

# Agenda



**HYNDBURN**

The place to be  
an excellent council

## Cabinet

**Wednesday, 3 December 2025 at 5.00 pm,**  
QER, Scaitcliffe House, Ormerod Street, Accrington

### Membership

Chair: Councillor Munsif Dad BEM JP (in the Chair)

Councillors Vanessa Alexander, Scott Brerton, Stewart Eaves, Melissa Fisher, Clare Pritchard, Ethan Rawcliffe and Kimberley Whitehead

## S U P P L E M E N T A L   A G E N D A

### PART B: PORTFOLIO ITEMS

The following matter to be taken in Part B, following Item 7.

#### Deputy Leader of the Council and Portfolio Holder for Housing and Regeneration (Councillor Melissa Fisher)

10. **Hyndburn Leisure Financial Monitoring Position Qtr2 - April to September 2025/2026 and Payment of Annual Financial Subsidy for 2025/2026.** (Pages 79 - 96)

*In accordance with Regulation 11(1) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, approval is being sought from Councillor Noordad Aziz, Chair of the Resources Overview and Scrutiny Committee, to the following key decision is being made by Cabinet on 3<sup>rd</sup> December 2025, under the Special Urgency provisions, on the grounds that the decision is urgent and cannot reasonably be deferred.*

Report attached.





REPORT TO:		CABINET	
DATE:		03 December 2025	
PORTFOLIO:		Councillor Melissa Fisher - Deputy Leader of the Council (Housing and Regeneration)	
REPORT AUTHOR:		Martin Dyson – Executive Director (Resources)	
TITLE OF REPORT:		Hyndburn Leisure Financial Monitoring Position Qtr2 – April to September 2025/2026 and Payment of Annual Financial Subsidy for 2025/2026.	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable	
KEY DECISION:	Yes	If yes, date of publication:	1 <sup>st</sup> December 2025

## 1. Purpose of Report

This report:

- 1.1 Updates Cabinet on Hyndburn Leisure's financial performance up to the end of September 2025 for the current financial year.
- 1.2 Seeks approval to pay a grant of £700,000 to Hyndburn Leisure in respect of the period 1st April 2025 to 31st March 2026.

## 2. Recommendations

- 2.1 That Cabinet notes the forecast financial position of Hyndburn Leisure at Q2 of the 2025/2026 financial year as shown in section 5 of this report.
- 2.2 That Cabinet agrees to pay Hyndburn Leisure the sum of £700,000.00 by way of grant to support the provision of community leisure services in the Borough in respect of the period 1st April 2025 to 31st March 2026 subject to completion of a grant funding agreement in accordance with paragraph 3.6 of this report.

## 3. Reasons for Recommendations and Background

### **Proposed Grant - General Background**

- 3.1 From its inception until 2021/22 the Council paid an annual grant to Hyndburn Leisure to support its operating costs and the provision of pay and play sport and recreational

facilities in the Borough. In 2008/09 Hyndburn Leisure received £1.2 million in grant funding from the Council. However, as part of its response to the Government's austerity measures, the Council encouraged Hyndburn Leisure to become financially self-sufficient and, by 2021/22 the subsidy had reduced to nil. Since then, Hyndburn Leisure has faced significant financial pressures in common with leisure providers nationally. These cost pressures include:

- Significantly increased energy costs
- increased staffing costs
- inflation rate increases leading to higher supplier, maintenance and repair costs
- increases in irrecoverable VAT
- lost income as a result of the partial closure of Mercer Hall Leisure Centre.

- 3.2 These cost pressures have resulted in a need for subsidy, with £235k being paid to Hyndburn Leisure by the Council in 2022/23 (before the Subsidy Control Act 2022 came into force), £490k being paid in 2023/24 and £1m paid 2024/25. A further subsidy has now been requested by Hyndburn Leisure in respect of the current financial year to enable pricing levels, opening hours and service provision to be maintained at the current level. It is considered that this will support the Council's objective of supporting affordable and locally accessible health and wellbeing provision to help address the health inequalities in the Borough.

### **Proposed Grant - Subsidy Control**

- 3.3 The proposed grant to Hyndburn Leisure will qualify as a subsidy for the purpose of the Subsidy Control Act 2022 ("SCA") as it meets the definition of a subsidy, namely:
- The payment will be given directly or indirectly from public resources by a public authority
  - It will confer an economic advantage on one or more enterprises, namely Hyndburn Leisure
  - Benefit will be gained by the enterprise receiving the grant over one or more other enterprises with respect to the provision of goods or services
  - The grant will or is capable of having an effect on competition or investment within the UK.
- 3.4 Furthermore, as the provision of community leisure activity is typically viewed as an important health and wellbeing benefit for the community, Hyndburn Leisure can be considered to provide "services of public economic interest" ("SPEI") pursuant to section 38 SCA as its services are:
- provided for the benefit of the public; and
  - would not be provided, or would not be provided on the terms required, under normal market conditions.

The Council has already deemed Hyndburn Leisure to provide "SPEI" services and has provided SPEI subsidy to Hyndburn Leisure up to the £725,000.00 SPEI subsidy

threshold (below which subsidy can be provided without a compliance assessment), having already paid subsidy to Hyndburn Leisure as follows:

2022/23 – the sum of £235,000.00 (prior to the SCA coming into force).

