

DAEDALUS FINANCIAL POSITION AND STRATEGIC APPROACH

Financial Reporting Challenges

- Highly complex financial position
- Numerous perspectives
 - Statement of Accounts
 - Portfolio and service budgets, including treatment of capital charges
 - Accounts of “public opinion”, i.e. what local people recognise as Daedalus
 - Homes England transfer and grant agreements
- Various inter-relationships
 - Asset sales vs revenue generation
 - Airside vs Non-airside
 - Daedalus vs MTFS

Daedalus Financial Strategy

Financially, What Does Good Look Like?

SOLENT AIRPORT

- Solent Airport operations are not subsidised by council taxpayers.
- Those that use and benefit from the airport, pay for the airport.
- There is funding for necessary maintenance and improvements at the Airport to keep it financially and operationally sustainable

THE DAEDALUS SITE

- The wider Daedalus site is not subsidised by council taxpayers
- The site as a whole provides a reasonable return to the Council's General Fund (working assumption is a £200k p.a. ROI)

Current Position

AIRSIDE

- Costs around £750k pa
 - 70% of the cost is Airport Operations
 - 30% is FBC management and maintenance
- Airside Property has potential to generate c. £425k income p.a. to subsidise airport
- £325k net deficit on airside

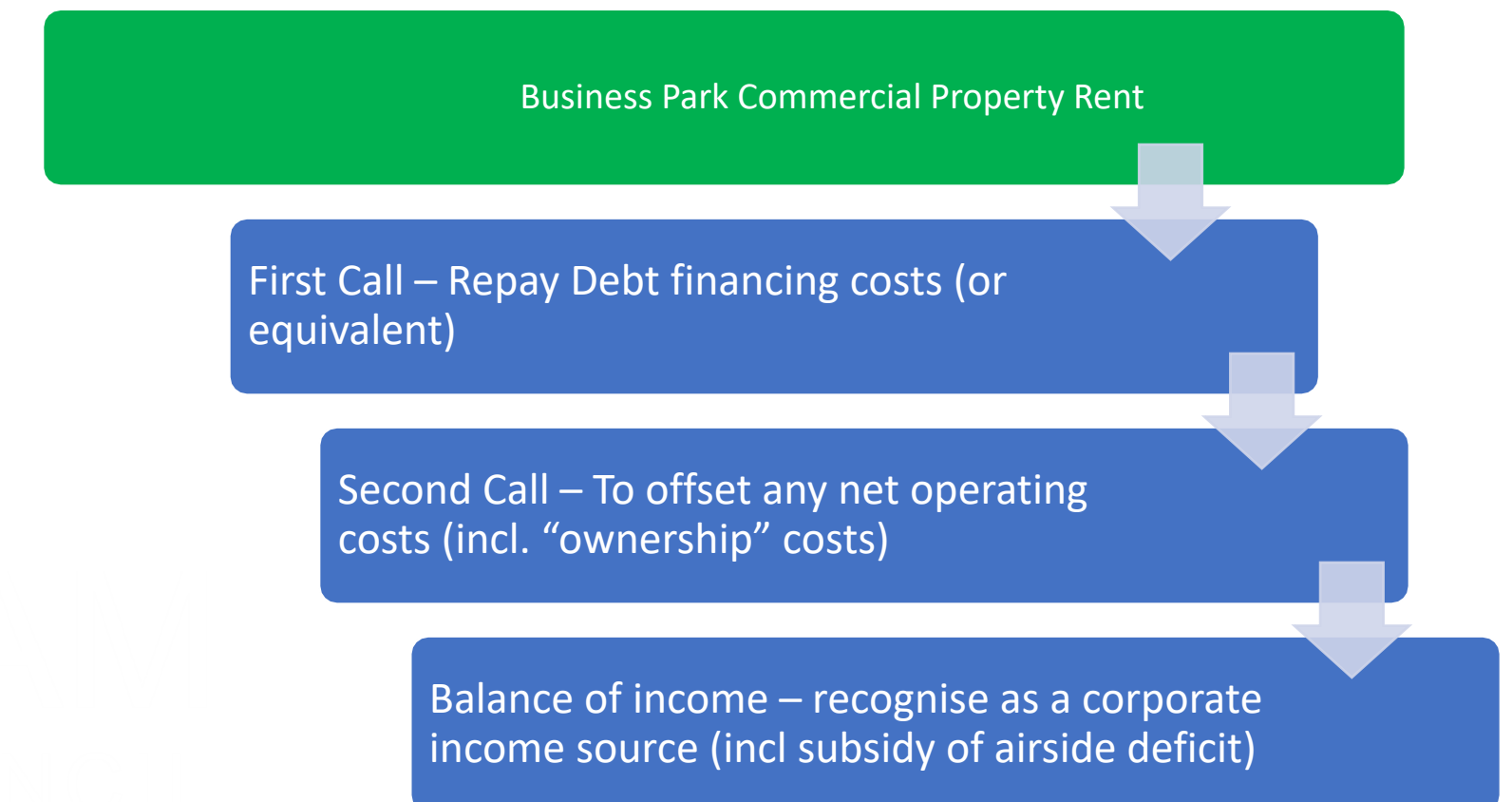
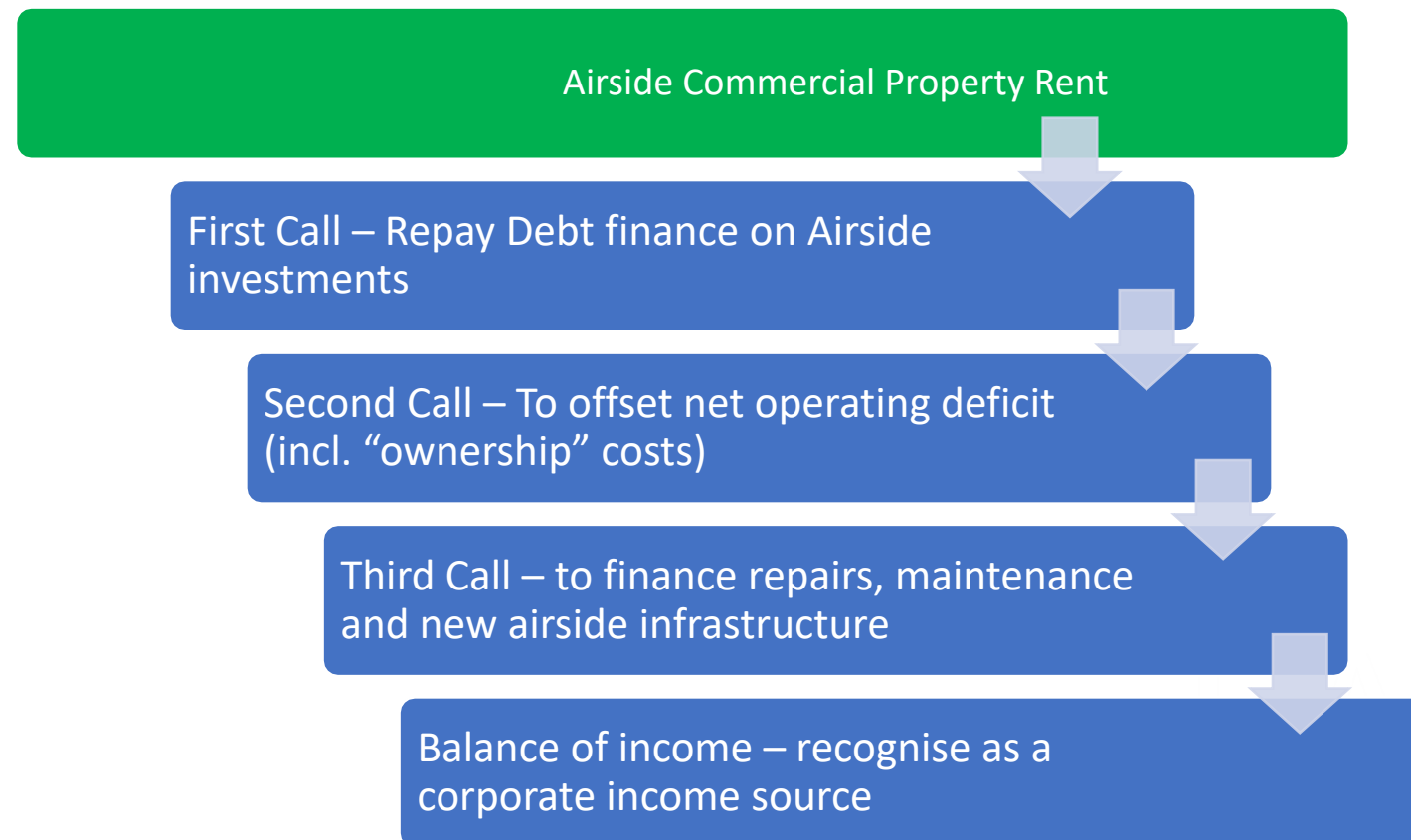
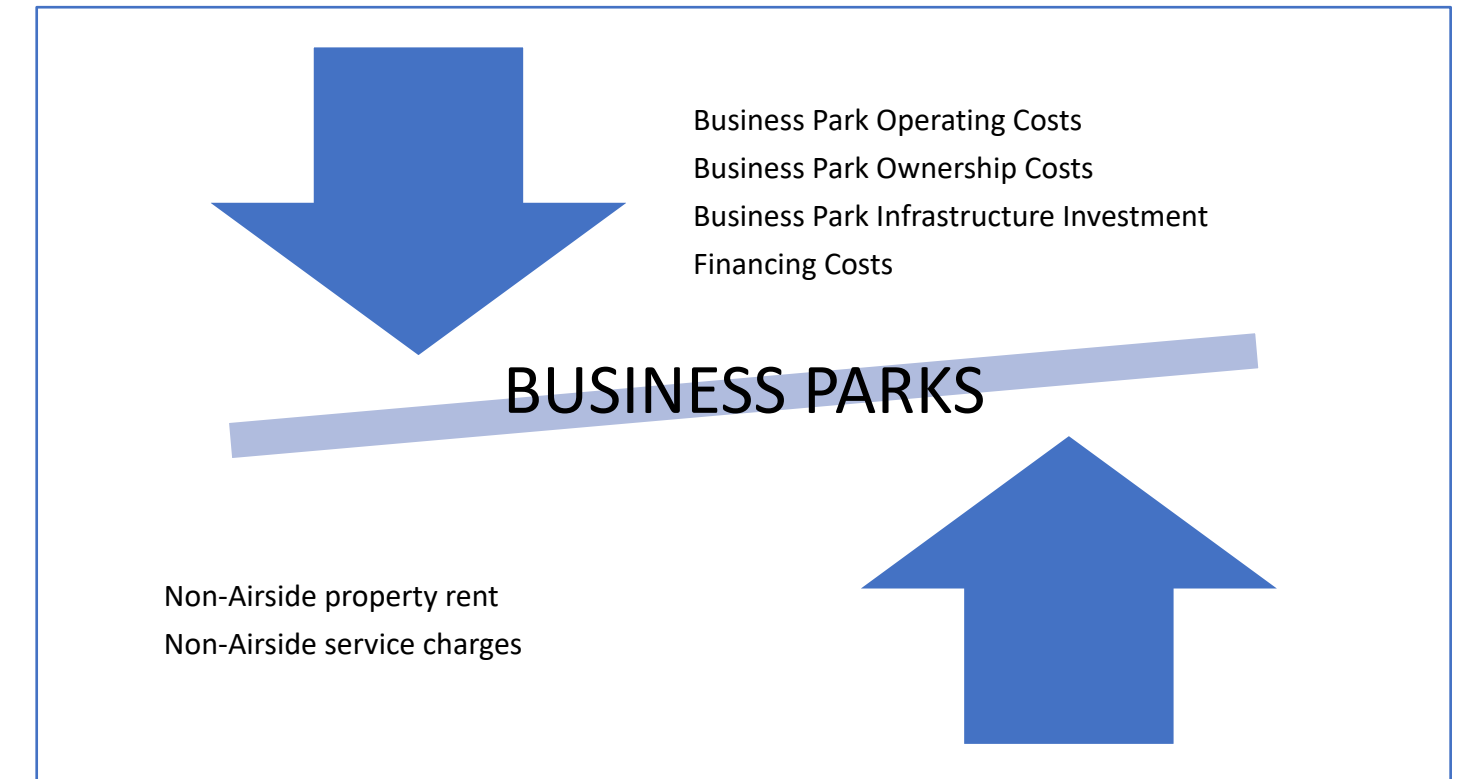
NON-AIRSIDE

