

REPORT TO:		Cabinet	
DATE:		18 March 2026	
PORTFOLIO:		Munsif Dad – Leader of the Council	
REPORT AUTHOR:		Martin Dyson - Executive Director (Resources) Steve Riley - Executive Director (Environment)	
TITLE OF REPORT:		Provision of Leisure Services within Hyndburn	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable	
KEY DECISION:	Yes	If yes, date of publication:	10 March 2026

1. **Purpose of Report**

- 1.1 To present options to Cabinet for securing the long-term provision of leisure services within Hyndburn.
- 1.2 The report focuses on addressing the following:
- a) award of new 30-year leases to HL (“HL”),
 - b) the proposed write off from trading debt between HL and the Council,
 - c) compliance with subsidy control legislation,
 - d) payment of the annual financial support payment to Hyndburn Leisure in respect of the 2026/27 financial year,
 - e) the potential release of bad debt provisions from Council’s balance sheet.

2. **Recommendations**

- 2.1 Having considered the compliance assessment attached as Appendix 1 to this report and being satisfied that the following are consistent with the subsidy control principles:
- i) Cabinet agrees to accept the surrender of HL’s current lease of Hyndburn Sports Centre and to grant HL a new lease of the same for a 30-year term commencing on 1st April 2026 at a peppercorn rent, with HL taking on full responsibility for repairs and insurance and with the mutual break clause detailed in section 4.6 below; and
 - ii) Cabinet agrees to accept the surrender of HL’s current lease of Wilsons Paying Fields and the Cath Thom Leisure Centre and to grant HL a new lease of the same for a 30 year term commencing on 1st April 2026 at a peppercorn rent,

with HL taking on full responsibility for repairs and insurance and with the mutual break clause detailed in section 4.6 below ; and

- iii) Cabinet agrees to write off HL's trading debts of £1.624m currently owed to the Council subject to satisfaction of the conditions set out in paragraph 6.6 of this report.
- iv) Cabinet agree the £500,000 financial support payment to HL for the financial year 2026/27 as approved at Council at the budget meeting in February 2026 for payment in April 2026.

2.2 Cabinet delegates authority to the Executive Director (Resources) to agree the detailed terms of the proposed new leases to HL and thereafter to instruct Legal Services to draft, negotiate and complete the same.

2.3 Cabinet agrees that the Council will resume the running and management of Accrington Town Hall upon the expiry of the lease to HL on 1st April 2027.

3. Background

3.1 HL have been the operating the Councils leisure facilities since April 2002 and currently manage the following venues on behalf of the Council:

- Hyndburn Leisure Centre
- Mercer Hall
- Cath Thom Leisure Centre / Wilsons site including playing fields, athletics track and sports pitches
- Accrington Town Hall
- Oswaldtwistle West End Community Centre; and
- Bank Mill House Community Centre

3.2 The Council undertook a review of its Leisure Management options in 2024 as it had been over twenty years since the current delivery arrangements had been set up, and both the Council and HL recognised that a lot had changed in that time.

3.3 The Council and HL agreed that it was sensible to review the current operating model to ensure that it was still the best way to deliver community leisure services in the Borough and that it still represented best value for the Council and its residents, particularly in view of the following:

- The approaching expiry of the current leases of Hyndburn Sports Centre, Mercer Hall Leisure Centre and Accrington Town Hall.
- The closure to the public of Mercer Hall Leisure Centre and swimming pool and the ongoing work to identify ways to redevelop and repurpose the same as a community facility.
- The construction by the Council, (with the assistance of grant funding from Sport England) of a new sports and leisure facility at Wilson Playing Fields, (Cath Tom Lesiure Centre) and the need to determine how this would be managed.

- The hope that the new, energy efficient leisure centre at Wilson Playing Fields and the repurposed Mercer Hall facility would operate with reduced running costs; and
- A reduction in VAT benefits that had once been available to HL and the recent increased costs associated with leisure provision in the Borough.

3.4 The Government has recently announced plans to reorganise two tier local government within the next two to three years, (LGR) which was not contemplated by the leisure management review or the leisure options report. In the circumstances, it was agreed that the Council would take a pragmatic approach and that the Council and HL would work together to agree a strategy for community leisure provision over the next few years.

3.5 Over the last year the Council and HL have agreed an approach that involves increasing health and wellbeing outcomes and reducing financial subsidy requirements, linked to the opening of the new Cath Thom Leisure Centre and the repurposing works recently undertaken at Mercer Hall.

