



# Leisure Management Options Report FINAL DRAFT

2024



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## 1. INTRODUCTION

1.1. Hyndburn Borough Council has commissioned Max Associates to complete a management options appraisal for the leisure and culture facilities in Hyndburn.

1.2. Hyndburn Leisure currently manage the following venues on behalf of the Council:

- Hyndburn Leisure Centre;
- Mercer Hall (pool currently closed);
- Wilsons Athletics Track;
- Accrington Town Hall;
- Oswaldtwistle West End Community Centre; and
- Bank Mill House Community Centre.

1.3. At Wilson’s Playing Fields, Hyndburn Leisure only manages the athletics track, the pitches and pavilion are managed by Hyndburn Borough Council.

1.4. In addition to the Council facilities listed above, Hyndburn Leisure also manage Accrington Academy, Hyndburn Academy Sports & Leisure and Clayton Community Centre. However, these venues are not owned by the Council and are, therefore, excluded from the scope of the management options appraisal.

1.5. As well as facilities management, Hyndburn Leisure delivers a broad range of grant funded health and community development programmes and initiatives. In 2023/24 Hyndburn Leisure generated £2.04m revenue to administer and deliver these services.

1.6. Over the past 16 years the Council has paid £8.06m (including £800k support during Covid and

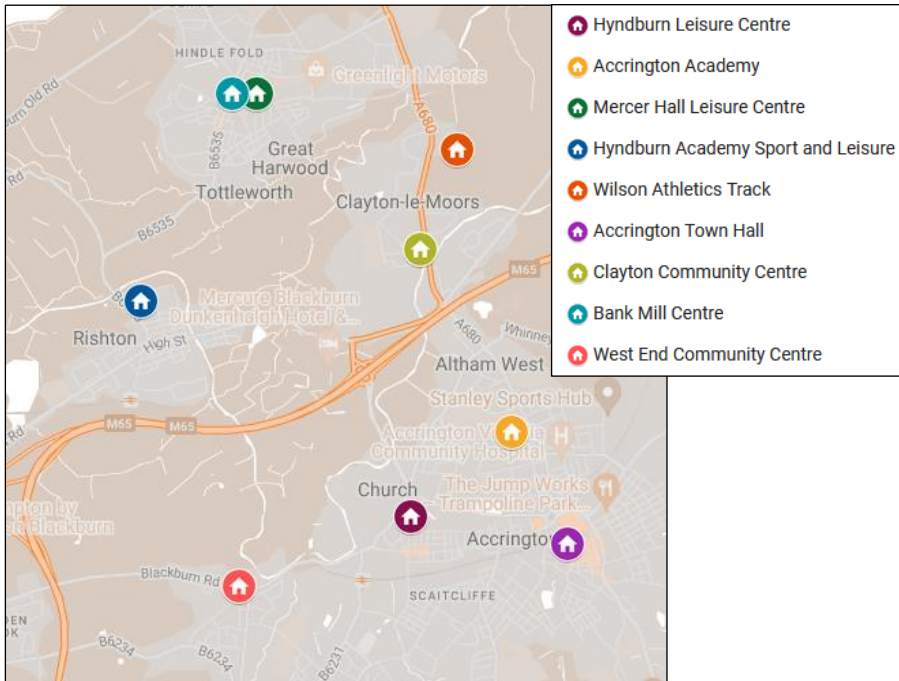
£725k energy support over the past two financial years) to Hyndburn Leisure to manage the Council’s leisure facilities. Pre-Covid, Hyndburn Leisure implemented a number of efficiencies and commercial improvements to reduce the service to a zero subsidy position, supporting the Council through austerity.

1.7. The purpose of this management options appraisal is to “review the Leisure Delivery Model in the Borough against the backdrop of significant and unexpected energy price increases, increased employee costs and the impact of the pandemic, which left the Trust needing to rebuild membership levels.” The appraisal has been completed within the context of Hyndburn Borough Council’s vision:

**“An ambitious and sustainable future for Hyndburn”**

1.8. The location of Hyndburn Leisure’s current portfolio is shown in the following map.

Figure 1 - Hyndburn Leisure Sites



1.9. The leases for Hyndburn Leisure Centre and Mercer Hall expire in the next two years and the lease for Accrington Town Hall expires two years later.

1.10. The Council is also in the process of building a new leisure centre at Wilson's Playing Fields to replace the leisure facilities at Mercer Hall and Hyndburn Leisure is currently reviewing options as to the future offer at Mercer Hall when the new centre opens, in 2025.

1.11. Consequently, identifying the most suitable delivery model for Hyndburn Borough Council is important as, should any changes be recommended, the Council will have sufficient time to implement.

1.12. The table overleaf shows the main facility mix of all the Council sites, which are included within the scope of the appraisal.

**Table 1 – Facility Mix**

Hyndburn Leisure Centre	Mercer Hall Leisure Centre	Accrington Town Hall
<ul style="list-style-type: none"> <li>• Gym</li> <li>• 25m Swimming pool</li> <li>• Thermal suite</li> <li>• Feelgood suite (ladies only)</li> <li>• Two studios</li> <li>• Sports hall (4 court)</li> <li>• 3 Squash courts</li> <li>• Soft play</li> <li>• Table tennis centre</li> <li>• Hair and beauty studio</li> <li>• 3g Football pitch</li> <li>• Café</li> </ul>	<ul style="list-style-type: none"> <li>• Gym</li> <li>• Feelgood suite (ladies only)</li> <li>• Studio</li> <li>• Sauna &amp; steam</li> <li>• Relaxation area</li> </ul>	<ul style="list-style-type: none"> <li>• Ballroom with stage</li> <li>• Function/meeting rooms</li> <li>• Bar &amp; café</li> </ul>
Wilson Athletics Track	Bank Mill House Community Centre	
<ul style="list-style-type: none"> <li>• 6 Lane 400m synthetic track</li> </ul>	<ul style="list-style-type: none"> <li>• Activity hall with stage</li> </ul>	

1.13. The report has been structured with the following key areas:

- National context
- Local context
  - o Council strategic priorities
  - o Area profile
- Review of existing facilities
- Management models
  - o Overview

- o Advantages and disadvantages
- Local management arrangements
- Options to assess
- Set up costs and timetables
- Evaluation criteria
- Evaluation of the management options
- Conclusions

## 2. NATIONAL CONTEXT

### 2.1. New VAT Ruling

2.1.1. On 3rd March 2023 new guidance from the HMRC was released that confirmed that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes. Therefore, councils can benefit from VAT relief on sporting income, without the risk of exceeding their diminimus value.

2.1.2. Previously, local authorities were treated as undertaking business activity if they provide leisure services to members of the public. This treatment is based on the understanding that when local authorities provide leisure services they are not acting as a public authority.

2.1.3. A local authority acts as a public authority when they're carrying out their statutory public interest activities for the service of the community.

2.1.4. This treatment was challenged by a number of local authorities and the matter was considered by the courts.

2.1.5. The courts found that local authorities' leisure services are provided under a statutory framework and can be treated as non-business for VAT purposes.

2.1.6. Before a public body, such as a local authority, can treat a supply as non-business it must be shown that this treatment would not significantly affect competition.

2.1.7. Consequently, HMRC conducted a detailed analysis of the leisure services sector and found that allowing local authorities to treat their supplies of leisure services as non-business would not significantly affect competition.

2.1.8. As a result of this change, local authorities that charged their customers VAT at the standard rate can apply the non-business treatment to their supply of leisure services.

2.1.9. This change excludes:

- catering
- adult or children's clothing
- water bottles
- sporting goods
- items from vending machines
- car parking

2.1.10. The benefit of 'non-business' treatment of income is the ability to recover VAT on related expenditure, but this is not subject to any limitations provided under Section 33 of the VAT Act 1994.








2.1.11. Further details can be found here: [HMRC-revises-treatment-of-VAT-on-in-house-leisure-services-November-2023.pdf \(max-associates.com\)](https://www.max-associates.com/wp-content/uploads/2023/11/HMRC-revises-treatment-of-VAT-on-in-house-leisure-services-November-2023.pdf)

2.1.12. As a result of this change, the market is now exploring Agency Agreement options that offer the most VAT efficient structure for external contractors. Whilst a relatively new concept, at the time of the report leisure operator GLL has successfully implemented an Agency Agreement with London Borough of Hillingdon and several others are in the pipeline.

## 2.2. National Strategies

2.2.1. Outlined below are six key national strategies that influence a local authorities approach to delivering leisure and physical activity services to local communities.

Figure 2 – Key National Strategies

 <p>Department for Culture Media &amp; Sport</p> <p><a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/100000/strategy_for_the_future_of_sport_and_physical_activity_-_gov.uk">strategy for the future of sport and physical activity - GOV.UK (www.gov.uk)</a></p>	 <p>Uniting the Movement   Sport England 2021-2031 Future of public leisure   Sport England 2022</p>	 <p>Public Health England</p> <p>PHE Strategy 2020 to 2025 - GOV.UK (<a href="http://www.gov.uk">www.gov.uk</a>)</p>	 <p><a href="https://www.bma.org.uk/media/1000000/bma-physical-activity-briefing-get-move-on-oct-19-v2.pdf">bma-physical-activity-briefing-get-move-on-oct-19-v2.pdf</a></p>	 <p>Department for Transport</p> <p>Gear change: a bold vision for cycling and walking (<a href="https://publishing.service.gov.uk">publishing.service.gov.uk</a>)</p>	 <p>Ministry of Housing, Communities &amp; Local Government</p> <p>National Planning Policy Framework - GOV.UK (<a href="http://www.gov.uk">www.gov.uk</a>)</p>	 <p><a href="https://sportengland-production-files.s3.eu-west-2.amazonaws.com/strategy-and-action-plan-2024">Every move sustainability strategy and action plan 2024 (sportengland-production-files.s3.eu-west-2.amazonaws.com)</a></p>
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2.2.2. The key priorities outlined in these strategies include:

- More investment in the sector is targeted at inactive groups and a more strategic approach to facilities to ensure communities have access to the facilities they need
- Making sport and physical activity more inclusive and welcoming for all so that everyone can have confidence that there is a place for them in sport
- Connecting Communities - Focusing on sport and physical activity's ability to make better places to live and bring people together
- Positive experiences for children and young people
- Connecting with health and wellbeing
- Transitioning from traditional leisure services into an active wellbeing service
- Provision is place-based (ensuring health & wellbeing services are at the heart of local communities & aligned to the needs of people in the communities)
- Promote good mental health and contribute to the prevention of mental illness
- Promoting Health and Safe Communities - Planning policies and decisions should aim to achieve healthy, inclusive and safe places which;
  - Promote social interaction
  - Are safe and accessible
  - Enable and support healthy lifestyles
- People's health and quality of life is improved by more people walking and cycling.

- Sport and physical activity sector to become environmentally sustainable, enabling greater opportunity for all people to participate in sport and physical activity, now and in the future
- Strengthen and focus support for the UK's heritage that will underpin investment

### 2.3. National Context Summary

2.3.1. Across national strategies and policies there are priorities on improving physical and mental health, connecting communities and improving and increasing active travel. They also highlight the focus central government is putting on physical activity and levelling health inequalities as the country recovers from all the health and other impacts of the coronavirus pandemic.

2.3.2. Leisure provision will need to continue to contribute towards these national strategic priorities and the evaluation of options will assess each models ability to deliver against strategic outcomes.



### 3. LOCAL CONTEXT

3.1 It is important to understand the local context and demographics of Hyndburn Borough Council to ensure that future management options can deliver services appropriate to the communities the leisure centres and outdoor facilities serve.

#### 3.2 Council Strategies and Priorities

3.2.1 The table below outlines the key strategic documents and plans within the Council area, which the leisure centres and outdoor centres have a responsibility to contribute towards.

**Table 2 – Key Local Strategies**

Strategy	Vision	Key Priorities
<b>Hyndburn Local Plan 2040</b>	In 2040 Hyndburn will be a vibrant, distinctive, and prosperous area of Pennine Lancashire. It will be recognised for the collective quality and attractiveness of its market towns, its diverse communities, its landscape setting, environmental credentials, including a healthy natural environment and its response to climate change, and the special qualities of Huncoat Garden Village.	<ul style="list-style-type: none"> <li>• To create greater opportunities for all to access improved economic opportunities and to provide support for the local economy and a higher wage employment.</li> <li>• To provide for a greater choice and quality of housing (designed and built to enable people to lead active lives) including transformational change at Huncoat Garden Village.</li> <li>• To improve and sustain quality of health and wellbeing and enable the residents of Hyndburn to lead active lifestyles.</li> <li>• To conserve and, where appropriate, enhance a valued urban and rural environment that is ready to address the causes and effects of climate change.</li> <li>• To provide easy access for all to good quality services and facilities</li> </ul>
<b>Corporate Strategy 2023-2028</b>	An ambitious and sustainable future for Hyndburn	<ul style="list-style-type: none"> <li>• <b>Health &amp; Wellbeing</b> - Actively participate in and seek to influence local partnerships including the Integrated Care Board, and work with those addressing local health priorities</li> </ul>
<b>Hyndburn Borough Council SOPM 2023</b>	The purpose of the Strategic Outcomes Planning Report is to provide the Council with service and facility interventions for	<ul style="list-style-type: none"> <li>• Support people in our communities to live their lives well                             <ul style="list-style-type: none"> <li>○ Reduce health inequalities</li> <li>○ Use physical activity as a key component to improve health &amp; wellbeing</li> <li>○ Reduce levels of physical inactivity</li> <li>○ Every child and young person has a range of opportunities to be active</li> </ul> </li> </ul>

Strategy	Vision	Key Priorities
	<p>delivering and facilitating community leisure and wellbeing in the Borough that meets the needs of the local population. It is based on a well evidenced and researched review of provision now and into the future and includes clear recommendations providing a delivery framework and action plans.</p>	<ul style="list-style-type: none"> <li>o More residents reach the recommended levels of physical activity</li> <li>• Improve the quality of services and facilities <ul style="list-style-type: none"> <li>o Focus on increasing levels of physical activity in those areas which have the highest levels of poor health and health inequalities</li> <li>o Ensure the physical activity offer has a place-based approach and is right for each local community</li> <li>o Ensure access to leisure facilities for all members of the community</li> </ul> </li> <li>• Maintain and promote a high quality and high valued environment, providing good connections between rural and urban areas <ul style="list-style-type: none"> <li>o Create environments where active travel is the easy choice</li> <li>o Increase access to parks, open and green spaces for physical activity</li> <li>o Reduce the impact on the environment</li> </ul> </li> <li>• Maintain effective financial management <ul style="list-style-type: none"> <li>o Offer best value to Hyndburn residents</li> <li>o Provide high quality facilities that contribute towards effective and efficient financial performance of leisure centres</li> </ul> </li> </ul>
<p><b>Lancashire Health and Wellbeing Strategy</b></p>	<p>Our vision is that every citizen in Lancashire will enjoy a long and healthy life</p>	<ul style="list-style-type: none"> <li>• Create conditions for wellbeing and health;</li> <li>• Enable sustainable behaviour and lifestyle changes;</li> <li>• Joined up services to provide right care at the right time and right place;</li> <li>• Develop the environment for innovation and continuous improvement.</li> </ul>
<p><b>Hyndburn Borough Council Playing Pitch and Outdoor Sports Strategy 2021</b></p>	<p>An accessible, high quality and sustainable network of sports pitches and other outdoor sports facilities that supports delivery of the Council's strategies through increased sports participation by all residents, at all levels of play, from grassroots to elite</p>	<ul style="list-style-type: none"> <li>• Ensure that the most valuable facilities are protected for the long term benefit of sport</li> <li>• Promote a sustainable approach to the provision of playing pitches and management of sports clubs</li> <li>• Ensure that there are enough facilities in the right place to meet current and projected future demand</li> <li>• Ensure that all clubs have access to facilities of appropriate quality to meet current needs and longer term aspirations.</li> </ul>

### 3.3 Hyndburn Borough Council Local Profile

#### 3.3.1 Key Health and Demographic Data

3.3.2 The information overleaf sets out the insight data used to understand the socio demographic

context of the Council area to 2040. The services going forward will need to reflect the future and current demographic and health profile of the area.

### 3.3.3 Key Demographic Statistics

3.3.4 The population of Hyndburn in 2021 was circa 82,200. Overall population growth is projected to decline to the year 2040.

3.3.5 The 80-84 age group will have the largest increase by 45%. 25-29 year olds are predicted to be the largest age group by 2040, followed by the 30-34 age group.<sup>1</sup>

3.3.6 The Council area currently has higher numbers of people aged 0-19 years, compared to the national average. However, the age groups 5-9 and 10-14 year olds are set to decrease by 2040. The population numbers for those over the aged 35-49 years are lower than the national average.<sup>2</sup>

3.3.7 Overall, the Council has higher numbers of those classed as Asian, Asian British or Asian Welsh, lower numbers of other ethnic groups and a comparable proportion of residents classed as white when compared to the national averages.<sup>3</sup>

3.3.8 The number of females and males within the population is comparable to the national average.<sup>4</sup>

3.3.9 There are high levels of deprivation with 34.3% of the population living in the 20% most deprived

<sup>1</sup> ONS Data 2018/2021

<sup>2</sup> ONS Data 2021

<sup>3</sup> ONS Data 2021

<sup>4</sup> ONS Data 2021

areas in England, significantly higher than the England average of 21.7%<sup>5</sup>

3.3.10 The number of all dependent children under 16 living in absolute low-income families is 11% higher than the national average.<sup>6</sup>

### 3.3.11 Key Health Statistics

3.3.12 Those that report themselves in very good health is lower than the national average, however those that class themselves as in good health is comparable to the national average.<sup>7</sup>

3.3.13 Levels of obesity are higher in adults and children in the Council area, when compared to the national average.<sup>8</sup>

3.3.14 Residents classed as disabled is higher than the national average.<sup>9</sup>

3.3.15 Life expectancy is lower for men and women than the national average. There is significant inequality in life expectancy in men and some for women across the most and least deprived areas.<sup>10</sup>

3.3.16 The hospital admissions rate for alcohol-related episodes is significantly higher than the England average.<sup>11</sup>

<sup>5</sup> PHE Fingertips 2019

<sup>6</sup> PHE Fingertips 2021/22

<sup>7</sup> ONS Data 2021

<sup>8</sup> PHE Fingertips 2021/22

<sup>9</sup> ONS Data 2021

<sup>10</sup> PHE Fingertips 2022

<sup>11</sup> PHE Fingertips 2021/22

3.3.17 The levels for hip fractures and the under 75 mortality rates from all causes per 100,000 people are both higher than the England average.<sup>12</sup>

3.3.18 The dementia and diabetes diagnosis rates are both higher when compared to the England average.<sup>13</sup>

3.3.19 Smoking prevalence in adults aged 18+ is lower than the England average.<sup>14</sup>

3.3.20 The full health and demographic profile can be found overleaf.

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<sup>12</sup> PHE Fingertips 2022/23