2023/24 – the sum of £490,000.00; and

2024/25 - the sum of £1,000,000.00

As the SPEI subsidy paid to Hyndburn Leisure in the last 3 years is currently above the SPEI subsidy threshold, no further subsidy can be paid to Hyndburn Leisure without the same being assessed against the statutory subsidy control principles (see paragraph 3.6 below)

3.5 The SCA imposes requirements on local authorities when they are considering providing a third party with a subsidy. If these requirements are not complied with then the subsidy will be unlawful and can be challenged in the Competition Appeal Tribunal. In particular, the Council must assess the funding request against the subsidy control principles in Schedule 1 to the SCA and satisfy itself that the proposed grant is consistent with these principles. The subsidy control principles are as follows:

- Does the subsidy support a policy objective of the Council
- Is the proposed method of subsidy the most appropriate way to address the policy objective?
- What would happen if the subsidy were not provided?
- Will the subsidy change the economic behaviour of the beneficiary and achieve something which would not have occurred without it?
- Is the subsidy proportionate and designed to minimise any negative impact on competition?
- Are any negative effects outweighed by the positive impact of providing the subsidy?

In this regard a compliance assessment has been carried out and is attached at Appendix 1 to this report. This indicates that the proposed subsidy appears to be consistent with the subsidy control principles, especially given Hyndburn Leisure's status as a provider of SPEI services.

3.6 In accordance with section 29 of the SCA the Council will need to do the following in order to pay further subsidy to Hyndburn Leisure:

- Satisfy itself that the amount of the grant is limited to what is necessary for Hyndburn Leisure to deliver the SPEI services, having regard to its income and costs plus no more than a reasonable profit or surplus. Reasonable profits can be assessed through a benchmarking exercise comparing the profits achieved by similar public service contracts which have been awarded under competitive conditions.
- Ensure that the funding is given in a transparent manner pursuant to a written contract or grant funding agreement which clearly sets out the terms of the subsidy, including:
  - Details of the SPEI services in respect of which the subsidy is given

- Details of Hyndburn Leisure as the enterprise which is tasked with providing the services
- The period for which the services are to be provided
- Details of how the amount of subsidy has been calculated
- The arrangements in respect of reviews and steps which may be taken to recover the grant (for example if the funding is found to be more generous than permitted and part or all of it has to be clawed back).

3.7 Under Section 33 of the SCA the Council will be required to publish details of the grant on the UK's Subsidy Database within three months of a formal decision to provide it, and to maintain this record for six years. Under Section 70 of the SCA, any interested party who is aggrieved by the making of a subsidy decision may apply to the Competition Appeal Tribunal for a review of the decision. The challenge can be in relation to the Council not complying with the subsidy control requirements in the SCA, or on more general public law grounds, for example that the Council did not behave reasonably or rationally when deciding to provide the grant. If such a challenge was successful the Competition Appeal Tribunal could impose remedies under usual judicial review principles, including an order for the recovery of the unlawful subsidy with interest. The period in which a challenge can be made in relation to the provision of a subsidy is typically one month from the publication on the UK Subsidy Database.

### **Proposed Grant - General Public Law Considerations**

3.8 The Council has power under section 19(3)(i) of the Local Government (Miscellaneous Provisions) Act 1976 (LGMPA) to contribute, by way of grant or loan, towards the expenses incurred or to be incurred by any voluntary organisation in providing recreational facilities which the Council has power to provide under section 19(1) of the LGMPA (which gives the Council power to provide, amongst other things, indoor facilities consisting of sports centres and swimming pools). "Voluntary Organisation" is defined at section 19(3) of the LGMPA as being "any person carrying on or proposing to carry on an undertaking otherwise than for profit". On the basis that Hyndburn Leisure is a charitable company limited by guarantee, it is a "not for profit" company. The Council therefore has statutory power to make the proposed grant to Hyndburn Leisure.

3.9 In exercising this statutory power, the Council must act for proper purposes and in good faith. In other words, the Council must act for proper motives, take into account all relevant considerations, and ignore irrelevant matters. It must not act irrationally and must balance the risks against the potential rewards. Of particular importance in this instance is the Council's fiduciary duty to ensure that the proposed grant is an appropriate use of Council funds and provides genuine and tangible benefits for the community.

## **4. Financial Position**

### **Proposed Subsidy Grant 2025/2026**

4.1 In March 2025, Hyndburn Leisure set a budget with a forecast deficit of £700,000, which included achieving a savings target of £58,417.

- 4.2 Hyndburn Borough Council has forecast the following subsidy payments to Hyndburn Leisure over the term of its Medium-Term Financial Strategy agreed by Council in February 2025.

MTFS Forecasts	Subsidy from the Council £
2024/2025 - Actual Paid	£1,000,000
2025/2026	£700,000
2026/2027	£500,000
2027/2028	£350,000

- 4.3 Hyndburn Leisure have formally requested the payment of the subsidy for 2025/2026, and the table below shows the breakdown of the expected facility costs and cost of subsidy per attendance by site and the overall subsidy for the total annual attendances.

