

**AGENDA ITEM**

**REPORT TO CABINET**

**17th July 2025**

**REPORT OF DIRECTOR of  
COMMUNITY SERVICES,  
ENVIRONMENT & CULTURE**

**CABINET DECISION**

**Environment, Leisure and Culture - Lead Cabinet Member – Councillor Nigel Cooke**

**Activ8 Billingham Forum Gym Expansion**

**SUMMARY**

This report seeks Cabinet approval for the redevelopment and expansion of the Activ8 gym at Billingham Forum. The proposal includes increasing gym capacity, upgrading facilities, and improving service quality to meet growing demand. The expansion is critical to sustaining Activ8's financial performance and supporting public health objectives.

**REASONS FOR RECOMMENDATION(S)/DECISION(S)**

Cabinet is being asked to approve the recommendations in this report for the following reasons:

- Billingham Forum is a very well used and highly valued asset for the local community and this investment will improve facilities and enable more residents to access the gym facilities.
- Financial modelling demonstrates a strong return on investment and long-term sustainability.
- The project aligns with council priorities for providing the best services possible and supporting the health and wellbeing of residents.

**RECOMMENDATIONS**

The recommendations of the report are as follows:

1. That Cabinet approve the proposed redevelopment of the Billingham Forum gym.
2. That Cabinet approve the use of prudential borrowing of up to £650,000, from the £20m Council Wide Investment Fund approved at Council in February 2025.
3. That authority be delegated to the Director of Community Services, Environment and Culture to make the specific contract award decision and any subsequent contract variations as necessary to support effective delivery of the project.

**DETAIL**

**Background**

1. The Council has leisure facilities across the borough; Billingham Forum, Billingham Forum Theatre, Thornaby Pavilion, Thornaby Pool, Splash and Ingleby Barwick Leisure Facility, Tees Barrage International White Water Course Centre. These are managed and operated on behalf of the Council by the Leisure Trust; Tees Active Limited. Activ8 Health and Fitness is the membership name operated by Tees Active Limited.
2. These assets offer a varied range of activities and experiences to local residents and visitors including swimming, ice skating and gym provision.
3. The UK fitness sector has shown strong post-COVID recovery, with Activ8 outperforming national trends. Billingham Forum is a very well used and highly valued asset by local residents, however the gym is now constrained by gym capacity. Billingham Forum gym is operating at full capacity. The current Members Per Station (MPS) ratio will limit further and impact upon service quality.
4. The gyms across all of the Council's leisure facilities are well used and highly regarded by residents and visitors. The Council has a proven track record of investing in leisure assets to maintain and improve high quality assets for the local community. The Council is currently investing in Stockton Splash and Thornaby Pavillion. Options have been considered to address the capacity and improve the gym provision at Billingham Forum.

Option	Summary
1. Do Nothing	No investment: gym remains at current capacity. This avoids costs but limits growth, reduces customer satisfaction, and risks income decline due to overcrowding and competition.
2. Minor Upgrade	Refresh equipment without expanding space. Improves user experience slightly but doesn't solve capacity issues or enable significant growth. Financial benefits are limited.
3. Full Expansion (Preferred Option)	Expand into underused areas to increase capacity. Supports long-term growth, improves service quality, and offsets rising costs. Requires capital investment but is projected to yield a net financial gain. Break-even is achievable with modest membership growth.

5. The preferred option is a full expansion of the gym into underutilised areas (Studio 3 and dry-side changing rooms) to increase gym floor space and equipment provision. The new layout includes:
  - Additional exercise stations
  - Two free weight/plate-loaded zones
  - Upgraded cardio and resistance equipment
  - Dedicated small group training and personal training areas
6. The estimated total project cost is £900,000, comprised of £650,000 relating to the internal building works and £250,000 relating to new equipment. The Council will fund the works to the internal fit out at an estimated project cost of £650,000 and TAL will fund the new equipment.

7. It is proposed that the Council's investment will be funded by up to £650,000 of prudential borrowing, drawn down from the £20m Council Wide Investment Fund approved by Council as part of the Medium Term and Financial Plan Update and Strategy Report in February 2025, with allocations from that fund delegated to Cabinet.
8. The prudential borrowing repayments (£48,000 p.a.) will be covered by Tees Active Limited through the additional income generated.
9. Billingham Forum has a proven history of successful expansions, with income growing by 41% and 35% in 2017 and 2020 after previous expansions. Since opening Ingleby Barwick leisure Facility the gym has also been hugely popular here too.
10. This proposed expansion will increase the number of exercise stations as well as introducing new training zones aligned with current fitness trends.
11. The proposal is in line with the Stockton on Tees Plan, in particular aligning with the Healthy and Resilient Communities priority. It also supports Tees Active's long-term growth strategy to meet community needs, and mitigates financial risk from rising operational costs and competition from other privately operated facilities.
12. The redevelopment will create additional capacity with minimal disruption, leading to a very brief gym closure period, planned for when the facility is traditionally at it's quietest period of the year.
13. This project is expected to grow membership by around 20% over a 5 year period, with additional income generated used to fund the prudential borrowing. This investment will greatly enhance a prominent and well loved asset, contributing to the wider regeneration of Billingham town centre.
14. The full expansion option offers the an improved and larger gym facility within Billingham Forum, allowing more local residents to enjoy access to the gym, as well as improved experience for existing gym members.