3.6 The Council's Medium Term Financial Strategy envisages financial support to HL being required at the following levels subject to Cabinet approval and subsidy control compliance:

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. Lease arrangements

4.1 HL operates six buildings on behalf of the Council as shown in the table below:

Buildings Operated	Current Lease Expiry	Proposed New Lease Expiry	Current Market Rent £	Proposed Market Rent £	Market Rent Undervalue £
Hyndburn Leisure Centre	31/03/2027	31/03/2056	44,000	0	(44,000)
Mercer Hall	29/09/2040	n/a	0	0	0
Wilson's Site (incl. Cath Thom)	31/03/2027	31/03/2056	20,000	0	(20,000)
Accrington Hall	31/03/2027	n/a	0	0	0
Oswaldtwistle West End Community Centre	None	n/a	0	0	0
Bank Mill House	None	n/a	0	0	0

- 4.2 Mercer Hall was granted a new lease for a 15-year term on 30th September 2025. However, HL's leases of Hyndburn Leisure Centre, Accrington Town Hall and the Cath Thom Leisure Centre / Wilsons Playing Fields are all due to expire on 31st March 2027. Hyndburn Leisure Centre and the Cath Thom Leisure Centre are the prime sites for HL's operations and unless longer leases are awarded, it will be very difficult for HL to continue operating as a going concern.
- 4.3 As the Council wishes to secure the long-term future of community leisure services in the Borough, it is proposed that new leases of Hyndburn Leisure Centre and the Cath Thom Leisure Centre / Wilsons Playing Fields are granted to HL, each to be for a 30-year term running from 1 April 2026 until 2056.
- 4.4 The Council and HL have also agreed that it would be in the best interest of both parties for the running of Accrington Town Hall to return to the Council upon expiry of the current lease on 31st March 2027. This will enable the Council to develop the Town Hall "offer" in conjunction with its wider cultural and events programme, linking with activity at both Accrington Market Hall, the Dome (Market Chambers) and Burtons Chambers. Cabinet is asked to note that officers will now work with HL colleagues to ensure the smooth transfer of the Town Hall back to Council control. This may possibly involve the TUPE transfer to the Council of a small number of HL employees and arrangements will need to be made for the transfer of the premises licence and for the assignment from HL to the Council of any ongoing contracts relating to the operation of the building. Any cost implications will be reported to Cabinet once the position becomes clearer.
- 4.5 Early into 2026/2027, the Council as part of its asset review programme, will consider the potential best options for operation of its community centres and therefore this report does not make any recommendations in respect of the leases for West End and Bank Mill community centres.
- 4.6 HL have confirmed their willingness to enter into leases of both the Hyndburn Leisure Centre and the Cath Thom Leisure Centre / Wilsons site on the following terms:
- a) A full repairing and insuring lease for a 30-year term from 1st April 2026 until 31st March 2056,
 - b) A peppercorn rent,
 - c) Property insurance to be recharged to HL,
 - d) A rolling landlord and tenant's option to break, subject to the giving of not less than 2 years notice.
- 4.7 The Council has received a valuation of both Hyndburn Leisure Centre and the Cath Thom Leisure Centre / Wilsons site. The valuation was carried out in accordance with guidelines and practice statements set out in the latest RICS Valuation Global Standards and by a corporate member of the Royal Institution of Chartered Surveyors who has the appropriate knowledge, skills and understanding to carry out the valuation with the competence and due diligence expected of a qualified valuer.

The valuation has determined that the open market rental value of Hyndburn Leisure Centre is £40,000 per annum and the open market rental value of the Cath Thom / Wilsons site is £20,000 per annum. On the basis of the grant of 30-year leases determinable by either party on the giving of 2 years notice, the capital value of Hyndburn Leisure Centre is £366,500 and Wilsons Sports Village is £166,500.

- 4.8 The grant of both leases at less than market value will involve the provision of a subsidy to Hyndburn Leisure for the purpose of the Subsidy Control Act 2022 and the subsidy control implications of this report are considered in greater detail in section 7 of this report.
- 4.9 Section 123 Local Government Act 1972 also requires the Council to dispose of its land and property for the best consideration reasonably obtainable. The Local Government Act 1972 General Disposal Consent (England) 2003 permits the Council to grant a lease at a less than best consideration if it is considered that this will contribute to the promotion or improvement of the economic, social and environmental wellbeing of the Borough or its residents.
- 4.10 It is considered that the continued provision and management of these facilities by HL Trust will contribute to the wellbeing of the Borough and its residents. The beneficial impact of HL's activities can best be demonstrated by its impact report and recent achievements of the organisation. HL's annual impact report for 2024/25 provides a record of the achievements of the organisation over the last 12 months and is attached as an appendix to the subsidy control impact assessment in Appendix 1 to this report.

