

# FAREHAM

BOROUGH COUNCIL

## AGENDA

### DAEDALUS SCRUTINY PANEL

**Date:** Tuesday, 1 March 2022

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor S Dugan (Chairman)

Councillor Mrs P Hayre (Vice-Chairman)

Councillors Mrs S M Bayford

Miss J Bull

M J Ford, JP

J S Forrest

Mrs K Mandry

Co-Opted  
Members: Mr J Butts

**Deputies:** R H Price, JP  
N J Walker



**1. Apologies for Absence**

**2. Minutes (Pages 5 - 8)**

To confirm as a correct record the Minutes of the Daedalus Scrutiny Panel meeting held on 30 November 2021.

**3. Chairman's Announcements**

**4. Declarations of Interest and Disclosures of Advice or Direction**

To receive any declarations of interest from Members in accordance with the Standing Orders and the Council's Code of Conduct and disclosures of advice or directions received from Group Leaders or Political Groups, in accordance with the Council's Constitution.

**5. Deputations**

To receive any deputations of which notice has been lodged.

**6. Airport Operator (RCA) Presentation (Pages 9 - 10)**

To receive a presentation by the Airport Operator (RCA).

**7. Daedalus Finance Strategy (Pages 11 - 24)**

To consider a report by the Deputy Chief Executive Officer on the Daedalus Finance Strategy.

**8. Exclusion of Public and Press**

To consider whether it is in the public interest to exclude the public and representatives of the press for this item on the grounds that, the matter to be dealt with under item 9 of the agenda involves the likely disclosure of exempt information as defined in Paragraph 3 Part 1 of Schedule 12A of the Local Government Act.

**9. Investment Programme for Solent Airport, Daedalus (Pages 25 - 104)**

To consider a report by the Director of Planning and Regeneration on the Investment Programme for Solent Airport, Daedalus.

**10. Executive Business (Pages 105 - 106)**

To consider any items of business dealt with by the Executive that falls under the remit of the Daedalus Scrutiny Panel. This will include any decisions taken by Individuals Members.

**(1) Option Agreement - Plot DE05-06, Faraday Business Park (Pages 107 - 108)**

**(2) Delivery of Daedalus Vision and Outline Strategy - Environmental Mitigation Proposals (Pages 109 - 110)**

## 11. Scrutiny Priorities

To provide an opportunity for Members to consider the scrutiny priorities for the Daedalus Scrutiny Panel.



P GRIMWOOD  
Chief Executive Officer  
Civic Offices  
[www.fareham.gov.uk](http://www.fareham.gov.uk)  
21 February 2022

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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Daedalus Scrutiny Panel (to be confirmed at the next meeting)

**Date:** Tuesday, 30 November 2021

**Venue:** Collingwood Room - Civic Offices

**PRESENT:**

**Councillor** S Dugan (Chairman)

**Councillor** Mrs P Hayre (Vice-Chairman)

**Councillors:** Mrs S M Bayford, Miss J Bull, M J Ford, JP, J S Forrest,  
Mrs K Mandry and Butts

**Also Present:** Councillor T M Cartwright, MBE (Item 9) and Councillor  
S D T Woodward (Item 9)



**1. APOLOGIES FOR ABSENCE**

There were no apologies of absence.

**2. MINUTES**

RESOLVED that the minutes of the Daedalus Scrutiny Panel meeting held on 20 October 2021 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements made at this meeting.

**4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTION**

There were no declarations of interest made at this meeting.

**5. DEPUTATIONS**

There were no deputations made at this meeting.

**6. EXECUTIVE BUSINESS**

There were no items of Executive Business to consider at this meeting.

**7. SCRUTINY PRIORITIES**

The Director of Planning and Regeneration addressed the Panel on this item and invited members to forward any suggestions of items that they would like to scrutinise at a future meeting.

The Chairman requested that the Panel receive an update on the tenants that are currently on the site, which buildings they are in and the nature of the tenancies. The Director of Planning and Regeneration confirmed that this could be brought to a future Panel meeting.

**8. EXCLUSION OF PUBLIC AND PRESS**

RESOLVED that the public and representatives of the press be excluded from the remainder of the meeting on the grounds that the matters to be dealt with involve the likely disclosure of exempt information, as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**9. DELIVERY OF DAEDALUS VISION AND OUTLINE STRATEGY - ENVIRONMENTAL MITIGATION PROPOSALS**

The Panel considered a report by the Director of Planning and Regeneration on the Delivery of Daedalus Vision and Outline Strategy – Environmental Mitigation Proposals, which will be considered by the Executive at its meeting on 7 December 2021.

At the invitation of the Chairman, Councillor T M Cartwright, Executive Member for Health and Public Protection addressed the Panel on this item.

At the invitation of the Chairman, Councillor S D T Woodward, Executive Member for Policy and Resources addressed the Panel on this item.

RESOLVED that the Panel recommends the Executive endorses the recommendations, as set out in page 12 of the agenda, when it considers this item at its meeting on 7 December 2021.

(The meeting started at 6.00 pm  
and ended at 7.29 pm).



# FAREHAM

## BOROUGH COUNCIL

### **Presentation to Daedalus Scrutiny Panel**

**Date:** 1 March 2022

**Report of:** Director of Planning and Regeneration

**Subject:** AIRPORT OPERATOR (RCA) PRESENTATION

#### **SUMMARY**

To receive a presentation from Marshall Barrant, Projects Director; Martyn Francis, Airport Manager; and Cathy Hicks, Stakeholder Manager from Regional and City Airports Ltd on the operation of Solent Airport.

#### **RECOMMENDATION**

Members are now invited to note the contents of the presentation.



