CABINET **COUNCILLOR JULIE HALL**
ECONOMY, SKILLS AND REGENERATION PORTFOLIO HOLDER

20th AUGUST 2026

KEY DECISION: NO **REPORT NO. REG2603**

16-18 THE MEADS, FARNBOROUGH – ADDITIONAL BUDGET REQUIREMENT

SUMMARY AND RECOMMENDATIONS:

The purpose of this report is to agree an increase to the 16 – 18 The Meads project capital budget.

Cabinet is RECOMMENDED to approve an increase to the project's capital budget of up to £35,000 to enable completion of the works by the end of September plus a contingency of up to £15,000 both funded from capital receipts balances.

1. INTRODUCTION

1.1. Having completed a significant portion of the main contractor works to the 16 – 18, The Meads unit, additional unforeseen costs have arisen which have resulted in an overspend of the project's budget allocation.

1.2. These costs can largely be attributed to the complexity of the ground conditions alongside risks inherent in carrying out refurbishment works to an aging asset.

1.3. To enable the completion of the works, Cabinet are recommended to approve an overall increase to the project's capital budget of £50,000.

2. BACKGROUND

2.1. In September 2025, Cabinet considered Exempt Report No. REG2504 and agreed the allocation of a capital budget of £521k, consisting of £397k building adaptations works to the 16 – 18 The Meads unit and a £124k contribution to Loungers' fit out costs.

2.2. In March 2026, Cabinet then considered Exempt Report No. REG2602 and agreed a further budget extension of £197,590. This decision followed a protracted tendering process during which only one response was received from an initial framework with one other coming from a subsequent invitation to quote exercise. The latter, from K7 Renovations, was successful and was the lowest price received.

2.3. The works started on site on the 5th May 2026 and are expected to practically complete on 11th September 2026. Following completion of the Council's shell and core works, the unit will be transferred to Loungers for them to carry out detailed fit out in advance of their opening.

2.4. As stated in the March paper, the arrival of the Loungers in Farnborough will represent a step-change in the quality of the town centre's offer. It will complement the investment the Council has made in the Landings and, in conjunction with the redevelopment of the Meads Block 3 site will provide a new town square for Farnborough.

3. DETAILS OF THE PROPOSAL

3.1. As part of the proposed lease for 16-18 The Meads to Loungers, the Council has committed to carry out works to extend the relevant units and fit out to shell and core level.

3.2. The works comprise:

- Strip out / clearance
- Extension of unit
- Doors glazing
- Landlord plumbing and electrical works

3.3. A Record of Executive Decision (ROED) was prepared on 23rd June 2026 which secured £21,000 in additional budget to cover cost variations forecast at that time.

3.4. The ROED reported that because the project involves work to an existing building, there were still unknown elements to the works and that if further issues were identified it may be necessary for further budget to complete the project. If forecast costs were to take the cumulative total additional budget above the £50,000 limit for officer approval, then formal Cabinet permission would be sought.

3.5. Since this time, further contract variations have been necessary and the total forecast increase in the budged required has now exceeded the £50,000 threshold and, therefore, requires Cabinet approval.

3.6. There is not one single issue that has had to be addressed during the build. The breakdown of the variations can broadly be grouped as follows:

Category	Total Cost
Foundations	£38,828
Utilities & Fire Systems	£7,550
Asbestos	£3,411

Tenant Requirements	£18,432
Design Complexities	£27,189
Additional Prelim Costs (5 weeks)	£10,707

3.7. The additional contractor prelim costs (costs a contractor can claim for delays outside their control) have arisen because of the 5-week delay to the completion date of the works as a consequence of the contract variations.

3.8. The completion date has, therefore, shifted from 7th August 2026 to 11th September 2026.

3.9. Cabinet are advised that as the Council has entered a construction contract and budgetary issues are not grounds for termination – if the Council were to withhold or delay payment, liability would arise under the contract.

3.10. In addition, the Council has entered into a lease agreement with Loungers for the site and could face claims from them for damages if works are not completed as required and in the lease timescales.

3.11. As the project involves work to an existing building and as with any construction contract the full and final extent of any contract variations cannot be confirmed until practical completion, and so an additional contingency amount of £15,000 is also requested alongside the £35,000 costs arising from known variations.

ALTERNATIVE OPTIONS

3.12. Recognising the above, there are limited alternative options available which would not have significant financial and legal impact other than agreeing to the allocation of additional budget to ensure the works are successfully completed and the unit handed over to Loungers.

4. CONSULTATION

4.1. Given the commercial nature, the proposals have not been subject to any formal external consultation.

5. IMPLICATIONS

Risks

5.1. There is a risk in respect of the income stream for the project should Loungers fail as a business. The terms of the agreement for lease state that the Council has a long-stop date to complete the agreed works to 16-18 the Meads of January 2027.

5.2. Once these works are completed as agreed Loungers lease commences automatically and runs for a 15 year period without a break. If Loungers decide to cease operating in that location, they would still be liable for the rent for the entire 15-year period. In the event that Loungers goes into administration during that period any remaining rent would be a debt recoverable through the usual process.

Legal Implications

5.3. There are no legal implications arising from the content of the report. The request is in line with the ROED dated 23rd June 2026. Should this additional budget not be approved the Council would be at risk of failing to meet contractual obligations, and would be at risk of this project not being able to be delivered

Financial Implications

5.4. The proposal takes the total capital budget for this project to £786,590.

5.5. This is the third adjustment to the overall project budget for this project. When Cabinet made the initial decision to proceed, the full financial picture or the likely overall financial implications of the scheme were not available to members. Decisions were based on the information at the time and did not take into account the cumulative impact that subsequent budget increases would have on the project's value for money assessment. This means the initial decision was made without the benefit of the fuller cost, risk and strategic context now available.

5.6. As per the previous increase in budget allocation for this project in March 2026, the decision to proceed at this time is in the absence of a "whole asset" strategy for The Meads and therefore it is not possible to determine the overall value for money of the capital expenditure without a long term strategy for the Meads being agreed. Councillors were not able to assess the proposed investment against a settled long-term strategy for The Meads, nor the cumulative impact of subsequent cost increases on the overall value for money of the scheme.

5.7. The Council's capital receipts balance as at 1 April 2026 stands at £3.7m, however the opportunity cost of utilising an additional £50k of capital receipts, is circa £4k per year saving on MRP and interest the council could avoid if the receipts were applied to paying down borrowing.

5.8. In the September 2025 report the net present value (i.e. all cashflows as at today's values) of the Loungers deal over a 15-year period would not recover the capital or operational costs resulting in a net loss of £52k, this was increased by £198k to £250k in March 2026. This further change will increase this loss.

5.9. The financial resilience risk associated with the appointment of a small local contractor remains until practical completion of works and throughout any building guarantee period or defects liability period. The risk will continue to require management throughout the remainder of the project and following periods to the Councils exposure.

Resource Implications

5.10. The Council has identified project management resource internally to oversee the delivery of the capital works prior to handing over to the operator for fit out.

Equalities Impact Implications

5.11. The Equality Impact Screening Assessment completed in February 2026 identified that the impacts were positive or neutral for all protected characteristics and therefore a full Equality Impact Assessment is not required.

5.12. An updated Equality Impact Screening Assessment has been prepared on this basis and reconfirms that the impacts are positive or neutral and that a full Equality Impact Assessment is not required.

6. CONCLUSIONS

6.1. Although the budget required for the project has increased since the Cabinet decision in March 2026, the rationale behind the project has not changed and successful delivery will result in an improved offer for residents and represent significant progress in regenerating Farnborough's town centre.

LIST OF APPENDICES/ANNEXES:

None

BACKGROUND DOCUMENTS:
n/a

CONTACT DETAILS:

Report Author
Charlie Heavens
Charlie.heavens@rushmoor.gov.uk

Head of Service
Karen Edwards
karen.edwards@rushmoor.gov.uk