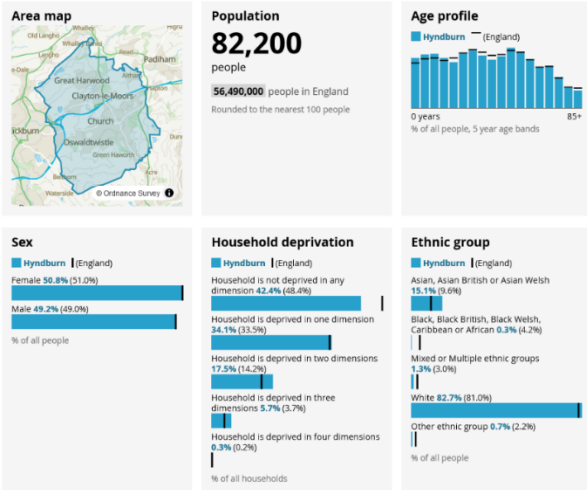
<sup>13</sup> PHE Fingertips 2022/23

<sup>14</sup> PHE Fingertips 2022

Figure 3 – Hyndburn Health and Demographic Profile

# Demographic and Health Profile

## Hyndburn



Source: Office for National Statistics - Census 2021

## Hyndburn



Source: Office for National Statistics - Census 2021



The population in 2021 was circa 82,200 and is predicted to decline to 76,482 by 2040<sup>1</sup> with the largest rise within the 80-84 age group by 45%<sup>2</sup>



Life expectancy is 76.5 years for males and 80 years for females, both **lower** than the England average.  
Life expectancy is 11.8 years **lower** for men and 10.3 years **lower** for women in the most deprived areas of the council area than in the least deprived areas.<sup>9</sup>



is predicted to be the largest age group in 2040<sup>3</sup>



71.7% of adults aged 18+ are classified as overweight or obese which is **higher** than the England average of 64%<sup>10</sup>



of all dependent children under 16 live in **relative low income families**. This is **higher** than the England average of 19.9%<sup>4</sup>



23.5% of Year 6 children are classified as overweight (including obesity) which is **higher** than the England average of 22.7%<sup>11</sup>

per 100,000 people



Hip fractures in people aged 65 and over is 673, **higher** than the national average of 558<sup>5</sup>



536 per 100,000 people is the rate of hospital admission episodes for alcohol-specific conditions, **higher** than the England average of 494<sup>12</sup>



77.9 per 100 people is the estimated dementia diagnosis rate, **higher** than the England average of 63<sup>7</sup>



Smoking prevalence in adults 18+ is 10.6%, **lower** than the England average of 12.7%<sup>13</sup>



87.1% is the estimated diabetes diagnosis rate, **higher** than the England average of 78%<sup>8</sup>

**SOURCE:**  
1, 2, 3 – ONS DATA (2018/2021) / 4 – 13 – PHE FINGERTIPS 2018-2023

### 3.4 Physical Activity Levels

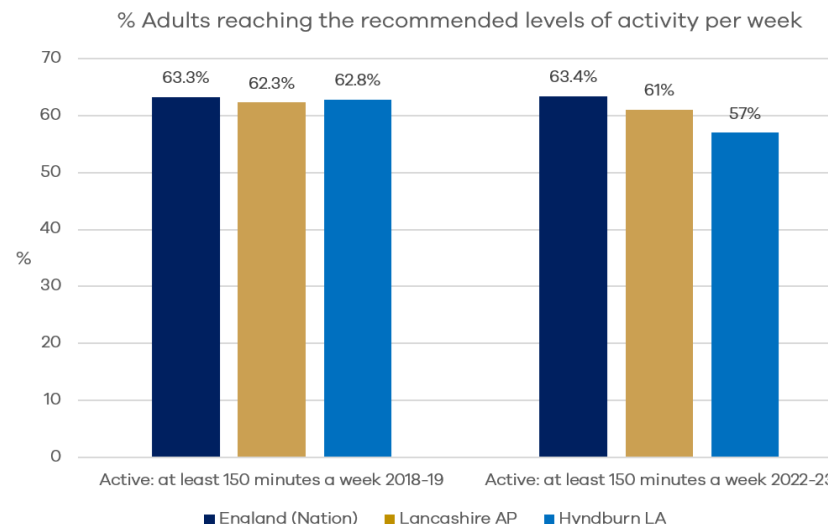
3.4.1 The Public Health England data demonstrates how important being active is.

3.4.2 This section sets out the recommended levels of activity for adults and children<sup>15</sup> and the actual levels of activity in Hyndburn, compared to Lancashire and England averages.

3.4.3 The number of adults classed as active in the Council area is lower than the England and regional averages, with 57% of the adult population defined as active.

3.4.4 Rates of participation have not returned to pre-Covid levels. In 2018-2019 the percentage of adults classed as active was 62.8%, higher than the current levels of 57%. This decrease is worse when compared to the national picture, where activity levels have returned to pre-Covid levels.

**Figure 4 – Hyndburn Borough Council Physical Activity Levels in Adults<sup>16</sup>**



3.4.5 The number of children and young people in the Council area meeting the Chief Medical Officer's (CMO) guidelines in 2022-2023 is significantly lower than the regional average and England averages (see Figure 5).

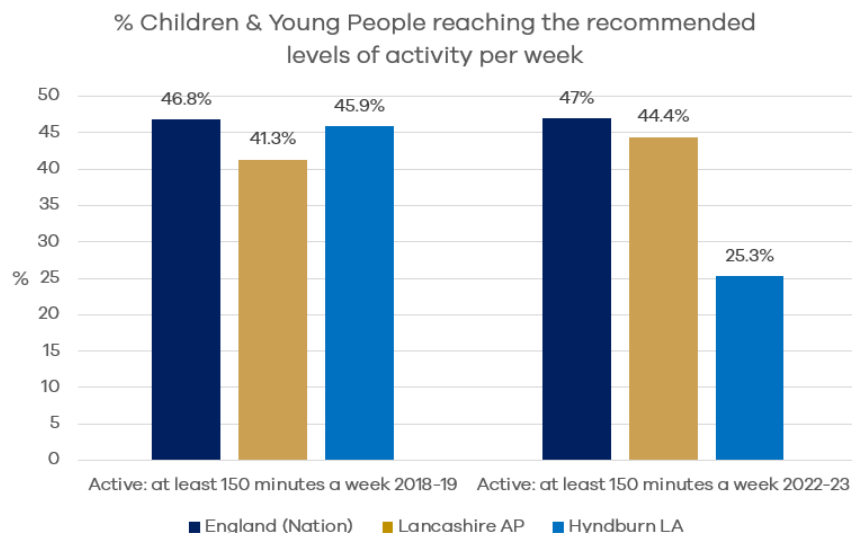
3.4.6 The current level of children and young people meeting the Chief Medical Officers (CMO) guidelines is significantly lower compared to pre-Covid levels. Pre-Covid, the number of children and young people meeting the CMO guidelines was much higher at 45.9%, 20.6% higher than the current level.

<sup>15</sup>

<https://assets.publishing.service.gov.uk/media/5d839543ed915d52428dc134/uk-chief-medical-officers-physical-activity-guidelines.pdf>

<sup>16</sup> Sport England Active Lives 2018/19-2022/23

**Figure 5 – Hyndburn Borough Council Physical Activity Levels in Children and Young People<sup>17</sup>**



### 3.5 Strategy and Local Profile Summary

3.5.1 The key local strategies show alignment with national strategies relating to health and physical activity. Priorities include improving and sustaining the quality of health and wellbeing and to enable residents of Hyndburn to lead active lifestyles as well as reducing health inequalities, reducing levels of physical activity and to focus on those in areas which have the highest levels of poor health and health inequalities.

3.5.2 A place based approach is a key national and local priority to ensure the physical activity

offer has a place-based approach and is right for each local community alongside providing easy access for all to good quality services and facilities. Services and resource need to target those with the greatest need.

3.5.3 For adults and children and young people, a national and local key priority is increasing activity levels. Activity levels are significantly lower for children and young people than England averages and an increase in activity and promoting a sustainable approach can lead to reduced rates of obesity which will help reduce the pressure on local and national services. Increased activity also has mental health and wellbeing benefits. Increasing activity levels in adults will bring similar benefits to residents.

3.5.4 Those who live in deprived areas are less likely to be physically active. Hyndburn has high levels of deprivation and, as above, increasing activity in key groups can lead to reducing health inequalities for this key target group.

3.5.5 Any future management model needs to be able to support the delivery of strategic objectives and deliver targeted programmes to help address inequalities across the borough.

<sup>17</sup> Sport England Active Lives 2018/19–2022/23

#### 4. REVIEW OF EXISTING FACILITIES

##### 4.1 Hyndburn Leisure

4.1.1 Hyndburn Leisure is a not-for-profit charitable trust, its vision is to:

“Inspire people to live healthier, happier lives through leisure, sport and culture – and help make our community a better place for everyone.”

4.1.2 The Trust operates to the following values:

Figure 6 – Trust Values



4.1.3 The Trust currently operates six facilities on behalf of Hyndburn Borough Council, two facilities on behalf of United Learning Trust and owns one community facility.

##### 4.1.4 Financial Performance

4.1.5 Prior to the Covid-19 pandemic, Hyndburn Leisure had been able to reduce the subsidy requirements from Hyndburn Borough Council to zero by 2019. However, the impact of the pandemic, subsequent utility cost increases and the cost of living crisis has led to the Trust requiring subsidy support from the Council over the last two years. The subsidy provided was specifically related to the increases in energy costs, and therefore did not provide a full operational subsidy. In 2024/25 the trusts net deficit position is expected to be £1.065m, however the level of subsidy to be provided is yet to be agreed with the Council. The total subsidy provided over the last two years is set out below.

Table 3 – Hyndburn Leisure Subsidy 2022-2024

Year	HBC Subsidy to Hyndburn Leisure
2022/23	£235,000
2023/24	£490,000

4.1.6 The Trusts Business Strategy highlights their intention to work towards a zero subsidy position over the next three years.

##### 4.1.7 Debt Position

4.1.8 The Trust currently has outstanding debt with the Council related to three core areas:



- Trading debt
- Loan issued during Covid<sup>18</sup>
- Equipment loan

4.1.9 Hyndburn Leisure has been making repayments on the loan and, as of the 17th of September 2024, the outstanding balance for all three areas listed above was £3,816,120.

4.1.10 However, the Council owes the Trust £349,138 for the household Support Scheme, which can be offset against the debt to reduce the overall debt to £3,477,181.

#### 4.2 Hyndburn Borough Council Owned Facilities

4.2.1 The table overleaf sets out the income and expenditure over the last two years for the Hyndburn leisure centres that are within scope of the options appraisal. Despite receiving £490k subsidy support from the Council and other grant income, the centres still operated at a deficit of £685k in 2023/24 (including central cost allocation).

4.2.2 The central costs allocation has been reviewed to ensure that costs that are centre specific such as irrecoverable VAT have been apportioned across Hyndburn Leisure's portfolio.

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<sup>18</sup> Financial support during covid was managed in a variety of ways across Local Authorities, some Councils agreed loans and repayment terms with their operators, other Council's agreed to fund the losses incurred by their operators operating on an 'open book' basis.

4.2.3 It is important to note that this does not reflect the Trusts overall financial performance, it is focusing on the sites under Council ownership.



Table 4 - Hyndburn Leisure Centres Income and Expenditure

	Hyndburn LC		Mercer Hall LC		Accrington Town Hall		Wilsons Athletics		Bank Mill House Community Centre		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
<b>INCOME</b>												
Fitness Membership	605,352	601,390	84,577	70,141	0	0	0	0	0	0	689,929	671,532
Fitness Casual	0	0	0	0	0	0	0	0	0	0	0	0
Group Exercise	3,721	9,555	1,108	3,110	7,195	5,166	0	0	2,367	0	14,390	17,830
Swimming Casual	167,327	199,772	0	0	0	0	0	0	0	0	167,327	199,772
Swimming Lessons	159,392	198,893	0	0	0	0	0	0	0	0	159,392	198,893
Swimming Pool Hire	0	0	0	0	0	0	0	0	0	0	0	0
Health Suite	10,451	16,278	5,308	4,010	0	0	0	0	0	0	15,760	20,289
Sports Hall	50,047	35,862	0	0	0	0	0	0	0	0	50,047	35,862
Squash	12,736	13,647	0	0	0	0	0	621	0	0	12,736	14,268
Dryside Other	157,116	214,018	0	0	0	0	0	0	0	0	157,116	214,018
Adventure Zone	94,186	120,947	0	0	0	0	0	0	0	0	94,186	120,947
Outdoor	0	77,654	0	0	0	0	5,969	5,589	0	0	5,969	83,243
Facility Hire	0	0	0	0	69,760	74,540	0	448	5,774	5,540	75,533	80,528
Events	0	0	0	0	8,830	6,900	0	0	0	0	8,830	6,900
Secondary - retail	24,085	27,325	0	0	0	0	0	0	0	0	24,085	27,325
Secondary - catering inc vending	180,857	257,610	0	0	60,700	53,855	0	0	0	0	241,556	311,464
Miscellaneous	13,621	24,819	316	208	7,265	21,852	0	0	0	0	21,202	46,878
<b>TOTAL INCOME</b>	<b>1,478,890</b>	<b>1,797,771</b>	<b>91,309</b>	<b>77,469</b>	<b>153,749</b>	<b>162,311</b>	<b>5,969</b>	<b>6,658</b>	<b>8,141</b>	<b>5,540</b>	<b>1,738,057</b>	<b>2,049,749</b>
<b>EXPENDITURE</b>												
Salaries	1,135,494	1,195,771	96,636	128,477	281,053	154,954	0	0	0	0	1,513,183	1,479,203
Utilities	336,843	658,511	47,072	80,700	59,194	82,249	0	-36	4,395	6,418	447,505	827,843
Repairs & Maintenance	126,204	67,231	18,679	42,528	17,760	18,976	1,304	359	8,390	4,336	172,337	133,429
Other Premises	40,211	39,888	5,076	7,237	6,413	5,221	0	0	19	413	51,719	52,758
Other Supplies	192,554	226,713	5,511	6,687	122,871	46,424	0	1,442	4,182	293	325,119	281,559
Communications	13,566	11,548	2,097	1,818	8,605	4,678	0	0	273	558	24,540	18,601
Finance	17,183	17,988	2,037	946	1,657	2,186	0	0	0	0	20,876	21,120
Insurance	27,797	28,102	3,177	3,212	3,177	3,212	397	401	397	401	34,945	35,328
Marketing	7,730	14,691	883	1,679	883	1,679	110	210	110	210	9,717	18,469
IT	1,369	15,129	156	1,729	156	1,729	20	216	20	216	1,721	19,019
Irrecoverable VAT	90,118	105,689	10,299	12,079	10,299	12,079	1,287	1,510	1,287	1,510	113,291	132,867
<b>TRADING EXPENDITURE</b>	<b>1,989,069</b>	<b>2,381,260</b>	<b>191,625</b>	<b>287,092</b>	<b>512,069</b>	<b>333,386</b>	<b>3,118</b>	<b>4,102</b>	<b>19,072</b>	<b>14,355</b>	<b>2,714,953</b>	<b>3,020,195</b>
<b>NET TRADING</b>	<b>-510,179</b>	<b>-583,490</b>	<b>-100,316</b>	<b>-209,623</b>	<b>-358,320</b>	<b>-171,075</b>	<b>2,850</b>	<b>2,556</b>	<b>-10,932</b>	<b>-8,815</b>	<b>-976,896</b>	<b>-970,447</b>
Grants / Support	289,865	404,749	0	40,000	231,527	105,229	0	0	0	500	521,392	550,478
Central Costs	248,959	196,298	41,493	32,716	20,747	16,358	8,299	6,543	16,597	13,087	336,095	265,002
<b>SURPLUS / DEFICIT INC CENTRAL COSTS</b>	<b>-469,274</b>	<b>-375,039</b>	<b>-141,809</b>	<b>-202,339</b>	<b>-147,540</b>	<b>-82,204</b>	<b>-5,449</b>	<b>-3,988</b>	<b>-27,529</b>	<b>-21,401</b>	<b>-791,600</b>	<b>-684,971</b>

4.2.4 **Hyndburn Leisure Centre**

4.2.5 In 2023/24 the net trading position of Hyndburn Leisure Centre was an operating loss of £583k, the Trust received subsidy support of £400k and

apportioned £196k of central costs to the centre resulting in a total operating loss to £375k.

4.2.6 A summary of income and expenditure benchmarks are shown in the table below.

**Table 5 – Income And Expenditure Benchmarks**

INCOME & EXPENDITURE BENCHMARKS	2022/23	2023/24	Moving Communities FY23
Total income per visit (£)	5.84	4.92	5.82
Total expenditure per visit (£)	7.85	6.52	5.95
Fitness income per station (£)	5,503	5,467	
Swim income per sq. m. - water space (£)	1,089	1,329	
Swim lesson income per sq. m. - water space (£)	531	663	
Main Hall income per badminton court (£)	12,512	8,966	
Average monthly yield per fitness member		31.60	
Catering / Vending income per visit (£)	0.71	0.71	
Retail income per visit (£)	0.10	0.07	
Staff expenditure as % of total income	77%	67%	
Central Costs % of Income	17%	11%	
Subsidy per visit (£)	2.01	1.60	0.13
% cost recovery	66%	70%	98%

#### 4.2.7 Income

4.2.8 Table 5 sets out key income benchmarks for Hyndburn Leisure Centre. Whilst there are no national benchmarks available post-Covid, we have compared performance against our own internal database and information available via Moving Communities.

4.2.9 Overall, income per visit is lower than the Moving Communities Benchmark of £5.82<sup>19</sup> (although note the latest Moving Communities data is only available for 2022/23) but is higher than the average benchmarks from Sport England National Benchmarks pre-Covid.

4.2.10 There was a reduction in income per visit from 2022/23, which is due to there being no use of the 3G pitch, closure of the pool for one month and closure of Adventure City for two months to deliver the decarbonisation works. This led to lower than usual participation levels but overall income remained strong, leading to a higher than average income per visit.

4.2.11 Latest data for 2024/25 suggests an income per visit of £5.04, an improvement on the 2023/24 performance.

4.2.12 Fitness income per station has remained comparable over the last two years, however at £5.5k this is lower than average. At the end of 2023/24 there were 1,586 adult members (excludes Energize 8+ and aqua members), latent demand

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<sup>19</sup> National FY23 - Number of visits taken from front of house system, which may differ across operators for example how total visits for group bookings are calculated

modelling completed as part of the SOPM work suggested potential for just over 2,000, members at Hyndburn Leisure Centre, suggesting there is some scope for improvement. If these numbers could be achieved then income per station would increase to just under £7,200 per station, which is more in line with industry averages. Nearly all operators have seen a slow recovery in fitness post-Covid compared to activities such as swimming, with many not recovering to pre-Covid levels. The Trust is projecting a slight increase in fitness income in 2024/25.

4.2.13 Membership prices with access to fitness range from £27.50 to £32.50 per month, therefore achieving a yield of £31.60 is good.

4.2.14 Prices charged across the centres reflect the local demographics and are benchmarked against other local providers, ensuring prices are competitive and also accessible for residents.

4.2.15 Swimming income per m<sup>2</sup> was very good in 2023/24 at over £1,300 per m<sup>2</sup>, swimming lesson income at £663 per m<sup>2</sup> is in line with industry averages. Some operators have struggled to grow swimming lesson programmes due to swim teacher shortages and recruitment issues, despite there being local demand.

4.2.16 Income per badminton court is average and reflects trends seen nationally with sports hall and other dryside income declining.

4.2.17 Catering/vending spend per head is also very good at £0.69, typically the industry average is approximately £0.20 per head.

4.2.18 Overall, whilst there is some scope for improvement, Hyndburn Leisure is performing well and has recovered to 98% of pre-Covid income levels and with projected growth in 2024/25 the centre is expected to improve across the income benchmarks.

#### 4.2.19 Expenditure

4.2.20 Expenditure per visit at £6.52 is slightly higher than the Moving Communities benchmark for year end March 2023 of (£5.95). This will predominantly be due to the higher than average staff costs and increased utility costs.