# FAREHAM

## BOROUGH COUNCIL

### Report to Daedalus Scrutiny Panel

**Date**                    **1 March 2022**

**Report of:**            **Director of Planning and Regeneration**

**Subject:**              **DAEDALUS FINANCIAL STRATEGY**

#### **SUMMARY**

The Daedalus Scrutiny Panel is asked to consider and review the Executive's consideration of the draft Daedalus Financial Strategy which, if approved, will be embedded in the Council's Medium Term Financial Strategy. The Strategy will also be considered and reviewed at the Policy and Scrutiny Panel meeting on 3 March 2022.

The Deputy Chief Executive Officer will refer any proposals or comments of the Panel to the Executive meeting on 7 March 2022.

#### **RECOMMENDATION**

That any proposals or comments of the Panel be referred to the Executive at its meeting on 7 March 2022.



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 07 March 2022

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Daedalus Financial Strategy</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A Dynamic, Prudent and Progressive Council

**Purpose:** To establish a financial framework for the operation and investment at Solent Airport and the wider Daedalus site, in support of the Council's Vision for Daedalus.

#### **Executive summary:**

The Council has an adopted vision and strategy for Daedalus, which not only sets the ambitions for Solent Airport, but also for unlocking the potential of the airfield's land and infrastructure assets for new commercial development. With the scale of investment required to deliver the Vision, a set of financial principles have been developed to assist with investment decisions and operational cost management.

A draft financial strategy has been prepared, (set out in Appendix A), and has been modelled over the medium term to assess the revenue and capital implications.

The forecasts indicate that operational activities at Daedalus have the ability of being financially sustainable in the longer term and providing a return to the General Fund for the investment made in the site.

Equally, it is anticipated that there are sufficient capital resources to support the proposed investment plan at Daedalus, although in the short term there will need to be some careful consideration of the implications of reinvesting capital resources in Daedalus for the operating position.

#### **Recommendations:**

It is recommended that the Executive:

1. Approves the draft Daedalus Financial Strategy, as set out in Appendix A;
2. Incorporates the strategy into the Council's Medium Term Financial Strategy at its next review.

**Reason:**

To ensure that the operations at Daedalus are financial sustainable, and that investment proposals are affordable.

**Cost of proposals:**

None.

**Appendices:**                    **A: Draft Daedalus Financial Strategy**

**Background papers:** File of Working Papers

**Reference papers:**    n/a

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	07 March 2022
<b>Subject:</b>	Daedalus Financial Strategy
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. In March 2015, Fareham Borough Council acquired the Daedalus site. A Vision and Strategy for its regeneration was developed in the same year and this was further updated in 2018. The Vision is comprehensive and extends across the whole 369-acre site, incorporating not only the airport itself but also unlocking the potential of the airfield's land and infrastructure assets for new commercial development, providing clusters for aviation and non-aviation employment and skills, training and innovation activity areas alongside the Council's partners in the Solent Enterprise Zone. Specifically, the objective for the airfield was to attract more corporate and commercial aviation activities and to be financially self-sustaining.
2. Given the scale and ambition of the vision for Daedalus and Solent Airport, a set of financial principles have been developed to assist with investment decisions and cost management at the site.
3. This report sets out the draft financial strategy for Daedalus which, if approved, will be embedded in the Council's Medium Term Financial Strategy.

#### DAEDALUS FINANCIAL POSITION

4. The Council recognised that Daedalus is a very significant site, which presents great opportunities to deliver jobs, economic and skills growth, and public amenities, within the borough. To achieve this vision, a significant level of capital investment is required, and good progress has already been made in this regard, with Council-led developments totalling nearly £28m, including
  - Fareham Innovation Centre,
  - Runway improvements,
  - Business and General Aviation Hangars
  - Commercial Units at Faraday Business Park

5. Provision of site-wide infrastructure (roads, utilities, etc) has also enabled numerous third-party developments, including three education facilities, IFA2 and 3 new business units.
6. The Vision for Daedalus set an ambitious objective to achieve a self-sustaining financial position at Daedalus and, prior to the COVID pandemic, good progress was made towards achieving this goal. Like all services, the pandemic impacted on the financial performance at Daedalus, but by working with businesses throughout the pandemic period, the longer-term financial interests were protected with only one tenant ceasing to trade in that time.
7. The table, below, sets out the forecast financial position at Daedalus for the current year, together with the approved budget for 2022/23.

£'s	Forecast position 2021/22	Budget 2022/23
<b>Airside Activities</b>		
- Income (incl. service charges recovered)	(1,070,420)	(1,208,480)
- Expenditure	1,394,750	1,500,190
<b>NET Expenditure</b>	<b>324,330</b>	<b>291,710</b>
<b>Non-Airside Activities</b>		
- Income (incl. service charges recovered)	(948,640)	(734,180)
- Expenditure	477,280	601,550
<b>NET Income</b>	<b>(471,360)</b>	<b>(132,630)</b>
<b>OVERALL POSITION (inc)/exp</b>	<b>(147,030)</b>	<b>159,080</b>

8. As can be seen, the current financial year indicates a small surplus being achieved, largely reflecting receipt of rental income for the duration of the IFA2 development. While the 2022/23 budget indicates a small in-year deficit, this assumes that the Council will dispose of at least one income-generating asset in the year. As a result, while service income reduces, the resulting capital receipt would be available for new capital investment, or for investing in treasury funds to generate a long-term interest stream.

### **DAEDALUS FINANCIAL STRATEGY**

9. The wide range of opportunities, and risks, associated with Daedalus mean that the financial performance could generate a significant financial benefit to the Council, and could equally create a revenue or capital burden on the Council's financial resources.
10. In developing the financial strategy for Daedalus, the following guiding principles have been applied:-
  - a) The Council will recognise the three distinct elements of Daedalus in shaping the strategy; these being the Airside activities, Business Park activities, and Community facilities.
  - b) 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.

