
RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Tuesday, 9th January, 2024

Present: Councillor Paddy Short (in the Chair),
Councillors Danny Cassidy (Vice Chair), Scott Brerton, Andrew Clegg,
Joyce Plummer and Judith Addison and Noordad Aziz

Co-optees: Richard Downie, Miles Parkinson, Stacy Walsh

In Attendance: Councillors Peter Britcliffe and Loraine Cox

Apologies: Councillor Mike Booth and Doug Hayes (Co-optee)

256 Apologies for absence, Substitutions, Declarations of Interest and Dispensations

There were apologies from Councillor Mike Booth. Councillor Noordad Aziz substituted. There were also apologies from Doug Hayes, Co-optee.

Stacy Walsh, Co-optee stated that in the interests of transparency, she wanted to Committee to be aware that Hyndburn Food Pantry had been previously awarded a grant from Hyndburn Leisure.

257 Call-In Procedure Note

The Chair invited the Scrutiny and Policy Officer to speak on this item. The Officer explained that this meeting had been called to consider the call in of a Cabinet decision, which was item 3 on the agenda. This item outlined the Council's procedure for consideration of items called in. Members were hopefully familiar with the process. The Officer drew attention to point 8, which outlined the options available to the committee.

Resolved - The procedure for consideration of items called in be noted.

258 Call-In of Cabinet Decision - Hyndburn Leisure Request for Financial Support

The Chair informed the Committee that at its meeting on 6th December 2023, Agenda item 5 Minute number 219 Hyndburn Leisure Request for Financial Support, Cabinet resolved:

(1) Notes the request from Hyndburn Leisure for financial support of up to £700,000, as set out in the letter provided as an Appendix to the report.

(2) Approves a grant to Hyndburn Leisure of £490,000 in respect of the financial year 2023/2024 and notes that this qualifies as Service of Public Economic Interest (SPEI) Assistance pursuant to section 38 of the Subsidy Control Act 2022 as detailed in section 7 of the report.

(2) Approves the payment of the £490,000 support to be funded from within the Council's forecast revenue underspend in year for 2023/2024.

(3) Notes that further financial support may be required by Hyndburn Leisure in the current and future years and notes that the Council will be required to consider whether the

provision of such support is consistent with the subsidy control principles before any decision is made in respect of the same.

(5) Supports a proposal for the inclusion of a 'one-off' budget allocation in the 2024/2025 revenue budget in respect of any further financial support that may be needed by the Leisure Trust.

(6) Approves the commissioning of a report on the most advantageous delivery model for the provision of quality leisure services in Hyndburn, with regard to achieving value for money.

In accordance with the Call-In Procedure for Cabinet Decisions, the procedure has been activated. The following documents are included in the agenda for the convenience of members:

- Call-In Form
- Copy of Cabinet Report from 6th December – Hyndburn Leisure Request for Financial Support
- Copy of appendix to above Cabinet report – Request for Support
- Extract from Minutes of Cabinet 6th December 2023 – Minute Number 219
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Following the call-in procedure, the Chair invited Councillor Scott Brerton, Sponsor of the Call-in to explain his reasons for the call-in.

Councillor Brerton thanked the Chair and expanded on the reasoning behind the call-in, which was included as part of the agenda pack.

Councillor Brerton said that, after the recent Cabinet decision to provide £12million of capital funding to build a new leisure centre that his group were surprised by the urgent need for financial support by Hyndburn Leisure. He said that calling in the decision was the right thing to do, as use of public money should be open to scrutiny. Hyndburn Borough Council faces many upcoming financial pressures, which this money may be required for. Finally, Councillor Brerton added that recent reports to Scrutiny and other bodies seemed to indicate that Hyndburn Leisure finances were ok, therefore it was difficult to understand how this urgent need for funding had arisen.

The Chair thanked Councillor Brerton and invited the Portfolio Holder for Resources, Cllr Peter Britcliffe to outline the reasons for the original decision.

Cllr Britcliffe reported that the decision had been taken due to the unprecedented additional costs facing Hyndburn Leisure, mainly due to rises in energy costs and wage inflation. The heating of swimming pools is very expensive, and the cost of energy is beyond the control of Hyndburn Leisure. Staff wages have also risen dramatically, with Hyndburn Leisure in line with Local Government pay awards requiring a £1925 increase per employee for 2 consecutive years.

Cllr Britcliffe stated that it is not uncommon for Leisure Trusts to receive grants from the Council, referring to several examples across Lancashire. Many also receive a management fee, which Hyndburn currently do not after reducing this gradually over several years, saving the Council £9 million in the process.

Cllr Loraine Cox, Portfolio Holder for Leisure was invited to speak. She said that Cllr Britcliffe had covered everything and she was in agreement with him.

In line with the procedure for call-in, the Chair invited officers to comment. Martin Dyson, Director (Resources) and Lyndsey Sims, Chief Executive of Hyndburn Leisure were present. Neither had any information to add at this stage.

The Chair went through the following questions, with the answers provided.

Question - What were the costs to the Council to run Leisure Services prior to the Leisure Trust being formed?

Answer - Upon formation of the trust in 2002 the council provided around £435k of operational subsidy to the trust. This figure increased annually along with an increase in services provided by the trust.