4.2.21 Staff expenditure as a percentage of income is slightly higher than average at 67%, external contractors and local trust average benchmarks are typically around 50-55% of income. In-house operations are significantly higher at closer to 80%. As a single contract Trust, staff costs are expected to be slightly higher than average. As at the end of period 4 2024/25, staff costs are at 61% of income.

4.2.22 Staff costs accounted for 48% of Hyndburn Leisure's expenditure, compared to the Moving Communities benchmark of 42%<sup>20</sup>.

4.2.23 Utility costs have increased significantly from 2022/23, as a result of increasing tariffs. This reflects the national picture and is out of Hyndburn Leisure's control. It is recognised that additional subsidy support was provided to support this cost increase. Utility costs as a proportion of total expenditure are 27.4%,

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<sup>20</sup> National Benchmark FY23

broadly comparable to the Moving Communities benchmark of 25.5%<sup>21</sup>.

4.2.24 The Trust has reduced repairs and maintenance and other premises costs in 2023/24 compared to the previous year, however other supplies costs have increased.

4.2.25 As a standalone contract central support costs are higher than an external contractor model at 11%, however the industry benchmark for local trusts is c.14%. Therefore, the central support costs at Hyndburn Leisure Centre are better the industry average for the same governance model.

4.2.26 With slightly higher expenditure than industry averages, the slightly lower income results in a lower than average cost recovery and subsidy per visit<sup>22</sup>

#### 4.2.27 Mercer Hall

4.2.28 In 2023/24 Mercer Hall operated at a net trading position of -£202k, a significant increase on the previous year due to increases in staff and utility costs, as well as a slight reduction in income.

4.2.29 Mercer Hall received subsidy support of £40k in 2023/24.

4.2.30 Mercer Hall swimming pool was closed in 2020 during the Covid pandemic, the age and condition of the building and plant meant that to

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<sup>21</sup> National Benchmark FY23

<sup>22</sup> Subsidy per visit benchmark excludes grants/support payments

re-open the pool would have significant financial consequences. As such, the pool has remained closed with just the fitness, Feelgood suite, classes and health suite available over the last two years.

4.2.31 Fitness income per station reduced slightly from £2,349 in 2022/23 to £1,948 in 2023/24. This is significantly lower than industry averages and reflects the limited other activities available on site, accessibility and quality of offer due to the age and condition of the building. It is noted that once the new Wilsons Playing Fields centre is open these facilities will close at Mercer Hall and the venue re-purposed.

4.2.32 As a result of the low income, but the requirement to staff the venue during opening hours, staff costs are significantly higher than average and at 106% in 2023/24 they are higher than the total income generated by the centre.

4.2.33 Like other venues Mercer Hall also had a significant increase in utility costs, repairs and maintenance costs also increased, which is due to the age and condition of the building and plant.

4.2.34 Consequently, cost recovery is very low at only 24% in 2023/24.

4.2.35 **Accrington Town Hall**

4.2.36 As a culture and heritage venue there are no benchmarks to compare financial performance against.

4.2.37 In 2023/24 the venue increased overall income from £154k to £162k and further increases are projected in 2024/25.

4.2.38 Whilst utility costs increased in 2023/24, there was a significant reduction in staff costs and other supply costs, which resulted in the reduced deficit position.

4.2.39 The venue received subsidy support of £40k in 2023/24.

4.2.40 **Wilson's Athletics Track**

4.2.41 The Trust currently manages the bookings for the athletics track at Wilson's Playing Fields.

4.2.42 There was minimum expenditure against the site, resulting in a small deficit (c.£4k) being generated from the services offered.

4.2.43 When the new leisure centre is complete, all bookings will be managed through the new centre, it is expected that track bookings will increase due to the increased throughput on site, increased awareness etc.

4.2.44 **Bank Mill House Community Centre**

4.2.45 In 2023/24 the Trust received facility hire income of £5.5k for the community centre.

4.2.46 No staff costs are allocated to the centre, however the accounts include utility, repairs and maintenance and other operational costs. Overall, the centre operated at a deficit of £21k in 2023/24.

### 4.3 Current Performance Summary

4.3.1 The Trust has faced challenges over the last two years which have affected the whole sector, particularly the increases in utility costs and the cost of living crisis impacting people's opportunity to participate in leisure activities.

4.3.2 The financial analysis shows that where possible costs have been managed and reduced, highlighted by Hyndburn Leisure Centres performance being broadly comparable to industry averages.

4.3.3 Generating and growing income has been challenging post-Covid, swimming performance is strong, however fitness has not recovered to pre-Covid levels. This does not reflect the national picture, however there is potential for further growth, investment into the gym space with new equipment and redecoration will help with member retention and attracting new members in the future.

### 4.4 Subsidy Control

4.4.1 Over the last financial year, Hyndburn Borough Council has paid grant payments to Hyndburn Leisure that have now reached the Service of Public Economic Interest (SPEI) limit. Future grant payments will require a full assessment of compliance with the subsidy control principles.

4.4.2 The UK subsidy control regime regulates subsidies given in the UK to prevent any excessively distortive or harmful effects. The regime is designed to be flexible to allow public authorities to support business growth and

innovation, promoting competition and investment in the UK. Under the regime, public authorities can deliver subsidies that are tailored to local needs to deliver their strategic priorities.

### 4.5 Meeting Strategic Objectives

4.5.1 As well as providing facilities management services for the Council's leisure and culture venues, Hyndburn Leisure also delivers a range of programmes that are contributing to some of the Council's wider strategic objectives.

4.5.2 The Trust delivers a wide range of programmes from standard health and fitness classes and learn to swim to health and wellbeing programmes. The types of programmes the trust delivers that are beyond a standard leisure management contract arrangement include:

4.5.3 **HAF Programme - The Holiday Activities and Food (HAF)** programme is funded by the Department for Education, providing free meals and activities for eligible benefits related free school meal children during the Easter, Summer and Christmas school holidays. Hyndburn Leisure established their own HAF programme in Summer 2021, 'Fun with Food and Friends'. Working in partnership with a range of local, well known and trusted organisations across the whole of Hyndburn, Fun with Food and Friends provides a borough wide offer of free holiday provision for **eligible pupils aged 4 - 16 years.**

4.5.4 **The Hyndburn Way** - a project dedicated to improving local people's health and reducing health inequalities. The partnership contains a wide range of well-known charities including Maundy Relief, Hyndburn Leisure, Lancashire



Women's Centre, Community Solutions NW, Ynot Aspire, Citizens Advice, Aawaz, Carers Link Lancashire and the local CVS. Statutory partners also include Lancashire & South Cumbria ICB, PCNs and East Lancashire Hospital Trust as well as Hyndburn Borough Council and Lancashire County Council. Throughout the project, they will engage communities to increase health enabling behaviours and health literacy, building on new arrangements to ensure that referrals, communications and services are efficient, person-centred and outcomes driven.

**4.5.5 Household Support Fund - Hyndburn Leisure manage this fund on behalf of the Council.**

**4.5.6 Free Family Tea Time Programme** - the programme aims to encourage and empower families to make choices to lead a healthier lifestyle through participation in an active play and cooking session. Participants prepare and eat/or take home a nutritious and budget conscious family meal each week and have the opportunity to understand the importance of good nutrition and physical activity. This programme is available for families with children aged 5-8 years and their older or younger siblings who live in Hyndburn.

**4.5.7 Lets Move Hyndburn** - The purpose of Lets Move Hyndburn is to encourage people who are usually less active or inactive to start or increase the amount of activity levels and to think creatively about how people can be encouraged to move more.

**4.5.8 Flex and Stretch in the Park - free yoga and exercise class taking place in Gatty Park.**

**4.5.9 Up & Active - Consists of two programmes:**

**4.5.10 Active Lives** - 12 week physical activity programme enabling individuals to access a tailored exercise programme to increase the amount of activity in their daily lives.

**4.5.11 Healthy Weight** - This programme supports adults to make healthy lifestyle choices to improve their health and wellbeing.

**4.5.12 Cardiac rehabilitation** - A 12 week group education and physical activity programme for people that have a heart condition. This programme of exercise and education, offers sessions which aim to help patients with vascular disease or those who are at high risk of developing it, such as heart attack, heart failure, heart surgery, stroke, angina or diabetes.

**4.5.13 Business Health Matters** - supports local businesses in improving the physical and mental health of their employees so that staff are happier, healthier and more resilient. The ESF-funded project will deliver free basic skills training, level 2 and level 3 Workplace Health Champion qualifications to employees in SME's across Hyndburn, empowering them with tools, resources and guidance to drive positive change in their organisation.

**4.6 Grant Funding**

**4.6.1** To deliver the initiatives detailed above, Hyndburn Leisure has secured significant grant funding from a variety of bodies. The secured funding is detailed in the table opposite along with current understanding of whether the funding could be transferred to an alternative operator.

Table 6 - Existing Grant Funding Arrangements

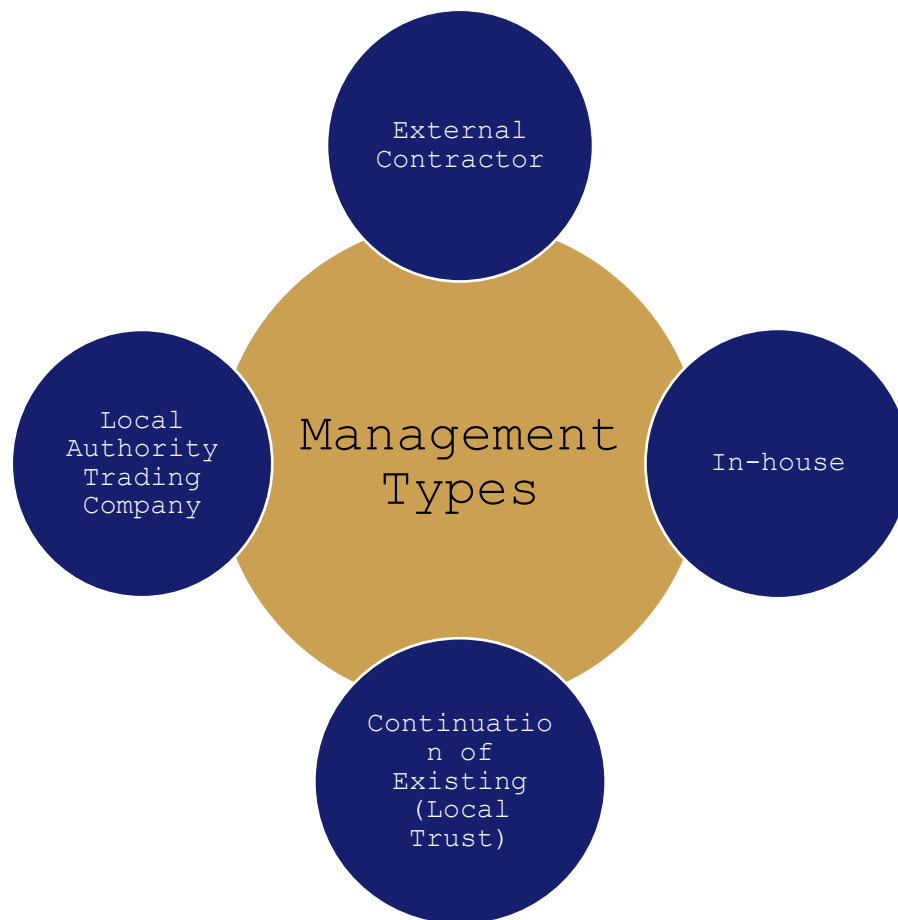
Funding	Value	Can transfer	Unknown if it can transfer	Not able to transfer
COF for Clayton (provided in 2021 would need to discuss implications with the fund should there be a change in management model)	£185,088		✓	
National Lottery Community Fund. Ends Sept 2025	£157,129 remaining to draw down, possibility to extend for three years (up to £450k)		✓	
Cardiac Rehabilitation Phase 4 (hospital Trust)	£16,500 paid annually		✓	
Architectural Heritage Fund. A further application for additional funding is in progress	£10,000			✓
Arts Council England. An application	£32,500 to be spent by March 2024		✓	

Funding	Value	Can transfer	Unknown if it can transfer	Not able to transfer
is being developed for 2024/25				
Sport England Multi Sport Activity Fund	£10,000 commences May 2025		✓	
LCC Holiday Activity & Food. Ends in March 2024, preparing to bid for the next round of funding	c.£400k per annum	✓		
COF - Mercer Hall - currently awaiting outcome	£250k			✓ - only able to accept if building is leased by a community organisation/charity
National Lottery Heritage Fund being submitted in November 2024 for a 2 year project at Mercer Hall			✓	
Lancashire Environment Fund - Bank Mill House & Mercer Hall	2 x £30k			✓

## 5. MANAGEMENT MODELS

5.1. The management models being explored for the services are set out below. The purpose of this appraisal is to determine which of the following delivery models is best able to meet the Council priorities, financial objectives and service delivery requirements.

Figure 7 – Management Types for Consideration



### 5.2. Delivery Model Characteristics

5.2.1. The general characteristics for each model are set out below.

### **5.3. Continuation of Existing Arrangement (Local Trust)**

5.3.1. Hyndburn Leisure is locally established Trust. It is an independent organisation, with a board of Trustees. Currently there are two Councillor representatives on the board of trustees, the Portfolio Holder has voting powers.

5.3.2. Hyndburn Leisure is eligible for mandatory (80%)/discretionary (up to 20%) national non-domestic rates (NNDR) relief.

5.3.3. Income on most sporting activities is exempt from VAT, however VAT on corresponding expenditure is non-recoverable.

5.3.4. Services are currently defined through leases for each venue, however this could be strengthened within an output-based specification and be supported by a contract / partnership agreement and relevant leases. This would define the level of responsibilities and risk each partner takes.

5.3.5. Whilst the Trust manages some areas of risk, ultimately risk sits with the Council.

5.3.6. An important consideration for the existing Trust arrangement is the existing debt that the Trust currently has with Council and how payment would be made if there was a change in delivery model. If the Trust ceased to exist then the Council will not be able to recover any remaining debt owed.

5.3.7. Additionally, if the Council is required to continue to provide support/grant payments to the Trust then it will be subject to the subsidy control regime. A full assessment of compliance with the subsidy control principles will be required annually (or possibly more frequently) if the subsidy is agreed on an annual basis. If a subsidy is agreed for a two to three year period it is expected that an assessment would only be required at the time the grant agreement is entered into. Whilst this ensures the subsidy is tested, it does place additional administration requirements on the Council.

5.3.8. The Trust is able to deliver a significant number of programmes and initiatives that have been funded by external partners. It is not known if all of the funding agreements could be transferred to a new operator/the Council. The Council may need to consider how or if these types of programmes are delivered in the future should continuation of the existing arrangement not be the Council's preferred option.

### **5.4. External Contractor**

5.4.1. Under this option, the Council would retain strategic control of the service and outcomes via its service specification. The responsibilities of each of the parties are defined within a contract. Specifications are output based, with the contractor providing method statements which form part of the contract, detailing their approach to achieving the specification requirements and performance outcomes.

5.4.2. The contractor takes a prescribed level of risk. The contractor is normally provided a degree of flexibility in programming, pricing and marketing and is committed to meeting Council objectives; for example, increasing participation and reducing subsidy.

5.4.3. Within the last few years, some contractors are becoming more risk adverse or are costing in premiums where they must accept more risk than they are normally willing to take. Councils are increasingly having to accept a 'shared' risk position in, for example, utility tariffs, building structure (particularly in ageing facilities), buildings insurance, pension contribution rates and change in law.

5.4.4. Contractors typically have experience of delivering and project managing leisure centre investment projects.

5.4.5. Most external operators have governance structures that can lever in NNDR / VAT efficiencies, although the Council needs to be clear where the risk will lie if any NNDR / VAT savings are not realised or are lost during the contract period.

5.4.6. These organisations are commercially focussed and able to optimise income generation from leisure facilities, gyms, swimming lessons and group exercise classes. This can enable cross-subsidy to resource community interventions where specified within the contract, or the savings used for direct delivery of these programmes by the Council.

5.4.7. Larger multi-site leisure operators tend to have significant buying power, economies of scale and standardised systems of work. This is often linked to a corporate feel / brand and look to customer facing areas in the facilities they manage.

5.4.8. Staff would transfer under TUPE regulations from the existing operator to any new external contractor. Senior management will normally be based at a head office and not locally.

5.4.9. Their focus will be on the whole organisation rather than on local issues. Local issues will be the focus of the contract / regional manager.

5.4.10. An external contractor model is not subject to the Subsidy Control regime as the subsidy is tested against the market during the procurement process.

5.4.11. **Agency Agreements**

5.4.12. Increasingly, leisure operators are offering Council's the option of implementing an agency agreement, which effectively reduces their expenditure by removing the irrecoverable VAT costs, this benefit is passed straight through to the management fee.

5.4.13. To date, one agency agreement has been put in place between operator GLL and London Borough of Hillingdon. It is understood that GLL and Parkwood both have several contracts that are in the process of agreeing the agency arrangement

with their local authority clients. Through procurement processes bidders are also now being offered the opportunity to propose agency agreement options, with other national operators looking into offering them within the next six months.

5.4.14. If the Council was to consider an agency agreement it would need to take specific legal and VAT advice on any proposals.

5.4.15. Agency Model Process

- The operator collects all leisure user income acting on behalf of the Local Authority which, under the HMRC guidance, may now be considered 'non-business' (without adverse partial exemption implications).
- The operator would invoice the Council for their service costs and margin as agreed in the contract ('Agency Fee'). Where relevant this would be adjusted by any income under or over performance, as stipulated in the contract. This ensures the Operator retains the element of risk as it would under a standard leisure management contract.
- The Council would be able to recover the VAT on the invoice.
- As the income recovered would now be substantially non-business income to the Council, the operator would be able to recover all their input VAT on supplies expended to operate the service, therefore lowering the cost of the service.
- Any surplus share mechanisms can be retained.

5.4.16. The following activities are accepted as non-business activities:

- Memberships
- Facility visits (for sport or recreation)
- Letting of sports facilities
- Letting of non-sports facilities for sports e.g. community centre
- Leases of Council run sports facilities
- Letting of Council recreation grounds for sports events
- Sports tuition and education

5.4.17. The Chelmsford Ruling does not apply to 'non-sports' supplies such as catering, clothing or equipment sales, vending sales, car parking, and general room lettings.

5.4.18. There should be no overall adverse impact on the relevant local authority's partial exemption calculations as, further to the treatment of the majority of leisure services income as non-business, minimal or zero exempt supplies will be made.

5.4.19. There is nothing intrinsic within the Agency Model that requires any adjustment to customer prices.

5.4.20. The Operator would also retain the risk on any changes to service costs, unless the contract stipulates otherwise, as well as retaining the risk on income generation.

5.4.21. Under the Agency Model, the income collected from the provision of leisure services

to users will be income for the Council. Consequently, it is anticipated that the income will need to be reflected in the Council's accounts.

5.4.22. As the income would be collected by the Operator on the Council's behalf, the Operator would need to provide necessary information to the Council in a timely manner so that any VAT can be accounted for by the Council correctly.

5.4.23. Any application of an Agency Agreement will need to be subject to specialist legal and VAT advise.

#### 5.5. In-house

5.5.1. The services are delivered through direct management of facilities through frontline staff.

5.5.2. The Council has full responsibility for all income and expenditure risk and is responsible for future lifecycle investment and replacement of equipment. With this model, the Council has full control over all aspects of service delivery including pricing, programming and marketing.

5.5.3. The in-house option allows for full flexibility for delivery and decision making from elected members. Staff can work across the leisure and wellbeing service and with other Council services with ease.

