

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

## 1. Purpose of Report

This report:

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

## 2. Recommendations

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

## 3. Reasons for Recommendations and Background

### Proposed Grant - General Background

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

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

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

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

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

3.3 The proposed grant to Hyndburn Leisure will qualify as a subsidy for the purpose of the Subsidy Control Act 2022 ("SCA") as it meets the definition of a subsidy, namely:

- The payment will be given directly or indirectly from public resources by a public authority
- It will confer an economic advantage on one or more enterprises, namely Hyndburn Leisure
- Benefit will be gained by the enterprise receiving the grant over one or more other enterprises with respect to the provision of goods or services
- The grant will or is capable of having an effect on competition or investment within the UK.

3.4 Furthermore, as the provision of community leisure activity is typically viewed as an important health and wellbeing benefit for the community, Hyndburn Leisure can be considered to provide "services of public economic interest" ("SPEI") pursuant to section 38 SCA as its services are:

- provided for the benefit of the public; and
- would not be provided, or would not be provided on the terms required, under normal market conditions.

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

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

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

2023/24 – the sum of £490,000.00; and

2024/25 - the sum of £1,000,000.00

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

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

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

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

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

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

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

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

**Proposed Grant - General Public Law Considerations**

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

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

#### **4. Financial Position**

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

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

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

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

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

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

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

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

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

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

4.6 The financial support provided to Hyndburn Leisure will be used to make repayments against current year debts owed to the Council. This subsidy payment is expected to enable Hyndburn Leisure to meet all debts due to the Council for the financial year 2025/2026.

4.7 Rather than making a physical payment to Hyndburn Leisure for £700,000, the subsidy amount will be offset against the outstanding trading debt due to the Council.

4.8 Several other Local Authorities in Lancashire operate their leisure services under similar outsourced models and are also providing financial support to their leisure trust or leisure subsidiary companies. The level of financial support being provided by other Councils around Lancashire for 2025/26 ranges from £0.80million to £2million.

4.9 Hyndburn Leisure is currently in the process of developing its budget for 2026/27, and whilst it is still forecasting financial support will be required from the Council, this is expected to reduce from the current year subsidy requirement.

4.10 The future years subsidy targets have been agreed with the Council and are as follows:

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

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

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

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

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

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

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

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

#### **5.4 Employee Costs**

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

#### **5.5 Premises Costs**

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

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

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

#### **5.7 Project Expenditure**

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

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

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

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

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

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

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

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

### 5.11 Other Income – Service Recharges & Sponsorship

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

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

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

There are no variances on this funding.

### 5.13 Impact on Subsidy Required from the Council

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

## 6. Alternative Options considered and Reasons for Rejection

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

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

## **7. Consultations**

7.1 The Council set a budget of £700,000 for the possible support required by Hyndburn Leisure in its the revenue budget for 2025/26, which was approved by Full Council on 27th February 2025.

7.2 The Council has forecast the full amount of the subsidy as part of the Quarter 1 Revenue Monitoring Report taken to Cabinet July 2025 and Quarter 2 taken to Cabinet November 2025.

## **8. Implications**

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

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

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

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

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

**10. Freedom of Information**

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