- c) 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.
- d) 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
- e) Capital investments in Daedalus infrastructure/facilities should be funded from available capital resources generated from the Daedalus site.
- f) Prudential borrowing could be available to finance commercial property investments at Daedalus, where they meet the appropriate criteria.
- g) All capital expenditure will be subject to a robust business case and risk assessment.

11. These principles have been used to develop the draft Financial Strategy, set out in Appendix A. The aim of the strategy is to provide a financial framework within which decisions can be made to enable the necessary investment in the strategic site while protecting the overall financial position of the Council

## FINANCIAL IMPLICATIONS

12. The strategy principles have been applied to the current and future operations at Daedalus to assess whether a longer-term sustainable position can be achieved. The results are set out in the table below.

£000's	Budget 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
<b>Airside Activities</b>				
- Income (incl. service charges recovered)	(1,208)	(1,263)	(1,315)	(1,369)
- Expenditure	1,500	1,512	1,524	1,538
<b>NET Expenditure</b>	<b>292</b>	<b>249</b>	<b>209</b>	<b>169</b>
<b>Non-Airside Activities</b>				
- Income (incl. service charges recovered)	(734)	(878)	(860)	(860)
- Expenditure	601	529	541	553
<b>NET Income</b>	<b>(133)</b>	<b>(349)</b>	<b>(319)</b>	<b>(308)</b>
<b>OVERALL POSITION (inc)/exp</b>	<b>159</b>	<b>(100)</b>	<b>(110)</b>	<b>(139)</b>
<i>Note: Investment interest growth due to plot/asset sales</i>	<b>+(87)</b>	<b>+(113)</b>	<b>+(113)</b>	<b>+(113)</b>

13. The forecast takes account of assumed site development, growth in usage of the facilities, as well as assumed plot and building sales. It also assumes a steady increase to full occupation of commercial property over the strategy period.

14. As previously noted, the forecast also takes account of an assumed building sale in 2022/23, which results in a short-term reduction in income (thus producing a small net deficit in year). This will be mitigated in part through retaining the balance of Daedalus capital receipts and investing them in longer term treasury funds, to increase the Council's investment income.
15. This forecast demonstrates that the site as a whole is affordable and has the ability to generate sufficient resources to support the ongoing operations and maintenance as well as a reasonable prospect of achieving a return on investment in the longer term.
16. Separate modelling has been undertaken to assess the availability of capital resources to support continued investment to deliver the vision for Daedalus. Capital forecasting is inherently more challenging as assumptions are made in relation to plot and property sales, which are heavily influenced by market pressures and demands. It also takes account of the potential to recover costs in part through service charge arrangements, which reduces the demand on the Council's resources but conversely impacts on tenants' total occupation costs where charges are levied.

<b>SUMMARY CAPITAL POSITION</b> £000	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Forecast Capital Resources available	6,277	847	4,921	1,424	1,124
Daedalus Investment Programme	-1,300	-2,600	-1,000	-200	-1,000
Shortfall (-) / Surplus (+) Capital resources	4,977	-1,753	3,921	1,224	124
<i>Cumulative shortfall (-) / surplus (+)</i>	<i>4,977</i>	<i>3,224</i>	<i>7,145</i>	<i>8,369</i>	<i>8,493</i>
Revenue Shortfall to be Funded (prior to investment interest growth)	-272	-272	-272	-272	-272

17. An important point to note from the capital forecasting is the interplay between capital and revenue resources. Typically, the forecast capital receipts are achieved from the sale of income generating assets, and therefore each sale has the effect of reducing revenue income. This can be partly offset by placing the receipt in treasury funds to generate interest and mitigate the impact, but this would limit the ability of the Council to deliver its investment plan for the site.
18. Careful consideration will therefore be required when assessing asset and plot sales, to ensure that the decision does not create an unaffordable revenue pressure, or equally does not undermine the ability to fund future capital investment plans.
19. Forecast indicates enough resources to fund the investment plan in the longer term, but this would leave insufficient balance for treasury investments. If the revenue position were protected, then the investment plan would need to be deferred, or alternative revenue/capital source found in the short term.

## **CONCLUSION**

20. The Council has set an ambitious vision for Daedalus, and the extensive financial modelling undertaken has demonstrated that the site has the ability to achieve a financially sustainable position in revenue terms. It is also clear that there are sufficient capital resources in the longer term to finance the capital investment plans at Daedalus, although this is heavily affected by market sentiment and demand for plots and units at Daedalus.

21. The short-term forecast indicates that there is a competing pressure between protecting the revenue position and providing enough capital resources to fund the proposed investment plan. Decisions will therefore need to prioritise these issues or identify alternative sources of income (capital or revenue), to achieve all element in the desired timeframe.

**Enquiries:**

For further information on this report please contact Caroline Hancock, Finance Manager.  
(Ext 4589)

# Daedalus Financial Strategy

## Purpose

The purpose of this document is to set out a framework that will determine the Council's approach to managing the financial implications of its interest in the Daedalus site, reflecting the ongoing revenue position and capital investment requirements both on the airside and non-airside areas.

## Overarching Strategy

The overarching principle 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.

## **AIRSIDE ACTIVITIES**

### Airport Operations

It is recognised that airport operations will always run at a deficit. However, the cost of operating the airport will be offset in the following ways:-

- Fees and charges for airport users, set at a level which reflects the aviation market, and are commensurate with the facilities available and location of the airfield on the South coast;
- Service charges for airport tenants;
- Net rents from airside properties.

Any residual cost of airport operations, including ad-hoc repairs and maintenance, will be funded net income from non-airside activities.

### Airside commercial property

Rents derived from airside property will be set at market levels, commensurate with the standard and quality of the buildings.

