REPORT TO:		CABINET
DATE:		05 August 2026
PORTFOLIO:		**Councillor Melissa Fisher - Deputy Leader of the Council (Housing and Regeneration)**
REPORT AUTHOR:		Martin Dyson – Executive Director (Resources)
TITLE OF REPORT:		Hyndburn Leisure Financial Monitoring– Provisional Outturn 2025/2026.
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	**No**	Not applicable
KEY DECISION:	**No**	If yes, date of publication:

1. Purpose of Report

1.1 This report updates Cabinet on Hyndburn Leisure's financial performance up to the end of 2025/2026.

2. Recommendations

2.1 That Cabinet notes the provisional financial position of Hyndburn Leisure at the end of 2025/2026 financial year as shown in section 4 of this report.

3. Background

3.1 The Council and Hyndburn Leisure have been working in partnership for over 20 years and with several key operational building leases due to expire and Hyndburn Leisure having faced significant financial pressures over the years, it was necessary for the Council to review the existing arrangements to secure the long-term sustainability of its leisure services, improve health and wellbeing outcomes for residents, and gradually reduce the level of financial support required from the Council.

3.2 The Cabinet agreed at its meeting on 18 March 2026 to support a long-term partnership with Hyndburn Leisure by granting 30-year operational building leases, writing off £1.624m of historic debt, and providing a further £500k support in 2026/27 to safeguard leisure services.

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

3.4 Hyndburn Borough Council had forecast the following subsidy payments to Hyndburn Leisure over the term of its Medium-Term Financial Strategy last agreed by Council in February 2026.

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

3.5 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 £
Facility Operating Costs						
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
Total Facility Operating Costs	**£71,185**	**£628,815**	**£700,000**	**100.00%**	**578,000**	**£1.21**
Central Operating Costs	£687,232	(£628,815)	£58,417			
Budget Savings Target	(£58,417)		(£58,417)			
Council Subsidy Required	**£700,000**	**£0**	**£700,000**			

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

3.7 The reduction in subsidy was 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 Councils contract. This resulted in a reduction in the kilowatt charge rate and the VAT rate, which has enabled savings of almost £300k 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 has also contributed towards increased attendances although in the first six months of operation the centre did not make a financial surplus.

3.8 The financial support provided to Hyndburn Leisure in 2025/2026 was used to make repayments against current year debts owed to the Council. This subsidy payment has enabled Hyndburn Leisure to meet all debts due to the Council by the end of March 2026.

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

3.10 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.

3.11 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

Note: The above targets will be reviewed as part of the Council's budget process and any changes reflected and reported back to Cabinet.

4. Financial Monitoring Position as at the end of March 2026

4.1 The current provisional net expenditure to the end of the financial year in March 2026 was 734,689. This shows a provisional overspend for the year against the budget to £34,689.

4.2 As shown in the following table the provisional overspend to date is shown by the facility operated, with most areas performing ahead of budget except for Cath Thom and Mercer Hall which was closed due to the repurposing works.

Facility Analysis	Budget for Year £'000	Actual to Date £'000	Year to Date Variance £'000
Facility Operating Costs			
Accrington Town Hall	£47,957	£38,479	(£9,478)
Hyndburn Leisure Centre	(£152,919)	(£153,347)	(£428)
Cath Thom / Wilsons Playing Field	£85,752	£117,533	£31,781
Mercer Hall Leisure Centre	£104,165	£115,510	£11,345
Community Facilities	(£13,770)	(£30,033)	(£16,263)
Education Facilities	(£27,444)	(£33,351)	(£5,907)
Grant Funded Programmes (Net)	£0	£0	£0
Total Facility Operating Costs	**£43,741**	**£54,791**	**£11,050**
Central Operating Costs (inc Savings Target)	£656,259	£679,898	£23,639
Council Subsidy	(£700,000)	(£700,000)	£0
Net Outturn for Year	**£0**	**£34,689**	**£34,689**

4.3 The table above shows that the provisional outturn position by facility for 2025/26 is an overall operating loss of £54.8k, compared with a budgeted loss of £43.7k. This represents an adverse variance of £11.k against budget. In addition, Hyndburn Leisure had set savings targets of £58.4k to reduce their overall costs to enable the subsidy from the Council to enable a break-even position for the year. The impact of higher utility costs at the Cath Thom Leisure centre has resulted in these savings not being achieved and the trust will need to find additional savings in 2026/2027 to cover the 2025/2026 loss of 34.7k.

4.4 The Cath Thom Leisure Centre is forecast to show a notable improvement between the provisional outturn position for 2025/2026 and the 2026/27 forecast. The facility only opened in October 2025, meaning the draft 2025/26 position reflects a part-year of operation, including the early mobilisation and establishment phase. It is expected that there will be a movement from the provisional outturn deficit of £117.5k in 2025/26 to a forecast surplus of £61.2k in 2026/27, which reflects the centre maturing as a facility and moving into a full-year operating model.

