



Doncaster Council

Report

Date: 17th November 2022

To: The Chair and Members of Full Council

Report Title: Doncaster Sheffield Airport

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Mayor Ros Jones	Finningley / Rossington & Bawtry / All	Yes

EXECUTIVE SUMMARY

1. On 13th July 2022, the Board of Doncaster Sheffield Airport Limited (DSAL) publicly announced a review of strategic options for the airport, after concluding that aviation activity on the site may no longer be commercially viable.
2. Since the strategic review announcement, Doncaster Council, the South Yorkshire Mayoral Combined Authority (SYMCA) and other local partners have made extensive efforts to keep the airport open. There has been considerable cross-party and public support for retaining an airport in South Yorkshire. This has included over 110,000 signatures on a range of petitions and the hugely active Save DSA facebook page that has over 16,000 members. The Council and SYMCA has identified significant investor interest in DSA and made a financial offer to enable the airport to continue operating for a bridging period while a potential sale was progressed. However, The Peel Group chose to decline this offer of financial support and the opportunity to keep the airport running.
3. On 26th September, The Peel Group announced that the strategic review had ended and that it would begin winding down the provision of aviation services at DSA during the week commencing Monday, 31st October 2022.

4. The consequences of DSA closing are significant. It is estimated that the airport currently supports about 2,700 jobs in the local economy, contributes an annual net GVA of £108.4 million, and creates an annual welfare gain of approximately £49.5 million. Closure will result in a large number of job losses and have a major impact on local businesses during a cost of living crisis and in the face of a looming national recession.
5. Since the closure announcement, further investor interest in DSA has been identified by Doncaster Council resulting in a number of interested parties engaging with Peel and the submission of two substantial offers to purchase the airport leasehold in October and November 2022. Despite obvious and demonstrable market interest in the acquisition of DSA, it has become clear through negotiations that The Peel Group is a reluctant seller and is unwilling to dispose of the airport at a reasonable market value.
6. If The Peel Group continues with its plans to close the airport but retain the site, legal intervention may be the only course of action available to local partners to secure aviation operations at DSA. Consequently, this report seeks to update Full Council on the legal options we have to potentially secure the future of DSA as an operational airport.

EXEMPT REPORT

7. This report is not exempt.

RECOMMENDATIONS

8. It is recommended that Full Council notes the report and the significant benefits delivered by Doncaster Sheffield Airport, and agrees:
 - a. To note the actions taken to date (Judicial Review) and secondly, support the recommendation that all appropriate legal remedies should be explored to secure aviation operations at Doncaster Sheffield Airport (Compulsory Purchase Order).

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Securing the future of DSA as an operational airport will bring significant benefits to Doncaster and the wider region in the form of skilled employment, inward investment, tourism, economic growth and increased economic resilience.

BACKGROUND

10. Doncaster Sheffield Airport is the anchor development at the c.1600-acre GatewayEast mixed-use regeneration site. Formerly RAF Finningley, the airport site was acquired by The Peel Group and opened as an international commercial airport in 2005.

11. Since opening, the airport has grown substantially despite facing the impacts of the 2008 recession and more recently the COVID19 pandemic. The Airport handled over 1.4 million passengers in 2019 (i.e. prior to the pandemic), flying to around 50 destinations. Passenger numbers expanded from 724,000 in 2014, growth of 94.4% over five years. Freight handling has grown from 858 tonnes in 2014 to 23,813 tonnes in 2021, the seventh highest figure of all UK airports.
12. The Airport is also the base for several important public services, military and infrastructure operations. The Airport serves as a base for the National Police Air Service's fixed wing aircraft fleet. It is also one of three fixed wing bases for the air sea rescue fixed wing aviation contract awarded to Bristow Helicopters Limited by the Maritime and Coastguard Agency ("MCA"), an executive agency of the Department for Transport, starting in September 2024 (transitioning from the current contract which is also served by the Airport). Coastal protection, surveillance and search and rescue work is undertaken by 2Excel Aviation Doncaster ("2Excel"), also contracted by the MCA. It is reported that during 2020, 2Excel operated 2,373 individual flights, much of which was in support of His Majesty's Coastguard. The Airport is also a regular recipient of military aircraft and is used for Royal Air Force ("RAF") training exercises.
13. Growth of the airport has been supported by significant public sector investment including more than £78m of funding in grants and loans, with contributions to new road infrastructure, public transport connections, the refurbishment and development of business facilities, and associated activities. Further public investment is currently in the pipeline, including a significant contribution towards a new rail link to benefit the airport and the wider area.
14. These public sector contributions have been made because Doncaster Sheffield Airport is a hugely important infrastructure asset to the local, regional and national economies and a key foundation in our 'Levelling-Up' ambitions. The Airport supports employment, facilitates trade, attracts inward investment, and enhances connectivity, creating opportunities for businesses as well as tourism. The Airport is featured in Government's Flightpath to the Future plan, which emphasises the importance of the regional airport network in unlocking local benefits and levelling up. The plan notes that *"ensuring this network is supported is key to achieving the positive economic outcomes the Government is determined to deliver for the whole of the UK. The network supports jobs, investment, trade and tourism for areas and regions across the UK."*
15. An Economic Impact Assessment by Steer Economic Development (September 2022) estimates that DSA currently supports about 2,700 jobs in the economy, contributes an annual net GVA of £108.4 million, and creates an annual welfare gain of approximately £49.5 million.