5.5.4. The Council has direct delivery of what is seen as a high-profile service for the community.

5.5.5. The new VAT rulings means leisure can be treated as 'non-business', meaning the Council can benefit from VAT relief on the majority of income. It also has the added benefit of having no irrecoverable VAT costs that external contractors and LATC's have.

#### 5.6. Local Authority Trading Organisation (LATC)

5.6.1. The Council would establish an 'arm's length' organisation to run the facilities and services on its behalf.

5.6.2. The Council could not turn the existing Trust into a LATC, the Trust would need to be dissolved and services transfer to a new or existing LATC.

5.6.3. LATCs are bodies that are free to operate as external companies but remain wholly owned and controlled by the parent council. As trading bodies, LATCs can provide their services to a wider market than a council department.

5.6.4. LATCs are contracted by the parent council to provide services back to the council via a service contract.

5.6.5. However, the Council may decide to apply the Teckal<sup>23</sup> exemption which allows the authority

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<sup>23</sup> A "Teckal" company is the common name for a **company which benefits from contracts for works, services or supply** from its controlling Contracting Authority (or Authorities) without having to go through a competitive tender process.

to establish a LATC without the requirement for a procurement exercise. It is based on case law but is codified in the Public Contracts Regulations 2015. In general, the terms of exemption require:

- The Council to control the vehicle as if it were an internal department, with there being no direct private share or ownership participation in the company (this is known as the control test).
- More than 80% of the vehicle's activities (over a three-year average) to be with its 'parent' council(s) (this is known as the function test).

5.6.6. A LATC can be set up as not-for-profit, which are able to benefit from similar tax exemption benefits to an NPDO trust. However, it would not have charitable status.

5.6.7. They can be a preferred 'cultural fit', compared to procured and independent charity models. However, both risk and reward ultimately remain with the Council.

5.6.8. An LATC can act as an Agent on behalf of the Council maximising VAT efficiencies.

5.6.9. There are many forms which a new organisation could take, including but not limited to the following:

- Co-operative or Community Benefit Society;
- Company Limited by Guarantee (CLG);
- Charitable Incorporated Organisation (CIO);
- Community Interest Company (CIC);

5.6.10. The Council would need to take advice on the subsidy control position in relation to the LATC model.

5.6.11. A summary of the options to transfer services to a new corporate vehicle is included at Appendix 1.



### 5.7. Advantages & Disadvantages

5.7.1. The advantages and disadvantages of each option are further outlined in more detail in Table 7 overleaf. The table shows the industry position on the advantages and disadvantages of each management model.

Table 7 – Advantages and Disadvantages of Alternative Delivery Models

Option	Financial	Quality	
Current Arrangement (Local Trust)	<b>Advantages</b>	<b>Advantages</b>	<b>Risks</b>
	<ul style="list-style-type: none"> <li>The Council can support the Trust in respect of investment opportunities in relation to prudential borrowing etc.</li> <li>New investment opportunities can be negotiated at any time during the contract period</li> <li>Can maximise VAT and NNDR efficiencies</li> <li>Operate commercially</li> <li>Support services – can purchase from the industry (e.g., marketing) or Council (payroll)</li> <li>All profits are re-invested back into the services / facilities, ensuring local investment</li> <li>Able to access a range of grant funding opportunities</li> <li>Could implement an Agency Agreement to reduce subsidy requirement</li> </ul>	<ul style="list-style-type: none"> <li>The Trust delivers a wider range of service offerings including sports development/outreach, health interventions, cultural services and special events</li> <li>Closer links with the community through local organisation</li> <li>Single focus on service delivery</li> <li>Staff feel more involved in the service delivery as not part of a large organisation</li> <li>Set up and deliver community led co-produced programmes to have real impact on residents</li> <li>Excellent partnership established with the Council</li> <li>The Trust provides the authority with more direct strategic control over the service than a third party would</li> <li>Higher level of control retained</li> <li>Operational procedures are well established</li> <li>Brand and identity established and recognised across Hyndburn</li> <li>c.76% staff are Hyndburn residents</li> </ul>	<ul style="list-style-type: none"> <li>There is a less well-defined contract, which can result in responsibilities not being clearly understood</li> <li>Ultimately risk sits with the Council if the Trust fails</li> <li>The Trust continues to require a subsidy as the result of increased costs outside of the trusts control e.g. utilities.</li> </ul>
	<b>Disadvantages</b>	<b>Disadvantages</b>	<b>Other Considerations</b>
	<ul style="list-style-type: none"> <li>Less able to withstand significant changes in leisure trends as a single contract arrangement</li> </ul>	<ul style="list-style-type: none"> <li>Expertise re. market led product development may need to be bought in or learned as products mature</li> </ul>	<ul style="list-style-type: none"> <li>No set up costs as already in place</li> <li>The Council may want to consider</li> </ul>

Option	Financial	Quality	
	<ul style="list-style-type: none"> <li>No other contract/sites to absorb poor financial performance (although note Accrington Academy provides a surplus that supports contract-wide costs)</li> <li>Fewer economies of scale realised</li> <li>Staff costs are higher than average due to Hyndburn Leisure endeavouring to keep terms and conditions in line with the Councils and support priority to be a 'good employer'.</li> <li>May require full assessment through the subsidy control regime annually</li> </ul>	<p>in the industry</p>	<p>a more robust service specification/ contract arrangement going forward</p>
External Contractor	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> <li>Undertake a competitive process to manage services - ensures best value</li> <li>Can implement an Agency Agreement to improve financial position</li> <li>Gain the benefits of organisation already set up to maximise VAT and NNDR efficiencies</li> <li>More commercial with health and fitness membership sales swimming lesson income, catering and retail</li> <li>Economies of scale in purchasing utilities, R&amp;M contracts, fitness equipment etc.</li> <li>Profit share mechanism in place. (Although if contract doesn't perform to projections, no benefit to the Council)</li> <li>The Council has an agreed management fee profile, which gives budget certainty and ability to plan for the long term</li> </ul>	<ul style="list-style-type: none"> <li>An output-based contract can be developed linked to current Council priorities, so the Council does not need to be involved in day-to-day operations</li> <li>Links with NGBs, suppliers and other physical activity providers in implement new programmes / activities across their portfolios</li> <li>Head office specialists enable operations to be the 'latest' in the market. Enables best practice from several contracts to be disseminated across facilities</li> <li>Likely to be better placed to successfully operate in a competitive commercial fitness market</li> <li>Branding and marketing strong</li> <li>Generally, have well-structured Quality Management systems covering general operations, H&amp;S,</li> </ul>	<ul style="list-style-type: none"> <li>A contract and specification that ensures roles and responsibilities are clearly defined between the parties</li> <li>Income risk and some expenditure risk transferred to the operator</li> <li>Larger operators are able to 'spread' the risk of the contract across their company</li> <li>Contractors and, in particular, those with 'hybrid trust' structures, may propose that risk on loss of NNDR and VAT relief, even where their structures are eligible for such relief, remains with the Council</li> <li>Partners are becoming increasingly unlikely to accept risk on utilities tariffs, LGPS pension contributions; NJA salary rises above inflation and building structure of older</li> </ul>

Option	Financial	Quality	
	<ul style="list-style-type: none"> <li>Can deliver large scale development projects and will provide the Council with cost certainty for a project or scheme. (Funding would be from the Council)</li> </ul>	<p>all product areas etc.</p>	<p>buildings</p> <ul style="list-style-type: none"> <li>Contracts will include pandemic related clauses, with risk remaining with the Council</li> <li>Financial risk premiums built into the tender price if risk profile deviates significantly from the Sport England template</li> </ul>
	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>Will want a contract / risk profile to protect against impact of Covid or similar circumstances in the future</li> <li>Changes to the specification / contract require a variation that can affect the management fee and can incur legal costs</li> <li>The Council is obliged to fulfil its responsibilities or be subject to a claim from the operator</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>Operations can be 'corporate' as opposed to locally led</li> <li>Operator from larger organisations likely to wish to use own branding and corporate procedures for core income generating activities; fitness and swimming lessons</li> <li>It can be harder to work with other partners effectively; other council departments, education, CSP's</li> </ul>	<p><b>Other Considerations</b></p> <ul style="list-style-type: none"> <li>The Council will have to undertake a compliant procurement procedure to select a new operator</li> <li>Cost of procurement and monitoring; officer and external support</li> <li>Ongoing contract monitoring resource required within the Council</li> <li>Timescales - c.12-18 months including mobilisation</li> <li>The facility mix including community centres and a town hall may not appeal to all operators, although there are operators with experience of managing these types of venues, the Council may have fewer companies tendering than if it was just leisure venues.</li> </ul>
<p><b>In-house</b></p>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>Council does not pay for any risk premiums, can easily change service inputs to meet budgetary requirements</li> <li>Share support costs with other</li> </ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>Increases Council control over leisure services</li> <li>More effective cross department working; public health, education, open spaces and community</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>All control and risk sits with the Council</li> </ul>

Option	Financial	Quality	
	<p>departments</p> <ul style="list-style-type: none"> <li>• Economies of scale normally achieved in utilities purchasing</li> <li>• Effective purchase ledger and accompanying budget monitoring systems in place</li> <li>• Low costs in providing capital if the Council has access to it</li> <li>• In-house teams are able to secure and support external commissions from partners such as Public Health</li> <li>• Benefit from 2023 VAT guidance treating leisure services as 'non-business' making it competitive against external contractors and LATC models</li> </ul>	<p>development</p> <ul style="list-style-type: none"> <li>• Officers have autonomy to make local decisions</li> <li>• Members / officers feel that they 'own / have control' of the services</li> <li>• Changes in priorities can be implemented quickly</li> <li>• Joined up service provision for residents</li> <li>• In-house teams can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events</li> </ul>	
	<b>Disadvantages</b>	<b>Disadvantages</b>	<b>Other Considerations</b>
	<ul style="list-style-type: none"> <li>• Higher staffing costs due to Council terms and conditions</li> <li>• Increased costs due to staff being able to access the LGPS</li> <li>• The Council will not have the benefit of NNDR relief to the same extent as the current arrangement, an external contractor or LATC</li> <li>• Additional resource may be required within the Council to support the contract e.g., HR and finance</li> <li>• In-house management is unlikely to enable the local authority to have financial certainty in relation to the cost of the service due to the lack of a contractually fixed cost or management fee</li> <li>• Budget set year on year and may be</li> </ul>	<ul style="list-style-type: none"> <li>• Limited access to the benefits of developing new opportunities and from economies of scale and also to the wider knowledge gained by experienced operators for innovation and development</li> <li>• Can be slower to react to introduce income generating schemes</li> <li>• Without a defined specification, service delivery is often based upon short term priorities</li> <li>• Often behind in industry innovation and new market led products, (for example, ICT initiatives)</li> <li>• Officers must use Council procedures / contracts in areas that are not as effective /</li> </ul>	

Option	Financial	Quality	
	<p>subject to reductions with changing priorities of Council or central government</p> <ul style="list-style-type: none"> <li>Central/support costs of the Council can be arbitrarily included in leisure budgets and disproportionate to overall service delivery</li> <li>Any savings made within the service will go to the general fund and may lead to a reduced budget in the following year, not re-invested into the service / facilities</li> <li>Cost management can be inhibited by having to use local authority systems and reporting</li> <li>No 'sinking' fund in place for future lifecycle building works and equipment replacement</li> <li>Limited access to external funding for programmes and initiatives</li> </ul>	<p>suitable for the services, for example ICT / marketing and branding</p> <ul style="list-style-type: none"> <li>The Council can be slow to react to implement change and is less able to react quickly to a highly competitive fitness market</li> <li>Reporting is predominantly about financial and usage performance as opposed to outputs and impacts of the service</li> </ul>	
LATC	Advantages	Advantages	Risks
	<ul style="list-style-type: none"> <li>The Council can support the LATC in respect of investment opportunities in relation to prudential borrowing etc.</li> <li>New investment opportunities can be negotiated at any time during the contract period</li> <li>Can implement an Agency Agreement to improve financial position</li> <li>Can maximise VAT and NNDR efficiencies</li> <li>Operate commercially</li> <li>Support services - can purchase from the industry (e.g., marketing) or Council (payroll)</li> </ul>	<ul style="list-style-type: none"> <li>LATCs can deliver a wider range of service offerings including sports development/outreach, health interventions, library services, cultural services and special events</li> <li>Closer links with the community through local organisation</li> <li>Single focus on service delivery</li> <li>Staff feel more involved in the service delivery as not part of a large organisation</li> <li>Set up and deliver community led co-produced programmes to have real impact on residents</li> </ul>	<ul style="list-style-type: none"> <li>A contract and specification that ensures roles and responsibilities are clearly defined between the parties, but ultimately risk remains with the Council</li> <li>Often set up with less well-defined contract, so that responsibilities are not clearly understood, or it is believed that contract terms are more easily varied (for example to meet council budget requirements)</li> <li>In many cases, funding agreements for LATCs are only agreed for the</li> </ul>

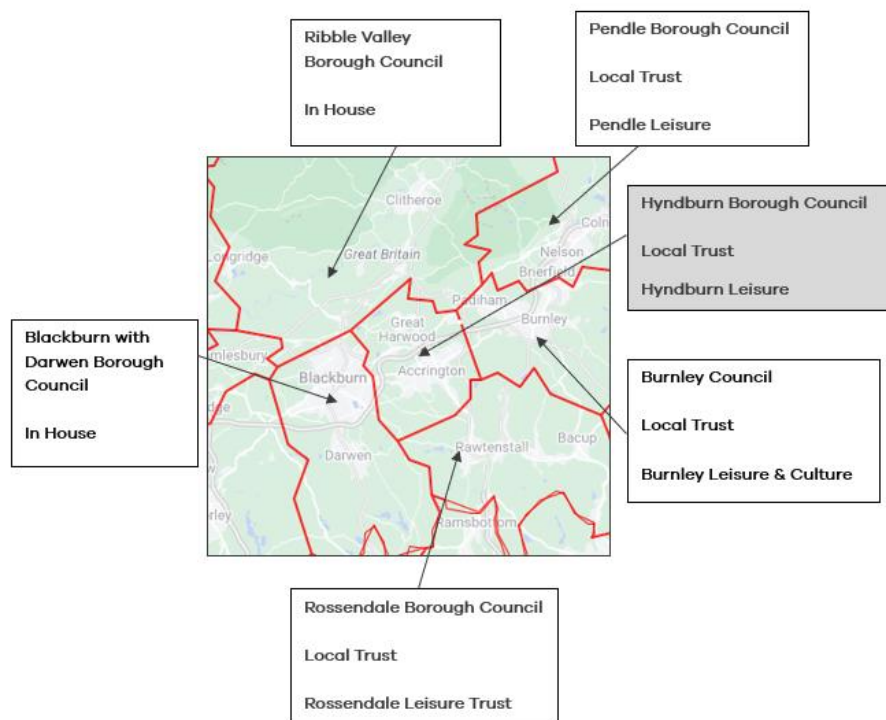
Option	Financial	Quality	
	<ul style="list-style-type: none"> <li>All profits are re-invested back into the services / facilities, ensuring local investment</li> </ul>	<ul style="list-style-type: none"> <li>Perceived there is a better 'partnership' approach</li> <li>Providing the authority with more direct strategic control over the service than a third party would</li> <li>Can be politically more appealing as the authority is the shareholder</li> <li>High level of control retained</li> </ul>	<p>short term: 3-4 years, so the company operates on a short-term basis, which can be detrimental to the service</p> <ul style="list-style-type: none"> <li>Reputational impact for the Council if organisation not successful</li> <li>The local authority must control all of the shares in the LATC and must also exercise effective day-to-day control over its affairs; in other words, the same as the relationship between the local authority and one of its internal directorates</li> </ul>
	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>Less able to withstand significant changes in leisure trends</li> <li>No other contract/sites to absorb poor financial performance</li> <li>Few economies of scale realised</li> <li>High central costs may reduce levels of potential surplus</li> <li>Single-authority LATC's are unable to offer economies of scale and cost management may be more in line with an in-house management approach. A multi-authority LATC (i.e. one created by a group of local authorities across a region) may offer some economies of scale, albeit this would be limited by the total size of the parent councils' area and range of services provided by the LATC</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>A board of trustees / directors need to be recruited</li> <li>All operational procedures would have to be developed by the new organisation</li> <li>No expertise from a 'head office'</li> <li>Expertise re. market led product development may need to be bought in or learned as products mature in the industry</li> <li>Leisure centre marketing and branding expertise will need to be developed</li> <li>Can have a more relaxed approach to monitoring (for example with no deduction mechanism) in place, which can lead to service delivery issues</li> </ul>	<p><b>Other Considerations</b></p> <ul style="list-style-type: none"> <li>Can be set up in a timely manner</li> <li>There will be significant set-up costs</li> <li>One off cost for branding for the services</li> <li>A new organisation will require a large working capital budget to start the company, the Council may need to provide a contingency/cashflow fund for the new organisation</li> <li>There will need to be suitable lease / contract / funding agreement / services specification set up between the new organisation and the council</li> <li>Timescales – 12-15 months (see below)</li> </ul>

## 6. LOCAL MANAGEMENT ARRANGEMENTS

6.1. The map below shows the current management arrangements in neighbouring local authorities.

6.2. The immediate surrounding authorities currently deliver their services in-house or through a local trust, comparable to Hyndburn Leisure.

**Figure 7 – Neighbouring Local Authorities – Management Arrangements**



### 6.3. Current Leisure Management Market

6.3.1. Following a relatively quiet period for leisure procurement post-Covid, 2023/2024 has seen a significant increase in the number of leisure procurement projects. The market is actively pursuing and bidding for new contracts, however due to the high number of opportunities, timing any future procurement will be critical to maximise participation.



## 7. SET UP COSTS AND TIMETABLES

- 7.1. Each alternative delivery model will have a different lead in time to set up. Re-procuring a new contract will require a new contract, leases and services specification being developed.
- 7.2. A LATC will require similar documentation and the recruitment and appointment of directors.
- 7.3. Any new company will require formal registration / company documents, and the recruitment of the senior management team (Chief Executive/Finance Director etc.).
- 7.4. The advisor fees shown are estimates and will be dependent upon whether the Council uses its own legal, financial and property services to procure the contract and leases for the new arrangements or it uses external advisors.
- 7.5. Table 8 sets out indicative timescales and costs for each option.

