

FAREHAM

BOROUGH COUNCIL

AGENDA

DAEDALUS SCRUTINY PANEL

Date: Thursday, 1 September 2022

Time: 6.00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor S Dugan (Chairman)

Councillor Mrs J Needham (Vice-Chairman)

Councillors Mrs S M Bayford

M J Ford, JP

Mrs P Hayre

Mrs K Mandry

P Nother

Co-Opted
Member: J Butts

Deputies: F Birkett

D J Hamilton



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 23 June 2022.

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. 2021-22 Finance Outturn and Delivery Against Daedalus Vision and Financial Strategy (Pages 9 - 18)

To consider a report by the Deputy Chief Executive Officer on the 2021/22 Finance Outturn and Delivery against Daedalus Vision and Financial Strategy.

7. Daedalus Tenancies (Pages 19 - 22)

To consider a report by the Director of Planning and Rengeneration on Daedalus Tenancies.

8. Executive Business

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 individual Members during the same time period.

9. 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
23 August 2022

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FAREHAM

BOROUGH COUNCIL

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

Date: Thursday, 23 June 2022

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor S Dugan (Chairman)

Councillor Mrs J Needham (Vice-Chairman)

Councillors: Mrs S M Bayford, Mrs P Hayre, Mrs K Mandry and P Nother

**Co-opted
Members** Mr J Butts

**Also
Present:** Councillor S D T Woodward Executive Member for Policy and
Resources (Items 8, 10 (1) and 10 (2))



1. APOLOGIES FOR ABSENCE

An apology of absence was received from Councillor M J Ford.

2. MINUTES

RESOLVED that the minutes of the Daedalus Scrutiny Panel meeting held on 1 March 2022 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Councillor Mrs J Needham (Vice-Chairman) and Councillor P Nother to the meeting.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTION

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

5. DEPUTATIONS

There were no deputations made at this meeting.

6. PRESENTATION - INTRODUCTION TO THE DAEDALUS SCRUTINY PANEL

The Panel received a presentation from the Director of Planning and Regeneration on an Introduction to the Daedalus Scrutiny Panel (a copy of this presentation has been appended to these minutes).

The presentation gave a brief outline of the functions of the Panel and the role that Members play within the Scrutiny process.

Mr Butts commented that in respect of pre-scrutiny he felt that sometimes there was not sufficient time between the agenda publication and the meeting for Members to have been able to fully scrutinise reports prior to attending the meeting.

A discussion took place as to how members of the Panel could be better informed of upcoming decisions to allow more time for pre-scrutiny. It was agreed that under the standard item of Scrutiny Priorities on the agenda, that members would be given an update as to any known reports/decisions that may be coming forward at some point.

RESOLVED that the Panel noted the presentation.

7. NEIGHBOURHOOD IMPACT OF AIRPORT

The Committee received a verbal update and a presentation from the Head of Environmental Health on the Neighbourhood Impact of the Airport. (A copy of this presentation has been appended to these minutes).

RESOLVED that the Head of Environmental Health be thanked for this presentation and verbal report.

8. SOLENT AIRPORT OPERATION: 2021/22 ANNUAL REPORT

The Panel received a presentation from Marshall Barrand, Project Director from Regional and City Airports Ltd (RCA) on the Annual Report of the Airport performance for 2021/22.

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

Members asked questions following the presentation, however many of the queries surrounded the continuing rise in fuel costs and how this may impact on the Airport. Mr Barrand addressed the Panel to confirm that at present there has been no noticeable drop in fuel purchases, but that they will continue to monitor this.

Mr Butts enquired as to whether there was a Safeguarding Plan in place that has been prepared by RCA (as Airport Operator) and submitted to and agreed with the Local Planning Authority.

It was agreed that the situation pertaining to a Safeguarding Plan would be investigated further with RCA (as Airport Operator) and the Local Planning Authority.

RESOLVED that Marshall Barrand be thanked for his informative presentation.

9. FAREHAM INNOVATION CENTRE: 2021/2022 ANNUAL REPORT

The Panel received a presentation from Stephen Brownlie, Centre Director of Fareham Innovation Centre, from Oxford Innovation, on the performance of the Innovation Centre for 2021/22.