- £470k p.a. available to subsidise Airside
- Forecast Capital Receipt will reduce rental income by £222k, leaving £248k to subsidise airside operations.
- Potential to grow with speculative units at Faraday Business Park but this is included in MTFS to balance the GF budget

Actions

- How can we reduce this towards nil?

Operations and Investment



Capital Investment

AIRSIDE INVESTMENT AND FINANCING

Tier 3 Airside Commercial Property rents available (after debt finance and operating costs)

Daedalus capital receipts where not required for higher priority corporate projects

Infrastructure

Sound business case

Affordable

Commercial Property

Corporately Affordable

Acceptable ROI

Self financed

Sound business case

BUSINESS PARK INVESTMENT AND FINANCING

Commercial Property and Infrastructure self-financed from NEW Commercial Property rental income, or non-airside fees/charges (after debt finance and operating costs)

Daedalus capital receipts where not required for higher priority corporate projects

Infrastructure

Sound business case

Affordable

Commercial Property

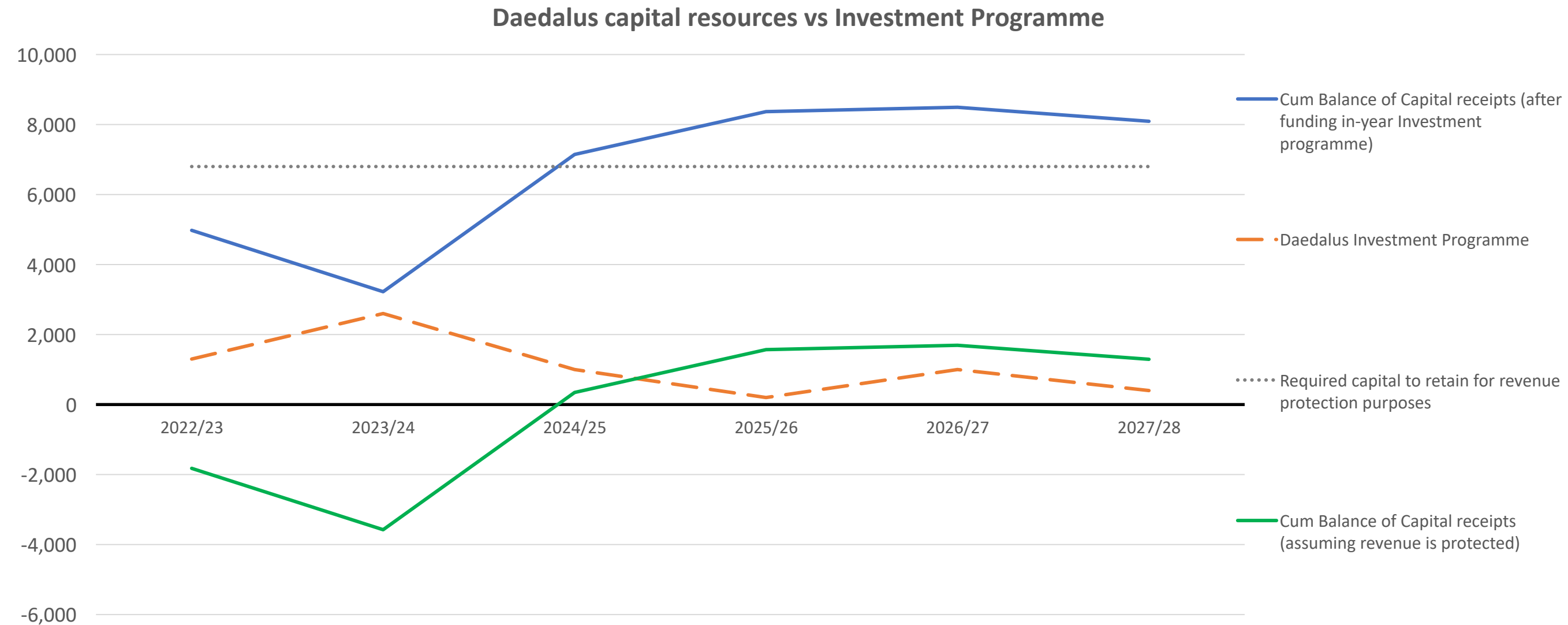
Corporately Affordable

Acceptable ROI

Self financed

Sound business case

Capital Planning



Summary

- Whole site at Daedalus has potential to break even
- £14.5m usable forecast capital receipts over next 10 years
- £9m investment required over same period (£6.3m yr1-5, £2.5m yr6-10)
- £6.8m needed, in order to protect revenue position (£280k p.a.)
- Choices to make
 - Sell assets for capital expenditure, but lose revenue income
 - Retain assets for revenue generation, but carry associated landlord risks
 - Market influences should drive decisions (to maximise economic growth)
 - Homes England transfer agreement triggers must be observed