unable to meet management fee obligations, as a result of enforced temporary closures. - Decision on future provision of leisure services and facilities. 		
Work Completed	<ul style="list-style-type: none"> - 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). - SLL maintained facilities during temporary closures. - 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. - Decision made to not open the outdoor pools in 2020. - 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). - Reopened NHLC, HSC, Archers and RLC from July 2020 and Fearnhill Sports Centre from September 2020. - 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." 		

Covid-19 - Leisure Management Contracts

	<ul style="list-style-type: none"> - Due to the second national lockdown commencing on 5 November 2020, leisure facilities forced to close again for at least four weeks. - On 15 December 2020, Cabinet proposed a further package of financial support to help maintain sport and leisure provision at the facilities operated by SLL. - As a result of the new Tier 4 restrictions that came into effect on 20 December 2020, all leisure facilities were closed again. - On 21 January 2021, Full Council agreed a revised package of financial support. The support to SLL in 2020/21 is forecast to be £2.45m with further financial support of £2m forecast in 2021/22. - Facilities re-opened 12 April 2021. - Provided delegated authority for extending the outdoor pool season for up to two weeks and extending the operating times for the outdoor pools by two hours per week for a maximum of 10 weeks. - Indoor classes re-commenced on 17 May 2021. - Outdoor pools commissioned in preparation for the 2021 season and opened with restrictions on 29 May 2021 (the outdoor pool season was only extended at Hitchin, for one week at the end of the season). - Facilities operating at full capacity with no restrictions with effect from 19 July 2021. 		
<p align="center">Ongoing Work</p>	<p><u>Business-as-Usual Activities</u></p> <ul style="list-style-type: none"> - Regular monitoring of contractor's credit score rating by Accounts. - Regular meetings held at director level to continually re-assess position, in light of further developments (e.g., any further Covid-19 restrictions). - 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. - Regular updates to Executive Members, including financial and usage summary reports to monthly recovery meetings. - Open book accounting arrangements in place with the contractor, ensuring full financial transparency. - Ongoing assessment of the options available to respond to the various scenarios. - 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. - If applicable, Officers to assess the implications of any further lockdowns/restrictions and their effect on the recovery plan. - NHDC/SLL communication campaigns to promote facilities. <p><u>Specific Actions</u></p> <ul style="list-style-type: none"> - SIAS audit to review the Leisure Recovery Plan undertaken in the first half of 2021/22. The draft report provided a substantial level of assurance, with only one low priority recommendation. We are currently waiting for SIAS to publish the final report. - Report to Cabinet in December 2021 providing an update on leisure recovery and the forecast for the 2021/22 budget (currently better than the best-case scenario budgeted for). 		
<p>Current Overall Risk Score</p>	9		
<p>Current Impact Score</p>	3	<p>Current Likelihood Score</p>	3
<p>Current Risk Matrix</p>		<p>Target Risk Matrix</p>	
<p>Date Reviewed</p>	27-Oct-2021	<p>Next Review Date</p>	11-Nov-2021
<p>Latest Note</p>	<p>27-Oct-2021 Risk reviewed and updated with Louise Randall on 27 October 2021. Usage figures continue to be encouraging, although not yet back to pre-Covid levels. However, this is not the case for Aqua Ed lessons, which are currently outperforming 2019 levels. Membership numbers are also down compared with the pre-Covid position, although these are continuing to increase month-on-month. For the year to date, the contract overall shows a surplus and therefore no further support payment has been required in addition to the agreed management fee support. Further positive news is that the ice rink at Letchworth Outdoor Pool will return later this year,</p>		

Covid-19 - Leisure Management Contracts

	<p>with this additional attraction also contributing to the overall financial position of the contract. The draft SIAS report relating to the Leisure Recovery Plan provided a substantial level of assurance, with only one low priority recommendation. Consideration was given to reducing the Likelihood score to 2-Medium to reflect the changes since it had been increased due to the commencement of a second national lockdown in November 2020 and the positive signs relating to progress of the recovery plan, financial forecasts for 2021/22 and usage/membership numbers. However, this is offset slightly by the fact that we are still operating in an unpredictable Covid environment, with an increasing possibility that further enforced restrictions/closures could be introduced to address concerns regarding infection rates, cases and deaths over the winter months. As such, it was agreed to keep the risk score the same, with a view that a possible change to the assessment score can be discussed at the November 2021 Risk Management Group meeting.</p>
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