Facility Analysis	Direct Costs Budget for Year £'000	Allocation of Central Operating Costs + Savings £'000	Budget for Year (including Operating costs + Savings) £'000	% of Overall Subsidy %	Forecast Annual Attendance No. of visits	Subsidy per Attendance £
<b>Facility Operating Costs</b>						
Accrington Town Hall	£47,957	£80,412	£128,369	18.34%	50,000	£2.57
Hyndburn Leisure Centre	(£152,919)	£382,735	£229,816	32.83%	420,000	£0.55
Wilsons Playing Field Site	£85,752	£104,348	£190,100	27.16%	80,000	£2.38
Mercer Hall Leisure Centre	£104,165	£21,320	£125,485	17.93%	12,500	£10.04
Community Facilities	(£13,770)	£40,000	£26,230	3.75%	15,500	£1.69
Education Facilities	£0	£0	£0	0.00%	-	£0
Grant Funded Programmes (Net)	£0	£0	£0	0.00%	-	£0
<b>Total Facility Operating Costs</b>	<b>£71,185</b>	<b>£628,815</b>	<b>£700,000</b>	<b>100.00%</b>	<b>578,000</b>	<b>£1.21</b>
Central Operating Costs	£687,232	(£628,815)	£58,417			
Budget Savings Target	(£58,417)		(£58,417)			
<b>Council Subsidy Required</b>	<b>£700,000</b>	<b>£0</b>	<b>£700,000</b>			

- 4.4 There is a reduction in the subsidy requested from £1m in 2024/2025 to £700,000 in 2025/2026 plus a forecast increase in annual attendances from 493,559 in 2024/2025 to 578,000 in 2025/2026.

- 4.5 This reduction in subsidy is largely due to the following factors:

- Late in 2024/2025 Hyndburn Leisure took over responsibility for procuring their own energy costs and were able to negotiate substantially reduced rates for the leisure centres than had been possible through the Councils contract. This resulted in a reduction in the kilowatt charge rate and the VAT rate, which has enabled savings of almost £300,000 per annum.

- As all costs have risen with inflation Hyndburn Leisure have also renegotiated several of their other premises and supplies and services contracts and set a further savings target to be achieved in year to ensure the subsidy would be reduced from 2024/2025.
- The opening of the Cath Thom Leisure Centre in October will also contribute towards increased attendances although in the first six months of operation the centre is not expected to make a financial surplus.

- 4.6 The financial support provided to Hyndburn Leisure will be used to make repayments against current year debts owed to the Council. This subsidy payment is expected to enable Hyndburn Leisure to meet all debts due to the Council for the financial year 2025/2026.
- 4.7 Rather than making a physical payment to Hyndburn Leisure for £700,000, the subsidy amount will be offset against the outstanding trading debt due to the Council.
- 4.8 Several other Local Authorities in Lancashire operate their leisure services under similar outsourced models and are also providing financial support to their leisure trust or leisure subsidiary companies. The level of financial support being provided by other Councils around Lancashire for 2025/26 ranges from £0.80million to £2million.
- 4.9 Hyndburn Leisure is currently in the process of developing its budget for 2026/27, and whilst it is still forecasting financial support will be required from the Council, this is expected to reduce from the current year subsidy requirement.
- 4.10 The future years subsidy targets have been agreed with the Council and are as follows:

Financial Year	Subsidy from the Council £	% of Budget %	Forecast Annual Attendance No. of visits	Subsidy per Attendance £
2024/2025 - Actual	£1,000,000	18.81%	493,559	£2.03
2025/2026	£700,000	12.79%	578,000	£1.21
2026/2027	£500,000	8.87%	668,000	£0.75
2027/2028	£350,000	6.03%	706,500	£0.50

## 5. **Financial Monitoring Position as at the end of September 2025**

- 5.1 The current forecast net expenditure to the end of the financial year in March 2026 is £669,659. This brings the forecast underspend for the year against the budget to £30,341.



- 5.2 As shown in the table below the forecast underspend to date is shown by the facility operated, with most areas performing ahead of budget except for Mercer Hall which is currently closed due to the repurposing works.

Facility Analysis	Direct Costs Budget for Year £'000	Budget to Date £'000	Actual to Date £'000	Year to Date Variance £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000
<b>Facility Operating Costs</b>						
Accrington Town Hall	£47,957	£14,626	£7,295	(£7,331)	£40,626	(£7,331)
Hyndburn Leisure Centre	(£152,919)	(£65,267)	(£96,723)	(£31,456)	(£184,375)	(£31,456)
Wilsons Playing Field Site	£85,752	£0	(£13,040)	(£13,040)	£72,712	(£13,040)
Mercer Hall Leisure Centre	£104,165	£74,165	£92,375	£18,210	£122,375	£18,210
Community Facilities	(£13,770)	(£11,239)	(£15,339)	(£4,100)	(£17,870)	(£4,100)
Education Facilities	£0	£0	£0	£0	(£28,315)	(£28,315)
Grant Funded Programmes (Net)	£0	£0	£0	£0	£0	£0
<b>Total Facility Operating Costs</b>	<b>£71,185</b>	<b>£12,285</b>	<b>(£25,432)</b>	<b>(£37,717)</b>	<b>£5,153</b>	<b>(£66,032)</b>
Central Operating Costs	£687,232	£437,029	£385,988	(£51,041)	£664,506	(£22,726)
Budget Savings Target	(£58,417)			£0		£58,417
<b>Council Subsidy Required</b>	<b>£700,000</b>	<b>£449,314</b>	<b>£360,556</b>	<b>(£88,758)</b>	<b>£669,659</b>	<b>(£30,341)</b>