**Table 8 – Indicative Implementation Timescales**

<b>External Contractor – Procurement</b>	
<b>Action</b>	<b>Timescale</b>
Commission internal and external procurement of legal / procurement / project management support	2 months
Pre-procurement work – (objectives, draft specification / contract, leases and evaluation methods)	3 months
Selective questionnaire stage and evaluation / de-selection	2 months
Tender stage (assuming competitive dialogue / competitive procedure with negotiation procurement route)	7/8 months
Award and council sign off	1/2 month
Mobilisation of new operator	3 months
<b>Total</b>	<b>c.12-18 months</b>

<b>Bringing Services In-House</b>	
<b>Action</b>	<b>Timescale</b>
Technical set up – IT / phones / websites etc.	3 months
TUPE and staff consultation / considerations – alignment of staff designations to council structure	6 months
Purchasing of uniform, supplies and equipment	2 months
Setting up on-going suppliers (fitness / IT / buildings etc.)	3 months
Business planning / financial assessment – services and impact on council as a whole (e.g. VAT)	3 months
Marketing and branding development and implementation	6 months

Bringing Services In-House	
Action	Timescale
Quality and H&S systems - development and implementation	
<b>Total (some works streams can be completed in parallel)</b>	<b>c.12 months</b>

Set up LATC	
Action	Timescale
Governance set up (if new company)	1 month
Technical set up - IT / phones / websites etc.	3 months
TUPE and staff consultation / considerations - alignment of staff designations to Council structure (or new structures) and recruitment of new staff (board of directors for LATC)	6 months
Purchasing of uniform, supplies and equipment	3 months
Setting up on-going suppliers (fitness / IT / buildings etc.)	3 months
Business planning / financial assessment - services and impact on council as a whole (e.g. VAT)	6 months
Marketing and branding development and implementation	3 months
Quality and H&S systems - development and implementation	
<b>Total (some works streams can be completed in parallel)</b>	<b>12-18 months</b>

#### 7.6. Indicative Costs of Procurement

7.6.1. The typical costs of procuring a new contract are set out below and are likely to be in the region of £130k.

**Table 9 – New Contract Procurement Costs**

Action	Cost £
Legal / leases and contract completion	£70,000
Leisure procurement and project management	£40,000
Due diligence (for example any additional building surveys required)	£20,000
<b>Total</b>	<b>£130,000</b>

#### 7.7. Indicative Costs for Setting Up a LATC

7.7.1. Outlined overleaf are the indicative set up and ongoing operational costs if a new LATC were established.

7.7.2. The new LATC will be required to establish operational procedures and risk assessments and ensure all staff are trained in these prior to taking on management of the centres. All branding and marketing will also need to be replaced, a website and online booking facilities set up.

7.7.3. During the mobilisation process, the Council and management team of the new LATC will also need to support the TUPE consultation process as the service transfers from the Council.

Table 10 – LATC Indicative Mobilisation Costs

Set Up Costs	Estimated Costs	Comments
Consultancy Support/Project Management	£30,000	Additional consultancy/project management support to ensure the process is delivered within timescales and enable officers to concentrate on continued service delivery under the existing contract
Re-branding, Marketing & Signage	£100,000	The new organisation will need to develop its own name and brand and produce marketing material for all sites
Website & Social Media Set Up	£25,000	A new website will be required to be set up, with online booking etc.
ICT Systems and Equipment	£50,000	Front of house booking systems, ICT equipment for all centres and network support services required
Legal Costs	£60,000	Governance documents for new organisation. Board / director / requirement and training. Contract documents and leases, including funding agreement between Council and new organisation
Operations Manual Set Up	£10,000	New operational procedures will need to be drafted with copies provided to each centre - additional expertise may be required to ensure they meet industry standards
Launch Costs	£15,000	Costs associated with launching and promoting the start of the new contract
Staffing*	£181,500	See table 13 for workings
Risk &	£50,000	To provide a level of

Set Up Costs	Estimated Costs	Comments
Contingency		working capital for the organisation
<b>TOTAL COST</b>	<b>£521,500</b>	

\*To deliver the set up and mobilisation requirements the new organisation will need to provide sufficient staff resource. The detailed staffing resource required is outlined further in the table below.

Table 11 – Indicative Staffing Resource for New Organisation (assumed not to be aligned to Council terms and pensions etc.)

Staffing	Salary	Salary plus on-costs (20%)	Estimated Cost
<b>6 months prior to commencement:</b>			
Chief Executive	£60,000	£72,000	£36,000
Head of Operations	£50,000	£60,000	£30,000
Head of Finance/Commercial	£50,000	£60,000	£30,000
Branding / Marketing	£45,000	£54,000	£27,000
ICT manager	£45,000	£54,000	£27,000
<b>3 months prior to commencement:</b>			
HR Manager - TUPE consultation etc.	£45,000	£54,000	£13,500
Admin	£30,000	£36,000	£9,000
<b>1 month prior to commencement:</b>			
Admin team x 3 (Finance / HR etc.)	£90,000	£108,000	£9,000
<b>TOTAL</b>			<b>£181,500</b>

7.7.4. It is possible that legal services could be delivered in-house giving savings of £60k.

7.8. Indicative Set Up Costs of Bringing the Service In-House

7.8.1. The indicative set up costs for bringing the service in-house is set out in the table opposite.

Table 12 – In-house Operation set up costs

In-House Set Up Costs	Estimated Costs
IT	£150,000
Marketing/Branding	£60,000
Staffing Support - Leisure Services Manager & Admin Support (6 months)	£50,000
HR Support - TUPE	£20,000
Equipment	£100,000
Specification and Performance Monitoring documents	£10,000
<b>Total</b>	<b>£390,000</b>
Contingency	£50,000
<b>Total Cost</b>	<b>£440,000</b>

## 8. EVALUATION MODEL STRUCTURE

8.1. When considering alternative management models, the ability of alternative models to deliver key service and financial outcomes is important. However, some will be more important than others and there are other factors to consider, for example, the ability to deliver key strategic outcomes and how risky and sustainable future models may be.

8.2. Following discussions with the Council, an evaluation matrix has been devised for the leisure services to assess each of the management options to reflect the Council's key strategic priorities.

8.3. Each option will be scored out of five against each criteria. The weighting is then applied to give an overall percentage. The scoring matrix is as follows:

- 1 - Is unable to meet the requirements, results in significant risk and/or cost to the Council.
- 2 - Meets some of the requirements of the criteria, likely to increase risk/cost to the Council.
- 3 - Can deliver against the majority of the criteria, moderate risk.
- 4 - Can deliver against all elements of the criteria, lower risk/cost to the Council.
- 5 - Can deliver against all elements of the criteria and provide additional benefits over and above the base criteria, least risk and/or cost to the Council.

8.4. The following tables set out the detailed evaluation against each of the criteria.

Table 13 – Evaluation Criteria and Weightings

Criteria	Weighting
<b>Meeting Strategic Outcomes:</b> <ul style="list-style-type: none"> <li>•Able to understand the community within which the organisation is working</li> <li>•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities</li> <li>•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model</li> <li>•Ability to increase targeted participation/reduce rates of physical inactivity</li> <li>•Ability to deliver health and wellbeing outcomes</li> </ul>	20%
<b>Quality &amp; Customer Service</b> <ul style="list-style-type: none"> <li>•Ability to implement changes efficiently and effectively</li> <li>•Effectively collect, monitor and report on performance data to inform decision making</li> <li>•Ability to deliver high quality services</li> <li>•Ability to create high levels of customer satisfaction</li> </ul>	20%
<b>Revenue Implications:</b> <ul style="list-style-type: none"> <li>•Ability to effectively manage expenditure and costs</li> <li>•Ability to drive revenue</li> <li>•Ability to deliver value for money</li> <li>•Ongoing cost to the Council</li> </ul>	17%
<b>Capital Resource:</b> <ul style="list-style-type: none"> <li>•Ability to support the design, build and mobilisation of any new/redeveloped facilities</li> </ul>	8%
<b>Risk – Sustainability:</b> <ul style="list-style-type: none"> <li>•Ability to manage financial risk</li> <li>•Organisation is sustainable in the long term</li> </ul>	18%
<b>Risk – Operations:</b> <ul style="list-style-type: none"> <li>•Ability to manage day to day operational risk of complex leisure and cultural facilities</li> <li>•Effective asset management</li> </ul>	12%
<b>Council Influence and Control:</b> <ul style="list-style-type: none"> <li>•Degree to which the option enables the Council to influence services on a day to day basis</li> </ul>	5%
<b>Total</b>	<b>100%</b>

Table 14 – Delivery of Strategic Outcomes Evaluation

<b>Delivery of Strategic Outcomes</b>	<ul style="list-style-type: none"> <li>•Able to understand the community within which the organisation is working</li> <li>•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities</li> <li>•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model</li> <li>•Ability to increase targeted participation and reduce rates of physical inactivity</li> <li>•Ability to deliver health and wellbeing outcomes</li> </ul>	<b>Score</b>
<b>Existing Arrangement (Local trust)</b>	<p>As the incumbent operator Hyndburn Leisure has a deep understanding of the local community, and the inequalities the leisure and culture venues can support in reducing.</p> <p>The Trust currently successfully delivers a range of programmes and initiatives to increase participation physical activity, reduce health inequalities and improve general wellbeing of residents. Many of these have been delivered as a result of securing external funding. Demonstrating their ability to deliver health and wellbeing outcomes. Some of this funding could not be transferred to other operators (see section 4)</p> <p>The Trust has worked with the Council to identify what the key strategic outcomes for leisure services should be through the Strategic Outcomes Planning Model and supports these through their own Business Strategy. The SOPM helped to secure investment for the development of the new facility at Wilsons Playing Fields.</p> <p>The Trusts Business Plan 2024-27 highlights their intentions to deliver under key themes that will support the achievement of strategic outcomes, these include: An active, healthy start, an active healthy life and community development.</p> <p>Total throughput numbers have increased each year.</p> <p>The Trust has demonstrated its ability to support the investment in environmental sustainability and carbon reduction solutions, including £1.98m at Hyndburn Leisure Centre.</p>	<b>5</b>
<b>External Contractor</b>	<p>The centres are managed with a specification in place. Ensuring the organisation is clear what the Council requires, both on an annual and longer time frame. The Council can set out targets (outputs) in relation to participation (new users and existing), target groups, programming and sports &amp; health development and outcomes.</p> <p>The Council can implement a performance management system to ensure that the partner records, reports and delivers the required outcomes.</p> <p>An outsourced partner will report to its own board of directors who may have differing objectives to the Council.</p> <p>There will be a concern that services being managed by external organisation to the Council will not consider local stakeholders. However, the specification can be clear in the outputs required and many</p>	<b>4</b>

Delivery of Strategic Outcomes	<ul style="list-style-type: none"> <li>•Able to understand the community within which the organisation is working</li> <li>•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities</li> <li>•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model</li> <li>•Ability to increase targeted participation and reduce rates of physical inactivity</li> <li>•Ability to deliver health and wellbeing outcomes</li> </ul>	Score
	<p>partnerships have local 'Stakeholder Boards' developed to formalise and ensure local input into the production and delivery of services.</p> <p>External organisations have extensive stakeholder and customer engagement strategies, including via their website and social media, on-line surveys, customer and club forums, all of which can be specified within the specifications.</p> <p>Any change to service priorities can be managed through the annual service planning process and contract change procedures. However, this can have explicit financial implications if the changes are business critical.</p> <p>Typically, external contractors are not as strong at delivering bespoke local initiatives as in-house management or local trusts and do not typically deliver the level of health programmes and outreach programmes delivered by Hyndburn Leisure, unless explicitly requested to do so through the specification, the costs for delivering these programmes would be built into the management fee..</p> <p>They have a stronger focus on commercial elements.</p> <p>Skill set of existing staff would transfer.</p> <p>The Council can request that as part of the annual performance requirements a social value report is produced for the contract, which could be in line with the current Moving Communities social value reporting requirements.</p> <p>Social value outcomes can be built into the specification linked to council targets for example:</p> <p><b>Local economic benefit:</b></p> <ul style="list-style-type: none"> <li>• Increase in local resident workforce across the facilities</li> <li>• A reduction in the number of residents on Employment Support Allowance (ESA), or similar</li> <li>• Increasing workforce development opportunities such as coach education courses, work experience and apprenticeship schemes</li> <li>• Increase in use of local suppliers across the facilities</li> </ul> <p><b>Sustainability/ Environmental improvements</b></p> <ul style="list-style-type: none"> <li>• Reduction in annual CO2 emissions</li> <li>• Reduction in annual energy use</li> <li>• Increase in recycling rate</li> </ul>	

<b>Delivery of Strategic Outcomes</b>	<ul style="list-style-type: none"> <li>•Able to understand the community within which the organisation is working</li> <li>•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities</li> <li>•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model</li> <li>•Ability to increase targeted participation and reduce rates of physical inactivity</li> <li>•Ability to deliver health and wellbeing outcomes</li> </ul>	<b>Score</b>
	<ul style="list-style-type: none"> <li>• Decrease in waste</li> </ul> <p>These can be aligned with the Councils' policies. Resource is required in the client team to ensure (technical) data is accurate and meaningful and effective targets are included as the contract matures.</p> <p>There needs to be effective 'carrot and stick' mechanisms to ensure the contractor delivers against the targets. Longer term contracts incentivise those measures with financial pay back (for example environmental improvements). It is also important for the operator to measure and calculate the social value with an agreed methodology with the client.</p> <p>Consequently, due to the specification and contract requirements, the Council can stipulate the level of measuring and reporting required and KPI's to achieve ensuring it meets the same standard as if it was delivered in-house.</p>	
<b>In-house</b>	<p>Operating the centres in-house means that joined up work to achieve the Council's wider strategic objectives would be more achievable than an external contractor arrangement. The management team will be able to work more easily with the other Council departments to ensure all wider strategic working is delivered.</p> <p>Delivering services in-house means that changing priorities can be quickly implemented.</p> <p>The Council can develop and implement a management plan and reporting system to ensure it monitors performance against outcomes.</p> <p>The Council will not be able to obtain the level of external funding that is currently achieved to deliver health and wellbeing and community initiatives. With some funding identified as not being transferable.</p>	<b>4</b>
<b>Local Authority Trading Company</b>	<p>As with the external contractor option, a specification and performance management system would be in place.</p> <p>Therefore, whilst the LATC is independent of the Council, if there is a clearly defined specification and longer-term financial stability (known management fee / funding agreement) it can be easier for the Council's strategic outcomes to be met.</p> <p>Staff from the existing facility would transfer under TUPE therefore retaining the local experience and knowledge to deliver against outcomes.</p> <p>Has the ability to attract additional funding streams compared to in-house option, which can be used to deliver facility and services interventions.</p> <p>More likely to have a locally focused approach compared to an external contractor.</p>	<b>4</b>



<b>Delivery of Strategic Outcomes</b>	<ul style="list-style-type: none"> <li>•Able to understand the community within which the organisation is working</li> <li>•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities</li> <li>•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model</li> <li>•Ability to increase targeted participation and reduce rates of physical inactivity</li> <li>•Ability to deliver health and wellbeing outcomes</li> </ul>	<b>Score</b>
	Company profits can be repatriated to Council, invested in the company or a mix of both.	
<b>Weighting</b>	<b>20%</b>	

Table 15 - Quality & Customer Service - Evaluation

<b>Quality &amp; Customer Service</b>	<ul style="list-style-type: none"> <li>•Ability to implement changes efficiently and effectively</li> <li>•Effectively collect, monitor and report on performance data to inform decision making</li> <li>•Ability to deliver high quality services</li> <li>•Ability to create high levels of customer satisfaction</li> </ul>	<b>Score</b>
<b>Existing Arrangement (Local trust)</b>	<p>There is not currently a detailed specification setting out the expected standards of service, customer service requirements or monitoring and reporting procedures. However, the Trust has developed its own reporting and KPI's despite not being contractually required to do so.</p> <p>Hyndburn Leisure's Business Strategy sets out measures and KPI's that it will be monitoring over the next three years, although contractually they are not required to do this it is good practice to demonstrate their social value impact and that they are meeting their charitable objectives.</p> <p>Hyndburn Leisure has implemented customer surveys as part of their Business Strategy. Customer surveys are also completed as part of the member journey through the Legend management system that was implemented in November 2023. Exit questionnaires are also sent via the Legend system.</p> <p>The trust is currently working with Right Directions to go through Quest assessments in the near future, providing external verification on the standard of service delivered.</p> <p>Hyndburn Leisure has been able to produce a number of case studies from centre users, capturing feedback on the programmes and initiatives delivered. These highlight the quality of service and impact the services are having on health and other outcomes. These case studies are included in Appendix 2.</p> <p>Decisions can be made and implemented quickly with approval from board of Trustees, assuming they are within the lease requirements. Changes outside of the lease can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p>	<b>5</b>

Quality & Customer Service	<ul style="list-style-type: none"> <li>•Ability to implement changes efficiently and effectively</li> <li>•Effectively collect, monitor and report on performance data to inform decision making</li> <li>•Ability to deliver high quality services</li> <li>•Ability to create high levels of customer satisfaction</li> </ul>	Score
<b>External Contractor</b>	<p>The levels of service standards in areas that are important to the Council can be tested through the procurement process.</p> <p>Through a robust contractual relationship, the Council can identify continuation improved scores / and KPI's in relation to customer satisfaction scores etc.</p> <p>Large operators tend to be weaker at delivering bespoke commissioned health and wellbeing services.</p> <p>As part of the specification and contract, external contractors are required to collate and report on performance data on a monthly/quarterly/annual basis. External operators have extensive experience of achieving quality awards such as Quest. The Council can set targets for Quest Assessments as part of the performance requirements.</p> <p>External contractors tend to take a corporate approach to customer service, losing the 'personal' and bespoke approach that is common with in-house or LATC arrangements.</p> <p>Having the specification requirements for quality and customer service will require the operator to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place and the Council can monitor progress against KPI's</p> <p>The external contractor must deliver against the Council's specification and contract, which can stipulate quality expectations and KPI's to be achieved. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery. The contractor will have to report on performance benchmarks on a quarterly/annual basis.</p> <p>Significant changes to service delivery can be more formal; whilst flexibility in contracts can be included, there may be financial consequences to any significant changes.</p> <p>Existing contractors have a wide range of experience across all leisure centre types and, therefore, can bring this breadth of leisure experience to the contract.</p> <p>All leisure contractors hold external validated quality accreditation i.e. Quest, Customer Service Excellence, IIP, ISO 14001, EMAS type awards.</p> <p>They tend to have head office resource with a dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>Staff will transfer to the operator bringing their experience and knowledge, which will help minimise</p>	4

Quality & Customer Service	<ul style="list-style-type: none"> <li>•Ability to implement changes efficiently and effectively</li> <li>•Effectively collect, monitor and report on performance data to inform decision making</li> <li>•Ability to deliver high quality services</li> <li>•Ability to create high levels of customer satisfaction</li> </ul>	Score
	<p>operational impact.</p> <p>A performance management system will be put in place with detailed key performance indicators for operators to achieve.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p>	
<b>In-house</b>	<p>There is likely to be less monitoring of performance as there will be no management contract in place. However, the management team could incorporate customer satisfaction and quality KPI's into their management plans and monitor them regularly.</p> <p>The Council would have to develop management procedures and policies to ensure the services are delivered to a high quality and in line with industry standards and legislation.</p> <p>The repairs and maintenance would be managed through the Council's central team, in addition redecoration and lifecycle maintenance must compete with other Council priorities.</p> <p>Typically, there is less commercial experience and expertise within the in-house option, which can impact on the level of service and revenue opportunities,</p> <p>The Council would need to consider accreditations such as Quest, to verify the quality of service being delivered and that it is offering value to its customers.</p> <p>Any significant decisions or changes to the services will have to go through the Council's approval process, which can be time consuming, although smaller changes can be implemented quickly and efficiently by the management team.</p>	4
<b>Local Authority Trading Company</b>	<p>Skill set of existing staff would transfer.</p> <p>Branding will need to be established for the LATC, which will be important in the sales process and creating an identity for leisure services across the Council area.</p> <p>Operational procedures would need to be established and implemented to ensure quality requirements are met, the LATC is likely to have to bring in external expertise to develop these documents to ensure they meet industry standards and legislation.</p> <p>Customer satisfaction KPI's can be incorporated into the specification documents. As part of the specification and contract the LATC can be required to collate and report on performance data on a</p>	4

Quality & Customer Service	<ul style="list-style-type: none"> <li>•Ability to implement changes efficiently and effectively</li> <li>•Effectively collect, monitor and report on performance data to inform decision making</li> <li>•Ability to deliver high quality services</li> <li>•Ability to create high levels of customer satisfaction</li> </ul>	Score
	<p>monthly/quarterly/annual basis.</p> <p>More likely to have a local bespoke approach to customer service.</p> <p>A LATC could seek to achieve Quest accreditation as per the external contractor. LATC's can join industry organisations such as Community Leisure UK and access performance and benchmarking data and share best practice ideas.</p> <p>Having the specification requirements for quality and customer service will require the LATC to implement an action/management plan to ensure all of the KPI's are monitored and achieved. Regular client meetings can ensure that the operator has sufficient planning in place and the Council can monitor progress against KPI's.</p> <p>The specification will set out the Council's priorities in respect to pricing / programming and other elements of service delivery, including quality. As with the external contractor there will be performance monitoring and reporting requirements set out in the specification.</p> <p>An annual service planning element of the specification can ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p>	
<b>Weighting</b>	<b>20%</b>	

## 8.5. Revenue Implications

8.5.1. We have completed an initial financial appraisal of the three new management options being considered:

- External contractor;
- In-house; and
- Local Authority Trading Company.

