

REFURBISHMENT OF THE PLYMOUTH LIFE CENTRE GYM

PART I



1. EXECUTIVE SUMMARY

- 1.1. Plymouth Active Leisure (PAL) is a wholly owned Council company who were created in April 2022. The company needs to focus on income generation to make the business sustainable and to achieve an operating surplus by the end of 26/27, in line with PAL's mid-term financial projection. To improve the financial position and the customer service PAL will need to invest in facilities and equipment to stay current and attractive to customers.
- 1.2. The health and fitness income is one of the major sources of income of the business (30%) and these activities include gym membership subscriptions that allow access to gym facilities, group exercise classes and the swimming pools.
- 1.3. The Business Case requests an allocation of £486,979 for this project into the Capital Programme funded by Service Borrowing to be recovered in full from Plymouth Active Leisure over a period of 7 years.
- 1.4. The business case highlights an improved customer journey and revised service provision to retain customers and attract new members. The project will be inclusive, equipment will be fitted with the latest technology and will reflect a unique offer for the City's communities. There will also be a renewed focus on active health and the encouragement of individuals who are not currently active to use the new facility and equipment.
- 1.5. The investment will aim to deliver around 500 new members after the first 18 months and to maintain these members. This will significantly increase the income generation for PAL which will enable them to repay the loan.

2. BACKGROUND

- 2.1. Refurbishing the gym is a key business priority as the gym kit is ageing and other competitors in the City are installing new kit and are selling memberships at cheaper prices. If PAL cannot invest in the gym then the risk is that the Plymouth Life Centre will become a less attractive option for a member and the finances will start to go backwards and sustainability will be a risk. Reputation will also be impacted.

3. PROPOSED CHANGES AND REASONS

- 3.1. The design has the aim of remaining current but also vastly improving PAL's offer to their existing customers as well as targeting those who are not already active through PAL's Active Health initiatives.
- 3.2. Furthermore, the Life Centre has been open for over 12 years, and the current gym equipment is over 8 years old meaning it is behind in the latest technology, is costly to repair and much of the equipment is at the end of its life cycle.
- 3.3. The refurbishment includes; new flooring, new gym equipment and decoration.
- 3.4. Significant research over several months has been undertaken to ensure the equipment meets the needs of current members, and provides alternative equipment, that supports the inactive to become active.

4. ALTERNATIVE OPTIONS

- 4.1. Investing in the gym product is the preferred option as this is one of the core income lines in PAL's business and provides the best opportunity to grow their income and improve PAL's finances. This is also necessary as PAL's equipment ages and they lose touch with the current trends, lack of investment will mean PAL continue to lose members and their finances will get worse.
- 4.2. If PAL continues to do nothing memberships will drop off. There is currently a downwards trajectory of members as the equipment declines and customers move to newer facilities. PAL have lost 155 members since April 2024.
- 4.3. A cheaper refurbishment which sees the replacement of some equipment does not meet PAL or the council's strategic ambition to offer the best products and services and will not future proof the investment. PAL will fall behind their competitors.

5. FINANCIAL IMPLICATIONS AND RISK

- 5.1. The service borrowing associated with the project will be fully recovered from Plymouth Active Leisure over a period of 7 years effective from 1 April 2025, so there will be no financial impact for PCC budgets.
- 5.2. The agreed interest rate built in to the service borrowing will be 5.25%, risk around changing interest rates is factored in to the rate agreed.
- 5.3. Risk sits with Plymouth Active Leisure that additional income levels are not sufficient to cover the service borrowing repayment

6. TIMESCALES

- 6.1. To install and open the refurbished gym in the autumn of 2024.