

Housing and Community Service Scrutiny Panel



Date of meeting:	10 December 2025
Title of Report:	PAL Contract Extension
Lead Member:	Councillor Sue Dann (Cabinet Member for Customer Experience, Sport, Leisure and HR and OD)
Lead Strategic Director:	Professor Steve Maddern (Director of Public Health)
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Your Reference:	N/A
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Plymouth Active Leisure Ltd (PAL) was established in 2022 by Plymouth City Council (PCC) to lead the city's physical activity agenda, replacing the previous provider Everyone Active. Its purpose is to help residents live healthier, more independent lives by reducing risks of lifestyle-related diseases such as obesity, diabetes, cardiovascular disease, and dementia. PAL also supports PCC's wider corporate priorities around tackling inactivity and improving health outcomes.

Over the past year, PAL has strengthened its strategic and operational functions, improved its financial position, and delivered significant social value through increased participation and community engagement. Building on this success, PAL now seeks a long-term platform to invest substantially in its facilities and services. This will enable it to manage startup costs, reduce reliance on PCC's management fee, and enhance facilities management.

The report recommends extending PAL's existing contract beyond its current end date of March 2032 and providing further financial investment to support its ambitious new strategic plan. This plan envisions a £200 million investment in sport and physical activity across Plymouth over the next 20 years, generating greater social value, improved health outcomes, and new income streams for PCC.

Recommendations and Reasons

1. The Housing and Community Services Scrutiny Panel is asked to consider the proposals to strengthen Plymouth Active Leisure Ltd (PAL) financial sustainability, enabling PAL to enhance service provision specifically in relation to health improvement outcomes, whilst ensuring appropriate oversight and risk management by the Council;
2. Scrutiny is asked to review, comment and endorse option 4.5 (below) to retain the services of Plymouth Active Leisure Ltd (PAL), noting that in doing so:

- I. To provide further working capital support to PAL, and to agree revised repayment terms for existing loans, as detailed in the 'resource implications' section below;
- II. To extend the existing 10-year contract with PAL (current end of term March 2032), with a break-clause at the point where all working capital loans are estimated to be repaid, noting that the revised contract will contain a number of performance indicators and other provisions to mitigate the Council's financial risk and ensure the delivery of outcomes;
- III. Note that to underpin the growth in income required to repay working capital loans, PAL will bring forward a number of capital investment projects which will be subject to approval through the Council's Capital Programme procedures and governance.

Alternative options considered and rejected

4.1 Cease the Service - Leisure provision is discretionary, but the service delivered by PAL is vital for sustaining physical activity, generating significant social and economic value, and supporting Council objectives. Ending the service would risk reduced participation and jeopardize long-term Sport England funding, making this option untenable.

4.2 Establish a Fully Independent Trust - Creating an independent charitable trust was explored for tax benefits, but HMRC VAT changes and post-COVID financial instability have made the model unviable. Transferring operations would replicate existing challenges, reduce Council control, increase risk, and incur high set-up costs, so the option has been rejected.

4.3 Bring the Service Fully In-House -

Returning the service to full Council control would incur substantial additional costs, including NNDR liabilities and enhanced staff terms and pension obligations. This option is not likely to be viable and has been rejected.

4.4 Outsource the Contract - Engaging a national leisure management company could provide economies of scale, but it would not resolve existing debt, risks misalignment with Plymouth's priorities, and leaves PCC with legacy asset issues. With high procurement costs, lengthy timelines, and uncertain revenue benefits, outsourcing is not recommended now, though it may be reconsidered at a future break point.

4.5 Retention of PAL – Retaining PAL avoids costs and disruption linked to contract termination and procurement and an opportunity to recover debt. Retaining PAL ensures service continuity and political alignment but places risks with PCC. It helps with strong social value impact. There may potentially be higher costs than larger operators but these are unknown unless a full market appraisal is undertaken.

Relevance to the Corporate Plan and/or the Plymouth Plan

Public sector leisure is undergoing a significant transformation, moving from traditional service delivery models toward a focus on wellbeing outcomes. PAL plays a key system leadership role in this transition, recognising the critical contribution of leisure facilities and active wellbeing services to physical and mental health across communities. This evolution embeds physical activity within health pathways such as social prescribing, rehabilitation, and preventative care, positioning public leisure as a cornerstone of active health initiatives and wider prevention strategies.