Notable outputs for the year include:

- 4,516 children participated in subsidised school holiday swims.
- 29,407 attendances at group fitness classes.
- A 20% increase in fitness centre memberships.
- 10.1 tonnes of carbon saved by moving to green energy
- £549,000 of funding secured to improve facilities
- 2,000 hours of holiday activities delivered
- 153 clubs and groups hosted across HL sites.
- £19.5m of social and economic value generated

5. Current Year Financial Position

- 5.1 In March 2025, HL set a budget with a forecast deficit of £700,000, which included achieving a savings target of £58,417.
- 5.2 HL reported its forecast financial position for 2025/2026 to the Cabinet in December 2025. This report showed that HL were expecting to achieve an underspend in year of £30,341, once the Council had formerly agreed to pay its annual subsidy for 2025/2026.
- 5.3 HL formally requested the payment of the £700,00 subsidy for 2025/2026, and this was approved at the Cabinet meeting on 3rd December 2025. At its budget meeting in February the Council made provision for payment of financial support in the sum of £500,000 to be paid to HL in respect of the 2026/27 financial year and it is envisaged

that this payment will be released in April 2026 once a subsidy agreement has been entered into with HL. As part of this agreement, HL will commit to continuing to offer reduced fees and charges under the leisure passport scheme and to take on the full cost of offering subsidised fees and charges to armed forces customers and for the school holiday swimming programme, both of which had previously been met by the Council.

5.4 HL will continue to report updates on their latest financial position with regular updates at Cabinet meetings and Overview and Scrutiny if requested.

5.5 HL have confirmed that they will be able to repay all their 2025/2026 trading invoices in year and will continue to meet all loan repayments as per the agreed schedules.

6. **Outstanding Debt Position**

6.1 HL currently owes the Council debts under two formal loan agreements and outstanding trade debts primarily related to payroll invoices.

6.2 Loan 1

6.2.1 The Council approved a loan in 2019 that enabled HL to update the gym equipment and remove the pressure of outstanding payroll debts.

6.2.2 This loan was for £0.382m of which, £0.199m related to new equipment and £0.127m to outstanding payroll invoices.

6.2.3 This loan was for a period of 10 years with the term ending in November 2029. The value of this loan was £0.382m, which included Interest of £0.127m at a rate of 3.25%.

6.2.4 HL have repaid this loan on time in accordance with the agreed terms and conditions.

6.2.5 There are no changes proposed to this loan and HL will continue to repay in line with the repayment schedule.

6.3 Loan 2

6.3.1 The Council approved a loan in 2021 that enabled HL to remove the pressure of outstanding payroll debts that had accumulated during COVID whilst the centre had been closed and also the impact of reduced membership and sports centre usage.

6.3.2 The loan was for a period of 25 years with the term ending May 2046. The total value of this loan was £1.528m, which included payroll invoices of £1.123m and interest of £0.405m at a rate of 2.6%.

6.3.3 HL have repaid this loan on time in accordance with the agreed terms and conditions.

6.3.4 There are no changes proposed to this loan and HL will continue to repay in line with the repayment schedule.

6.4 Trade Debts

6.4.1 Over the last 4 years since the COVID period, HL has faced periods of high inflation, reduced usage levels and the closing of the pool at Mercer Hall. During the period since 2021 HL has depleted its own reserves before requesting additional support from the Council to cover any trading losses that it has incurred.

6.4.2 The Council has paid some levels of subsidy during this period although it wasn't sufficient to enable HL to cover all its costs, such as the closer to Mercer Hall pool, significant increases in energy costs and significant employee pay awards.

6.4.3 As a result HL has accumulated outstanding trade debts to the Council of £1.6242m as of 31st March 2025. The trade debts relate to HL salary costs that were not reimbursed under payroll arrangements over a number of years as HL did not have sufficient funding available at the time to meet the cost of the same in full.

6.4.4 HL has stated that any trade debts prior to 2025/26 will be difficult to repay and it is recognised that with debts to this value, the Council will continually be required to act as a guarantor for HL to enable it to continue operating.

6.4.5 Various options have been considered to enable HL to repay these debts, but officers have concluded that these options would all affect HL's current trading position and are unlikely to be affordable without the Council paying additional annual subsidy to HL.

6.5 Bad Debt provision

6.5.1 The Council over the last few years has prudently set aside provision for bad debts in its annual accounts in compliance with IFRS 9 under the Expected Credit Loss model and currently holds a provision for 100% (£1.6242m) of HL's trade debt to the Council as at 31/03/25.

6.5.3 IFRS 9 does not mandate a specific timeframe, but it does require a write-off when there is no longer a reasonable expectation of recovery and allows for the granting of concessions for this purpose.

6.5.2 The latest forecast outstanding balance on HL's trade debts is expected to remain at £1.6242m as at 31/03/26, and HL have confirmed that all other invoices raised in 2025/2026 will be repaid.

6.6 Conditions relating to the write-off

6.6.1 As part of the work officers and Cabinet members have been undertaking with HL to develop a long-term sustainable future for leisure provision within Hyndburn, it has been proposed that certain conditions should be required to be met by HL before the trade debt is written off. These conditions are:

- That the Council will require a statement of affordability from HL that will confirm their future ability to repay any debt or loans raised after 01/04/2025. This statement will be required to be confirmed by HL's appointed external accountant / auditors.
- To enable HL to become less reliant on the Council for services such as payroll and utilities, the Council will require HL to make their own arrangements for procuring these services independently. It would be expected that a reasonable time for this would be within six months of this decision.
- That all future annual subsidy payments to HL will be agreed as part of the Councils budget process and paid at the beginning of the financial year to assist HL in managing its cash flow.

These conditions will be included within the subsidy agreement to be entered into between the Council and HL.

7. Proposed Grant - Subsidy Control

7.1 The proposed grant to HL 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, namely the Council
- It will confer an economic advantage on one or more enterprises, namely HL
- 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.

7.2 As the provision of community leisure activity is typically viewed as an important health and wellbeing benefit for the community, HL 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 HL to provide “SPEI” services and has provided SPEI subsidy to HL up to the £725,000.00 SPEI subsidy threshold (below which subsidy can be provided without a compliance assessment), having already paid subsidy to HL 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
 2024/25 - the sum of £1,000,000.00
 2025/26 – the sum of £700,000.00

As the SPEI subsidy paid to HL in the last 3 years is currently above the SPEI subsidy threshold, no further subsidy can be paid to HL without the same being assessed against the statutory subsidy control principles (see paragraph 7.3 below).

The proposed subsidy to HL in this instance is as follows:

Debt write-off	£1,624,200
Hyndburn Leisure Centre rent	£625,921 gross cash amount (gross cash equivalent £1,200,000)*
Cath Thom Leisure Centre rent	£312,960 gross cash amount (gross cash equivalent £600,000)*
Financial support in year 2026/27	£500,000

7.3 The rental subsidy has been discounted (*) in accordance with the Government's subsidy control guidance to reflect that the fact that the subsidy will be received over a 30-year period and that the relative value of the same will reduce over time. 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 HL's status as a provider of SPEI services.

7.4 In accordance with section 29 of the SCA the Council will need to do the following in order to pay the proposed subsidy to HL:

- Satisfy itself that the amount of the subsidy is limited to what is necessary for HL 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 HL 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).

7.5 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.

8. Alternative Options Considered and Reasons for Rejection

8.1 The Council could convert trading debt into loan. This is not considered to be feasible for the following reasons –

- the loan would need to be over a long period to enable HL to repay it
- repayments would be high based on a 15-year loan
- loan would need to be at market value or be subsidised
- it has been confirmed that any increase in loan would not be affordable unless it was matched by increased subsidy.

8.2 The Council could charge rent at market value for Hyndburn Leisure Centre and / or the Cath Thom Leisure Centre. This is not recommended as it would increase HL's costs and therefore impact any financial subsidy reductions that have been agreed thus resulting in a request for increased subsidy.

8.3 The Council could decide not to pay the financial support of £500,000 proposed for 2026/27 or pay a lesser amount. However, HL has budgeted on the assumption that the monies would be received. Any reduction in the same would impact upon HL's financial viability and could lead to increased charges to customers and / or a reduced level of service provision to the detriment of residents.

8.4 HL being responsible for their own payroll services would cease the need for the Council to be a registered payroll agent and comply with HMRC requirements for compliance, authorisation, data protection and anti-money laundering services.

9. Consultations

9.1 The proposals in this report have been discussed with both HL and the Cabinet.

10. Implications

Financial implications (including any future financial commitments for the Council)	As outlined in the report.
Legal and human rights implications	These are set out in the report.
Assessment of risk	The proposals in this report are intended to put HL on a sound financial footing and minimise the need for ongoing subsidy to the

	levels indicated in this report. There is however a risk that additional subsidy may be needed in the event of, say, significant further increases in utility costs or staffing costs or a dramatic drop off in visitor numbers to the sports centres.
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	Not Applicable

11. Local Government (Access to Information) Act 1985:

- 11.1 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.

12. List of Background Papers

- 12.1 2025/26 Subsidy
Report to Cabinet on 3rd December 2025 - [Hyndburn Leisure Financial Monitoring Position Qtr2 – April to September 2025/2026 and Payment of Annual Financial Subsidy for 2025/2026](#) and [Appendix 1](#)

2024/25 Subsidy
Report to Cabinet (Special Meeting) on 29th January 2025 - [Payment of Grant Funding to Hyndburn Leisure and Conclusion of the Leisure Review](#) and [Appendix 1](#)

13. Freedom of Information

- 13.1 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.