16. Furthermore the GatewayEast Economic Blueprint identifies significant growth potential. As such, DSA has been fully integrated into local and regional economic strategies, transport strategies and the Doncaster Local Plan (which covers the period 2015-2035). Modelling of economic impacts has identified potential for a further 52,800 gross FTE jobs at capacity, of which 13,800 could form on GatewayEast. In taking account of leakage, displacement and multiplier effects, over the longer term it is estimated that around 35,650 net FTE jobs could be supported across the region through DSA/Gateway East and spill over growth, with potential to generate around £1.56bn in GVA annually, representing a 5% increase in the region's employment density.

17. To deliver these benefits the blueprint outlines a roadmap to create an innovation-led growth cluster, which could eventually become an established innovation district to build on and complement the successes that have been achieved over the past decade at the Advanced Manufacturing Innovation District (AMID). A key part of this, is the potential for GatewayEast to become a cluster for low carbon aviation and associated technology, building on the Government's commitment to decarbonise transport and the ability for airports to become drivers of productivity growth.

18. In total, the GatewayEast opportunity extends to approximately 123 hectares of employment land, with up to 1,200 new homes and a mixed-use plaza. However, it is also important to note that several Local Plan allocations (summary of the Airport Policy Area and land allocations is attached at appendix 1) at GatewayEast are directly linked to the presence and growth of an operating airport. The main allocations fall into four core areas:

- The Airport Operational Area (circa.420ha), which is only for aviation uses and the operation and growth of passenger and freight use at the airport.
- A mixed-use allocation for a central plaza, for retail, commercial and business uses i.e. food & drink, hotels, offices, leisure etc. (DSA01, circa.10ha)
- Two residential allocations for up to 1200 new homes totalling c.81ha (DSA02 & DSA03)
- Three employment allocations: 'Landside' (EMP15 & EMP05) and 'Airside' (DSA04, c.42ha within the Airport Operational Area)

19. Development within the Airport Operational Area for non-aviation uses (including on DSA04) would not be supported by Local Plan Policy if the airport closes. Similarly, development of the residential allocations DSA02 and DSA03 would not be supported by Local Plan Policy if the airport closes.

20. The Mixed-Use Plaza (DSA01) has an approved permission subject to Section 106 agreement but is unlikely to be implemented in its current form if the airport

closes. In these circumstances, an alternative scheme would not accord with policy because it will be unconnected with the use of DSA as an airport.

21. As such, closure of the airport by The Peel Group will not only have a direct impact on existing employees, business and the wider economy. It will also stall the development of approximately 133 hectares of commercial and residential development land for an indefinite period, at a time of economic crisis.

Peel Group strategic review and closure announcement

22. On 13th July, Doncaster Sheffield Airport Limited (DSAL) publicly announced a review of strategic options for the airport for a period of six weeks after concluding that aviation activity on the site may no longer be commercially viable.
23. The local and regional response to the announcement has been characterised by shock and anger. A public petition to save the airport gained in excess of 105,000 signatures, while the business community has expressed its deep disappointment and widespread opposition to closure. The matter has been raised and debated on several occasions in Parliament, and Government Ministers, including the former Prime Minister, have stated their wish that the airport remains open, recognising the important role of regional airports in economic growth and Levelling-Up.
24. In response to the Strategic Review announcement, local partners and elected politicians in South Yorkshire immediately made clear that they wished to engage with The Peel Group to explore all opportunities to ensure the airport remained open and help it to grow.
25. Over the course of July, August and September 2022, regular meetings were held between Peel, Doncaster Council, Doncaster Chamber and SYMCA in which it was communicated to Peel that Doncaster Council did not agree with Peel's assessment of viability of the Airport. This was because experts retained by Doncaster Council had reviewed Peel's financial modelling, the management accounts and benchmark data of other similar airports and concluded that costs and revenues could be improved. Local partners also sought clarification as to whether the DSAL Board would agree to the sale of the airport.
26. Initially, The Peel Group indicated that it did not wish to sell Doncaster Sheffield Airport referencing a desire to recoup the significant financial investment that it has made in the site. Subsequently, The Peel Group did state that they would consider a sale of DSAL but that it would set a 'high bar' for any sale. The Peel Group has frequently admitted to being an unwilling seller of the airport.
27. Through late August and into September, both Doncaster Council and SYMCA approached the market directly and identified significant interest in acquisition of the Airport. However, The Peel Group refused to participate in this process and