- The first priority for rental income will be to repay the Council's cost of financing the capital investment in the airport (including the financing of the hangars/buildings).
- The second priority for rental income will be to offset any operating costs incurred by the Council that cannot be recovered through service charges, including any "ownership" costs of the airport (such as hangar marketing costs).
- The balance of airside property rents will be available to finance the cost of repairs, maintenance and new airside infrastructure investment.
- Once sufficient contribution to airside operating and investment plans, the balance of revenue will be treated as a corporate income source, like all other commercial property.

Airside tenants will pay an airside service charge, that will seek to recover full airport estate costs, and will be calculated in line with professionally recognised service charge protocols. This will also provide for contributions to a Sinking Fund where that it deemed appropriate.

### Investment in Airside Infrastructure

The following principles will apply when considering investment in new airside property and infrastructure.

- *Airside property:* Supported by a full business case, investment proposals must be affordable, provide a return on investment within acceptable timeframes (e.g. not more than 50% of the assets useful life) and align with the Council's "cautious" risk appetite to commercial property.
- *Airside Infrastructure:* Also supported by a full business case, all proposals will clearly articulate the initial cost of the investment, the impact on operating costs and the potential to generate further revenue.
- Where airside investment is funded by prudential debt finance, then it must be fully self-sustaining (i.e. through new revenue generation or through airside property rental surpluses) and will be limited to the capitalised value of forecast net airside surpluses.
- The Council may consider using capital receipts to invest in airside infrastructure, but the extent of this will be limited to the value of capital receipts generated at the Daedalus site. Use of capital receipts for such projects will be considered alongside other corporate capital priority schemes in other services (such as community and leisure facilities) when the annual capital programme is approved.

## **NON-AIRSIDE BUSINESS PARKS AND FACILITIES**

### Non-airside activities

Beyond Solent Airport, the Daedalus site includes business parks, education and innovation space, community space and the associated infrastructure.

### Community uses

Community spaces (such as play areas, Daedalus Common, Gate Guardian, etc) will be managed as part of the relevant portfolio, such as Community, or Streetscene. As such they do not fall within the remit of the Daedalus Financial Strategy.

### Investment in non-Airside Property and Infrastructure

The general principle is that investment in non-airside commercial property is treated in the same way as FBC's wider commercial property portfolio. This means that net rents generated from non-airside property will reside within the General Fund Commercial Estates Service.

- Rents derived from commercial property will be set at market levels, commensurate with the standard and quality of the buildings.
- Rental income will be used to cover the Council's full cost of financing the capital investment in the non-airside estate, and will also offset any operating costs incurred

by the Council that cannot be recovered through service charges, including any “ownership” costs of the airport (such as commercial property marketing costs).

- Non-airside property rents will not be ring-fenced for reinvestment in the Daedalus site.
- Supported by a full business case, new property investment proposals must be affordable, provide a positive return on investment within acceptable timeframes and must align with the Council’s “cautious” risk appetite to commercial property. (For example, rental property may need to achieve a payback period of not more than 50% of the assets useful life).
- Also supported by a full business case, infrastructure investment proposals will clearly articulate the initial cost of the investment, the impact on operating costs and the potential to generate further revenue.
- Council-led development will only be considered where there is clear, evidenced, demand in the market, and the approach to letting or disposal of units will be driven by market conditions in order to minimise the Council’s risk profile.

### Disposal of land and property interests in the business parks

There will be circumstances where the Council decides to dispose of parcels of land, or particular properties, at Daedalus. When this is considered appropriate, disposal will be treated in the same way as all other council-owned property interests.

- Land and property disposals at Daedalus will be at prevailing market rates.
- Capital receipts derived from the disposal will be recognised as a corporate capital resource, available to finance all aspect of the corporate capital programme and will not be ring-fenced for any specific site or purpose.
- New capital investment in Daedalus may draw from capital receipts but will be evaluated alongside other corporate projects in the General Fund when the Council approves the capital programme annually.

## **THE CORPORATE PICTURE**

### Treasury Management

The Council’s capacity to borrow money to finance new development is finite, and this is approved each year within the Treasury Management Strategy. Consequently, an overview of borrowing capacity is maintained, to ensure that the Council does not breach its borrowing limits and its debt-financing capacity is appropriately reflects the demands from all portfolio services (such as leisure services, housing, etc)

So, notwithstanding the viability of any proposal at Daedalus, it is recognised that the corporate borrowing capacity may constrain the Council’s ability to invest further in new developments at Daedalus.

### Reporting

Monitoring and reporting the financial performance at Daedalus will reflect the principles within this strategy, recognising the Airport cluster, (non-airside) business park cluster and the overall performance across the site.

Financial monitoring will also recognise the obligations of the Council, in relation to the original acquisition agreement with the Homes and Communities Agency at the time. This includes overage obligations if financial performance exceeds pre-determined levels.

#### Strategy Review

Daedalus is a key Council-owned site, and the scale of investment there is significant. This strategy will therefore form a key pillar to the Council-wide Medium-Term Finance Strategy, and Capital Strategy, and as such will be kept under periodic review. This may lead to a greater focus on generating capital resources, or alternatively revenue income, depending on the needs of the Council.



# FAREHAM

## BOROUGH COUNCIL

### **Report to Daedalus Scrutiny Panel**

**Date**                    **1 March 2022**

**Report of:**           **Director of Planning and Regeneration**

**Subject:**              **Investment Programme for Solent Airport, Daedalus**

#### **SUMMARY**

The Daedalus Scrutiny Panel is asked to consider and review the Executive's consideration of the proposed Investment Programme for Solent Airport at Daedalus, which is required to continue to deliver the Council's Daedalus Vision and Outline Strategy. The Director of Planning and Regeneration will refer any proposals or comments of the Panel to the Executive meeting on 7 March 2022.