The most comparable period for the current service provision was 2009/2010. The Management Fee budget in that year was £1.045m and if general inflation had been applied to this figure the current cost would be £1,590m based on November 2023 inflation rates (excluding VAT).

Note: the costs stated above do not include the current pressures identified within the £490k subsidy in the Cabinet report.

Question - What would be the cost for the Council to deliver Leisure Services in house?

Answer - The exact current cost to operate Leisure Services in-house are not known as there are so many variables that would need to be considered such as:

- *any costs would include most of those identified in the £490k Cabinet report.*
- *equalisation of staff terms and conditions, (cost unknown at this stage)*
- *additional business rates that would be incurred by the council, £170k per annum.*
- *VAT implications and changes since the Trust was set up, (impact unknown at this stage)*
- *loss of grant income due to charitable status of the trust, currently £300k.*
- *additional future grant investment limitations eg. Community ownership fund for Mercer Hall.*

The Cabinet meeting in December supported a further recommendation for an external review to be undertaken, to determine the best option for the delivery of Leisure services in Hyndburn and this review will include financial appraisals of the various options.

Question - Have Hyndburn Leisure applied for other grants (other than unsuccessful swimming pool support fund) to help with the current financial situation?

Answer - The Swimming Pool Support Fund is the only large grant available to Leisure Trusts to help to cover revenue costs.

The Council and Leisure Trust have submitted a bid to the second phase of this fund, which, if successful will undertake Capital works to improve energy efficiency at Hyndburn Leisure Centre, helping to reduce energy costs in the future.

The main way that the trust has improved its financial position is through making further efficiencies and increasing income generation. The trust is currently on target to generate a £300k increase in income for fees and charges in comparison to the last financial year.

Question - Can you clarify the current subsidy control act position with regards to providing this grant to Hyndburn Leisure?

Answer - The subsidy control position was fully set out in the Cabinet report. We are currently waiting for HL to confirm that the proposed grant will not cause them to exceed the SPEI exemption threshold and the grant won't be paid until this is received.

Question - Do in kind services provided to Hyndburn Leisure count towards subsidy control thresholds?

Answer - There is no clear directive on in-kind services and the value of this may need to be considered before any payment is made under the SPEI conditions.

Question - Can you provide a comparison of management fees received by other Leisure Trusts across Lancashire?

Answer - Information has been requested from all Lancashire districts although not many districts have returned. Four responses were received and information relating to these was provided to the Committee.

Question - Considering the current losses associated with keeping Mercer Hall Leisure Centre open, should this building continue to remain open? (Question to both Portfolio Holder and Call-In Sponsor)?

Answer - The net costs of operating Mercer Hall are in the region of £120,000 per annum. The Cabinet report highlighted options that included the closure of Mercer Hall, although this has not been pursued and is unlikely to be considered until any decision is made on the options for repurposing the site.

The Chair invited further questions from the Committee. Questions were put forward and responded to on the following:

- The request from Hyndburn Leisure was for £700k, yet due to subsidy control the Cabinet had agreed to a £490k. How would the £210k gap be funded?

Martin Dyson responded that the request for was for "up to" £700k, and since the report Hyndburn Leisure had received some favourable news regarding VAT payments on soft play which would plug a significant portion of any remaining gap.

- As the report stated that the subsidy control act allowed for only £725k grant over a rolling 3 year period, what would happen should further subsidy be required?

Lyndsey Sims responded that if required, subsidy could be provided over the threshold but this would require an assessment.

- Could Hyndburn Leisure face going bust without this grant?

Cllr Britcliffe said this was possible, in which case leisure services would likely revert back to the Council. Lyndsey Sims informed the committee that legal advice had been sought regarding this

- Should the money allocated for the new Leisure Centre be included in subsidy calculations?

Martin Dyson said the new leisure centre was being built by the Council and is and will be a Council owned asset. There is no subsidy to consider here at this stage.

- Would Hyndburn leisure save money if they procured their own energy supply?

Martin Dyson reported that Hyndburn Leisure would still be subject to VAT payments on energy no matter who procured it. There would be no difference in costs to Hyndburn Leisure.

- Will Hyndburn Leisure's accounts be delayed due to the call in, and why wasn't the urgency made clear in the original report to Cabinet?

Lyndsey Sims said that there would now be a delay to the accounts. Cllr Britcliffe said the importance of the grant was clear in the Cabinet report.

The Chair invited Cllr Brerton to sum up. Cllr Brerton thanked officers for their thorough response to questions. He said these questions needed to be asked, and wanted to be clear that he was not against Hyndburn Leisure receiving a subsidy.

The Chair invited Cllr Britcliffe to sum up. Cllr Britcliffe said that it is common knowledge that swimming pools up and down the county are struggling with energy price increases, with many facing closure. This need for additional funding was not a shock and was anticipated as early as June. He is pleased that the Council has managed its finances in a way that it is able to support Hyndburn Leisure, and hopes that the Committee agrees to release the decision in full.

Cllr Danny Cassidy proposed that the Committee released the decision in full for implementation. This was seconded and approved.

Resolved - That the Resources Overview and Scrutiny Committee releases the Cabinet Decision which was subject to call in, in full for implementation.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed