

# FAREHAM

## BOROUGH COUNCIL

### Report to Daedalus Scrutiny Panel

**Date** 19 June 2023

**Report of:** Head of Finance and Audit

**Subject:** 2022/23 FINANCE OUTTURN AND DELIVERY AGAINST  
DAEDALUS VISION AND FINANCIAL STRATEGY

#### **SUMMARY**

This report sets out the Council's main achievements in 2022/23 against the objectives of the Daedalus Vision and Strategy and the financial outturn position against the revised budget for 2022/23.

#### **RECOMMENDATION**

The Panel is asked to note the content of the report.

## **INTRODUCTION**

1. This report considers the Council's main achievements in 2022/23 against the objectives of the Daedalus Vision and Strategy and sets out the outturn position for the Daedalus budget for the financial year 2022/23.

## **ACHIEVEMENTS AT DAEDALUS IN 2022/23**

2. The Council's vision is for Daedalus to become a premier location for aviation, aerospace engineering and advanced manufacturing businesses, creating many skilled employment opportunities for local people, which is under-pinned by a vibrant and sustainable airfield. Building on the existing general aviation uses, the airfield will be an attractive destination for visiting aircraft and will offer the hangars, facilities, and services to attract more corporate and commercial aviation activities, allowing it to be self-sustaining in the medium term and contribute positively to the local community.
3. In moving towards attaining this vision, the primary objectives are:
  - To unlock the potential of the airfield's land and infrastructure assets through new commercial development, providing clusters for aviation, non-aviation and skills/innovation activity, thereby increasing private sector investment and contributing positively to the creation of skilled jobs in the Solent Enterprise Zone
  - To realise the potential for developing and increasing corporate/commercial aviation activity, whilst continuing to support and grow broader general aviation uses
  - To ensure that the airfield is financially sustainable in the medium to long term
  - To further improve the infrastructure and facilities at the airfield, by enhancing its quality and making it more attractive to visitors and to new business
  - To maintain a safe, secure, efficiently managed and sustainable airfield
  - To generate a sense of local pride by making Daedalus an attractive location for businesses and their employees, for users of its facilities and for the local community, and to be a good neighbour
4. In 2022/23 the Council:
  - Engaged with each of the key employers on the Daedalus site.
  - Secured the adoption of Daedalus Drive.
  - Achieved 86% occupancy at Fareham Innovation Centre.
  - Saw success with the new speculative units at Faraday Business Park, with one sold on a long lease; two let and the final unit under offer.
  - Secured land and procured the contractor to deliver the Streetscene Welfare facility/maintenance depot to serve the Airport and the QE2 Platinum Jubilee Common, with construction programmed to commence shortly.
  - Procured an Aircraft tug to improve the efficiency of existing hangar capacity and mitigate manual handling risks.

- Undertaken improvement works to Bellman 4 and Hangar T and demolished Hangar Q.
- Undertaken urgent works to the airport's taxiways and progressed the procurement of a contractor to deliver the remainder of the taxiway improvement works.
- Secured the occupation of all airside units (some with managed hangarage) and all non-airside properties, with the exception of one industrial unit which is under offer.
- Supported inward investment enquiries for both the airport and Faraday.
- Contracted RCA to deliver the Performance Based Navigation system.
- Let a 5-year concession for Café 05.
- Completed the IFA2 capital receipt.
- Opened the Queen Elizabeth II Platinum Jubilee Park.

## 2022/23 FINANCIAL OUTTURN

5. The table below sets out the revised budget, alongside the actual outturn position. In 2022/23, the Council's activities at Daedalus returned an operational surplus of £462,414 and a small deficit of £3,359 after the cost of capital investment. The underlying finance position overall would show a surplus of £124,419 before adjustments detailed in paragraph 8.

	<b>Revised Budget 2022/23 £</b>	<b>Outturn 2022/23 £</b>	<b>Variance £</b>
<b>Airside Activities</b>			
Income	(1,367,000)	(1,433,325)	(66,325)
Expenditure	1,735,000	1,818,469	83,469
<b>Net Expenditure</b>	<b>368,000</b>	<b>385,144</b>	<b>17,144</b>
<b>Non-Airside Activities</b>			
Income	(1,857,000)	(1,985,102)	(128,103)
Expenditure	1,028,200	1,137,544	109,344
<b>Net Expenditure</b>	<b>(828,800)</b>	<b>(847,558)</b>	<b>(18,758)</b>
<b>Net (Surplus)/Deficit</b>	<b>(460,800)</b>	<b>(462,414)</b>	<b>(1,614)</b>
<b>Cost of Capital Investment</b>	<b>465,800</b>	<b>465,773</b>	<b>(27)</b>
<b>Net Outturn Position</b>	<b>5,000</b>	<b>3,359</b>	<b>(1,641)</b>
<b>Underlying Finance Position (excluding prior year adjustments) – See paragraph 8</b>	<b>5,000</b>	<b>(124,419)</b>	<b>(129,419)</b>

## **AIRSIDE ACTIVITIES**

6. The Airside Activities budget comprises airport operations and airside estate. The net expenditure for the financial year 2022/23 for Airside Activities is a deficit of £385,144 against a budget of £368,000.
7. Income was higher than the budget largely due to increased landing fee income of £55,000 and expenditure lower than budget due to reductions on supplies and services.
8. This financial year we corrected some accrued income as we no longer expect to receive reimbursement for these costs. These were insurance recharges and service charges amounting to £127,778.
9. The pricing strategy for aviation fuel sales achieved a surplus of £108,942 after commissions were paid.
10. S106 developer contributions totalling £103,091 was used to further develop the business resource for the Solent Enterprise Zone and towards the maintenance of open space across the estate.

## **NON-AIRSIDE ACTIVITIES**

11. The Non-Airside Activities budget covers Faraday Business Park and Fareham Innovation Centre. The net expenditure for the financial year 2022/23 is a surplus of £847,558 against a budget of £828,800. Fareham Innovation Centre achieved a contribution of £212,970 and Faraday Business Park £634,588.
12. The outturn position for Faraday Business Park was £38,812 lower than had originally been forecast. This was mainly due to the costs of the new electrical supply to the site, marketing costs for the units and the external audit of service charge fees.
13. Additional income of £137,764 was achieved compared to the budget due to the new leases granted for the speculative units at Faraday.
14. Service charge income was lower than the budget due to lower expected costs. We expect to recover approximately 20% of the eligible costs associated with service costs.

## **COMMUNITY FACILITIES**

15. Community spaces (such as play areas, Daedalus Common, Gate Guardian) are managed as part of the relevant service portfolio, such as Community or Streetscene and do not fall within the remit of the Daedalus Financial Strategy.

## DAEDALUS FINANCIAL STRATEGY

16. In March 2022, the Council adopted a new strategic approach to financing its Vision at Daedalus: the Daedalus Financial Strategy. The overarching principle of the Strategy is that the Council's interest in the whole Daedalus site should make a sustained positive contribution to the Council's overall financial position. As a minimum, the revenue costs associated with operating and investing in Daedalus should be cost neutral to council taxpayers.
17. A number of guiding principles were applied to the strategy:
- While there may be variations from year to year, Daedalus should be financially self-sustaining in both capital and revenue terms over the long term. This will ensure that activities at Daedalus (other than community facilities) are not a financial burden on the General Fund and council tax.
  - Applying the "user pays" principle, the cost of airside operations should be recouped through airside fees and charges, as far as reasonably possible. It is, however, recognised that the airside activities are likely to require some ongoing financial support from non-airside activities.
  - Non-airside activities are recognised as a corporate investment asset and should therefore generate a return for the General Fund as well as sufficient income to offset any ongoing airside deficit.
18. The 2022/23 outturn has demonstrated the following outcomes against the principles of the Financial Strategy:

<b>Strategic Principle</b>	<b>2022/23 Outcome</b>
The Daedalus site should make a sustained positive contribution to the Council's overall financial position	The site made an operational surplus of £462,414 before the cost of capital investment. This includes an adjustment for prior years accrued income totaling £127,778.
The revenue costs associated with operating and investing in Daedalus should be cost neutral to council taxpayers	The overall small deficit of £3,359 is not a significant cost to council taxpayers.
Daedalus should be financially self-sustaining in both capital and revenue terms over the long term	Excluding prior year adjustments, the overall contribution was £131,137.
The cost of airside operations should be recouped through airside fees and charges, as far as reasonably possible	The net cost of airside activities was £385,144.
Non-airside activities should generate a return for the General Fund as well as sufficient income to offset any ongoing	Non-airside activities generated a return of £847,558 to offset against the running costs of airside activities and the cost of

airside deficit	capital investment.
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## **RISK ASSESSMENT**

19. There are no significant risk considerations in relation to this report.

## **CONCLUSION**

20. The Council's investment in Daedalus in 2022/23 achieved the objectives of the Daedalus Financial Strategy and did not negatively impact the General Fund.

**Appendices:** A: [Detailed Outturn Position](#)

**Background papers:** None

**Reference papers:** [Daedalus Financial Strategy Report](#), Executive, 7 March 2022

## **Enquiries:**

For further information on this report please contact Caroline Hancock (Ext 4589)