8.5.2. As well as setting out the current arrangement with Hyndburn Leisure.

8.5.3. The core assumptions made in developing the financial projections are listed below.

- The financial analysis for each of the management options has been based on 2023/24 income and expenditure actuals.
- The forecasts are based on all centres in their current form.
- The projected cost of each management model is based on 2023/24 utility costs to provide a basis for comparison.
- It is assumed that utilities will continue to be procured through the Council
- It is assumed that 80% NNDR rate relief would be given to external contractors and the LATC options.

8.5.4. The assessment highlights the potential difference in subsidy requirement for each model against the existing arrangement.

## 8.6. Existing Arrangement

8.6.1. The 2023/24 subsidy support provided to the Trust was £490k, however this was specifically in relation to increased utility costs. The net trading position of the Council owned venues was £970k. With a central cost allocation included this deficit increases to **£1.24m**. This is level of subsidy Hyndburn Leisure required to break even, excluding any surplus allocation to build reserves. **Using 2023/24 data, a comparable management fee for the purposes of the management options comparison is £1.28m, allowing for a 2% surplus.**

8.6.2. However, it is understood that Hyndburn Leisure is currently projecting an operating deficit of £1.065m for 2024/25, a reduction against 2023/24.

8.6.3. The review of current performance has shown that the Trusts expenditure is slightly higher than industry benchmarks and income was slightly lower than average. The individual benchmarks show that there is no unusual activity or areas of concern.

8.6.4. The Trust has plans to work towards a zero subsidy position over the next three years, however this cannot be guaranteed.

8.6.5. The Trust could implement an Agency Agreement, which would offer the Council savings in the region of £135k per annum, reducing the subsidy to c.£930k based on 2024/25 projected deficit.

8.7. External Contractor

8.7.1. The table below sets out the projections for the external contractor management option using the 2023/24 actuals as the base position.

8.7.2. Across all centres, the external contractor option is expected to require a management fee in the region of £1.082m per annum. This could reduce to c.£950k with an Agency Agreement in place.

Table 16 – 2023/24 Projections for External Contractor

External Contractor	Hyndburn LC	Mercer Hall LC	Accrington TH	Wilsons Playing Fields	Bank Mill House	Total
Current Income	£1,797,771	£77,469	£162,311	£6,658	£5,540	£2,049,749
Increase in fitness income	£30,070	£3,507	£0	£0	£0	£33,577
Increase in swimming income	£19,933	£0	£0	£0	£0	
<b>Total External Contractor Income</b>	<b>£1,847,773</b>	<b>£80,976</b>	<b>£162,311</b>	<b>£6,658</b>	<b>£5,540</b>	<b>£2,103,258</b>
Current Expenditure	£2,381,260	£287,092	£333,386	£4,102	£14,355	£3,020,195
Reduction Staff Costs	-£59,789	-£6,424	£0	£0	£0	-£66,212
<b>Total External Contractor Expenditure</b>	<b>£2,321,472</b>	<b>£280,668</b>	<b>£333,386</b>	<b>£4,102</b>	<b>£14,355</b>	<b>£2,953,983</b>
<b>Trading surplus/deficit</b>	<b>-£473,698</b>	<b>-£199,692</b>	<b>-£171,075</b>	<b>£2,556</b>	<b>-£8,815</b>	<b>-£850,724</b>
Central Costs	£110,866	£4,859	£9,739	£399	£332	£126,196
Profit/Surplus Allocation	£92,389	£4,049	£8,116	£333	£277	£105,163
<b>Total Subsidy/Potential Management Fee</b>	<b>-£676,953</b>	<b>-£208,599</b>	<b>-£188,929</b>	<b>£1,823</b>	<b>-£9,424</b>	<b>-£1,082,083</b>

8.7.3. Taking the current financials as a base position – the following assumptions have been made:

- Receive the same level of NNDR relief as Hyndburn Leisure
- Central support costs have been included at 6% of turnover – in line with industry standards
- Profit has been included at 5% of turnover – in line with industry standards
- Staff costs would reduce by 5%, reflecting their regional support systems and efficient staffing structures.
- A 5% increase in fitness and swimming lesson income is included, reflecting their commerciality and marketing presence of national brands.

### 8.8. In-house

8.8.1. The table below sets out the 2023/24 projections for the in-house management option.

8.8.2. Across all centres, the in-house option is expected to require subsidising in the region of £1.48m per annum.

Table 17 – 2023/24 Projections for In-house Management Option

In-House	Hyndburn LC	Mercer Hall LC	Accrington TH	Wilson's Playing Fields	Bank Mill House	Total
Current Income	£1,797,771	£77,469	£162,311	£6,658	£5,540	£2,049,749
Reduction in fitness income	£30,070	£0	£0	£0	£0	£30,070
Reduction in swimming income	£10,359	£0	£0	£0	£0	£10,359
<b>Total In-House Income</b>	<b>£1,757,342</b>	<b>£77,469</b>	<b>£162,311</b>	<b>£6,658</b>	<b>£5,540</b>	<b>£2,009,320</b>
Current Expenditure	£2,381,260	£287,092	£333,386	£4,102	£14,355	£3,020,195
Irrecoverable VAT Savings	-£105,689	-£12,079	-£12,079	-£1,510	-£1,510	-£132,867
Increased Staff Costs	£179,366	£19,272	£23,243	£0	£0	£221,880
NNDR	£128,856	£30,849	£15,152	£0	£0	£174,857
<b>Total In-House Expenditure</b>	<b>£2,583,792</b>	<b>£325,134</b>	<b>£359,702</b>	<b>£2,593</b>	<b>£12,845</b>	<b>£3,284,066</b>
<b>Trading surplus/deficit</b>	<b>-£826,450</b>	<b>-£247,665</b>	<b>-£197,391</b>	<b>£4,065</b>	<b>-£7,305</b>	<b>-£1,274,745</b>
Central Costs	£175,734	£7,747	£16,231	£666	£554	£200,932
Profit Allocation	£0	£0	£0	£0	£0	£0
<b>Total Subsidy/Potential Management Fee</b>	<b>-£1,002,185</b>	<b>-£255,412</b>	<b>-£213,622</b>	<b>£3,400</b>	<b>-£7,859</b>	<b>-£1,475,677</b>

8.8.3. Taking the current financials as a base position – the following assumptions have been made:

- With the new VAT rules for local authority leisure services the in-house option will operate with the same VAT benefits on income as the current operator
- A slight reduction in fitness and swimming lesson income at Hyndburn Leisure Centre is included, which reflects national benchmarks

for in-house operations that are typically less commercial.

- Central support costs have been included at 10% of turnover – in line with industry standards
- Irrecoverable VAT costs have been removed, reflecting the Councils VAT position
- Full NNDR payable costs are included
- An increase in staff costs is included reflecting the Councils terms and conditions.



### 8.9. LATC

8.9.1. The table below sets out the projections for the LATC management option using the 2023/24 actuals. The projected management fee for a LATC is in the region of £1.36m per annum.

Table 18 – 2023/24 Projections for LATC Management Option

LATC	Hyndburn LC	Mercer Hall LC	Accrington TH	Wilson's Playing Fields	Bank Mill House	Total
Current Income	£1,797,771	£77,469	£162,311	£6,658	£5,540	£2,049,749
<b>Total LATC Income</b>	<b>£1,797,771</b>	<b>£77,469</b>	<b>£162,311</b>	<b>£6,658</b>	<b>£5,540</b>	<b>£2,049,749</b>
Current Expenditure	£2,381,260	£287,092	£333,386	£4,102	£14,355	£3,020,195
<b>Total LATC Expenditure</b>	<b>£2,381,260</b>	<b>£287,092</b>	<b>£333,386</b>	<b>£4,102</b>	<b>£14,355</b>	<b>£3,020,195</b>
<b>Trading surplus/deficit</b>	<b>-£583,490</b>	<b>-£209,623</b>	<b>-£171,075</b>	<b>£2,556</b>	<b>-£8,815</b>	<b>-£970,447</b>
Central Costs	£251,688	£10,846	£22,724	£932	£776	£286,965
Surplus Allocation	£89,889	£3,873	£8,116	£333	£277	£102,487
<b>Total Subsidy/Potential Management Fee</b>	<b>-£925,066</b>	<b>-£224,342</b>	<b>-£201,914</b>	<b>£1,291</b>	<b>-£9,867</b>	<b>-£1,359,899</b>

8.9.3. Taking the current financials as a base position – the following assumptions have been made:

- The LATC is expected to operate at a comparable level to Hyndburn Leisure as a similar structure and approach.
- Central support costs have been included at 14% of turnover – in line with industry standards
- A surplus of 5% has been included, this is to allow the LATC to build up a level of reserves for its future sustainability

8.9.2. The LATC model is very similar to the existing Trust structure and therefore no changes to income or operational expenditure are assumed.

8.9.4. The subsidy could reduce by c.£135k with an Agency Agreement in place.

8.10. Summary

8.10.1. The external contractor is likely to offer the lowest subsidy position, particularly with an Agency Agreement in Place. The cost of Hyndburn Leisure continuing is anticipated to be c.£195k more than the external contractor options, but less on an annual revenue basis than a new LATC or in-house delivery. Both Hyndburn Leisure and a new LATC could also benefit financially from an Agency Agreement.

**Table 19 -Estimated Subsidy for each Management Model**

2023/24 Management Fee Comparison	Hyndburn Leisure	External Contractor	In-house	LATC
Estimated Subsidy Requirement from HBC based on 2023/24 actuals	-£1,276,443	-£1,082,083	-£1,475,677	-£1,359,899

**Table 20 – Revenue Implications – Evaluation**

Revenue Impact	<ul style="list-style-type: none"> <li>•Ability to effectively manage expenditure and costs</li> <li>•Ability to drive revenue</li> <li>•Ability to deliver value for money</li> <li>•Ongoing cost to the Council</li> </ul>	Score
<b>Existing Arrangement (Local trust)</b>	<p>The Trust currently requires subsidy support from the Council, in 2023/24 this totaled £490k, however this only covered utility cost increases and not the full deficit. Based on 2023/24 performance the subsidy required to support the service was in the region of £1.24m. Allowing the Trust to build reserves increases this to £1.28m</p> <p>The revenue subsidy position is c.£195k more expensive than the external contractor model, however there would be no set up/implementation costs if the current arrangement continued.</p> <p>An ongoing management fee/subsidy will be required for the current arrangement; however all management models require subsidising.</p> <p>Whilst the Trust requires support in the short term their Business Strategy highlights their commitment to work towards a zero subsidy position, which they had successfully achieved prior to the Covid-19 pandemic. However, given the current level of subsidy requirement this will require a strong business plan and action plan to achieve. The contract will benefit from the opening of the new Wilsons Playing Fields centre which is projected to generate a surplus of over £100k in a mature year. Although it should be noted that this benefit will apply to all management models.</p> <p>Operationally the centres are performing well against industry benchmarks and the increases in costs have been outside of the Trusts control. Hyndburn Leisure’s central costs are in line with industry averages for local trust models at 13%.</p>	4

Revenue Impact	<ul style="list-style-type: none"> <li>•Ability to effectively manage expenditure and costs</li> <li>•Ability to drive revenue</li> <li>•Ability to deliver value for money</li> <li>•Ongoing cost to the Council</li> </ul>	Score
	<p>As demonstrated by the current financial position of the Council providing subsidy support, risk ultimately sits with the Council.</p> <p>In 2023/24 the Trust operated at a net trading position of £970k, increasing to £1.2m with central cost allocations.</p> <p>The Trust could implement an Agency Agreement which would generate savings in the region of £135k per annum.</p> <p>Any future subsidy/grant payments would be subject to a full assessment under the Subsidy Control Act. This is likely to be required on an annual basis as a minimum and will require additional administration support from the Council to complete.</p>	
<p><b>External Contractor</b></p>	<p>A competitive tender process often 'sharpen' projections. External contractors tend to set more ambitious targets against fitness and swimming lessons.</p> <p>An external contractor would operate with reduced central costs; however they would also include an element of profit in their business plans. Typically, they would bid with a total margin of c.10/12% of turnover.</p> <p>External contractors are likely to receive VAT and NNDR relief, however they do have irrecoverable costs.</p> <p>Any profits made in the contract may not be re-invested back into the facilities or wider Council area.</p> <p>A one-off cost of circa £180k should be included to cover the external advisors' (legal and leisure procurement) costs of procurement and other costs, for example condition surveys etc.</p> <p>External contractors are often able to achieve savings relating to staff costs compared to Trust or in-house models. These savings are achieved over a number of years and changes to the structure are made through natural changes (retirement, promotion etc.) rather than redundancies.</p> <p>Revenue risk sits with the operator not the Council.</p> <p>Economies of scale are achieved from larger operators.</p> <p>Based on the income and expenditure of the existing Trust and industry standard profit and central cost margin it would be expected that as the result of a tender process the leisure centres will require a management fee payable to the contractor in the region of £1.08m per annum. This is a saving of c.£195k against Hyndburn leisure's deficit position in 2023/24. The management fee could reduce to c.£950k if an Agency Agreement is implemented.</p>	5

Revenue Impact	<ul style="list-style-type: none"> <li>•Ability to effectively manage expenditure and costs</li> <li>•Ability to drive revenue</li> <li>•Ability to deliver value for money</li> <li>•Ongoing cost to the Council</li> </ul>	Score
	<p>The Council can request that bidders demonstrate the value their proposal offers during the procurement process and ensure value for money forms part of the evaluation criteria.</p> <p>As large organisations external contractors can usually obtain economies of scale for certain areas such as supplies and equipment, which means they can provide the same equipment as the in-house/LATC models but at a lower cost, therefore offering greater value for money. Additionally, they have the support of their central services team who will have specialist leisure marketing, finance, HR expertise, which will add value to their offer.</p>	
<b>In-house</b>	<p>The in-house operation is unable to gain NNDR relief.</p> <p>The Council is able to apply for external funding available only to statutory bodies.</p> <p>Central support costs are typically higher than external contractors.</p> <p>Revenue risk of underachieving against budget sits with Council.</p> <p>Assessing the revenue impact shows that the projected operational subsidy required for an in-house operation across all centres is £1.475m. The in-house model requires the highest annual subsidy of all management models.</p> <p>The Council is now able to benefit from the new VAT guidance which treats all leisure income as 'non business', this means all sporting income including fitness memberships and swimming no longer have VAT payable. Additionally, councils benefit from not having irrecoverable VAT costs.</p> <p>Typically, there is not the monitoring and recording of performance as there are no contractual obligations, however, the Council can introduce such requirements on the management team to ensure value for money is being demonstrated.</p> <p>There would be a one off cost to bring the services back in-house.</p>	3
<b>Local Authority Trading Company</b>	<p>The new company will need to have a suitable reserves policy and therefore the Council may have to provide a level of subsidy over and above any management fee in the early years of operation (or accept the cash flow risk).</p> <p>Likely to have higher central costs as it will require its own senior management team (Chief Executive, Finance Director etc.)</p> <p>They can be set up under an appropriate structure to receive VAT and NNDR relief.</p> <p>Likely to be able to apply for more funding than the local authority.</p>	3

Revenue Impact	<ul style="list-style-type: none"> <li>•Ability to effectively manage expenditure and costs</li> <li>•Ability to drive revenue</li> <li>•Ability to deliver value for money</li> <li>•Ongoing cost to the Council</li> </ul>	Score
	<p>There will be one-off set up costs for the LATC in the region of £500k.</p> <p>Any profit could be re-invested back into the facilities.</p> <p>Revenue risk will ultimately be underwritten by the Council.</p> <p>A LATC is likely to operate at a deficit of c.£1.36m and would therefore require a management fee from the Council in this region. An agency agreement would reduce the management fee to c.£1.23m.</p> <p>Ability to gain external funding for projects and likely to be a not for profit organisation whose objectives will include social value outcomes.</p>	
<b>Weighting</b>	<b>17%</b>	

Table 21 - Capital Resource - Evaluation

Capital Resource	•Ability to support the design, build and mobilisation of any new/redeveloped facilities	Score
<b>Existing Arrangement (Local trust)</b>	<p>Hyndburn Leisure will not have direct access to capital resources, the responsibility will remain with the Council.</p> <p>The current leadership team has successfully worked with the Council to secure £10 million investment to build the new Wilsons Playing Fields leisure centre and is supporting the delivery of this project through construction. However, if the leadership team were to change in the future then the ability to manage large scale investment will depend on the experience of the team.</p> <p>All risk of capital investment projects will ultimately sit with the Council.</p>	3
<b>External Contractor</b>	<p>National operators are more likely to be able to fund equipment / ICT fit out and lifecycle works. They have good supplier links and achieve economies of scale.</p> <p>Pre-Covid, organisations could access funding for smaller investments, but the preference was very much for the Council to fund larger scale works projects. The borrowing rates were more cost effective and as operators do not 'own' the buildings, loans are based on future revenue improvements as opposed to using assets / long leases as collateral. With Covid-19 impacting reserves, operators are likely to have less access to capital resources for even the smaller investment projects.</p>	4

Capital Resource	Ability to support the design, build and mobilisation of any new/redeveloped facilities	Score
	<p>The Council is more able to transfer the full risk of any investments to partners in terms of project delivery and business plan projections.</p> <p>Many organisations have delivered capital projects and have established supply chains with specific leisure experience.</p> <p>Some partners can offer VAT efficient build schemes, where the Council is the principal for the capital development schemes and the operator is the principal for the revenue.</p> <p>Whilst it is still the Council that can access capital investment more cheaply, the benefit is that external contractors typically have experience of being innovative and investing into customer critical areas and there are many examples where the operators have significantly reduced the revenue position with investment into facilities but importantly taken the delivery risk.</p> <p>All capital improvements are based on a 'pay back' period or return on investment, based on the contract length.</p>	
<b>In-house</b>	<p>The Council would need to explore opportunities for investment, i.e. through prudential borrowing, funding streams i.e. SE and potential of grants.</p> <p>If future funding is not available, then the Council is dependent on either grant funding / NGB funding linked to programme development etc. or it can gain funding through leasing type arrangements. These generally enable fitness / ancillary and other income generating projects to be undertaken at the centres, although the Council must guarantee the investment.</p> <p>The Council will project manage the investments and takes the risk in any resulting projected income generation.</p> <p>The Council has demonstrated its ability and capability to invest in leisure through the new Wilsons Playing Fields site.</p>	5
<b>Local Authority Trading Company</b>	<p>LATC will not have direct access to capital resources, the responsibility will remain with the Council.</p> <p>However, where the Council funds capital investment, the LATC will use the revenue improvements to repay the capital costs.</p> <p>Unlikely to have the experience within the management team to project manage large scale investment projects.</p> <p>Ultimately though, with LATC having a limited trading history, any risk of these payments being made falls back to the Council.</p>	3
<b>Weighting</b>	8%	

