

# CAPITAL INVESTMENT BUSINESS CASE

## ***Plymouth Sound National Marine Park (PSNMP) Mount Batten Main Works***



**CPOG Reference No. – CR202513 (B)**

### **EXECUTIVE SUMMARY**

*The Mount Batten project is made up of two key areas, the Main Works on the Centre building, public realm and tower, and the Pontoon. This business case seeks additional funding to support issues identified and additional requirements vital to the project success for the Main Works element of the project.*

*Within the Main Works the project has identified that:*

- *the kitchen required to service the new café needs renewal*
- *windows need to be replaced as they are rotten*
- *an additional requirement for a new glazed wall to the café to bring the outside in and maximise the waterfront view*
- *and other changes*

*All the change proposed are to maximise the potential of the Centre future proofing this anchor institution for the benefit of the city, the Plymouth Sound National Marine Park (PSNMP) and PCC as the co-owner of the Centre.*

*The risk of not completing the project as proposed is the failure of Mount Batten Centre, an anchor institution for the city and PCC as a co-owner.*

*The key risk relates to further unknowns that could be identified which could increase the project costs further. This has been mitigated by the inclusion of appropriate contingency for the project in the business case. It has also been mitigated by the majority of the opening up works for the Mount Batten Centre which have been completed thus reducing the likelihood of further unknowns, currently all compensation events have been managed within the existing contingency for the project.*

*In terms of benefit and outcomes the project will secure the long-term future of the Mount Batten Centre providing a destination of choice year round that will provide revenue generation to ensure the long-term viability of the Centre to continue to provide water based activities especially for underserved communities through the delivery of the PSNMP activities post the end of the project.*

*This project has consulted with the Leader of the Council extensively both as the portfolio holder of the PSNMP and a member of the Mount Batten Board. Procurement have been involved in all the procurements included in this business case and legal advice has been taken when required historically. Both the CIA and EqlA have been completed and included in this business case.*

SECTION I: PROJECT DETAIL				
Project Value (indicate capital or revenue)		Mount Batten Main Works	Contingency (show as £ and % of the project value)	Total Project Contingency £462k
	Construction			9% of total project value
	Construction	4,157,177		42% of Business Case Request.
	Fees, Surveys & Investigation Costs	604,273		
	Contingency	462,419		
	Project Total	5,223,869		
	Existing Budget Secured & Approved (NLHF, LUF & PCC)	4,125,077		
	Budget Pressure to be Addressed	1,098,792		
Portfolio Holder	Cllr Tudor Evans OBE, Leader		Directorate	Growth
			Service Director	David Draffan (Economic Development)
Senior Responsible Officer (client)	David Draffan		Project Director Project Manager Capital Lead	Kat Deeney  Sharon Mercer James Whitelock
Address and Post Code	Mount Batten Centre 70 Lawrence Road Mount Batten, Plymouth PL9 9SJ		Ward	Plymstock Radford
Current Situation:				
<p>This Mount Batten Project which is part of the Plymouth Sound National Marine Park (PSNMP) is made up of two parts.</p> <ul style="list-style-type: none"><li>• Mount Batten Centre Main Works – The main works at Mount Batten include redevelopment of the Centre to upgrade the changing rooms to provide improved and more accessible facilities, improved welcome and a new ground floor café. The outside areas will benefit from a better outdoor area for the café and some new public realm terraced areas to enable people to better enjoy the benefits of being next to the water. In addition, the Mount Batten Tower plateau will be improved to provide better access from the existing pathway up to the base of the tower as well as enhancing the area and bringing the features of the historically important area to life.</li><li>• Mount Batten Pontoon – The original PSNMP pontoon project was to provide a replacement pontoon (but retain existing piles and repair the bridge) that would be of a similar layout to the current pontoon but be wider and contain more accessible facilities to enable more and more diverse people to access the activities that the Centre provides.</li></ul>				
This business case refers to the Mount Batten Main Works (MBMW) element of the project only.				
<p>The original scope of the project was defined at the start of RIBA3 and certain areas within the main building were excluded, based on agreements of the then Centre Management. The cost estimates for RIBA3 were built into the PSNMP Grant application to the National Lottery Heritage Fund which was agreed and subsequently presented to Cabinet and approved in Feb 2024. The Main Works project was tendered in Q3/4 2024, and the contract was awarded to</p>				