Members asked questions following the presentation on marketing of the apprenticeships and what work is being undertaken to ensure that businesses remain within the Borough once graduating from the Innovation Centre. Mr Brownlie addressed the Panel to confirm that the Innovation Centre works closely with the Council to try and identify sites within the Borough where these businesses can relocate to, as well as trying to utilise other office space within the Daedalus site.

RESOLVED that Stephen Brownlie be thanked for his informative presentation.

10. EXECUTIVE BUSINESS

The Panel considered the Executive items of business which fall under the remit of the Policy and Resources Portfolio, specifically in relation to Daedalus, including Executive Member decisions and Officer delegated decisions, that have all taken place since the last meeting of the Panel on 1 March 2022.

The Panel considered the decisions at items 10(1) – 10(2) of the agenda.

RESOLVED that the Daedalus Scrutiny Panel considered the following items of Business.

(1) Daedalus Finance Strategy

The Executive Member for Policy and Resources was asked if there were any major changes to this decision following the Panel's Pre-Scrutiny of this item at its meeting on 1 March 2022.

The Executive Member for Policy and Resources confirmed that there were no changes.

(2) Investment Programme for Solent Airport, Daedalus

The Executive Member for Policy and Resources was asked if there were any major changes to this decision following the Panel's Pre-Scrutiny of this item at its meeting on 1 March 2022.

The Executive Member for Policy and Resources confirmed that there were no changes.

11. SCRUTINY PRIORITIES

The Head of Strategic Sites addressed the Panel on this item and provided members with an update on some items that should be coming forward to the September and October meetings for this year.

She also invited the Panel to put forward suggestions for items that they would like to scrutinise at a future meeting.

Councillor Mrs Bayford requested a site visit to CTECH and CEMAST, as they found the previous visit to the Innovation Centre extremely useful.

Councillor Mrs Mandry requested an update on the implementation of the Aeronautical Ground Lighting scheme, and also requested a further report on the performance of the Council's Airport Operator.

(The meeting started at 6.00 pm
and ended at 7.23 pm).

FAREHAM

BOROUGH COUNCIL

Report to Daedalus Scrutiny Panel

Date 1 September 2022

Report of: Deputy Chief Executive Officer

Subject: 2021/22 FINANCE OUTTURN AND DELIVERY AGAINST
DAEDALUS VISION AND FINANCIAL STRATEGY

SUMMARY

This report sets out the Council's main achievements in 2021/22 against the objectives of the Daedalus Vision in 2021/22 and the financial outturn position against budget for 2021/22.

RECOMMENDATION

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

INTRODUCTION

1. This report considers the Council's main achievements in 2021/22 against the objectives of the Daedalus Vision and sets out the outturn position for the Daedalus budget for the financial year 2021/22.

ACHIEVEMENTS AT DAEDALUS IN 2021/22

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 2021/22 the Council:
 - Established the Daedalus Scrutiny Panel to maintain an overview of the discharge of the Council's executive functions in respect of the Daedalus site
 - Developed the Daedalus Financial Strategy to establish a financial framework for the operation of the airport and investment at the wider Daedalus site, in support of the Council's Vision for Daedalus
 - Completed and launched four speculative commercial Units 14-17 on Spitfire Way at Faraday Business Park

- Purchased land in Titchfield to provide environmental mitigation for future development at Daedalus
- Increased activity on aged debt collection
- Achieved 100% occupancy of the business hangars at Solent Airport
- Extended the Fareham Innovation Centre Operator Contract with Oxford Innovation until 2025 and appointed a new Innovation Director
- Commissioned and launched a website to promote the Solent Enterprise Zone at Daedalus
- Commissioned independent expert advice on the impact of economic changes on Solent Airport, the availability of investment finance, the specification of any new operator contract as well as risks and opportunities relating to the airport operation
- Established the Solent Airport Consultative Committee
- Extended the Airport Operator contract with Regional and City Airports Ltd until 2026
- Transferred the Air Navigation Services Provider (ANSP) Certificate from the Council to Regional and City Airports Ltd
- Developed an Investment Plan for the Airport and secured capital funding for improvements to the taxiways, hangars, airport parking and fuelling services as well as for the installation of Aeronautical Ground Lighting and the development of a Performance Based Navigation system
- Secured CAA approval and implemented a new circuit pattern for training flights to reduce the airport's impact on local residents
- Launched a new website for Solent Airport
- Commissioned and installed the Daedalus Gate Guardian sculpture
- Progressed the development of Daedalus Common
- Supported the adoption of Daedalus Drive

2021/22 FINANCIAL OUTURN

5. The table below sets out the forecast budget position, alongside the actual outturn position for the Daedalus budgets. In 2021/22, the Council's activities at Daedalus returned £193,795 to the General Fund, an improvement of some £66,000 on the forecast budget position.