The proposed project supports the financial sustainability of PAL—a wholly owned company of the Council—while delivering against the following objectives:

HEA1: Addressing health inequalities and improving health literacy
HEA2: Delivering the best outcomes for children, young people, and families
HEA3: Supporting adults with health and social care needs
HEA4: Playing an active role in the community
HEA5: Delivering strong and safe communities and good-quality neighbourhoods
HEA7: Optimising the health and wellbeing benefits of the natural environment
INT1: Implementing Britain's Ocean City
INT5: Celebrating Plymouth's sporting excellence
INT8: Celebrating diverse communities
GRO2: Developing, attracting, and retaining a highly skilled and adaptable workforce
GRO5: Enhancing Plymouth's sporting facilities
GRO7: Reducing carbon emissions and adapting to climate change

Implications for the Medium Term Financial Plan and Resource Implications:

The extension of the contract and provision of further working capital support is not anticipated to have any impact on the Council's revenue budget over the next three years of the Council's MTFP cycle. The (separate) introduction of an agency model – meaning PAL acts as an agent for the delivery of some services, resulting in an improved VAT recovery position – will have some implications for PCC's revenue costs. These implications are being analysed in detail, but are not likely to be significant and, in any event, are unrelated to the central proposal that the Scrutiny panel is being asked to consider – i.e. the extension of PAL's contract. Over the medium to longer term, financial modelling indicates that business growth within agency services is likely to have a beneficial impact on the Council's revenue position, with the potential opportunity to re-invest surpluses to meet asset management costs, or to release an MTFP saving.

There are more significant implications for the Council's resources arising from the working capital support provided to date, and the proposal to provide further working capital support as part of a contract extension. On the one hand, extending the contract will improve PAL's capacity to grow the business and repay working capital loans (totalling c. £1.6m) owed to the Council to date. On the other hand, further working capital support (of around £0.7m - £0.9m) will be required, alongside capital investment to drive business growth. PCC will consider the detailed terms of additional loan requests from PAL formally at a Cabinet meeting in the new year; The Scrutiny Panel is asked to note the implications and provide any comment.

Financial Risks

Detailed financial modelling indicates that business growth will provide sufficient capacity to repay legacy debt and additional loans over an extended contract term. Whilst there is uncertainty and risk in the modelling, a prudent approach has been taken throughout, with a number of growth opportunities excluded from financial modelling (representing 'upside risk'). The Council's finance team will continue to review the detail of financial modelling, conducting sensitivity analysis which will be presented to Cabinet decision makers. At this stage, the Scrutiny panel is asked to note the following key mitigations:

1. Additional governance to monitor the financial performance of PAL (e.g. a financial sub-committee) is being considered, together with the introduction of financial KPIs in a refreshed, extended contract, designed to provide some control and assurance over financial risk.
2. Separate business cases for capital investment will be scrutinised through PCC's Capital Programme governance, with contractual terms designed to ensure that assets revert to PCC if PAL's contract is terminated.

These financial risks need to be considered in the context of the financial risks to PCC of a 'do nothing' option. Not extending the contract or providing further working capital support would leave PAL in a

vulnerable financial position. This in turn places Plymouth's leisure services and key leisure assets at risk; PCC would also face a higher likelihood of PAL defaulting on existing working capital loans.

Legal Implications

A deed of variation to the existing leisure management contract and new leases will be required. As PAL is a Teckal company there are no procurement issues arising and an extension to the existing contract is permitted. Subsidy control must be considered in connection with any loans to PAL.

Carbon Footprint (Environmental) Implications:

PAL have committed to sustainability to drive their business. Over the lifetime of the contract PAL will continue to work to improving their environmental sustainability across all their sites and share their successes and innovation with PCC.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

PAL has strong practices around equality and discrimination to allow for all voices to be heard and strive to eliminate bias in decision making and provide inclusive and accessible facilities for all. The nature of PAL is to seek out and challenge inequalities across our communities. As a company owned by PCC PAL is committed to PCC's principles of promoting equality of opportunity, challenging discrimination, promoting good relations across all members of our community and ensure the requirements are communicated to undertake business in line with the Equalities Act.

Background Papers:

For more information on PAL please visit:

[PLYMOUTH ACTIVE LEISURE LIMITED overview - Find and update company information - GOV.UK](#)
[Plymouth Active - Leisure Centers Near You](#)

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Briefing Report – PAL							

Background papers:

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 2A of the Local Government Act 1972 by ticking the relevant box.</i>

Sign off:

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<p>Originating Senior Leadership Team member: Professor Steve Maddern (Director of Public Health)</p> <p>Please confirm the Strategic Director(s) has agreed the report? Yes</p> <p>Date agreed: 01/12/2025</p>											
<p>Cabinet Member approval: Councillor Sue Dann (Cabinet Member for Customer Experience, Sport, Leisure & HR, and OD)</p> <p>Date approved: 01/12/2025</p>											