Classic Builders who started on site in March 2025 and good progress is being made. The tender price for the original scope of the project was under the original budget allowance, however since the tender additional work has been identified that is essential to ensure the long-term outcomes for the Centre.

The additional works required are to enable the outcomes to be achieved, which are to provide the facilities for the Mount Batten Centre to relaunch a successful operation that maximises the potential for this Anchor Institution enabling it to continue to deliver accessible experiences for all, enhancing wellbeing through providing opportunities for people to connect to the heritage of the Plymouth Sound. PCC have a significant vested interest in the Centre both as a party on the board with a third interest, as the freeholder of the estate and finally as lender of a loan to the Centre, therefore ensuring the Centre can maximise its potential is an obligation of PCC.

The additional works needed are;

- Essential updates to the kitchen as equipment (end of life) and M&E issues identified need to be resolved to enable kitchen to service the F&B offering required for success.
- Creation of water facing glazed wall to bring the view into the café, significantly enhancing the appeal of the location ensuring year round customers.
- Replacement of existing timber windows in both the café and dining room that face the outdoor seating areas as they have been identified as rotten and end of life.
- Replacement of pergola to outdoor seating area as current one has now been identified as end of life.
- Minor re-works to the reception and outdoor seating areas to maximise the potential of the space.

The current cost estimates for these essential works have identified a budget pressure which cannot be absorbed by the project and therefore additional funding is requested.

### **Proposal:**

The proposal is to continue with the additional works identified and costed. As previously stated, it is believed that these works are essential to deliver a fit for purpose facility that can take advantage of the business opportunity it has to become a successful institution in the city. Supporting under privileged communities access activities that enhance wellbeing and nature connectedness while maximising commercial opportunities to ensure the long-term success of the Centre.

If we do not progress with the additional works identified then the café is highly unlikely to be as successful as it needs to be, because the Kitchen is not fit for purpose to support it, and the café itself will have limited views, rotten windows and no covered outdoor space making it less appealing to customers.

### **Update following CPOG Review 14/08/25**

Action was assigned to review the priorities of the PSNMP programme to identify potential additional funding to support this business case from within the existing programme.

This action has been completed.

RAG status has been assigned to each area of the project and those indicated as Green have been proposed as a funding source in this updated business case reducing the additional budget requirement by £190k. Those identified in the RAG review as Amber or Red are not recommended and have not been included.

### **Why is this your preferred option:**

The preferred option is to deliver the additional requirements for the main works project.

The additional requirements will set up the Mount Batten Centre for success as an anchor institution for the city, that pays a key role in creating opportunities and wellbeing for unserved communities in the city and it supports the Council's commitments as part owner of the business.

