

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 02 March 2020

Portfolio:	Policy and Resources
Subject:	Capital Expenditure at Faretec, Cams Estate Business Park
Report of:	Director of Planning and Regeneration
Corporate Priorities:	Dynamic, Prudent and Progressive Council Maintain and Extend Prosperity

Purpose:

To seek approval for the allocation of a capital budget to refurbish the air-conditioning system at Faretec (located at the Cams Estates Business Park), and carry out other minor building upgrade works.

Executive summary:

The existing air-conditioning system which provides heating and cooling at the Council owned investment property, Faretec at the Cams Estate Business Park, has become increasingly unreliable and now requires upgrading.

Recommendation:

It is recommended that the Executive approves a capital budget to refurbish the air conditioning system and undertake minor building upgrade works at Faretec at the Cams Estate Business Park.

Reason:

The refurbishment of the system, combined with minor building upgrade works, will ensure the retention of the existing tenants and attract new tenants to the building in future. This will help to maintain and increase the Council's rental income.

Cost of proposals:

See Confidential Appendix A for estimated costs and revenue income.

Appendices:

Confidential Appendix A: Faretec - Estimated costs and revenue income

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Executive Briefing Paper

Date:	02 March 2020
Subject:	Capital Expenditure at Faretec, Cams Estate Business Park
Briefing by:	Director of Planning and Regeneration
Portfolio:	Policy and Resources

INTRODUCTION

1. Faretec is a two storey multi-let office building located on the Cams Estate Business Park split into eight office suites. It was acquired in 2001 and was bought as part of the Economic Initiatives Fund. The intention was to provide a high-quality IT hub within the Borough. Since the acquisition, the market and demand for offices of this nature has changed and there is now significant provision for IT and technology occupiers at the Fareham Innovation Centre at Solent Airport.
2. Faretec is now considered to be a basic specification office, which no longer attracts the IT occupiers originally envisaged. Consequently, achieving lettings when suites become vacant is proving to be increasingly difficult. This is, in part, reflective of the wider office market but also the nature of the accommodation.
3. Suites 1, 2 and 3 have been vacant since July 2019 but are currently subject to negotiations for a new ten-year lease. Terms have been agreed with the two tenants of the other suites to renew on new six-year leases. Historically, leases have been based on a single payment which is inclusive of business rates, service charge, insurance and utilities. This has, in effect, been subsidising the tenants' rent and was put in place to reflect the original use of the property.

PROPOSAL

4. The opportunity is now being taken to put new terms in place for tenants to pay the rent, business rates, service charge, insurance and utilities separately, which is in line with market terms and the same approach taken to other properties which sit within the Council's investment portfolio.
5. However, the air-conditioning system, which provides heating and cooling, has not been replaced since the Council acquired the building. Consequently, it is becoming beyond repair, with issues around the system's performance and reliability. This has been a major concern for existing and prospective tenants when negotiating new leases. In addition, there are some minor building upgrade works required to facilitate the new lettings, including the provision of electricity sub-meters and the replacement of parts of the alarm system.

FINANCIAL IMPLICATIONS

6. A confidential Appendix A to the Executive report sets out the estimated cost of the air-conditioning refurbishment and building upgrade works at Faretec. The Appendix also outlines the positive impact that the completion of new leases will have on the Council's rental income.

CONCLUSION

7. The current air conditioning system at Faretec is beyond its economic life and requires major refurbishment works. The refurbishment of the system, combined with minor building upgrade works, will ensure the retention of the existing tenants and attract new tenants to the building in future. Therefore, the capital expenditure is an investment, which will add value to a Council owned asset.

Enquiries:

For further information on this report please contact Grant Hobday (Ext 4320).