Table 22 – Risk – Sustainability Evaluation

Risk - Sustainability	<ul style="list-style-type: none"> <li>•Ability to manage financial risk</li> <li>•Organisation is sustainable in the long term</li> </ul>	Score
<p><b>Existing Arrangement (Local trust)</b></p>	<p>Hyndburn Leisure do not have a larger organisational mix of facilities and contracts that can help offset risk.</p> <p>The Trust is also dependent on a small team of experts within its senior management team to deliver the strategic direction of the organisation, as well as operational requirements.</p> <p>The Trust will need to build a level of reserves going forward to maximise its sustainability, in the current climate this requires support from the Council. If the Trust does not receive subsidy support the future of the Trust will be in jeopardy.</p> <p>There is an opportunity to improve the sustainability of Hyndburn leisure going forward with the appropriate level of financial support and through industry standard management contract, services specification and leases to provide a robust and clear risk profile.</p> <p>The Trust has required financial support from the Council in terms of a loan to keep it financially stable, this debt is now being repaid. If the management model changes or the Trust ceases to exist then it is expected that the Council will not be able to recover any remaining debt owed.</p> <p>The Trust has diversified its business to support its future sustainability including contracts directly with education and the ownership of a community centre.</p> <p>If the Council is required to continue to provide a subsidy to the Trust then it will be subject to full assessment under the Subsidy Control Act. The Council will be required to complete this assessment on an annual basis (as a minimum).</p>	2
<p><b>External Contractor</b></p>	<p>Where the Council is contracting with external organisations, they will complete a 'selection questionnaire' to assess organisation economic standing and technical capacity etc. to check the suitability and sustainability of the organisation and to ensure there are mitigations to protect the Council if the contract fails.</p> <p>Established contractors have head office support to ensure that they are developing their products and services and assessing the trends in each market so that they can mitigate the changes in the leisure market.</p> <p>They can achieve economies of scale in purchasing especially larger items, ICT, Fitness equipment, etc.</p> <p>They are in a stronger position to meet demand risk and therefore be sustainable.</p> <p>Where they manage several contracts, they can spread risk across contracts.</p> <p>There is a risk that they submit an un-deliverable financial business plan within the procurement process that they then struggle to deliver, so service levels do not meet the required performance standard. However, these can be benchmarked and tested during the procurement process.</p> <p>With an external operator under contract with the Council, there will be a known risk share and level of certainty in relation to the management fee for the length of the contract term. It is likely that the</p>	4

Risk - Sustainability	<ul style="list-style-type: none"> <li>•Ability to manage financial risk</li> <li>•Organisation is sustainable in the long term</li> </ul>	Score
	<p>Council will be able to transfer the following risks to the external organisation;</p> <ul style="list-style-type: none"> <li>▪ Income</li> <li>▪ Staffing costs</li> <li>▪ R&amp;M costs</li> <li>▪ Implementation of any investment to save programmes and the income risk attached</li> <li>▪ Utility consumption</li> <li>▪ Equipment replacement</li> <li>▪ Customer satisfaction and usage</li> </ul> <p>Those areas of risk that are likely to be shared or remain with the Council include;</p> <ul style="list-style-type: none"> <li>▪ Pensions (risk will depend on the actuary report of current deficit or transferring employees)</li> <li>▪ Structural building risk (given the age of the buildings)</li> <li>▪ Full utility tariffs</li> <li>▪ Reputational risk if the external organisation isn't successful</li> <li>▪ Pandemic Protection</li> </ul> <p>In any agreements, there will be contractual obligations between the parties in respect to ongoing maintenance, equipment replacement etc. to ensure that service delivery meets set performance standards.</p> <p>The Council will sign up to a contractual arrangement; it will have responsibilities that may incur costs. For example, if the Council retains repairs and maintenance responsibility for the building structure, the Council must fulfil these obligations, or the new operator may be able to bring a 'loss of income' claim against the Council if non-delivery of their obligations impacts their income generating areas.</p> <p>The specification can set out the requirements for environmental sustainability, carbon footprint etc. and the need to contribute towards the Council environmental agenda. A number of operators have achieved ISO14001 accreditation and have case studies of investment into energy saving measures within their leisure centres.</p> <p>The Council will have a fixed budget for the length of the contract.</p>	
<b>In-house</b>	<p>All risk remains with the Council managing price sensitivity and programming requirements for users, marketing and branding and price changes for expenditure (e.g. utilities).</p> <p>The Council absorb and manage any under-performance.</p> <p>The Council as a large organisation is able to manage short term trading performance.</p> <p>The leisure services would be able to work with the relevant council departments to identify energy saving measures that could be implemented across the portfolio.</p>	4



Risk - Sustainability	<ul style="list-style-type: none"> <li>•Ability to manage financial risk</li> <li>•Organisation is sustainable in the long term</li> </ul>	Score
	<p>New VAT guidance has improved the financial sustainability of in-house leisure operations, as it is now treated as 'non-business'.</p> <p>Sustainability of the leisure centres will be dependent on the Council's financial position, as a non-statutory service the leisure centres could be at risk.</p>	
<b>Local Authority Trading Company</b>	<p>The key risk for a LATC is that it has a smaller base to share risk if any local factors impact its income generating opportunities. They do not have a larger organisational mix of facilities and contracts.</p> <p>The LATC is also dependent on a small team of experts within its senior management team to deliver the strategic direction of the organisation, as well as operational requirements.</p> <p>Any new organisation will require a period of support i.e. up to three years to ensure long term stability. The LATC will require flexibility and support so that it can build up a contingency of between 10% and 15% of overall annual turnover. Ultimately, if the LATC fails, the Council will have no option but to assume operational responsibility.</p> <p>If a LATC fails, the Council can provide the additional funding required or allow the company to fail and find alternative delivery models. Both can be both costly, resource heavy for officers and negative in terms of public relations.</p> <p>The local authority should be able to transfer the risk of carrying out works using local authority funding.</p> <p>A LATC is unlikely to be able to take the risk of a full repairing lease but will be able to take the risk on day to day maintenance requirements.</p> <p>It is unlikely that a LATC will be able to carry full risk for utilities, however a share in risk should be possible with the LATC taking risk on consumption.</p> <p>Establishing the correct governance structure will be key to managing financial risk. If the Company is established in the correct way with the correct balance between Council influence and commerciality, then long term financial sustainability is achievable.</p>	3
<b>Weighting</b>	18%	

Table 23 - Risk - Operations - Evaluation

Risk - Operations	<ul style="list-style-type: none"> <li>•Ability to manage day to day operational risk of complex leisure and cultural facilities</li> <li>•Effective asset management</li> </ul>	Score
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Risk - Operations	<ul style="list-style-type: none"> <li>•Ability to manage day to day operational risk of complex leisure and cultural facilities</li> <li>•Effective asset management</li> </ul>	Score
<b>Existing Arrangement (Local trust)</b>	<p>The Trust has successfully managed the current portfolio and understands the issues and complexities the different venues bring.</p> <p>They have established operation procedures and processes that enable the sites to operate efficiently and effectively.</p> <p>The Trust has effectively managed the assets and secured investment where needed to maintain and improve the assets.</p>	5
<b>External Contractor</b>	<p>Existing contractors have a wide range of experience across all leisure centre types and therefore can bring this breadth of leisure experience to the contract.</p> <p>All leisure contractors hold external validated quality accreditation i.e. Quest, Customer Service Excellence, IIP, ISO 14001, EMAS type awards.</p> <p>They tend to have head office resource with dedicated manager for quality, health and safety, HR, environmental management, maintenance etc.</p> <p>A performance management system will be put in place with detailed key performance indicators for operators to achieve.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p> <p>There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.</p> <p>Existing staff would transfer to the new operator bringing their expertise and knowledge. However there may be some redundancies, due to contractors having a full central support team and regional management team to support the contract.</p>	5
<b>In-house</b>	<p>Existing staff and skills would transfer back to the Council.</p> <p>The repairs and maintenance would be managed through the council's central team, in addition, redecoration and lifecycle maintenance must compete with other Council priorities.</p> <p>Typically there is less commercial experience and expertise within the In-House option, which can impact on the level of service and revenue opportunities.</p> <p>If the service is managed In-House there may be limited monitoring and measuring of performance compared to</p>	4

Risk - Operations	<ul style="list-style-type: none"> <li>•Ability to manage day to day operational risk of complex leisure and cultural facilities</li> <li>•Effective asset management</li> </ul>	Score
	<p>that of an external trust/operator. The Council would need to consider accreditations such as Quest, to verify the quality of service being delivered and that it is offering value to its customers.</p> <p>Any significant decisions or changes to the services will have to go through the Councils approval process, which can be time consuming, although smaller changes can be implemented quickly and efficiently by the management team.</p> <p>Typically In-House operations do not have contract/reporting requirements; however, the Council could choose to implement regular reporting and monitoring requirements for the contract to ensure it is delivering against outcomes and KPI's.</p>	
<b>Local Authority Trading Company</b>	<p>Staff will transfer to the new LATC bringing their experience and knowledge, which will help minimise operational impact.</p> <p>New organisations procedures, policies and standards in relation to central services (HR, Finance, VAT, Health and Safety, Maintenance etc.) may take time to become established and there may be risk in the mobilisation / transition period. However, there are a number of organisations that provide specialist health and safety, PR, marketing support etc. and a new LATC could buy in these skills as and when it is required, or it could utilise the Councils support services with a recharge arrangement.</p> <p>A LATC is unlikely to be able to take on full repair and maintenance responsibilities. However, it is likely to be able to take on day to day repair and maintenance responsibilities. The local authority needs to consider how it will monitor maintenance programmes to ensure the operational team is carrying out planned works and to the required standard. Often this can be undertaken by an In-House Property Services team.</p> <p>Decisions can be made and implemented quickly with approval from company directors, assuming they are within the contract/specification requirements. Changes outside of the contract requirements can be made through variation agreement, however there could be cost implications or alternatively they could result in a financial return for the Council.</p> <p>There will be contract monitoring in place with reporting requirements against all outcomes and KPI's. Reporting will take place on a monthly/quarterly and annual basis therefore delivering against KPI's can be carefully monitored.</p>	3
<b>Weighting</b>	12%	

Table 24 - Council Influence and Control - Evaluation

Council Influence and Control	<ul style="list-style-type: none"> <li>•Degree to which the option enables the Council to influence services on a day to day basis</li> </ul>	Score

Council Influence and Control	•Degree to which the option enables the Council to influence services on a day to day basis	Score
<b>Existing Arrangement (Local trust)</b>	<p>Whilst an external organisation, there is currently Councillor representation on the Board of Trustees (although only the Portfolio Holder has voting rights). The Board of Trustees consists of local residents who are invested in the services offered to the local community.</p> <p>The Council could implement a specification as part of any new lease/contract extensions that set out the Council's priorities and other elements of service delivery, including quality. An annual service planning element of the specification can ensure that the Council's changing requirements can be incorporated into future service delivery.</p>	4
<b>External Contractor</b>	<p>The External Contractor must deliver against the Council's specification and contract, which can stipulate quality expectations and KPI's to be achieved. The specification will include an annual service planning element to ensure that the Council's changing requirements can be incorporated into future service delivery. The contractor will have to report on performance benchmarks on an annual/quarterly/annual basis.</p> <p>An outsourced partner will report to its own board of directors who may have differing objectives to the Council.</p> <p>Significant changes to service delivery can be more formal; whilst flexibility in contracts can be included, there may be financial consequences to any significant changes.</p>	3
<b>In-house</b>	<p>The Council will be able to exert the most direct control over services through the In-House management option.</p> <p>However, there is typically a limited performance monitoring and reporting requirements.</p>	5
<b>Local Authority Trading Company</b>	<p>The specification will set out the Council's priorities in respect to pricing / programming and other elements of service delivery, including quality. As with the external contractor there will be performance monitoring and reporting requirements set out in the specification.</p> <p>An annual service planning element of the specification can ensure that the Council's changing requirements can be incorporated into future service delivery.</p> <p>There is Council representation on the board, the governance structure will need to be carefully considered to get the right balance between council influence and interference.</p>	4
<b>Weighting</b>	5%	

### 8.11. Evaluation Scores

8.11.1. Given the descriptive assessment of each management option being able to meet the Council's requirements, each criterion has been scored for each management option. The summary of the overall scores is shown in the table below.

**Table 25 – Evaluation Scores Summary**

Evaluation Criteria	Weighting	Current Arrangement	External Contractor	In-House	LATC	Current Arrangement	External Contractor	In-House	LATC
Meeting Strategic Outcomes:	20%	5	4	4	4	20%	16%	16%	16%
•Able to understand the community within which the organisation is working									
•Ability to deliver the strategic outcomes of the Council and contribute towards wider Council priorities									
•Ability to deliver strategic outcomes for leisure services, identified through the Strategic Outcomes Planning Model									
•Ability to increase targeted participation and reduce rates of physical inactivity									
•Ability to deliver health and wellbeing outcomes									
Quality & Customer Service	20%	5	4	4	4	20%	16%	16%	16%
•Ability to implement changes efficiently and effectively									
•Effectively collect, monitor and report on performance data to inform decision making									
•Ability to deliver high quality services									
•Ability to create high levels of customer satisfaction									
Revenue Implications:	17%	4	5	3	3	14%	17%	10%	10%
•Ability to effectively manage expenditure and costs									
•Ability to drive revenue									
•Ability to deliver value for money									
•Ongoing cost to the Council									
Capital Resource:	8%	3	4	5	3	5%	6%	8%	5%
•Ability to support the design, build and mobilisation of any new/redeveloped facilities									
Risk – Sustainability:	18%	2	4	4	3	7%	14%	14%	11%
•Ability to manage financial risk									
•Organisation is sustainable in the long term									
Risk – Operations:	12%	5	5	4	3	12%	12%	10%	7%
•Ability to manage day to day operational risk of complex leisure and cultural facilities									
•Effective asset management									
Council Influence and Control:	5%	4	3	5	4	4%	3%	5%	4%
•Degree to which the option enables the Council to influence services on a day to day basis									
	<b>100%</b>	<b>28</b>	<b>29</b>	<b>29</b>	<b>24</b>	<b>82%</b>	<b>85%</b>	<b>79%</b>	<b>69%</b>

## 9. CONCLUSIONS

- 9.1. Overall, the external contractor model has scored highest against the evaluation criteria and weightings, followed by the existing Trust model and In-House.
- 9.2. Each model has its own strengths and weaknesses, a significant factor in the external contractor scoring is its projections to have the lowest subsidy requirement. However, it is important to note that based on the 2023/24 financial performance all models will require subsidising going forward, due to changes in the sector outside of the operators control, including utility cost increases, increases in staff costs and other supplies. All operating models are also affected by the cost of living crisis and its impact on peoples' disposable income.
- 9.3. Hyndburn Leisure has been excellent in supporting local strategic outcomes delivering a wide range of initiatives and programmes to increase rates of physical activity and reduce health inequalities. However, the impact of the utility crisis and cost of living crisis has led to the Trust requiring significant financial support from the Council, although the subsidy requirement is not significantly higher than the external contractor model and is less than the LATC and in-house options. The current levels of debt impacts the Trust's future sustainability and increases the risk associated with the continuation of this model. However, the Trust has demonstrated historically how it can reduce the ongoing subsidy.
- 9.4. Whilst an in-house model is expected to deliver against strategic outcomes and gives the Council ultimate responsibility and control over service delivery, it is projected to have higher operational costs due to higher staff costs, including pension contributions.
- 9.5. The External Contractor, LATC and Existing Trust arrangement could implement an Agency Agreement that could generate savings in the region of £135k per annum.
- 9.6. Given the higher score of the External Contractor option, there are several important factors that need to be carefully considered should the Council consider changing the current management model:
- Existing debt repayment arrangements and potential that remaining debt could not be recovered if Hyndburn Leisure ceases to operate.
  - Termination of the leases would need to be agreed by mutual consent due to the length remaining on the leases.
  - Impact on any grant funding that cannot be transferred to an alternative operator
  - Impact of a TUPE transfer and requirement to manage this process carefully with sufficient consultation with staff

- If the Council decided to stop funding Hyndburn Leisure, there would be significant consequences on the level of service delivered, ability to maintain the assets and could lead to the potential closure of facilities. This would be very detrimental to the local community and leisure centre's users.

9.7. In the immediate future the Council also needs to consider the new Wilsons Playing Field Leisure Centre and who will operate this facility. The centre is due to open in 2025, which does not allow sufficient time to run a procurement process or the set up of a new organisation to take on the management of the site upon opening. The Council will have to consider a short term arrangement whilst the future of the existing leisure portfolio is determined.

#### 9.8. Next Steps

9.8.1. Having reviewed and understood the evaluation of each management option, it is recommended that the following next steps are implemented.

- Further investigation and discussion is completed with Hyndburn Leisure to understand the options around early termination of leases, understanding the financial, legal and operational risks.
- Further investigation is carried out on the impact on existing grant funding should the management model change, currently the position for the majority of funding agreements is unknown.
- A decision is made on the management of the new Wilsons Playing Field Leisure Centre, to ensure the centre achieves the best start possible from opening. Planning needs to commence on marketing, sales, promotions, staff training etc., at least three months (ideally six months) prior to opening. Given the urgent nature of this action, it is recommended that Hyndburn Leisure provides the Council with a business plan to understand the financial impact on ongoing subsidy/loan payments. Any agreement should be short term to tie in with the lease terms on Hyndburn Leisure Centre and Mercer Hall, so should the Council decide to not renew those leases a new management model can be implemented across the three sites at the same time.
- If the Council identifies a preferred model it would like to progress with, then a full business plan and implementation/transfer plan will need to be developed prior to formally agreeing and actioning a change in management model. The Council may wish to complete this for its top two preferred options to understand the longer term impact of each model and associated costs, prior to progressing to a final decision on the management model.