### Option Analysis:

<b>Do Nothing Option</b>	Doing nothing would be to deliver the funded scope of the capital works that would result in a new café but with no Kitchen to provide the F&B to enable the café to operate. The café itself would have rotten side windows and limited views to the waterfront. This would result in a new facility that would fail and likely cause the Mount Batten Centre to fail as a going concern.
<b>List Benefits:</b>	No additional capital investment.
<b>List Risk / Issues:</b>	Failure of the Mount Batten Centre as a going concern, result in a loss of jobs, failure to meet PSNMP NLHF outcomes resulting in the need to pay back NLHF Grant money and LUF funding which has been dedicated to the Mount Batten project.
<b>Cost:</b>	£5m NLHF & LUF Grant funding would need to be repaid due to the failure to deliver the outcomes of the Grants.
<b>Why did you discount this option</b>	Incurs both significant financial cost and reputational damage.
<b>Do Minimum Option</b>	<p><b>Update - Please note due timescales within the project the café glazing has been ordered, should this option be implemented abortive costs would be incurred and additional works to make good the area involved, these costs would minimise any potential saving on the figure originally quoted.</b></p> <p>The minimum options would be to do complete the Kitchen works and the replacement of the rotten windows only but not deliver the other additional requirement of the café glazed front wall to bring the waterfront view into the café making a year-round destination of choice.</p>
<b>List Benefits:</b>	Reduce the original proposed investment by £150k* and providing a Kitchen that can support the operation of the café. <i>*Please see note above</i>
<b>List Risk / Issues:</b>	Provide a new facility that does not maximise its potential, thus resulting in an offering that provides a reduced appeal to the public and thus putting the investment made at risk due to failure of the Centre as a going concern.
<b>Cost:</b>	
<b>Why did you discount this option</b>	Provides some short-term benefit but ultimately the risk is that these benefits would not be long-term, the impacts described in the 'do nothing' options would still likely occur in a few years' time, when the capital investment required to recover the situation would be greater and the loss of business and reputation would have occurred.
<b>Viable Alternative Option</b>	<b>This alternative viable option could only be applied to either the Mount Batten Main Works or the Mount Batten Pontoon project but not both. Currently £190k of the below figure is being claimed as funding to reduce the main works business case as detailed in the 'Purpose' section of this business case. The NMP programme retains contingency and inflation allowances earmarked for other projects that have not yet been brought forward.</b>

	The projects include Mt Edgcumbe, Firestone, Ernesettle, digital and others. The retained monies amount to £530k.
<b>List Benefits:</b>	Use contingency monies to reduce the amount of additional funding requested in this business case. This would however require NLHF agreement before this could be implemented.
<b>List Risk / Issues:</b>	<p>All projects within the programme are allocated contingency monies to cover increasing costs from inflation and unexpected changes to scope. Removing contingency from these projects would deprive the projects from a fair share of the funding secured. Any increases in cost would have to be offset by reduced scope of works. This would result in a shortfall on the promised outputs expected by the funders with a high likelihood of intervention from the funders, with potentially serious consequences for the programme and reputational damage for the Council.</p> <p>Some of the contingency and inflation included in this option has already been flagged as being required by the projects to which it is allocated and therefore would immediately place pressures on other areas of the project. £190k of the contingency has already been included in the Main Works business case.</p> <p>NLHF would need to approve the draw down of contingency before this could be implemented. They have so far been receptive to the drawn down of contingency allocated to individual projects but expectation that approval would be more challenging if request was made to allocate all remaining contingency to a single project.</p>
<b>Cost:</b>	
<b>Why did you discount this option</b>	Omission of contingency monies from future projects would lead to funders challenge on reduced outputs under the funding agreement.

<b>Strategic Case:</b>	
<b>Which Corporate Plan priorities does this project deliver?</b>	economic growth that benefits as many people as possible
	an efficient transport network
	reduced health inequalities
	In addition to the above, this project also supports the delivery of a vibrant city that provides a range of facilities, is greener and more inviting city for both residents and visitors.

<b>Milestones and Date:</b>		
Contract Award Date	Start On Site Date	Completion Date
Completed Nov 24	Started March 25	March 26

## SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

### Risk Register:

<b>Potential Risks Identified</b>			<b>Likelihood</b>	<b>Impact</b>	<b>Overall Rating</b>
<b>Risk</b>	Project costs could increase further due to unknowns at this stage.		Medium	Medium	Medium
<b>Mitigation</b>	Included in this proposal is appropriate contingency allowances to mitigate any further costs increase. In addition, the MBMW have progressed to a stage where further possible unknowns have been reduced.		Low	Low	Low
<b>Calculated risk value in £ (Extent of financial risk)</b>	£Unknown	<b>Risk Manager Risk Owner</b>	James Whitelock David Draffan		
<b>Risk</b>			Select value	Select value	Select value
<b>Mitigation</b>			Select value	Select value	Select value
<b>Calculated risk value in £ (Extent of financial risk)</b>	£	<b>Risk Manager Risk Owner</b>	James Whitelock David Draffan		
<b>Risk</b>			Select value	Select value	Select value
<b>Mitigation</b>			Select value	Select value	Select value
<b>Calculated risk value in £ (Extent of financial risk)</b>	£	<b>Risk Owner</b>			
<b>Risk</b>			Select value	Select value	Select value
<b>Mitigation</b>			Select value	Select value	Select value
<b>Calculated risk value in £ (Extent of financial risk)</b>	£	<b>Risk Owner</b>			
<b>Risk</b>			Select value	Select value	Select value
<b>Mitigation</b>			Select value	Select value	Select value
<b>Calculated risk value in £ (Extent of financial risk)</b>	£	<b>Risk Owner</b>			

### Outcomes and Benefits

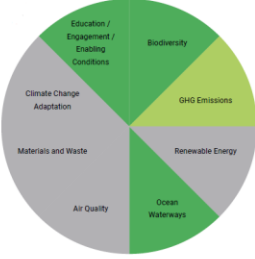
<b>Financial outcomes and benefits:</b>	<b>Non-financial outcomes and benefits:</b>
<p>Centre provided with the assets required to be financially successful.</p> <p>This will enable the Centre to pay back existing PCC loan.</p> <p>Continue to provide employment for Centre staff.</p> <p>Through income generated from café continue to provide outcomes for the PSNMP required as part of the funding grant from the NLHF.</p>	<p>Underserved communities will continue to have the opportunity to access water-based activities providing them with learning and health benefits.</p>

**SECTION 3: CONSULTATION**

<b>Does this business case need to go to CMT</b>	No	<b>Date business case approved by CMT (if required)</b>	Cabinet approval Feb 2024
<b>Did a mandate go via CPOG/CPB</b>	Yes	<b>Date Capital Mandate approved by CPB</b>	19 September 2025

<b>Does this project involve a corporately maintained property</b>	Yes
<b>Details of impact of this project ie cost saving from this project or additional requirements</b>	<p>The Centre and surround area is the freehold ownership of PCC; however the Centre has a long leasehold and therefore maintains the Centre and its associated area.</p> <p>However, within the project there are areas of public realm which will continue to be the maintenance responsibility of PCC, this includes the coastal path, seawall and bridgehead. This project would bring these areas back to a better state of repair thus minimising the future maintenance required for many years.</p>

**Climate Impact Assessment**

<b>Upload Climate Impact Wheel</b> <a href="https://pcc-climate-tool.webflow.io/">https://pcc-climate-tool.webflow.io/</a>	<p>CIA undertaken for Mount Batten Main works MOU609 (November 2024)</p> 
<b>Summary of the anticipated impact of the proposal on the climate (including any proposed mitigations and impacts beyond 2030)</b>	Impacts are generally low, with benefits in bio-diversity gain and reduced carbon emissions
<b>Confirm you have engaged with Procurement</b> (All business cases must be discussed with Procurement prior to submission to CPOG. If Procurement have not been consulted on the procurement route, CPOG may not endorse your project to CPB for approval )	Yes
<b>Who have you consulted with in Procurement/ who is your Procurement lead?</b>	Simone Newark
<b>Where an existing contract is to be used could you include the contract title and reference number</b>	26361
<b>Procurement route options considered</b> (Procurement Officer to complete this section only)	Following an Invitation to Tender process, a contract was awarded to Classic Builders.
<b>Recommended Procurement route</b>	As per Executive Decision COD30 24/25, the original contract award was authorised up to approved project budget of