#### **RECOMMENDATION**

That any proposals or comments of the Panel be referred to the Executive at its meeting on 7 March 2022.



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 07 March 2022

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Investment Programme for Solent Airport, Daedalus</b>
<b>Report of:</b>	Director of Planning and Regeneration
<b>Corporate Priorities:</b>	Maintain and extend prosperity

**Purpose:**

To agree a programme of investment at Solent Airport, Daedalus to undertake essential maintenance and to extend the services that the airport offers to its customers.

**Executive summary:**

Investment is required in the Council's assets at Solent Airport, Daedalus to enable its continued safe operation and to continue to deliver the Council's Vision to develop a vibrant and sustainable airfield. The proposed programme of investment in hangarage, taxiways, aircraft parking, navigation aids and fuelling facilities will provide facilities and services that will support existing airside activities and improve the airport's competitive position by removing some of the identified operational capacity constraints.

**Recommendations:**

It is recommended that the Executive agrees that:

- (a) the Interim Managed Hangarage Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme in 2022/23 to provide a short-term solution to the provision of managed hangarage at Solent Airport;
- (b) the Economic Hangars Scheme previously approved by Executive be removed from the Capital Programme and a plan for replacement new managed hangarage be developed by 2025;
- (c) the Taxiway Improvement Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme in 2023/24 to ensure the continued safe operation of the airport;
- (d) the Aircraft Parking Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme to provide hard-standing aircraft parking on the grass area north of the Control Tower;
- (e) the Aeronautical Ground Lighting and a Performance-based Navigation System Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme in 2023/24 to extend the airport's use during periods of poor visibility and darkness;
- (f) the provision of self-fuelling facilities, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme in 2022/23 to provide a more convenient service for fuelling aircraft;
- (g) the provision of a Grounds Maintenance facility, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme in 2022/23; and
- (h) the Director of Planning and Regeneration, following consultation with the Executive Member for Policy & Resources, be delegated authority to award contracts for each of the above Schemes.

**Reason:**

Investment is required both to ensure the continued safe operation of the airport and to maintain and grow the airport's competitive position by removing some of the identified operational capacity constraints.

**Cost of proposals:**

The total cost of the recommended Airport Investment Programme is estimated at £4.69M, the details of which are outlined in the Confidential Appendix A attached to this report.

**Appendices:****A: CONFIDENTIAL** Solent Airport Investment Programme

**B: CONFIDENTIAL** Solent Airport Strategic Review  
Report 1 – Market Outlook and Economic Impact of COVID-19  
Airport Development Advisory Fund, March 2021

**C: CONFIDENTIAL** Solent Airport Strategic Review  
Report 2 – Investment Plan  
Egis, July 2021

**Background papers:** None

**Reference papers:** None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	07 March 2022
<b>Subject:</b>	Investment Programme for Solent Airport, Daedalus
<b>Briefing by:</b>	Director of Planning and Regeneration
<b>Portfolio:</b>	Maintain and extend prosperity

#### INTRODUCTION

1. Daedalus airfield was decommissioned in 1996 and fell into disrepair until it was acquired by the public sector a decade later. The airfield was mainly used for general aviation purposes without an aerodrome licence and comprised principal and secondary runways, taxiways, aprons and buildings, including an Air Traffic Control tower and several hangars. In the early 2010s, most of the buildings had reached the end of their useful life.
2. In Autumn 2014, £1.5M of runway improvements and other taxiway improvement works were carried out and, as a result, the airfield successfully secured an Aerodrome Licence from the Civil Aviation Authority and obtained Border Force approval for overseas flights to/from the EU, Isle of Man and Channel Islands.
3. In March 2015, Fareham Borough Council acquired the site and developed a Vision and Strategy for its regeneration, which was further updated in 2018. The Vision is comprehensive and extends across the whole 369-acre site, incorporating not only the airport itself but also unlocking the potential of the airfield's land and infrastructure assets for new commercial development, providing clusters for aviation and non-aviation employment and skills, training and innovation activity areas alongside the Council's partners in the Solent Enterprise Zone. Specifically, the objective for the airfield was to attract more corporate and commercial aviation activities and to be financially self-sustaining.
4. Today, Solent Airport supports a range of aviation activities including private fixed-wing flying, flying schools, helicopter movements as well as aircraft manufacture, aircraft maintenance and other employment activities that require airside facilities. HM Maritime and Coastguard Agency also operates its Search and Rescue helicopter service (SAR) from the airfield. Regional & City Airports Limited (RCA) is the Airport Operator.

#### INVESTMENT IN SOLENT AIRPORT

5. A high-level capital expenditure plan was identified in 2015 to support the priorities identified in the Council's Vision. As such, nearly £28M has been spent on the whole Daedalus site since 2015. At Solent Airport itself, around £11M has been invested since

2015 in runway resurfacing, the development of the airfield fuel farm, the development of six new business hangars and five new general aviation hangars, the refurbishment of the ground floor of the Control Tower, the development of an airport café and viewing area and security improvements.