- 5.3 Further analysis of the variances by Income and Expenditure type are shown in the table below:

Expenditure/ Income Analysis	Direct Costs Budget for Year £'000	Budget to Date £'000	Actual to Date £'000	Year to Date Variance £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000
<b>Operational Costs</b>						
Employee Costs	£2,894,771	£1,364,265	£1,393,111	£28,846	£2,923,617	£28,846
Premises Costs	£786,736	£309,836	£305,850	(£3,986)	£782,750	(£3,986)
Supplies & Services	£490,678	£244,252	£255,477	£11,225	£501,903	£11,225
Project Expd	£874,847	£291,239	£291,239	£0	£874,847	£0
Finance & VAT Costs	£268,476	£124,357	£84,006	(£40,351)	£228,125	(£40,351)
<b>Total Operational Costs</b>	<b>£5,315,508</b>	<b>£2,333,949</b>	<b>£2,329,684</b>	<b>(£4,265)</b>	<b>£5,311,243</b>	<b>(£4,265)</b>
<b>Income &amp; Funding</b>						
Trading Income	(£414,788)	(£179,325)	(£183,218)	(£3,893)	(£418,681)	(£3,893)
Fees & Charges	(£2,730,866)	(£1,200,017)	(£1,257,980)	(£57,963)	(£2,788,829)	(£57,963)
Other Income	(£78,541)	(£39,271)	(£61,908)	(£22,637)	(£101,178)	(£22,637)
External Grant Funding	(£1,332,896)	(£466,022)	(£466,022)	£0	(£1,332,896)	£0
<b>Total Income</b>	<b>(£4,557,091)</b>	<b>(£1,884,635)</b>	<b>(£1,969,128)</b>	<b>(£84,493)</b>	<b>(£4,641,584)</b>	<b>(£84,493)</b>
<b>Net Deficit</b>	<b>£758,417</b>	<b>£449,314</b>	<b>£360,556</b>	<b>(£88,758)</b>	<b>£669,659</b>	<b>(£88,758)</b>
Savings Target	(£58,417)			£0		£58,417
<b>Council Subsidy Required</b>	<b>£700,000</b>	<b>£449,314</b>	<b>£360,556</b>	<b>(£88,758)</b>	<b>£669,659</b>	<b>(£30,341)</b>
<b>Subsidy Due/Owed</b>	<b>(£700,000)</b>	<b>(£367,500)</b>	<b>(£367,500)</b>	<b>£0</b>	<b>(£700,000)</b>	<b>£0</b>
<b>Net</b>	<b>£0</b>	<b>£81,814</b>	<b>(£6,944)</b>	<b>(£88,758)</b>	<b>(£30,341)</b>	<b>(£30,341)</b>

The narrative below provides more detail on the variances from the original budget and the forecast outturn as at the end of September 2025.

#### 5.4 **Employee Costs**

The forecast outturn position for employee costs shows an increase to the original budget of £28,846. This increase is mainly due to the increased NJC pay award of 3.2% that is 0.2% above the 3% budgeted in year.

#### 5.5 **Premises Costs**

The forecast outturn position for premises costs shows a small underspend forecast of (£3,986) which is mainly due to energy efficiency savings through new contract rates and the new building management system installed at Hyndburn Leisure Centre.

#### 5.6 **Supplies and Services**

The forecast outturn position for supplies and service costs shows an increase to the original budget of £11,225. This largely relates to increased resaleable supplies that have been purchased and are offset by additional income forecasts.

#### 5.7 **Project Expenditure**

The costs in this area reflect the income received and always net out to zero.

#### 5.8 **Finance & VAT Costs**

The forecast outturn position for finance and VAT costs shows an underspend to the original budget of £40,351. This underspend relates to savings / profit share from the operations at Accrington Academy and additional VAT savings as the new utility contracts only attract VAT at 5%.

#### 5.9 **Trading Income – includes Catering, Bar, Vending, Resale, Events**

The forecast outturn position for trading income shows an increase to the original budget of (£3,191). This increase is made up of additional catering and resale items that partly offset the increased costs of supplies and services :

#### 5.10 **Fees & Charges Income – Memberships, Pay As you Go activities, Facility Hire**

The forecast outturn position for fees and charges Income shows an increase to the original budget of (£57,561). The table below shows the activities that have generated this increases.