(Procurement Officer to complete this section only)	£3,442,700. Should additional funding be approved under this	
	business case, contract variations arising from Compensation Events will be progressed as required, within the revised approved budget. All such variations will be subject to prior agreement with Procurement and must not alter the overall purpose or nature of the original contract.	
<b>Is this business case a purchase of a commercial property?</b>		No
<b>If yes then provide evidence to show that it is not 'primarily for yield'</b>		
<b>Which Members have you engaged with and how have they been consulted</b> (including the Leader, Portfolio Holders and Ward Members)	David Draffan as SRO for the projects has carried out briefings with Leader, PSNMP Portfolio Holder & Mount Batten Board member - Cllr Tudor Evans Cllr Sue Dan has also been keep informed through her role as Mount Batten Board member.	
<b>Confirm you have taken necessary Legal advice, is this proposal State subsidy compliant, if yes please explain why.</b>	State subsidy advice was taken in 2024 relating to the PSNMP overall programme, this was completed by an external expert and overseen by PCC legal representative Karen Trickey. This business case does not change the State subsidy position.	
<b>Who is your Legal advisor you have consulted with?</b>	DWF Law LLP & PCC Karen Trickey	
<b>Equalities Impact Assessment completed -</b>	Yes	



**SECTION 4: FINANCIAL ASSESSMENT****FINANCIAL ASSESSMENT:****CAPITAL COSTS AND FINANCING**

Breakdown of project costs including fees surveys and contingency	Prev. Yr.	24/25	25/26	26/27	27/28	Future Yrs.	Total
	£	£	£	£	£	£	£
<b>Mount Batten Main Works</b>							
Construction			4,157,177				
Fees & Surveys			604,273				
Contingency			462,419				
<b>Total MB Main Works</b>			<b>5,223,869</b>				
<b>Less: Funding already approved in Capital Programme</b>							
Mount Batten Main Works			(4,125,077)				
<b>Total additional capital spend</b>			<b>1,098,792</b>				

**Provide details of proposed funding: Funding to match with Project Value**

Breakdown of proposed funding	Prev. Yr.	24/25	25/26	26/27	27/28	Future Yrs.	Total
	£	£	£	£	£	£	£
Use of Contingency with NMP Cap Prog			190,425				
Corporate Borrowing			908,367				
<b>Total funding</b>			<b>1,098,792</b>				

<b>S106 or CIL</b> (Provide Planning App or site numbers)	No S106 or CIL contributions expected
<b>Which alternative external funding sources been explored</b>	External funding has already been secured for the projects from both NLHF and LUF.
<b>Are there any bidding constraints and/or any restrictions or conditions attached to your funding</b>	Both NLHF and LUF funding comes with procurement rules, however the process followed for both the MBMW and MBP procurements have be within the grant conditions as they were both tender process in line with PCC contract standing orders.

<b>Tax and VAT implications</b>	<p>The works proposed in this project relate to land and buildings which are leased out to the Mount Batten Centre ('MBC') by the Council. The lease was granted in March 1998 for a period of 125 years and although the rental is a peppercorn, there are provisions within the agreement, Clause 2.1, which require MBC to pay a proportion of certain costs incurred by the Council, if requested. There is no record of any payments having been requested or received under the terms of the lease.</p> <p>The granting of the lease to MBC is therefore a VAT-exempt activity of the Council, irrespective of whether or not any payments have been received, and the VAT incurred on the cost of the project must be included in the Council's partial exemption calculation. The amount of VAT involved with the project is likely to be in excess of £1m which would cause the Council to breach its partial exemption limit. This would result in the Council incurring at least £2m of irrecoverable VAT which would be an additional cost to revenue.</p> <p>To enable the Council to recover VAT on this project, and all its other VAT-exempt activities, the Council will need to opt to tax the land and buildings included in the lease. This means that any payments made by the Centre to the Council in connection with Clause 2.1 or any other relevant provision within the lease would be subject to VAT. Under the terms of the lease, however, this would be limited to around £13k at current prices taking into account inflation since 1998 and so the associated VAT would only be £2,600. The previous landlord, the Plymouth Development Corporation, had opted to tax the site and so this option to tax will result in a consistent VAT position.</p>
<b>Tax and VAT reviewed by</b>	<b>Sarah Scott</b> - Service Accountant
<b>Will this project deliver capital receipts?</b> <i>(If so please provide details)</i>	No