6. In 2021, the Council commissioned expert advisors to support a strategic review of the Council’s activities at Solent Airport, specifically on the impact of the UK’s COVID-19 response on the aviation market and on the level of investment required at the airport to maintain and extend its service offer. Both reports are attached to this report as confidential appendices.
7. In summary, the consultants’ advice is that Solent Airport should focus on improving its General Aviation offer and that investment is required both to ensure the continued safe operation of the airport and to maintain and grow the airport’s competitive position by removing some of the identified operational capacity constraints. This investment will help secure the current airport activity and increase revenues, making the airport more sustainable. Without investment, the airport may struggle to remain operational.
8. During consultation undertaken by the consultants, several current tenants and users of the airport expressed a wish to remain at Solent in the long term, also noting that their own planned investments in the site were contingent upon an assurance that the airport would remain a viable operating airport in the long term. Without investment by the Council in the airport itself, there is a risk that current aviation tenants will leave Solent, relocating to alternative airports with greater operational capabilities and that potential users will elect to locate elsewhere.
9. As a result, a £4.69M programme of investment in the airport is proposed and outlined as follows:

<b>Airport Investment Programme</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Managed Hangarage	105,000			
Taxiway Maintenance		2,700,000		
Aircraft parking	200,000			200,000
AGL/PBN	1,300,000			
Self-Fuelling Facility	25,000			
Grounds Maintenance Facility	160,000			
<b>Total</b>	<b>1,790,000</b>	<b>2,700,000</b>		<b>200,000</b>

10. The estimated costs above have been reached through extensive dialogue between the consultants, Egis, the Council’s Airport Operator, RCA, and Council officers, supported by soft-market testing. The estimates include sums for fees, preliminary works and contingency and do not reflect the expected tender prices. Actual costs will be refined as each project progresses through the contract tendering stage.

### **Managed Hangarage**

11. There is strong demand for managed hangarage at Solent Airport. Around 24 aircraft are in managed hangarage and there is typically a waiting list, particularly in the summer months. Managed hangarage is currently offered in Q, T, P and U on Swordfish (all old hangars) and the General Aviation Hangars 15 and 16 are in use as temporary managed hangarage.

12. The old aircraft hangars on the airfield are in very poor condition and are reaching the end of their useful life, with the exception of Bellman 1 that has been made safe by its tenant. Bellman 4 is currently not in useable condition. The ultimate fate of the old hangars including Bellman 4 is yet to be decided and, because they are located on the site identified for Swordfish Business Park, the Council has been reluctant to invest public funds in these buildings when they may be demolished. However, it is clear that the demand for managed hangarage must be satisfied, both for the important revenue stream to the Council and to support the airport's general aviation offer.
13. There are no other options for managed hangarage until a new scheme is developed. The Economic Hangars scheme, approved by the Executive in January 2020, which is a terrace of three hangars and a single hangar, to be located in the south-east of the site has paused, firstly because tendered costs were in excess of £1M against an agreed capital budget of £600K, and secondly because three of the four proposed hangars required a bird mitigation solution. Planning permission for one lightweight aircraft hangar was granted in April 2021 and expires after three years. While a bird mitigation solution could now be offered for the remaining hangars, the work on the strategic review of the airport has highlighted that a different location for new managed hangarage might be preferable.
14. Given the above considerations, it is considered more prudent at this stage to undertake essential repairs to some of the old hangars and extend their life for a further five or so years than proceed with this capital scheme.
15. The proposed medium-term strategy for managed hangarage is to:
  - Maintain space for at least 24 existing aircraft in managed hangarage on the site identified for Swordfish Business Park in the short term, returning GA hangars 15 and 16 to tenanted use
  - Develop a new plan for replacement new managed hangarage that allows for the commercial development intended on Swordfish Business Park
  - Increase managed hangarage where there is a business case
16. The existing hangars in use on Swordfish are not big enough to meet the demand for managed hangarage alone, accommodating 15 aircraft in total currently. It is recommended that Bellman 4 and one of the other hangars are repaired to bring them into a safe and usable condition for an additional five or so years to meet the demand.
17. It is uneconomic to repair Hangar Q. This hangar should be demolished awaiting the Masterplan for Swordfish Business Park.
18. The capacity of each hangar can be increased by investing in an aircraft tug. It also resolves a manual handling issue for the operator. In total, 32 aircraft could be accommodated in Bellman 4 and Hangar U together using the aircraft tug. This would likely meet any additional demand for managed hangarage in the short term, without the need to repair hangars T and P. It is recommended that Hangars T and P be closed temporarily, awaiting additional demand for managed hangarage in the short term. Investing in the Tug would also provide scope to accommodate a further nine aircraft in refurbished Hangars P and T, should the demand for managed hangarage be even stronger than predicted.
19. It is evident that there is a risk that not investing in managed hangarage will result in a

reduced revenue stream and in managed hangarage customers relocating to other airports. General Aviation Units 15 and 16 are more valuable to the Council as leased/tenanted units than managed hangarage and thus there is an opportunity cost to their continued use. Confidential Appendix A sets out the business case that supports this strategy and demonstrates a payback period of approximately 12 months. As such, it is recommended that this Interim Managed Hangarage Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme.

20. A new medium-term plan for replacement new managed hangarage will be developed within the next five years before the interim investment proposed in this report reaches its end of life.
21. It should be noted that the above recommendation deals solely with the continued provision of managed hangarage at the Airport. Officers will bring forward plans to increase leased and tenanted hangarage, such as that offered in the Business and General Aviation Hangars, where there is demand and a clear business case.

### **Taxiway Maintenance**

22. Investment in the taxiways is required to ensure the continued safe operation of the airport. Taxiways are an important part of any airport's infrastructure and without them an airport cannot exist. The primary driver for this investment is to ensure the longevity of the taxiways at the airport and reduce the risk of safety infringements, such as break-up of the taxiway surface with consequent Foreign Object Debris (FOD) issues.
23. Solent Airport is one of the oldest developed airfields in the UK, having originally been established as a seaplane base during the First World War and then developed as Royal Naval Air Station Lee-on-Solent (HMS Daedalus) into one of the primary shore airfields of the Fleet Air Arm. The taxiway system was hardened into asphalt and developed throughout the Second World War and into the 1950s. Thus, the original construction was high quality in order to support fast jet operations and, whilst there has been deterioration of the taxiways since the RNAS was decommissioned, the base structure of most of the taxiways is of a reasonable quality. However, when the airport was decommissioned, it became largely derelict.
24. In 2014, a comprehensive condition survey and intrusive taxiway testing was carried out. As a result, the main runway was resurfaced and some of the other taxiways were treated with slurry seal, with the rest remaining untreated. This decision was taken to reduce initial capital costs as well as avoiding wasted investment, given that the Masterplan for the Airport was still maturing.
25. There have been no significant works undertaken to the active taxiways since 2014. Consequently, they are in a generally poor condition. Without investment, it is likely that some areas of taxiway will have to be taken out of service over the next few years, which may impact on the operation of the airport.
26. The works to the main runway have a 15-year life. Slurry seal has a design life of 5-6 years and so most of the areas treated in 2014 require a further application. Investment is required as soon as possible so that vegetation removal, bituminous over-banding, slurry seal and patch repairs can be undertaken and the need for urgent, expensive repairs or complete closure of some taxiways can be avoided.
27. A costed Programme of Works to undertake safety improvements to the active taxiways has been compiled by FBC Property Services, based on a Schedule of Works agreed

