

## **CABINET**

**18 OCTOBER 2022**

### **UPDATE ON PLANS RELATING TO THE FUTURE OF THE FIRST FLOOR OF THE PENTAGON CENTRE**

Portfolio Holder: Councillor Adrian Gulvin, Portfolio Holder for Resources

Report from: Sunny Ee, Assistant Director Regeneration

Author: Beth Westwood, Regeneration Programme Manager

#### **Summary**

This report is for information purposes, to provide an update on the plans for the first floor of the Pentagon Centre, which include an NHS Healthy Living Centre (HLC), Innovation Hub and ancillary projects.

#### **1. Budget and policy framework**

- 1.1. In February 2019, Cabinet recommended to Full Council the acquisition of the head lease of the Pentagon Centre and in so doing granted delegated authority to the Chief Legal Officer in consultation with the Leader and Portfolio Holder for Resources, to carry out the re-configuration and improvement works to the Pentagon Centre and to manage and let the centre. On 21 February 2019, the Council added £45 million to the capital programme to fund the acquisition.
- 1.2. Full Council in Feb 2022 added £10,348,000 to the Capital Programme to fund the HLC, on the provision that the NHS would reimburse the full amount. The Council was also awarded grant funding from the Future High Street Fund (FHSF), to assist with the delivery of the HLC and Innovation Hub on the first floor of the Pentagon Centre. The outputs of the projects must be delivered by 31 March 2024.

#### **2. Background**

- 2.1. In February 2019 the Council approved a £45 million addition to the capital programme to acquire the head lease of the Pentagon Centre. The Council acquired the Pentagon Centre in 2019 at a total cost of almost £37 million. £3 million was vired to fund the subsequent acquisition of the Mountbatten House

sub-lease and the circa £5 million balance of the original borrowing approval allocated to fund 'future capital works to the Pentagon Centre'.

- 2.2. The Council's 2019/20 revenue budget assumed that the centre would generate net revenue income from rents of circa £2.65 million per annum, offset by the annual £1.65 million cost of servicing a £45 million loan.
- 2.3. The Council acquired the Pentagon Centre in April 2019, knowing that the ground floor was trading well and that the first floor would need investment. Various options have been considered for the redevelopment of the first floor. The favoured option for development of the first floor is for it to be used as:
  - An NHS HLC, this will provide a much-needed medical facility in Chatham, providing a catalyst for ancillary medical uses.
  - An Innovation Hub, which will be primarily funded from the FHSF.

### 3. Progress update

- 3.1. In line with the delegated authorities for the FHSF and Pentagon Centre future Capital works budget, the design works for the HLC have commenced, with RIBA 1-2 completed and RIBA 3-4 design underway.
- 3.2. Approval to tender the works under a two-stage tender process was given in July 2022, this will help to secure supply chain lead in times and increase cost certainty for the works.
- 3.3. The tender for a third-party operator for the Innovation Hub is live, with an operator to be appointed by October 2022. This will enable the operator to input into the design.
- 3.4. Works are under way to a vacant unit on the Ground floor, so that the Council's Youth Service WREC room can move into this unit and vacate the first floor.
- 3.5. As part of the redevelopment of Mountbatten House, the public toilets for the centre will be relocated to the first floor.
- 3.6. Current tenants on the first floor have been notified and where they want to and where possible they have been relocated within the Pentagon Centre. Discussions are taking place with the remaining occupiers of the first floor.

### 4. Advice and analysis

- 4.1. The delivery of plans to re-use the first floor of the Pentagon, will provide useful community facilities, improve the net income from the centre and improve footfall. When acquiring the Pentagon Centre, it was known that the first floor required investment to secure an anchor tenant, and thus enable a consistent income.
- 4.2. The design for the Healthy Living Centre will progress up to RIBA 4, while formal agreements with the NHS are reached.

- 4.3. The delivery of the Innovation Hub will continue, in accordance with the funding agreement with FHSF.

## 5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Programme	The funding streams to deliver the project must be spent by March 24	Progress with design to keep to delivery programme	C2

Further details are contained in the exempt appendix to this report.

## 6. Consultation

- 6.1. As per the terms of the delegated authorities which are in place, the Leader and Portfolio Holder for Resources have been consulted throughout the projects.

## 7. Climate change implications

- 7.1. Utilising the first floor of the Pentagon Centre to accommodate the HLC represents a reduced carbon footprint when compared with the alternative – building a new facility.

## 8. Financial implications

- 8.1. The Council as landlord is responsible for the cost of designs up to RIBA 4, circa £1m, with half of this being funded from the FHSF and the remaining amount from existing capital budgets allocated to the first floor of the Pentagon Centre.
- 8.2. The NHS has agreed to fund the actual capital works up to the cost of £10,348,000, to be spent by the 31 March 2024, with this being paid to the Council in phases as the works are completed.
- 8.3. The NHS will pay a market rent for the completed facility. Further details are contained in the exempt appendix to this report.

## 9. Legal implications

- 9.1. The Council has a fiduciary duty and under Section 123 of the Local Government Act 1972, the Council is required to obtain best consideration when it grants leases for over seven years of land and property, unless it's using the general disposals consent 2003, the undervalue is less than £2,000,000 and the disposal will help to secure the promotion or improvement

of the economic or environmental well-being of the area, or a specific approval is obtained from the Secretary Of State.

- 9.2. The Council has a legal duty under NHS Act 2006 section 2B(1) to take the steps that it considers appropriate to improve the health of people in its area, including providing health facilities for the people in its area.

## 10. Recommendations

- 10.1. It is recommended that Cabinet notes the contents of this report.

## 11. Suggested reasons for decision

- 11.1. Progressing the delivery of plans to re-use the first floor of the Pentagon, will provide useful community facilities, improve the net income from the centre and improve footfall.

## Lead officer contact

Elizabeth Westwood, Regeneration Programme Manager, Gun Wharf,  
[elizabeth.westwood@medway.gov.uk](mailto:elizabeth.westwood@medway.gov.uk)

## Appendices

Exempt appendix 1 – Update on plans relating to the future of the first floor of the Pentagon Centre.

Exempt appendix 2 – 1<sup>st</sup> floor general arrangement plan

## Background papers

None