£'s	Forecast position 2021/22	Outturn 2021/22	Variance
Airside Activities			
- Income (incl. service charges recovered)	- 1,070,420	- 1,333,229	-262,809
- Expenditure	1,394,750	1,539,378	144,628
NET Expenditure	324,330	206,149	-118,181
Non-Airside Activities			
- Income (incl. service charges recovered)	- 1,767,738	- 1,793,247	-25,509
- Expenditure	953,950	976,235	22,285
NET Income	-813,788	-817,012	-3,224
Cost of Capital Investment	362,229	417,068	54,839
NET Outturn Position Daedalus	-127,229	-193,795	-66,566

AIRSIDE ACTIVITIES

6. The Airside Activities budget is comprised of two separate elements: Airport Operations and Airside Estate. The outturn position for the financial year 2021/22 for Airside Activities shows that actual net expenditure was a deficit position of £206,149. This is a reduction of £118,181 in the forecast deficit.
7. This improved position is largely as a result of the collection of some historic Service Charges from a hangar tenant. The Airport Operations outturn position was £39,004 worse than originally forecast as a result of additional licencing fees, advertisement costs, as well some additional costs in relation to complaints support and stakeholder engagement.

NON-AIRSIDE ACTIVITIES

8. Overall, the outturn position for the financial year 2021/22 for Non-Airside Activities shows that actual net expenditure returned a surplus of £817,012. This is a very slight improvement in the forecast surplus of £3,224.
9. The Non-Airside Activities budget is also made up of two separate elements: Faraday Business Park and Fareham Innovation Centre.
10. The Faraday Business Park budget outturn position was £50,613 better than had originally been forecast. This was mainly due to a tenant being on site for longer than had originally been anticipated.
11. This was offset by the Fareham Innovation Centre outturn budget position being £47,389 worse than originally forecast as a result of some additional maintenance required on the solar panels, additional postage costs and a slight drop in occupancy in February and March.

COMMUNITY FACILITIES

12. 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

13. 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.
14. 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.

15. Clearly, with the Daedalus Financial Strategy adopted only a very short time before the end of the 2021/22 financial year, there was no opportunity to influence actively the 2021/22 outturn in line with the new Strategy. However, the outturn has demonstrated the following outcomes against the principles of the Financial Strategy:

Strategic principle	2021/22 Outcome
The Daedalus site should make a sustained positive contribution to the Council's overall financial position	A return of £193,795 was generated for the General Fund in 2021/22.
The revenue costs associated with operating and investing in Daedalus should be cost neutral to council taxpayers	A return to the General Fund is not a cost to council taxpayers
Daedalus should be financially self-sustaining in both capital and revenue terms over the long term	A return of £193,795 was generated for the General Fund after taking into account the cost of borrowing for capital schemes.
The cost of airside operations should be recouped through airside fees and charges, as far as reasonably possible	Although the net cost of Airside was £206,149, this was much improved when compared to the forecast position.
Non-airside activities should generate a return for the General Fund as well as sufficient income to offset any ongoing airside deficit	The non-airside activities generated a return of £193,795 for the General Fund once the airside deficit was offset

RISK ASSESSMENT

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

CONCLUSION

17. The Council's investment in Daedalus in 2021/22 achieved the objectives of the Daedalus Financial Strategy and returned a surplus of £193,795 to the General Fund.