Income Analysis	Budget for Year £'000	Budget to Date £'000	Actual to Date £'000	Year to Date Variance £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000
<b>Fees &amp; Charges Income</b>						
Fitness Memberships	(£1,013,098)	(£435,710)	(£445,004)	(£9,294)	(£1,022,392)	(£9,294)
Adventure Qty	(£121,113)	(£61,765)	(£51,312)	£10,453	(£110,660)	£10,453
Learn to Swim	(£342,657)	(£141,329)	(£159,137)	(£17,808)	(£360,465)	(£17,808)
Gymnastics	(£199,322)	(£99,681)	(£101,453)	(£1,772)	(£201,094)	(£1,772)
General Swimming & Pool Hire	(£213,938)	(£92,197)	(£105,353)	(£13,156)	(£227,094)	(£13,156)
Sports Hall	(£64,064)	(£32,032)	(£32,697)	(£665)	(£64,729)	(£665)
School Swimming	(£196,055)	(£85,802)	(£101,841)	(£16,039)	(£212,094)	(£16,039)
Facility Hire	(£195,290)	(£98,116)	(£101,292)	(£3,176)	(£198,466)	(£3,176)
3G Hire	(£183,307)	(£61,102)	(£70,013)	(£8,911)	(£192,218)	(£8,911)
Other Categories	(£202,022)	(£92,283)	(£89,878)	£2,405	(£199,617)	£2,405
<b>Total Fees &amp; Charges Income</b>	<b>(£2,730,866)</b>	<b>(£1,200,017)</b>	<b>(£1,257,980)</b>	<b>(£57,963)</b>	<b>(£2,788,829)</b>	<b>(£57,963)</b>

#### 5.11 Other Income – Service Recharges & Sponsorship

The forecast outturn position for Other Income shows an increase against the original budget of (£22,637). This increase is made up of:

- a) Sponsorship received for the Hyndburn Sports Awards £6,900.
- b) Recharges for supplies & services £9,984
- c) Cash in Transit / Bank Interest £11,317

#### 5.12 External Grant Funding – External Grants & Commissions

There are no variances on this funding.

#### 5.13 Impact on Subsidy Required from the Council

As shown in the latest forecast, Hyndburn Leisure are forecasting a small underspend of £30,341 in year assuming the Council has paid the proposed subsidy of £700,000. If Hyndburn Leisure achieve an underspend in year, it would be prudent to allow them to retain any surplus as a reserve balance to cover any short-term cash flows and cover any unforeseen risks that may occur in future years.

### 6. Alternative Options considered and Reasons for Rejection

- 6.1 The Council could decide not to make the grant payment. The Council could also decide to pay a lesser amount than that requested by Hyndburn Leisure. However, either approach could result in Hyndburn Leisure raising prices, reducing its opening hours and / or reducing its services. In a worst-case scenario it may result in Hyndburn Leisure ceasing to operate and Cabinet is advised to seek further advice as to the

likelihood and consequences of this occurring if it is minded not to pay the requested grant funding to Hyndburn Leisure or to pay a lesser amount.

## 7. **Consultations**

- 7.1 The Council set a budget of £700,000 for the possible support required by Hyndburn Leisure in its the revenue budget for 2025/26, which was approved by Full Council on 27th February 2025.
- 7.2 The Council has forecast the full amount of the subsidy as part of the Quarter 1 Revenue Monitoring Report taken to Cabinet July 2025 and Quarter 2 taken to Cabinet November 2025.

## 8. **Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	<p>Budgets of £700,000 were included for possible support required by Hyndburn Leisure in the original revenue budget for 2025/26, approved by Full Council on 27th February 2025.</p> <p>The latest forecast outturn for the Council shows a small underspend for the 2025/26 financial year, taking into account the full amount of the subsidy/</p> <p>Therefore, the total subsidiary payment of £700,000 is able to be funded from existing budgets.</p> <p>Rather than making a physical payment to Hyndburn Leisure for £700,000, this subsidy amount will be offset against the outstanding trading debt due to the Council.</p>
<b>Legal and human rights implications</b>	<p>These are set out in detail in paragraph 3 above.</p>
<b>Assessment of risk</b>	<p>Payment of the grant does not appear to pose any significant risks to the Council. There is a risk of legal challenge to the making of the payment, but this report sets out the steps taken to ensure compliance with the requirements of the SCA. There may be far greater risks attached to not making the proposed grant in terms of the impact upon the services provided by Hyndburn Leisure. If Cabinet is minded not to pay the proposed</p>

	grant or to reduce the amount to be paid, it would be appropriate to seek a detailed assessment of those risks, and their cost implications for the Council, prior to the decision being made.
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	The Council is subject to the public sector equality duty introduced by the Equality Act 2010. When making a decision in respect of the recommendations in this report, Cabinet must have regard to the need to: Eliminate unlawful discrimination, harassment and victimisation ; and Advance equality of opportunity between those who share a relevant protected characteristic and those who don't; and Foster good relations between those who share a relevant protected characteristic and those who don't. For these purposes, the relevant protected characteristics are age, disability, gender, reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

**9. Local Government (Access to Information) Act 1985:**  
**List of Background Papers**

- 9.1 *Copies of documents included in this list must be open to inspection and, in the case of reports to Cabinet, must be published on the website.*

***If the report is public, insert the following paragraph. If the report is exempt, contact Member Services for advice.***

**10. Freedom of Information**

- 10.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.

