

## Hyndburn Leisure 2025/2026: Subsidy Control Assessment

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

### **Section A. Identification of the Subsidy**

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

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

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

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

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

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

2022/23 – the sum of £ 235,000.00

2023/24 – the sum of £ 490,000.00

2024/25 – the sum of £1,000,000.00

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

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

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

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

## Section B. Application of the TCA principles for each subsidy

(Please complete a separate table per subsidy)

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

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

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

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

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

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

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

### The subsidy control principles that apply here:

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

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

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

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

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

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

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

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

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

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

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