Appendices: [A: Outturn Monitor](#)

Background papers: None

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

Enquiries:

For further information on this report please contact Kimberley Churchill. (Ext 4331)

<u>Airport Operations</u>	Airport Operations Budget Full Year £	Airport Operations Actual Outturn £	Airport Operations Variance Full Year £
EMPLOYEE RELATED COSTS	0	0	0
REPAIRS AND MAINTENANCE	47,300	53,390	6,090
UTILITIES	7,600	5,930	-1,670
NATIONAL NON-DOMESTIC RATES	92,200	88,950	-3,250
OTHER PREMISES COSTS	11,100	10,278	-822
PREMISES RELATED COSTS	158,200	158,548	348
FUEL - VEHICLES & PLANT	175,400	284,002	108,602
OTHER TRANSPORT COSTS	20,400	9,874	-10,526
TRANSPORT RELATED COSTS	195,800	293,876	98,076
FURNITURE & EQUIPT. PURCHASES	2,300	16,897	14,597
FEES	25,500	17,064	-8,436
MANAGEMENT SERVICES	478,100	493,959	15,859
ICT COSTS	31,000	36,697	5,697
MARKETING	4,500	2,714	-1,786
MISCELLANEOUS EXPENDITURE	81,900	93,149	11,249
SUPPLIES AND SERVICES	623,300	660,479	37,179
SUPPORT SERVICES	0	0	0
DEPRECIATION	0	0	0
TOTAL EXPENDITURE	977,300	1,112,904	135,604
SALE OF FUEL	-270,200	-366,742	-96,542
SERVICE CHARGES	0	0	0
FEES & CHARGES	-246,300	-244,148	2,152
COSTS RECOVERED	0	-2,209	-2,209
LEASEHOLDERS - INSURANCE CHARGE	0	0	0
RENTAL INCOME	0	0	0
TOTAL INCOME	-516,500	-613,099	-96,599
NET EXPENDITURE	460,800	499,805	39,005
NET EXPENDITURE LESS DEP'N	460,800	499,805	39,005
MRP	0	0	0
NET EXPENDITURE LESS DEP'N ADD MRP	460,800	499,805	39,005

<u>Airside Estate</u>	Airside Estate Budget Full Year £	Airside Estate Actual Outturn £	Airside Estate Variance Full Year £
EMPLOYEE RELATED COSTS	114,910	110,486	-4,424
REPAIRS AND MAINTENANCE	53,600	48,878	-4,722
UTILITIES	36,800	39,706	2,906
NATIONAL NON-DOMESTIC RATES	72,500	72,295	-205
OTHER PREMISES COSTS	5,400	10,037	4,637
PREMISES RELATED COSTS	168,300	170,915	2,615
FUEL - VEHICLES & PLANT	6,100	8,817	2,717
OTHER TRANSPORT COSTS	8,800	13,080	4,280
TRANSPORT RELATED COSTS	14,900	21,896	6,996
FURNITURE & EQUIPT. PURCHASES	14,700	157	-14,543
FEES	74,700	96,970	22,270
MANAGEMENT SERVICES	0	0	0
ICT COSTS	0	0	0
MARKETING	0	5,811	5,811
MISCELLANEOUS EXPENDITURE	10,100	1,721	-8,379
SUPPLIES AND SERVICES	99,500	104,660	5,160
SUPPORT SERVICES	17,040	18,518	1,478
DEPRECIATION	0	0	0
TOTAL EXPENDITURE	414,650	426,475	11,825
SALE OF FUEL	0	0	0
SERVICE CHARGES	-104,300	-261,904	-157,604
FEES & CHARGES	0	0	0
COSTS RECOVERED	-14,000	-11,079	2,921
LEASEHOLDERS - INSURANCE CHARGE	-10,700	-6,188	4,512
RENTAL INCOME	-424,900	-440,959	-16,059
TOTAL INCOME	-553,900	-720,130	-166,230
NET EXPENDITURE	-139,250	-293,654	-154,404
NET EXPENDITURE LESS DEP'N	-139,250	-293,654	-154,404
MRP	133,400	188,240	54,840
NET EXPENDITURE LESS DEP'N ADD MRP	-5,850	-105,414	-99,564