with RCA following the 2021 Taxiway Inspection and subsequent joint inspections. The estimate is based on a number of sources of information: quantity surveyor estimates, quotations received from contractors for reactive works and recent costs of similar works at Bournemouth Airport. It is the best estimation of the likely cost with the knowledge available at the time of preparation. Final figures will be influenced significantly by global oil and energy costs at the time tenders are submitted.

28. All the works identified and costed are required without delay. The contract award process for this work will take around 9-12 months and some materials can only be laid in the spring and summer months. Thus, much of the capital spend will likely be from Spring 2023 onwards and a single tender will encompass all the works, spread over a period of 18 months or so. In view of this, further work is required around the likely extent of deterioration in the intervening period and its acceptability, to determine whether it is necessary to accelerate any works in advance of the main contract being let.
29. It should be noted that the Egis report on the Airport Investment Plan in 2021, attached as Confidential Appendix C, recommended that changes to the taxiway infrastructure at Solent Airport be considered, specifically that a new link between taxiways Foxtrot and Echo be constructed. The potential for taxiway reconfiguration, which would also consider the future of Taxiway Bravo in the context of the proposed Swordfish Business Park, will be assessed in due course; however general and extensive repairs are required now and cannot wait for this scoping work to be completed.
30. This programme of taxiway improvements is required to ensure the continued safe operation of the airport and there is no additional revenue stream which can be achieved as a result of this investment. As such, there is no conventional business case to support the recommendation. However, without investment at this scale, it is evident that some areas of taxiway may need to be taken out of service over the next few years, which may impact on the operation of the airport and on the Council's income from airside activities and property. Confidential Appendix A sets out the implications should this work not be undertaken. It is recommended that this Taxiway Improvement Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme.

### **Aircraft Parking**

31. The existing grass area north of the Control Tower and to the south of Taxiway Foxtrot is used for aircraft parking. It has deteriorated, despite significant maintenance, through subsidence with ruts and low spots developing. Several propellor strikes have occurred. In addition, the condition of the grass is such that only certain areas can be used during the winter months. As a minimum, work is required to replace and re-compact the earth and replace the grass.
32. However, the airport is short of aircraft parking space, particularly for visitors, and providing more year-round accessible parking would support the growth and development of the airport. The main tower apron ramp is too small to meet the need for visiting aircraft parking space and there is limited parking space on other areas of the airfield for visiting aircraft. Hardstanding space that does exist is remote from the Tower and it is difficult to service and manage visitors. Moreover, larger planes cannot use grass parking because of their weight.
33. As such, it is recommended a phased programme is introduced to provide hard standing on the grass area north of the Control Tower that can be used year-round for

aircraft parking. Confidential Appendix A sets out the business case that supports this strategy and demonstrates a payback period of 14 years. This proposal will require planning permission and will test the bird mitigation strategy agreed at the Executive meeting in December 2021.

34. It is recommended that this Aircraft Parking Scheme, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme to provide hard standing aircraft parking on the grass area north of the Control Tower in two phases in 2022/23 and 2025/26, and that the situation be reviewed after 2026 to determine whether more investment is required in future years.

### **Aeronautical Ground Lighting (AGL) and Performance-Based Navigation (PBN)**

35. The Council's Daedalus Vision and Outline Strategy has an objective to improve the infrastructure and facilities at the airfield, making it more attractive to visitors and to new business. In particular, the installation of Aeronautical Ground Lighting (AGL) to enable ground navigation of aircraft in hours of darkness or low visibility is highlighted.

36. An AGL system is a collection of ground-installed lights intended to be used as visual aids by aircraft pilots. The lights assist pilots landing during hours of darkness or in periods of low visibility. AGL supports the increase of airport movements through the attraction of more traffic during periods of low cloud, poor visibility and in darkness. An AGL system has already been assessed for the runway at Solent Airport.

37. The Airport's planning permission has a Condition to restrict not only the total number of aircraft movements at Solent Airport to 40,000 per annum, but also the hours of operation:

*"The total number of aircraft movements at the site shall not exceed 40,000 per annum. With the exception of emergency related movements associated with the Maritime and Coastguard Agency Search and Rescue service which may operate 24 hours a day there shall be a maximum of 10 aircraft movements a day after sunset, with no aircraft movements between the hours of midnight and sunrise"*

38. With AGL and PBN, operators will benefit from more flexibility to plan operations at the airport knowing that, if they run late for example, they will still be able to land. During the winter period, operations at the airport currently cease at dusk, typically 16:30. AGL will also help to grow demand from existing operators as well as being able to attract new operators, subject to the 10-movement limit per day imposed for such operations. Analysis of Aeronautical Information at all UK airfields indicates that the provision of airfield lighting is a fundamental requirement of airport operations in almost all cases where paved runways are in use.