This page is intentionally left blank

## Hyndburn Leisure 2025/2026: Subsidy Control Assessment

<b>Project name:</b>	Payment Of Grant Funding Support To Hyndburn Leisure
<b>Project description:</b>	Provision of a grant of £700,000 by Hyndburn BC to Hyndburn Leisure in respect of the period 1 <sup>st</sup> April 2025 – 31 <sup>st</sup> March 2026
<b>Officer completing this form:</b>	Jane Ellis: Executive Director (Legal & Democratic Services) Martin Dyson: Executive Director (Resources)
<b>Date:</b>	24 <sup>th</sup> November 2025

### Section A. Identification of the Subsidy

1. Please set out the activities that will be funded by a subsidy.
2. Set out the total value of the subsidy. Please specify any other public funds that will be public funding towards the activity (including what the basis of the funding is i.e. a xx grant).

The proposed subsidy is the provision of a grant of £700,000 to be paid by Hyndburn BC to Hyndburn Leisure in respect of the period 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2026.

The grant will be paid to support the activities and running costs of Hyndburn Leisure in providing public “pay and play” sports and leisure facilities in Hyndburn. These activities include:

- The operation of Hyndburn Sports Centre
- The operation of Mercer Hall Leisure Centre, Great Harwood
- The operation of Accrington Town Hall
- The operation of Bank Mill House, Great Harwood
- The operation of the Cath Thom Leisure Centre, Great Harwood

In addition to sport and leisure activities, Hyndburn Leisure also provides a range of programmes aimed at tackling poverty and health inequality in the Borough (such as: school holiday activity and food programme, free family teatime programme, cardiac rehabilitation programme and healthy weight programme)

The Council considers Hyndburn Leisure to provide “services of public economic interest” (“SPEI”) and has already provided subsidy to Hyndburn Leisure up to the £725,000.00 SPEI threshold pursuant to section 38 Subsidy Control Act 2022, having already paid subsidy to Hyndburn Leisure as follows:

2022/23 – the sum of £ 235,000.00

2023/24 – the sum of £ 490,000.00

2024/25 – the sum of £1,000,000.00

A subsidy control assessment is therefore required in respect of the proposed further grant.

Hyndburn Leisure is currently in receipt of the following additional grants / loans from public funds:

1. The Council also passport over grant received for Health Weight and Family Programme, which Hyndburn Leisure run on the Council’s behalf, this was £70,700 for 2025/26.
2. The Council also passport over Together and Active Future grant, which HL run on the Council’s behalf, in the sum of £76,817 for 2025/26.

The proposed subsidy will not be physically paid over the HL, but will be offset against the trading debt due to HBC relating to outstanding staff salary payments for 2025/2026.

Section B. Application of the TCA principles for each subsidy

(Please complete a separate table per subsidy)  
(Please refer to the statutory subsidy control guidance when completing this assessment. You are likely to need legal and financial advice and remember that you should evidence what you say where possible)

Step1: identify the policy objective, ensuring it addresses a market failure or equity concern, and determine whether a subsidy is the right tool to use

The subsidy control principles that apply here:

Principle A – the policy objective	The subsidy should pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns).
Principle E – minimise distortion	The subsidy should be an appropriate policy instrument for achieving the specific policy objective and that objective cannot be achieved through other, less distortive means.

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
<p>Principle A</p> <ul style="list-style-type: none"><li>Using evidence, establish the existence and significance of the market failure and / or inequality the subsidy seeks to address</li><li>Provide details of the specific policy objective that you hope to achieve with the subsidy and how it addresses the market failure or inequality you have identified</li><li>The policy objective can address either market failure or inequality, or both. The policy objective should be a precise as possible, including targets and timeframes</li><li>Clearly state the desired outcomes of the subsidy and identify how the impact of the subsidy will be evaluated</li><li>If the subsidy addresses “market failure”, you must ensure you comply with the Government’s statutory subsidy control guidance</li></ul> <p>Principle E</p> <ul style="list-style-type: none"><li>Justify why a subsidy is the most appropriate instrument for addressing the identified policy objective and explain why other non-subsidy routes have not been chosen, such as<ul style="list-style-type: none"><li>Direct provision of goods or services by the Council</li><li>Loans or equity investment on commercial terms</li></ul></li><li>Explain why the next-best alternative to a subsidy would not achieve the policy objective</li></ul>	<p>The proposed subsidy has an equity rationale.</p> <p>Hyndburn is the 14<sup>th</sup> most deprived area out of 317 district and unitary councils in England by rank of average measure. Around 34.3% of the local population live in the 20% most deprived areas in England, against a national average of 21.7%. Child poverty is 15% above the national average, yet 20% of the population are under 16 years of age. The number of dependent children under 16 living in absolute low-income families is 11% higher than the national average.</p> <p>As such Hyndburn is an area with a high level of health inequality, whilst many of the population lack the disposable income to access private sport and health club provision. For example:</p> <ul style="list-style-type: none"><li>- the level of obesity in adults is 71.7%, against a national average of 64%</li><li>- the level of obesity in children is 23.5%, against a national average of 22.7%</li><li>- life expectancy is below the national average for both men and women and, in the Borough’s most deprived wards, is 11.8 years below average for men and 10.3 years below average for women</li><li>- the rates of type 2 diabetes and dementia are above the national average</li><li>- hip fractures in the over 65’s are above the national average (at 673 per annum compared to a national average of 558)</li></ul> <p>Moreover, activity levels for adults and children are below the national average and have declined further since the Covid pandemic. In 2018/19 62.8% of adults were judged to be active, against a national average of 63.3%, but by 2022/23 this had declined to 57% against a national average of 63.4%. In children the figure was 45.9% in 2018/19 with a national average of 46.8%, but by 2022/23 this had declined to only 25.3% against a national average of 47%.</p> <p>The Council’s corporate strategy 2025-2029 identifies the improvement of health and wellbeing, and the reduction of health inequality, as a key priority and says that the Council will seek to work with those addressing local health priorities.</p> <p>The Council has considered the option of providing a loan to Hyndburn Leisure, although it was determined that a loan on commercial or even more favourable terms would have a negative impact on the policy objective as Hyndburn Leisure would</p>



