

Cabinet



Date of meeting: 09 February 2026

Title of Report: **Plymouth Active Leisure Contract Extension**

Lead Member: Councillor Kate Taylor (Cabinet Member for Customer Experience, Sport and Leisure and HR and OD)

Lead Strategic Director: Professor Steve Maddern (Director of Public Health)

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Your Reference:

Key Decision: Yes

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 commitment from the Council to invest substantially in its facilities and services. This will enable PAL to manage legacy 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 £160 million investment in sport and physical activity across Plymouth over the medium term, generating greater social value, improved health outcomes, and new income streams for PCC.

These proposals aim to:

- Strengthen PAL's financial sustainability
- Enhance service provision, particularly in delivering improved health outcomes
- Generate greater social value and create new income streams for the Council in the medium term
- Ensure robust oversight and risk management for the Council

Recommendations and Reasons

1. Approve a cashflow loan of up to £975,000 to PAL.
Reason: *The support from PCC is to cover the working capital deficit built up across the current contract period to date, which was largely a result of start-up costs and the impact of COVID: restoring working capital balances will provide PAL with a sustainable platform to grow and thrive.*
2. Approve the reprofiling of two existing loans to PAL to increase the repayment term by three years, including utility costs of £565,983, and start-up loan of £365,000, totalling £930,983 plus accrued interest.
Reason: *Extending the contract will enable PAL to repay outstanding loan debts over a longer period, provide operational stability, and allow PAL to continue to align its services with PCC's wider corporate priorities and those priorities of the City.*
3. Approve an extension of 10 years to the existing contract with PAL to conclude in March 2042, including the provision of a break clause in 2035/36.
Reason: *Extending the contract provides operational stability, whilst a break clause, provides a mechanism for managing the financial risk for the authority.*
4. To support feasibility studies and the submission of capital funding business cases through the Council's capital governance process for enhancements to facilities.
Reason: *capital investment supports income growth and will increase participation by wider audiences.*
5. Note the following contract amendments:
 - a. The drafting of new KPIs (appendix B)
 - b. An annual performance update to the Housing Scrutiny Panel
 Reason: *Noting the feedback from the Scrutiny Committee held on 10 December 2025 to enhance the oversight and risk management of the contract and to ensure robust monitoring of KPIs, financial and contract performance.*
6. Note the positive impact of the Agency Model, as approved by Cabinet on 10 March 2025, and the generation of VAT savings, which have been included in the PAL financial model.

Alternative options considered and rejected

Cease the Service (reject)- 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.

Establish a Fully Independent Trust (reject)- 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.

Bring the Service Fully In-House –(reject)

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.

Outsource the Contract (reject)- 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.

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 have been analysed in detail, and are not likely to be significant. 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 existing loans (totalling c. £1.6m) owed to the Council to date. On the other hand, further working capital support (of £975,000) has been requested by PAL, alongside capital investment to drive business growth.

Detailed financial modelling indicates that business growth will provide sufficient capacity to repay legacy debt and additional loans over an extended contract term. (Appendix C PAL Financial Model) 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 has undertaken sensitivity analysis (see Appendix D attached).

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

- 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.
- Additional governance to monitor the financial performance of PAL (e.g. a financial sub-committee) is proposed, together with the introduction of financial KPIs in a refreshed, extended contract, designed to provide additional control and assurance over financial risk.

Financial Risks

Financial Exposure to PCC:

Extension of the contract requires PCC to provide further working capital support to address deficits arising from COVID period impacts and initial startup costs. There remains a risk that projected income growth may not fully materialise, which could affect PAL's ability to repay loans.

- **Reliance on Financial Modelling Assumptions:**
Although external consultants consider the financial model to be comprehensive, credible, and underpinned by realistic assumptions, all forecasts carry inherent uncertainty. Divergence in income, costs, or delivery of planned projects could result in financial underperformance.
- **Income Growth and Delivery Risk:**
The financial plan depends on PAL delivering new income generating initiatives supported by strong business cases. Failure to achieve these targets, or delays in implementation, increases the risk to PCC regarding loan repayment and overall financial sustainability.
- **Opportunities Outside the Current Model:**
There are further opportunities for growth not included within the financial modelling. If realised, these have the potential to bolster financial performance and provide additional mitigation against risks of underperformance. However, as they are not modelled, they cannot currently be relied upon as part of the core financial position.
- **Medium Term Sustainability:**
The extended contract term will support a significant reduction in the PCC subsidy (from £493,000 currently to a modelled position of £55,000 by 2035/36) and is forecast to deliver a budget surplus. However, these outcomes are contingent on prudent assumptions and continued operational improvement.
- **Requirement for Strong Oversight:**
Ongoing risk mitigation will rely on strengthened performance monitoring, implementation of a KPI framework, and use of contractual mechanisms (e.g., a break clause) to allow PCC, as lender and parent company, to intervene if financial performance diverges materially from forecast.

Legal Implications

A deed of variation to the existing leisure management contract and new leases will be required. As the contract with PAL is an in-house (Teckal) exempted contract there are no procurement issues arising and an extension to the existing contract is permitted provided that the Council maintains controlling influence and PAL continues to undertake more than 80% of its activities for the Council. 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.

Appendices

**Add rows as required to box below*

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 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Cabinet Briefing Paper							
B	PAL KPI's							
C	PAL's Financial Model							
D	Financial Sensitivity Analysis							
E	PAL Vision							
F	Equality Impact Assessment							
G	Climate Impact Assessment							

Background papers:


**Add rows as required to box below*

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 12A of the Local Government Act 1972 by ticking the relevant box.</i>

	1	2	3	4	5	6	7

Sign off:

Fin	OW.2 5.26.1 24	Leg	LS/00 0013 12/1/ AC/2 8/1/2 6	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	PS/PS/817/ CP/0126
Originating Senior Leadership Team member: Steve Maddern (Director of Public Health)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 28 January 2026											
Cabinet Member approval: 											
Date approved: 28 January 2026											