39. The Performance-based Navigation (PBN) concept specifies that aircraft navigation system requirements be defined in terms of the accuracy, integrity, continuity and functionality required for the proposed operations (in this case as an approach aid). The concept enables similar accuracy in terms of navigational guidance without the need to invest in more expensive ground-based infrastructure such as an Instrument Based Landing approach system (ILS). It specifically enables prescribed flight paths which can be designed such that aircraft are able to follow a non-precision approach into an airport, necessary for instance in periods of low cloud or poor visibility. The prescribed paths also help when it is necessary to define routes avoiding particular areas, for instance to reduce the impact of noise disturbance on a particular local community, or avoidance of military or restricted airspace.

40. While it is possible to offer Aeronautical Ground Lighting without a Performance-Based Navigation system, the latter is relatively low cost and augments the Aeronautical Ground Lighting. These systems and procedures would increase the operational viability of the airfield and increase the usable capacity of the airport by extending the periods during which the airport can safely be used, especially outside the summer months.
41. Confidential Appendix A sets out the business case that supports this investment and demonstrates a payback period of between 6 and 24 years, based on different commercial risk and reward scenarios. While the cost of implementing an AGL system can be significant, it is considered vital for developing aeronautical operations at the airport. The implementation of such a system would also likely attract new tenants to the airport whose operations rely on this level of flexibility. This proposal will also require planning permission and will again test the bird mitigation strategy agreed at the Executive meeting in December 2021.
42. It is recommended that the installation of Aeronautical Ground Lighting and a Performance-based Navigation system, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme.

### **Self-Fuelling Facility**

43. High demand for fuel during the summer periods often results in a queue being formed because there are a limited number of fuel bowsers currently in use at the airport. Users have reported significant delays to refuelling aircraft of up to 40 minutes. This can result in a loss of fuel revenue to the airport if they choose to fuel elsewhere.
44. Self-fuelling facilities would provide airport users with the ability to self-serve fuel through the installation of pumping stations in a convenient location on the airfield. Competitor airports such as Popham and Biggin Hill already offer self-serving fuel facilities. There may also be additional advantages, based on the experience of other airports, such as increased control of late payments and a significant reduction in fuel man-hours due to fuel not needing to be delivered by trucks.
45. Confidential Appendix A sets out the business case that supports this investment and demonstrates a payback period of 4 years. It is recommended that the installation of self-fuelling facilities, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme.

### **OTHER RELATED INVESTMENT**

46. The Council's team has been providing the grounds maintenance service at the airport for several years. During this time, temporary welfare and equipment storage facilities have been provided. Once Daedalus Common returns to the Council from National Grid, who are responsible for its provision as a requirement of the planning permission for IFA2, a permanent grounds maintenance facility will be required. Again, this proposal will require planning permission and will further test the bird mitigation strategy agreed at the Executive meeting in December 2021.
47. Confidential Appendix A sets out the cost and proposed funding mechanism for the provision of this facility and it is recommended that the provision of a Grounds Maintenance facility, as outlined in the Confidential Appendix A attached to this report, be added to the Capital Programme.

## **OTHER POTENTIAL INVESTMENTS**

48. Confidential Appendix C sets out a range of other potential investments that could improve the safety, services or facilities at the airport, such as expanding the control tower visibility, taxiway reconfiguration, additional office space for training companies and a heritage facility. These, in addition to the new medium-term plan for replacement new managed hangarage, will be further considered and reported to Members in due course.

## **FINANCIAL IMPLICATIONS**

49. The Daedalus Finance Strategy sets out the framework that determines the Council's approach to managing the financial implications of its interest in the Daedalus site, reflecting the ongoing revenue position and capital investment requirements both on the airside and non-airside areas. It is anticipated that there are sufficient capital resources to source the proposed investment plan at Daedalus.
50. The current capital programme includes a site-wide investment budget for 2022/23 of £545,300, funded from the remaining Homes and Communities Agency grant received when the Daedalus site was acquired. It is proposed that the Interim Managed Hangarage, Aircraft Parking and Self-Fuelling Facility schemes for 2022/23, totalling £330,000, is funded from this budget.
51. It is anticipated that there will be sufficient Daedalus-related capital receipts to fund the Taxiway Maintenance, AGL/PBN and the Aircraft Parking scheme in 2025/26, totalling £4.2M.
52. The Grounds Maintenance facility is proposed to be funded from S106 contributions from National Grid relating to the IFA2 Planning Application.
53. There will be no significant additional revenue implications from the proposals as all the business cases have been calculated on predicted receipts net of additional costs.

## **CONCLUSION**

54. Investment is required in the Council's assets at Solent Airport, Daedalus to enable its continued safe operation and to continue to deliver the Council's Vision to develop a vibrant and sustainable airfield. The proposed programme of investment will provide facilities and services which will support existing airside activities and improve the airport's competitive position by removing some of the identified operational capacity constraints.

### **Enquiries:**

For further information on this report please contact Sarah Ward, Head of Strategic Sites (Ext 4668)



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# FAREHAM

## BOROUGH COUNCIL

### Report to Daedalus Scrutiny Panel

**Date**                    **1 March 2022**

**Report of:**            **Director of Planning and Regeneration**

**Subject:**              **EXECUTIVE BUSINESS**

#### **SUMMARY**

One of the key functions of this Scrutiny Panel is to hold the Executive Portfolio Holder and Senior Officers to Account in the delivery of the Services and the Improvement Actions Identified in the Council's Corporate Priorities and Corporate Vision.

Members are therefore invited to consider the items of business which fall under the remit of the Policy and Resources portfolio, specifically in relation to Daedalus, and have been dealt with by the Executive since the last meeting of the Panel. This includes any decision taken by Individual Executive Members.

The relevant notices for decisions taken are attached for consideration.

#### **RECOMMENDATION**

It is recommended that Members consider the items of Business discharged by the Executive and make any comments or raise any questions for clarification.



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