How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
	<p>have to repay the loan and this would have a negative impact on their financial position, leading them either to raise prices or reduce services.</p> <p>The proposed subsidy will enable Hyndburn Leisure to continue to provide its existing leisure, health and wellbeing offer in the Borough in venues that are locally accessible. Unlike private sector providers, Hyndburn Leisure offers pay and play participation and membership rates that are deemed to be accessible to those on lower incomes.</p>

## Step 2: ensure that the subsidy is designed to create the right incentives for the beneficiary and bring about a change in behaviour

### The subsidy control principles that apply here:

<b>Principle C – additionality</b>	The subsidy should be designed to bring about a change in the economic behaviour of the beneficiary. That change should be conducive to achieving the specific policy objective and something that would not happen without the subsidy
<b>Principle D - input</b>	The subsidy should not normally compensate for costs the beneficiary would have funded in the absence of the subsidy

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
<p>Principle's C and D</p> <ul style="list-style-type: none"> <li>Describe what is realistically most likely to happen, in both the short and long term, if no subsidy is awarded</li> <li>What are the types of costs the subsidy is to be used to support ?</li> <li>Describe how the subsidy will lead to a change in the economic behaviour of the beneficiary, such as: <ul style="list-style-type: none"> <li>a project or activity taking place that wouldn't otherwise have gone ahead (or at least not in a way that benefits a certain area or group of people)</li> <li>measurable improvement in the quality of outputs or outcomes</li> <li>an increase in the scale or scope of a project or activity e.g. to extend the number of [people benefiting or the area covered</li> <li>a project or activity occurring significantly earlier than it would otherwise have done</li> </ul> </li> <li>Describe how the subsidy is conducive to achieving the policy objective</li> </ul>	<p>Without subsidy at the proposed level Hyndburn Leisure's current sport and leisure offer could not continue. The Trust would have to quickly take steps to maintain its financial viability which may well include increasing prices, reducing opening hours, reducing the scope of services offered, closure of one or more facilities, or some combination of all of these. Such steps would significantly impair the provision of public sport and leisure facilities in the Borough, to the detriment of efforts to reduce the significant health inequalities faced by the Borough.</p> <p>The costs could not be funded by Hyndburn Leisure in the absence of the proposed grant. The budget shortfall would presumably have to be met by price increases and reductions in service, which would have a significant impact on achievement of the policy objective.</p> <p>The subsidy will cover costs for the current financial year. It will cover the general costs of providing the leisure services for 2025/26, which the Council has essentially cash flowed so far this year in that the debt due from HL has increased. The subsidy will be used to repay that cash flow to the Council to enable Hyndburn Leisure to achieve a balanced budget for 2025/26.</p>

Step 3: consider the distortive impact the subsidy may have and keep this as low as possible

The subsidy control principles that apply here:

Principle B - proportionality	The subsidy should be proportionate to the specific policy objective and limited to what is necessary to achieve it
Principle F – minimise distortion	Whilst achieving the policy objective, the subsidy should be designed to minimise any negative effects on competition and investment within the UK