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

Expenditure / Income Analysis	Budget for Year £'000	Actual for Year £'000	Variance £'000
Operational Costs			
Employee Costs	£2,894,771	£2,954,574	£59,803
Premises Costs	£850,811	£955,672	£104,861
Supplies & Services	£635,175	£709,338	£74,163
Project Expenditure	£874,847	£835,684	(£39,163)
Finance & VAT Costs	£59,904	£32,517	(£27,387)
Total Operational Costs	**£5,315,508**	**£5,487,785**	**£172,277**
Income & Funding			
Trading Income	(£414,788)	(£416,862)	(£2,074)
Fees & Charges	(£2,730,866)	(£2,837,578)	(£106,712)
Other Income	(£78,541)	(£153,508)	(£74,967)
External Grant Funding	(£1,332,896)	(£1,345,147)	(£12,251)
Total Income	**(£4,557,091)**	**(£4,753,096)**	**(£196,005)**
Net Deficit	**£758,417**	**£734,689**	**(£23,728)**
Savings Target	(£58,417)		£58,417
Council Subsidy Required	**£700,000**	**£734,689**	**£34,689**
Subsidy Due/Owed	(£700,000)	(£700,000)	£0
Net	**£0**	**£34,689**	**£34,689**

The narrative below provides more detail on the variances from the original budget and the provisional outturn as at the end of March 2026.

4.6 **Employee Costs**

The forecast outturn position for employee costs shows an increase to the original budget of £59.8k. This increase is mainly due to the increased NJC pay award of 3.2% that is 0.2% above the 3% budgeted in year and additional costs on recruitment and training with some of these costs relating to the additional grant work undertaken.

4.7 **Premises Costs**

The provisional outturn position for premises costs shows an overspend of £104.8k, which is largely due to Utility Costs that ended the year £82k above budget. Electricity costs totalled £551.9k at the end of the year. This was a notable movement from the position earlier in the year, when electricity was performing better than budget during the first half of the financial year. Higher than estimated energy costs at The Cath Thom Leisure Centre played a significant role in the final electricity overspend, contributing to the adverse year-end position.

4.8 **Supplies and Services**

Operational Supplies and Services were £74.1k above budget. This category includes a range of operationally necessary costs, including catering and refreshments, school transport, licences and royalties, consumable materials, bought-in services and other service delivery costs. The year end position indicates that this budget was set too low for the level of activity and cost now being incurred. This issue has been recognised and has addressed through the subsequent budget-setting process for 2026/2027,

4.9 **Project Expenditure**

The costs in this area show an underspend of £39k but this is reflected in the income received and nets out to zero.

4.10 **Finance & VAT Costs**

The forecast outturn position for finance and VAT costs shows an underspend to the original budget of £27.4k. 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%.

4.11 **Trading Income –** includes Catering, Bar, Vending, Resale, Events

The forecast outturn position for trading income shows an increase to the original budget of (£2k). Bar income, special occasion resources and resale income exceeded budget, while catering and refreshment income and vending income were slightly below budget. Overall, the trading position was stable.

4.12 **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 (£106.7k), with the strongest contribution coming from Fitness income, which is £92k above budget. There were also positive variances in Learn to Swim, School Swimming Transport, Swimming, Facility Hire, and Sports hall. This demonstrates continued demand for core leisure services and provides a strong commercial contribution to the overall position.

There was, however, some areas of income underperformance. Adventure City admissions were £15.3k below budget, Parties were £9.2k below budget, and Rental income was £5.7k below budget. These shortfalls will continue to be monitored as part of the efficiency and growth plan in 2026/27.

4.13 **Other Income –** Service Recharges & Sponsorship

The forecast outturn position for Other Income shows an increase against the original budget of (£74.9k). This increase is made up of:

a) Sponsorship received for the Hyndburn Sports Awards (£6,9k).
b) Recharges for supplies & services £68k

4.14 **External Grant Funding –** External Grants & Commissions

There was additional grant funding of (£12.2k) in year, although this was offset by additional costs above.

4.15 **Impact on Subsidy Required from the Council**

As shown in the provisional outturn, Hyndburn Leisure are projecting a provisional overspend of £34.7k for the year after the Council has paid its agreed subsidy of £700k. Hyndburn Leisure have not requested any additional subsidy from the Council to cover this in year deficit and are forecasting it as a one-off position that can be covered in the trading position in 2026/2027. As part of the agreed working arrangements between the Council and Hyndburn Leisure reports will be presented to Cabinet and notifications of any requirements for variations to the planned subsidy will be reported to Cabinet along with updated financial forecasts.

5 Alternative Options considered and Reasons for Rejection

5.3 None, this report shows the Provisional financial position for Hyndburn Leisure for the year 2025/2026 and is only for noting.

6 Consultations

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

6.2 The Council has included the subsidy as part of its own provisional Revenue Outturn Report taken to Cabinet in June 2026.

6 Implications

Financial implications (including any future financial commitments for the Council)	Budgets of £700k were included for the support required by Hyndburn Leisure in the original revenue budget for 2025/26, approved by Full Council on 27th February 2025. The provisional outturn for the Council included the payment of £700k for the 2025/26 financial year. Therefore, the total subsidiary payment of £700k was funded within the approved budget.
Legal and human rights implications	These are set out in detail in paragraph 3 above.
Assessment of risk	Payment of the grant did not pose any significant risks to the Council. There is a risk of legal challenge to making subsidy payments and the Council has undertaken steps to ensure it complies with the requirements of the Subsidy Control Act.
Equality and diversity implications *A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.*	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.

7 Local Government (Access to Information) Act 1985: List of Background Papers

7.1 Provision of Leisure Services within Hyndburn – Cabinet 18 March 2026.

7.2 Provisional Financial Outturn Position – Revenue Budget Monitoring - Financial Year 2025/26 – Cabinet 24 June 2026.

8 Freedom of Information

9.1 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.