## **Timescales**

15. The proposed timeline for the Billingham Forum gym expansion is strategically designed to ensure completion by mid-December, enabling a pre-Christmas reopening and promotional launch. This timing is critical to capitalise on the annual January surge in gym memberships, which is consistently the busiest period for new member sign-ups across the fitness industry.
16. Timescales for the redevelopment is as follows:
  - Finalise design and borrowing agreement
  - Tender and contractor appointment
  - Mobilisation and site works (Sept–Dec 2025)
  - Gym closure for 2–3 weeks in November for flooring and equipment installation
  - Reopening and relaunch in December 2025
17. Failure to complete the Billingham Forum gym expansion by December 2025 presents several financial risks:

- Delays could result in abortive costs associated with re-tendering, reprogramming, and re-engaging design and construction teams.
- These costs would not be recoverable and would reduce the overall value for money of the project.
- Deferring the project to Summer 2026 would likely expose the Council to increased construction and material costs due to inflation and market volatility.
- This could result in a significantly higher capital outlay, requiring additional borrowing or budget reallocation.
- Capacity constraints at Billingham Forum may lead to customer dissatisfaction, reduced retention, and reputational damage.

18. Meeting these timescales will ensure that the following key objectives are met:

- **Seasonal Demand:** January sees a significant spike in gym memberships due to New Year's resolutions and increased health awareness. Tees Active report that one third of people join their gyms in the post-Christmas period.
- **Revenue Maximisation:** Launching in December allows for pre-sales and marketing momentum, ensuring the facility is fully operational and visible during the peak demand window.
- **Customer Retention:** A refreshed, expanded facility will attract new members and re-engage existing ones, reducing churn and boosting revenue.
- **Operational Readiness:** Completing works before the holiday period avoids disruption during the busiest time of year and ensures staff are trained and systems are in place.

19. Delaying completion beyond December would result in a missed opportunity to leverage the most lucrative period of the year, potentially delaying return on investment and weakening the impact of the expansion.

## **COMMUNITY IMPACT IMPLICATIONS**

16. An EPIA has been completed, with no adverse impacts identified. The project promotes equality by catering to diverse user needs, including health-based programmes and emerging fitness trends. The expansion supports public health by increasing access to affordable fitness provision. It also enhances the borough's wider leisure offer.

## **FINANCIAL IMPLICATIONS**

17. The estimated project cost to the Council is £650,000, which covers the internal building works. In addition to this TAL will acquire and fund the equipment costs estimated to be £250,000. The £650,000 will be funded by prudential borrowing from the £20m Council Wide Investment Fund approved by Council as part of the Medium-Term Financial Plan Update and Strategy Report in February 2025, with allocations from that fund delegated to Cabinet.
18. The borrowing will be taken out over 25 years with repayments of £48,000 per annum, which will be funded by TAL. The gym expansion is estimated to generate approximately £50,000 additional income after accounting for additional running costs and prudential borrowing repayments. This income will be used by TAL as part to offset increased running costs across their venues, including, but not limited to, higher staffing costs due to National Insurance and National Living Wage rises.

## **LEGAL IMPLICATIONS**

19. The proposal complies with relevant statutory requirements. Legal Services have reviewed the borrowing arrangement and procurement process. Final approval is subject to Cabinet sign-off.

The Council have taken independent advice to satisfy themselves that the arrangement does not constitute a breach of subsidy control legislation.

## **RISK ASSESSMENT**

20. The project carries moderate risk due to its scale and financial commitment, but these are well mitigated through robust planning, SBC experience of project management, historical performance data, and strategic alignment with Tees Active's long-term goals. A more detailed risk assessment can be found in Appendix B.

## **WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS**

21. Billingham wards are directly affected. The Portfolio holder for Environment, Leisure and Culture and the Deputy Leader have been consulted and support the proposal.

## **BACKGROUND PAPERS**

1. Medium Term Financial Plan Update and Strategy report to Council 19<sup>th</sup> February 2025

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