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
<p>Principles B and F</p> <p>Show how the subsidy is proportionate to your policy objective.</p> <p>Show how the subsidy has been designed to minimise any negative effects on competition and investment in the UK whilst still meeting the policy objective. This should include details of how you have considered the following subsidy characteristics:</p> <ul style="list-style-type: none"><li>• form of subsidy (loan, grant etc)</li><li>• breadth of beneficiaries and the selection process</li><li>• size of subsidy</li><li>• subsidy ratio</li><li>• time period of the subsidy</li><li>• nature of costs covered</li><li>• performance criteria</li><li>• ring-fencing</li><li>• monitoring and evaluation</li><li>• characteristics of the subsidy</li></ul> <p>Note: it isn't enough to simply describe the subsidy characteristics. You must explain how these contribute to proportionality and / or minimising market distortion.</p>	<p>In 2008/09 Hyndburn Leisure received £1.2 million in grant funding from the Council. As part of its response to the Government's austerity measures, the Council encouraged Hyndburn Leisure to become financially self-sufficient and, by 2021/22 the subsidy had reduced to nil. Since then the Trust has faced significant financial pressures in common with leisure providers nationally. These cost pressures include:</p> <ul style="list-style-type: none"><li>- Increased energy costs (an increase of 590% between 2019/20 and 2024/25)</li><li>- Increased staffing costs (an increase of 17% between 2019/20 and 2024/25)</li><li>- Inflation rate increases leading to higher supplier, maintenance and repair costs</li><li>- Increases in irrecoverable VAT</li></ul> <p>In addition, the Trust has lost income as a result of the partial closure of Mercer Hall Leisure Centre.</p> <p>These cost pressures have resulted in a need for subsidy, with:</p> <ul style="list-style-type: none"><li>• £235k being paid by the Council in 2022/23</li><li>• £490k being paid in 2023/24.</li><li>• £1,000,000 being paid in 2024/2025</li><li>• A further subsidy is required in respect of the current financial year to enable affordability levels, opening hours and service provision to be maintained at the current level. It is considered that this will support the Council's objective of supporting affordable and locally accessible health and wellbeing provision to help address the health inequalities in the Borough.</li></ul> <p>Public pay and play sports and leisure facilities are widely recognised as being services of public economic interest that are likely to require public subsidy in order to be viable. It is common for leisure trusts to receive (often significant) local authority grant funding.</p> <p>The above demonstrates that the level of subsidy is proportionate to the Council's policy objective and does not exceed the amount reasonably required by Hyndburn Leisure to enable it to continue to maintain the current level of service. The Council has not sought to meet the entirety of the Trust's funding gap and has required the Trust to find in-year savings and efficiencies. As such, the proposed grant does not exceed the amount reasonably required by Hyndburn Leisure. In addition, monies will not be physically paid over to Hyndburn Leisure and the subsidy will be ring-fenced to repayment of the current indebtedness to the Council.</p> <p>In March 2025, Hyndburn Leisure set a budget with a forecast deficit of £0.7million. There is a reduction in the subsidy requested from £1m in 2024/2025 to £700,000 in 2025/2026 plus a forecast increase in annual attendances from 493,559 in 2024/2025 to 578,000 in 2025/2026.</p> <p>This reduction in subsidy is largely due to the following factors:</p>

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
	<ul style="list-style-type: none"><li>• Late in 2024/2025 Hyndburn Leisure took over responsibility for procuring their own energy costs and were able to negotiate substantially reduced rates for the Leisure centres than had been possible through the Councils contract. This resulted in a reduction in the Kilowatt charge rate and the VAT rate, which has enabled savings of almost £300,000 per annum.</li><li>• As all costs have risen with inflation Hyndburn Leisure have also renegotiated several of their other premises and supplies and services contracts and set a further savings target to be achieved in year to ensure the subsidy would be reduced from 2024/2025.</li><li>• The opening of the Cath Thom Leisure Centre in October will also contribute towards increased attendances although in the first six months of operation the centre is not expected to make a financial surplus.</li></ul> <p>The future years subsidy targets have been agreed with the Council and are as follows:</p> <ul style="list-style-type: none"><li>• 2026/2027 - £500,000</li><li>• 2027/2028 - £350,000</li></ul> <p>The future years financial targets are linked to targets for improved attendance figures that will meet the policy objectives and return a reduced subsidy impact of £2.04 per visit to £0.50 per visit in 2027/2028.</p>

**Step 4: carry out a balancing exercise, weighing the likely harms of the subsidy against its expected benefits**

**The subsidy control principles that apply here:**

<b>Principle G</b>	The subsidy's beneficial effects (in terms of achieving the specific policy objective) should outweigh any negative effects, including in particular, negative effects on competition and investment within the UK, and international trade and investment
--------------------	--

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
<p>Set out details of the anticipated negative effects of the subsidy, the likelihood they will materialise and the extent of the harm if they do. Do not downplay the possible harms and recognise that all subsidy has the potential to distort competition and investment.</p> <p>Identify any:</p>	<p>As a local provider of leisure services, the proposed grant to Hyndburn Leisure will not have an effect on trade or investment between the UK and the EU. Similarly, there will not be a distortive effect within the UK as the majority of customers live within the Borough or very close by.</p>

How does the subsidy comply with these principles?	Response to the principles (including references to supporting attachments)
<ul style="list-style-type: none"> <li>• negative effects on competition and investment within the UK</li> <li>• negative effects on international trade and investment</li> <li>• negative geographical impacts</li> <li>• negative distributional impacts</li> </ul> <p>Set out the benefits of the subsidy in relation to the specific policy objective.</p> <p>Explain why you consider that the negative effects are outweighed by the positive ones</p>	<p>Hyndburn Leisure has over 5,400 active members at their Hyndburn and Mercer Hall Leisure Centres (including Feel Good members). Mapping of members showed that 87% of the total live within the Hyndburn local authority area.</p> <p>The proposed subsidy is considered to have minimal impact upon competition and investment, regionally or more locally. As such the proposed benefits of supporting achievement of the policy objective are considered to easily outweigh any negative effect upon competition.</p>