<u>Non-Airside Faraday Business Park</u>	Faraday Business Park Budget Full Year £	Faraday Business Park Actual Outturn £	Faraday Business Park Variance Full Year £
EMPLOYEE RELATED COSTS	25,590	24,030	-1,560
REPAIRS AND MAINTENANCE	6,000	5,491	-509
UTILITIES	6,000	8,036	2,036
NATIONAL NON-DOMESTIC RATES	0	0	0
OTHER PREMISES COSTS	2,800	2,750	-50
PREMISES RELATED COSTS	14,800	16,277	1,477
FUEL - VEHICLES & PLANT	0	0	0
OTHER TRANSPORT COSTS	0	0	0
TRANSPORT RELATED COSTS	0	0	0
FURNITURE & EQUIPT. PURCHASES	0	0	0
FEES	70,000	63,478	-6,522
MANAGEMENT SERVICES	0	0	0
ICT COSTS	0	0	0
MARKETING	18,800	18,876	76
MISCELLANEOUS EXPENDITURE	0	0	0
SUPPLIES AND SERVICES	88,800	82,353	-6,447
SUPPORT SERVICES	11,360	12,346	986
DEPRECIATION	0	0	0
TOTAL EXPENDITURE	140,550	135,006	-5,544
SALE OF FUEL		0	0
SERVICE CHARGES	-19,100	-19,120	-20
FEES & CHARGES		0	0
COSTS RECOVERED	-97,000	-99,251	-2,251
LEASEHOLDERS - INSURANCE CHARGE	-4,400	-2,931	1,469
RENTAL INCOME	-628,200	-672,505	-44,305
TOTAL INCOME	-748,700	-793,807	-45,107
NET EXPENDITURE	-608,150	-658,801	-50,651
NET EXPENDITURE LESS DEP'N	-608,150	-658,801	-50,651
MRP	101,000	100,999	-1
NET EXPENDITURE LESS DEP'N ADD MRP	-507,150	-557,802	-50,652

<u>Non-Airside Innovation Centre</u>	Innovation Centre Budget Full Year £	Innovation Centre Actual Outturn £	Innovation Centre Variance Full Year £
REPAIRS AND MAINTENANCE	58,500	71,312	12,812
ELECTRICITY	43,500	42,655	-845
GAS	10,000	12,826	2,826
SERVICE CHARGES	5,700	5,750	50
NATIONAL NON-DOMESTIC RATES	121,400	154,368	32,968
WATER CHARGES - SUPPLY (PWC)	2,500	2,744	244
CLEANING MATERIALS	61,500	62,143	643
PREMISES INSURANCE - PREMIUM	10,300	6,570	-3,730
PREMISES RELATED COSTS	313,400	358,368	44,968
FOOD	6,200	6,380	180
STATIONERY	2,100	12,804	10,704
CONSULTANTS FEES	4,300	1,716	-2,584
SECURITY SERVICES	11,100	8,750	-2,350
MANAGEMENT SERVICES	360,100	352,394	-7,706
TIPPING / INCINERATOR FEES	7,000	6,843	-157
POSTAGES	18,000	20,067	2,067
TELEPHONES	15,400	16,696	1,296
MARKETING	18,600	18,285	-315
OTHER EXPENDITURE	42,700	23,908	-18,792
SUPPLIES AND SERVICES	485,500	467,842	-17,658
SUPPORT SERVICES	14,500	15,019	519
DEPRECIATION	0	0	0
TOTAL EXPENDITURE	813,400	841,229	27,829
LICENCE FEES	-856,000	-837,530	18,470
LEASEHOLDERS - INSURANCE CHARGE	0	0	0
OTHER INCOME FROM HIRINGS	-163,000	-158,799	4,201
FEED IN TARIFF PAYMENTS	0	-3,111	-3,111
TOTAL INCOME	-1,019,000	-999,440	19,560
NET EXPENDITURE	-205,600	-158,211	47,389
NET EXPENDITURE LESS DEP'N	-205,600	-158,211	47,389
MRP	127,890	127,890	0
NET EXPENDITURE LESS DEP'N ADD MRP	-77,710	-30,321	47,389

FAREHAM

BOROUGH COUNCIL

Report to Daedalus Scrutiny Panel

Date **1 September 2022**

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

Subject: **DAEDALUS TENANCIES**

SUMMARY

The Daedalus Scrutiny Panel is asked to consider and review a summary of the tenancies for the site, which is attached as Appendix A.

RECOMMENDATION

It is recommended that Members make any comments or raise any questions for clarification.

Confidential Appendix A: Tenancy Schedule

Background Papers: None

Reference Papers: None

Enquiries:

For further information on this report please contact Steven Farndell (Head of Asset Management). (Tel: 07585 204296)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

