

# 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
<b>Airside Activities</b>			
- Income (incl. service charges recovered)	-	-	-262,809
- Expenditure	1,070,420	1,333,229	144,628
<b>NET Expenditure</b>	<b>324,330</b>	<b>206,149</b>	<b>-118,181</b>
<b>Non-Airside Activities</b>			
- Income (incl. service charges recovered)	-	-	-25,509
- Expenditure	1,767,738	1,793,247	22,285
<b>NET Income</b>	<b>-813,788</b>	<b>-817,012</b>	<b>-3,224</b>
<b>Cost of Capital Investment</b>	<b>362,229</b>	<b>417,068</b>	<b>54,839</b>
<b>NET Outturn Position Daedalus</b>	<b>-127,229</b>	<b>-193,795</b>	<b>-66,566</b>

### 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:

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