Appendix 1 – Options for Transfer of Leisure Services to a New Corporate Vehicle<sup>24</sup>

Table 26 – New Corporate Vehicle

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
<b>Principal features</b>	Company run by directors with a separate membership who guarantee the debts/ liabilities of the company up to a minimal amount. However, directors have to run the company in the best interests of the company, not the Council.	Not a corporate vehicle in itself but rather a “wrapper” around another vehicle - additionally requirement is a social purpose behind a company’s activities. Likely to be a company limited by guarantee.	Low key organisation run by trustees, allowing a small organisation to have corporate status, to improve their ability to access grants, employ staff and enter into contracts. Has both members and trustees.	Set up to run as a business but that must be run for the benefit of the community at large, rather than only its members. Any profit made by a <i>community benefit society</i> must be used for the <i>benefit</i> of the <i>community</i> .
<b>Principal Legislation</b>	Companies Act 2006	Companies Act 2006 and Companies (Audit, Investigations and Community Enterprise) Act 2004	Charities Act 2011	Co-operative and Community Benefit Societies Act 2014
<b>What role for council</b>	Council can be a sole member of the CLG, usually having a shareholder’s agreement with the company to set out how it oversees what the directors do, though otherwise directors have to run the company in the best interests of the company, not the Council.	Same as CLG	Two types of CIO, foundation or association. Latter not suitable as is for wider membership. With a foundation CIO, the member(s) is/are also the trustee(s), and a trustee has to be an individual person, so the Council cannot be a member/trustee.	Cannot have a sole member, has to have at least 3 members. However, a member can be a corporate body such as the Council. Often used for mutual ownership organisations, where employee-members have a stake in the running of the company, though they cannot receive a share in any profits. Directors elected by the members.
<b>Can the Council award a contract to it directly</b>	Yes, if meets the required tests (see note 1 below – Teckal	Yes, if meets the required tests (see note 1 below – Teckal	No, insufficient control to meet the Teckal exemption (see note 1	Probably not, insufficient control to meet the Teckal

<sup>24</sup> Deborah Down 25<sup>th</sup> September 2020 © Sharpe Pritchard LLP



Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
without a tender exercise?	exemption)	exemption).	below)	exemption (see note 1 below)
Appropriate for contract model retaining control?	Yes	Yes	No	No
Appropriate for arms' length contract?	Yes, in theory, but if not set up as Teckal company with control, then would have to tender the contract first	Yes, in theory, but if not set up as Teckal company with control, then would have to tender the contract first	Yes, but HBC would have to tender that contract as CIO cannot be a Teckal company	Yes, but HBC would have to tender that contract as CBS cannot be a Teckal company
Appropriate for asset transfer	Yes (but see note 4 below)	Yes (but see note 4 below)	Probably not, as aimed at small charities just starting to expand. Not very familiar form to banks etc.	Yes (but see note 4 below)
Governing document (see also below on charity registration and NNDR)	Articles of Association. Typically, this does not allow profits to be passed up to its membership	Articles of Association containing required social objectives and asset lock (see note 5)	CIO model constitution published by the Charity Commission (only limited deviations permitted)	Constitution with required community benefit objectives
Regulator	Companies House	Companies House plus independent CIC Regulator	Charity Commission	Financial Conduct Authority
Can it register as a charity?	Yes, if meets Charity Commission requirements (see note 2 below)	No	Automatically a registered charity	No, but can register as charity for tax purposes with HMRC
NNDR charitable exemption available (see note 3)?	Yes, even if not a registered charity, provided the Articles of Association include the required charitable purposes – CLG has to be an organisation established for charitable purposes <b>only</b>	Yes, even though cannot be a registered charity, provided the Articles of Association include the required charitable purposes – CIC has to be an organisation established for charitable purposes <b>only</b>	Yes, because automatically a registered charity	Yes, provided that Articles of Association include the required charitable purposes – CBS has to be an organisation established for charitable purposes <b>only</b>
Indirect taxation benefits available especially VAT?	Specific advice required taking into account the Council's own partial VAT exemption. There is a Sporting Services VAT	Specific advice required taking into account the Council's own partial VAT exemption. There is a Sporting Services VAT	Yes, because by definition is a charitable organisation which gets HMRC registration for	Can register as charity for tax purposes with HMRC. Specific considerations about taxing the

Criteria	Company Limited by Guarantee (CLG)	Community interest company (CIC)	Charitable incorporated organisation (CIO)	Community benefit society (CBS)
	exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal.	exemption (VAT Notice 701/45). Specific considerations about taxing the property if a property disposal.	charitable purposes and therefore VAT relief. Specific considerations about taxing the property if a property disposal.	property if a property disposal.
<b>Speed of incorporation (without separate charity registration)</b>	Once directors selected and Articles of Association prepared, Companies House can register the same day if there are no issues.	Once directors selected and Articles of Association prepared, submit to Companies House. There is an additional form which CH pass on to the CIC Regulator. Registration can only take place by CH once the CIC Regulator has confirmed that it is satisfied there is sufficient social benefit.	Charity Commission website indicates 40 working days if there is no deviation from the model constitution. However anecdotally the CC has a backlog and is very slow.	Slower than CLG but only one registration.
<b>Other considerations</b>	<ol style="list-style-type: none"> <li>1. Incorporation is only part of the story, still need to either dispose of the assets to, or enter into a contract with, the new corporate vehicle, as well as required HBC governance approval.</li> <li>2. If HBC is interested in working with another local authority, then a Teckal company can be set up controlled by two local authorities.</li> <li>3. Council appointed directors need to act in the best interests of the company, and consequently will have to deal with conflict of interest situations.</li> <li>4. Even with a contract, the contractual payment to the Council may have to be expressed as rent, as having a peppercorn rent with a separate payment to the Council may fall foul of the issue described at note 4; in addition a payment to the Council from say a CLG, and which is not described as rent, may be treated as a profit and so subject to corporation tax.</li> </ol>			

## Appendix 2 – Hyndburn Leisure Case Studies

### Case study 1: For brain and body

“Sh’bam classes should be on prescription,” says Lynda. “When I first came across it I thought, ‘This is for me.’ I just let myself go – I even sing! If you’re feeling low, you’ll come out feeling incredible. I love it.”

Lynda has been a member of Hyndburn Leisure for 29 years. “I had a C-section with my second child and started back on the exercise bike six weeks later,” she says.

“Exercise has helped me massively at different stages in my life – being a mum of young children, busy times, going through the menopause. I’m 54 now, and it does get harder, but I feel so much better for doing it.”

“I could work 9-5 if I let myself, but my classes are too important to me.”

And the social side is as important as the energy and mental health boost. “You go, you meet people, have a coffee afterwards,” Lynda says. “I’ve met some really good friends through Hyndburn Leisure.”

Long-standing member Diane, agrees that friendships are a big part of hitting the gym at Hyndburn Leisure Centre.

“I was given a membership for my birthday when I was 55,” she explains. “I’d taken early retirement and I thought, well, I’ll give it a go.”

Fourteen years later, Diane’s stamina is going from strength to strength – and her social life is even better. “There’s a group of us who go to the gym at least four times a week. We exercise together and we go out together, too. I’ve made some proper, lifelong friends,” she says.

“I’m always trying to recruit people. I say to them ‘Come along, give it a try, there’s nothing to be scared of.’”

“It really has changed my life for the better.”

### **Case study 2: Improving mobility and mood**

Melanie’s fitness journey started in August 2022 when she saw an advert online for a Healthy Weights and Circuit and Stretch class.

“I’d been making efforts to do my daily steps and lose weight for a month, but was struggling with motivation. It came at just the right time – and it said I wouldn’t be charged if I couldn’t attend, which was important.”

Melanie has struggled with mobility and heart issues, but the classes and support from Hyndburn Team Members including Sarah, Casey and Francesca have been transformational and restored her can-do attitude.

“They put a lot of effort into making the class a useful, educational, pleasant and hospitable experience. I’ve formed good habits, learned how to keep detailed food and exercise records and I’m using the MyFitnessPal app and a pedometer to help.”

The results have been astonishing. Eight months later, Melanie’s cholesterol levels have fallen, her atrial fibrillation has lessened and her leg restlessness has stopped meaning she can sleep undisturbed at night. “I’m waiting to have my hip replaced, but keeping it moving means I can still walk on flat surfaces with a three wheeled stroller and get upstairs with a crutch.”

“I’m determined to keep going, and feel motivated to do even more. Next on my list is to explore some of the machines in the gym!”

### **Case study 3: Seriously Swimpresive**

When Hyndburn Leisure took over the management of Accrington Academy’s leisure facilities, the team met with Matloob Yaqub from the Bajah Initiative, who had been running swimming lessons for children from the school.

“We had an accredited Learn to Swim programme that we knew worked, so we offered to share that with the group. We also suggested running closed Sunday afternoon sessions so the classes could run more smoothly and productively,” explains Joanne Mortimer, Head of Operations and Strategic Projects.

Since the revamped sessions began in May 2022, the number of weekly swimmers has grown to 130 children each week. And four adults from the community have volunteered and gained a Level 1 or 2 swim teaching qualification – an incredible result which guarantees the future of the sessions.

“Swimming is so important, but it’s not a normal activity for young people in our community,” says Matloob. “For boys, there’s the social barrier and for girls, there’s an issue with clothing. But swimming is prophetic – it’s part of Islam – plus it’s a life skill and works every muscle in your body. The sessions have really opened the door to swimming for young people in our community.”

#### **Case study 4: Staying healthy from 9-5**

A Hyndburn business is keeping its staff healthy thanks to Hyndburn Leisure’s Healthy Weight programme.

“Some of our staff have quite physical jobs making furniture, whereas others are in quite sedentary office roles,” explains Helen Baron, Occupational Health at Senator. “When Hyndburn Leisure got in touch and told me about the Healthy Weight programme, I was delighted. Interest and take-up has been good and we’re now onto our third course.”

Sarah Charmer, Fitness Activator at Hyndburn Leisure, visits Senator to deliver the 12-week course. “In the first group, three members of staff were immediately flagged as needing to be referred because of their blood pressure,” says Sarah. “Over the 12 weeks, one participant who lost 7% of their total body weight – a real achievement.”

The sessions take place in the Senator cafeteria. “Every week, I give out a recipe and we focus on a particular theme, for example alcohol, snacking tips or the relationship between food and mood,” Sarah adds. “It’s so convenient – it’s not like an ordinary weight loss class where people have to give up time in the evening or at weekends. And, of course, it’s free!”

#### **Case study 5: Volunteering brings benefits**

For Gary, volunteering with Hyndburn Leisure is about far more than simply keeping fit – although that’s certainly one of the benefits.

“It’s about getting out and improving my fitness definitely, but it’s also about meeting people and having conversations. It helps you psychologically,” Gary explains. “And it’s a way of giving back”.

Gary has been volunteering with Hyndburn Leisure for two years, and decided to get involved to combine his love for local history with getting out and about. “I’m interested in the borough’s history, especially the industrial

revolution,” he explains. “I’m really glad to help out at the Trust and I’d invite more people of my age to get involved. It’s fascinating. Come and explore the countryside and this place that we live in!”

Roy, another Hyndburn resident, has been a volunteer walk leader with Hyndburn Stepping Out for over 10 years. “I enjoy meeting people with similar interests and the feel-good factor of being out. The weather isn’t always kind – but most of the time, we get away with it!”

Roy is also a history and nature enthusiast. “The ability to pass on some knowledge and to learn something new about the place we live in is a bonus.”

Ian Hodgson, a Community Activator with Hyndburn Leisure, is a passionate advocate for what volunteering brings to people’s lives. “We want to invite more people to be part of our – it sounds a bit cheesy, but it’s true – our family. Volunteering gets us deeper into the community, and that’s exactly what we want.”

#### **Case study 6: Parklife: free leisure facilities on our doorstep**

Over 250 local residents descended on Milnshaw Park in August 2022 to find out more about the leisure opportunities on their doorstep.

Local partners including Hyndburn Council, the Let’s Move partnership, Go Velo, Active Lancashire’s Cycle Recycle, Accrington Stanley Community Trust and Community Solutions North West worked together to give the community a day to remember, including a children’s bike and sports equipment bundle giveaway.

Children and adults of all ages thoroughly enjoyed the bike and multisport sessions including rounders, football, tennis and use of the free outdoor green gym.

“I have four children and going out for the day is usually really expensive – we stayed all day. Thank you for organising this – more please!” said one local mum.

Her view was echoed by a Police Community Support Officer, who called for similar future events to help tackle anti-social behaviour. “Kids have nothing to do in the local area – organising another similar event in Mercer Park in Clayton-le-Moors would be a great starting point.”

Hyndburn Leisure will be running a series of free park events this summer around the local area. Keep up-to-date by following Hyndburn Leisure on Facebook.

#### **Case study 7: Over 50s football is top of the league**

Ergin loves playing football, and has done since he was 17. Five decades later, he's a longstanding member of the football sessions Accrington Stanley Community Trust run with Hyndburn Leisure, and has never regretted his decision to get involved. "All the people who attend are great guys - there's no malicious football here. We all come to enjoy ourselves," he says.

Lee Walsh, Head of Sport and Health at the Accrington Stanley Community Trust, explains how the partnership came about. "Initially, it was all about the venue - Hyndburn Leisure Centre - as it was the ideal place to hold our sessions during the winter months," he says. "However, we soon teamed up with Hyndburn Leisure's Up and Active Team to offer a weekly weigh-in, health checks and lifestyle guidance to members."

Since October 2022, the group has decided to ditch walking and play regular football - but new members are always welcome and shouldn't feel intimidated. "I highly recommend it," says Ergin. "Come down and play with us, even if it's only for half an hour or watch from the side and have a chat."

Lee feels the group is going from strength to strength. "In total, we've engaged with 124 people," he says. "And we've had teams representing Accrington Stanley at tournaments and festivals right across England. It's a real success story."

#### **Case study 8: Merry Christmas, Hyndburn!**

We've long felt that Hyndburn residents deserved a Christmas experience with a real wow factor - one that truly rivals other regional towns and cities - and in 2022, we delivered it.

The very best of local produce and crafts was represented at Accrington's spectacular Christmas on the Square event, running over weekends in November and December. And while shoppers browsed artisan stalls and food and drink vendors, there were a host of free, subsidised and paid-for activities plus entertainment to really get locals in the festive spirit.

There was something for everyone - from Stories and Supper with Santa, Christmas Film Club, cocktail making and wreath workshops - all sourced from the surrounding area. Lots of the events were priced as low as £1 or £2 - especially those aimed at children.

Residents praised the range and quality of activities on offer. "I've never had so much fun in my local town as I have this past Christmas and, with everyone on a much tighter budget at the moment, I can't thank the organisers enough for making it all possible," said one parent. "We made use of the photo booth, the singalong, saw real reindeers and even did a caricature...I think my daughter could have spent all day there" said another.

#### **Case study 9: Healthy eating for all**

Kelly Duffy's daughter had been a picky eater since the age of three. Four years later, the situation had gotten worse.

"I was worried," explains Kelly. "She only wanted junk food. I prepare healthy food at home but she wouldn't touch it."

Kelly saw an advert for the PASTA healthy eating sessions with Hyndburn Leisure on Facebook. She rang up and booked onto the six-week course in November 2022.

"It was great," says Kelly. "We went along together and she'd play in the play centre. Then they'd have all different types of healthy food for her to try and we'd make things together - pizzas, wraps, fruit salad."

If she tried the healthy food each week, Kelly's little girl was rewarded with a free-swimming pass. And the end of the session involved lots of fun and colouring in with the other children.

"I just thought they were brilliant with her," says Kelly. "So encouraging and my daughter really listened to them. And it was great for me to get some support with encouraging her to try different things."

"I've recommended it to so many people. And I'll be taking her back in the summer if I have any more problems!"

#### **Case study 10: Growing gymnastics talent**



Gymnastics sessions have been running at Hyndburn Leisure Centre since coach Sophie Molloy was a little girl, but it recently had a reboot.

"We've just started to roll out British Gymnastics' new Rise scheme – with this, the children get medals rather than badges, which they're quite excited about," explains Sophie. And post-Covid, the team are now fully back in the swing of competitions and festivals, holding their first Key Stage 1 Schools Gymnastics event earlier this year.

They're also celebrating the rise of some homegrown talent. "We have a number of students who've risen through the ranks – for example, Elah, who started at Gym Tots as a toddler and now volunteers with us as a trainee coach."

"I love it when the younger children are confident enough to tell you that they need help," says Elah. "And I'm really looking forward to doing my training and learning how to teach them new skills."

And Elah's mum Rachel says her daughter has developed some skills of her own through teaching: "She's built up an understanding of commitment and responsibility and been given the chance to develop as a young leader and a team player. Her confidence has grown, too."

The most satisfying part of coaching? "Seeing that growth with a pre-school child – following them through to doing skills on the big equipment," says Sophie. "The confidence they develop is just amazing to see."

#### **Case study 11: From strength to strength**

Clayton Amateur Boxing Club moved to Clayton Community Centre in summer 2022 and has been going from strength to strength ever since – thanks in part to a successful funding bid to tackle antisocial behaviour.

John Brindle, founder and coach at the club, says training has been a huge hit with local youngsters. "It's called the 'Anti - Antisocial Project' and is aimed at giving young people at risk of getting into bother a place to channel their energies – and it's working," he says. "There's the occasional challenge, but overall they take to it like ducks to water."

"One of the sure signs that it works for someone is that they keep coming back for more – and they do."

Their new home has also contributed to the club's ongoing success. "If I'm honest, it's a dream come true," says John. "Our room – the old library – is a good size for our bags, gym equipment, boxing ring and even circuit training. A grant from Sport England has got us fully equipped, and we're on the main drag with our big logo on the side of the building."

The club holds around 15 sessions a week now, as well as bespoke coaching. "Our numbers vary, but we see something like 100 people coming through our doors each week. Some come two, three and even five times a week – and I haven't double counted them!"

### **Case study 12: Fun with food and friends**

'Fun with Food and Friends' is how Hyndburn Leisure decided to brand its Holiday Activities and Food programme, which uses Department for Education funding and trusted local partners to make sure young people entitled to free school meals stay fed and active during school holidays.

"We have 18 local providers who offer 25 clubs for children from ages 4 – 16 years. They offer a wide range of activities from sports coaching, multi-sports clubs, family swims, forest schools, performing arts and more," explains Stacey Bowie, Project Coordinator at Hyndburn Leisure.

Places are funded for children who qualify for free school meals, but some of the clubs also offer paid places alongside these funded sessions. There are also a number of places for those who don't quite meet the means-tested criteria but have a level of need or are referred by school or social care.

"Almost 3,500 children qualify locally, and the number is going up," says Stacey. "We work hard with our providers to ensure we reach as many young people as we can. And we've had some great feedback from parents saying that the free lunches took a big burden off their shoulders and the activities gave them breathing space or time to work."

This summer, many of the partners will be returning to offer activities as well as some new organisations; good news for families and children who've previously engaged with the programme. And the team has plans to engage more 12-16 year olds, the hardest group to reach.

### **Case study 13: Bitten by the fitness bug**

Shelly's fitness journey began with a workplace health check for anyone aged over 40. "I was seriously overweight and had high blood pressure. I needed to rethink my life," Shelly says.

She began cautiously by going to Aqua Jog and using the toning beds, but she was soon bitten by the fitness bug. "I've gone from being not sporty at all to actually enjoying it. I'm doing activities I would never have dreamed of. Without this, I wouldn't be where I am now physically or mentally. "

Shelly has lost three stone, increased her strength and stamina but one of the greatest benefits is the mental boost and friendships exercising has given her. "There's a very welcoming community feel here," Shelly says. "I'll now come on my own, which is something I'd never have done in the past."

"And I've made new friends, too - it's so nice to have someone to exercise with!"

#### **Case study 14: A beacon of light**

After the lockdown restrictions started to lift, Helena Kean and David Pelling needed a new venue for their Tai Chi group, Lighthouse Tai Chi®.

"We'd previously been at another venue,'" explains Helena. "We used to have to hold three small classes separately. When we were able to get back to exercising together again, we felt we needed a bigger space to make sure everyone felt safe."

The group has now been meeting at Accrington Town Hall for almost two years, and Helena and David and the Lighthouse students can't praise it enough. "It's the best room we've ever had," says Helena. "It's so grand and beautiful. There's a stage for the teacher and we can use the coloured lighting to create a lovely warm atmosphere in winter."

Instead of running back-to-back classes, Helena and David can now bring all of their members together at the same time. "Tragically, we lost some of our students during and after the pandemic - some to Covid and some to cancer," she explains. "It was a real blow. But being together allows us to comfort and support each other. It's rebuilt people's confidence."

While the average age of the group is around 70, there are some members in their 30s and others in their 80s. "When we first came here, some of our ladies who had been recently widowed, realised that the last time they were here was at a dance with their husbands. It was very emotional - this place holds so many happy memories."

And finally, how has it been dealing with the Town Hall team? "They're absolutely brilliant. Nothing is too much trouble. And Aisha in particular - she's a tremendous asset to Hyndburn Leisure."

**Disclaimer**

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