## REVENUE COSTS AND IMPLICATIONS

### *Cost of Developing the Capital Project (To be incurred at risk to Service area)*

<b>Total Cost of developing the project</b>	£0 MB Main Works is a capital funded project, all associated costs are capital.
<b>Revenue cost code for the development costs</b>	If any revenue costs are incurred to deliver the project these would be covered by the PSNMP revenue code CC6272
<b>Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria</b>	No

<b>Budget Managers Name</b>	Sharon Mercer / Kat Deeney
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<b>Ongoing Revenue Implications for Service Area</b>									
<b>None identified</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>Future Yrs.</b>			
	£	£	£	£	£				
<b>Service area revenue cost</b>									
<b>Other</b> (eg: maintenance, utilities, etc)									
<b>Loan repayment</b> (terms agreed with Treasury Management)									
<b>Total Revenue Cost (A)</b>									
<b>Service area revenue benefits/savings</b>									
<b>Annual revenue income</b> (eg: rents, etc)									
<b>Total Revenue Income (B)</b>									
<b>Service area net (benefit) cost (B-A)</b>									
<b>Has the revenue cost been budgeted for or would this make a revenue pressure</b>	Any PCC revenue cost would need to be contained within existing NMP revenue grant resources								
<b>Which cost Centre would the revenue pressure be shown</b>	CC6272		<b>Has this been reviewed by the budget manager</b>		Y				
<b>Name of budget manager</b>	Sharon Mercer / Kat Deeney								
<b>Loan value</b>	£	<b>Interest Rate</b>	%	<b>Term Years</b>	n/a	<b>Annual Repayment</b>	£n/a		
<b>Revenue code for annual repayments</b>	n/a								
<b>Service area or corporate borrowing</b>	Corporate Borrowing								
<b>Revenue implications reviewed by</b>	Sharon Gillett								

**Version Control:** *(The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)*

Author of Business Case	Date	Document Version	Reviewed By	Date
Sharon Mercer	28/07/2025	v 1.0	Draft Only	
Sharon Mercer	30/07/2025	v 2.0	Draft for Further input by rest of team	
James Whitelock	06/08/2025	v 3	David Draffan	
James Whitelock	07/08/2025	v 4	David Draffan	
Sharon Mercer	13/08/2025	V5	Holly Golden, Sarah Scott	
Sharon Mercer	13/08/25	V5.1	Sharon Gillett	
Sharon Mercer	19/08/25	V6 – Main Works Only	Simone Newark – Procurement Sarah Scott – VAT Ruth Didymus – Finance	

**SECTION 5: RECOMMENDATION AND ENDORSEMENT**

**Recommended Decision**

**It is recommended that the Deputy Leader of the Council:**

- Approves the Business Case;
- Allocates **£908,367** for the project into the Capital Programme funded by Corporate Borrowing;
- Approve the contract modification(s) in relation to Compensation Events provided that the modification(s) do not alter the overall nature of the contract and does not exceed the available project budget, subject to prior agreement with Procurement.

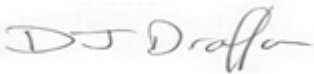
**Councillor Jemima Laing (Deputy Leader)**

**Service Director**

**Either email dated:** 14/01/2026

**Either email dated:** date

**Or signed:**



**Signed:**

**Date:**

**Date: 07 November 2025**