would not comment on or endorse the marketing material produced by local partners.

28. Local partners engaged with many investors during this time, and received feedback from the market that more time would be needed to undertake a full due diligence process, which could not realistically be done before the end of the short Strategic Review period. We made Peel aware of the approaches to investors and this feedback, but Peel repeatedly refused to extend their Strategic Review beyond 26 September 2022, whilst nevertheless acknowledging that finding investors and getting through due diligence is time consuming.
29. To secure the immediate future of the airport, enable carriers to continue operating from DSA, and to provide sufficient time to undertake the necessary negotiations and due diligence for an airport sale, local partners made a generous financial offer to The Peel Group. This would enable the airport to continue aviation operations for 12 months at no financial loss to DSAL.
30. However, The Peel Group refused this offer citing the diversion of public funds from other uses, despite the substantial previous public funding provided to support the airport and the inevitable cost of airport closure to the public purse, individuals and businesses.
31. Following this decision, three significant national and international investors interested in acquiring DSAL have been introduced to The Peel Group. On 26th October 2022, Mayor Ros Jones confirmed that one of these investors made a credible financial offer to purchase the leasehold for Doncaster Sheffield Airport Limited (DSAL.) this offer was rejected with a substantially increased offer submitted on 3rd November 2022.
32. Despite this demonstrable market interest, The Peel Group has remained unwilling to accept the offer of financial support and as it stands the airport operating licence will lapse on the 23rd November 2022 and winding up of the Airport following shortly after.

Legal interventions and cost consequences

33. On 2nd November 2022 the Council served companies within the Peel Group with legal proceedings seeking a Judicial Review of the decision to close the Airport and the process followed by Peel in reaching that decision. Although a successful Judicial Review will not in and of itself prevent the closure of the Airport, we anticipate that it will ensure (depending on the remedy provided by the Court, which is discretionary) that the critical infrastructure at the Airport will remain in place and will provide further time for interested bidders to formulate their plans and hopefully conclude a deal to purchase the business.

34. This step was not taken lightly but the Council were left with little choice but to proceed. Such proceedings will incur costs. Whilst the final costs bill will depend upon a wide range of variables, including the steps taken by the Peel Group, total cumulative costs borne by DMBC could be between £240,000 - £350,000 which is not unusual in such cases.
35. If the Peel Group remain unwilling sellers and are determined to close the Airport the Council has the option of seeking a Compulsory Purchase Order (CPO) for the site. The Government defines CPO as “Compulsory purchase is a legal mechanism by which certain bodies (known as ‘acquiring authorities’) can acquire land without the consent of the owner. Compulsory purchase powers can support the delivery of a range of development, regeneration and infrastructure projects in the public interest. In doing so, they can help to bring about improvements to social, economic and environmental wellbeing.” The undertaking of a CPO would be a significant step and would involve further legal and other costs. Any process would likely take in excess of two years and would not prevent the current end of services at the Airport. Further decision making would be required in line with the requirements of the Council’s Constitution before embarking upon a CPO.

OPTIONS CONSIDERED

36. The scale of the endeavours required to undertake legal action to secure the future of the airport, and in particular a potential compulsory purchase order, are considerable.
37. However, as described within this report, the Council and its partners have already exhausted several other courses of action prior to considering legal intervention. This includes offering financial assistance to The Peel Group to continue airport operations and securing a credible offer from an investor to purchase the airport through a private sale.
38. To date the first bid submitted by a consortium was turned down by Peel; the consortium have subsequently (3rd November 2022) submitted a second bid and we await confirmation of its acceptance. In the situation that the Peel Group is not willing to continue aviation operations at DSA or agree a sale of the airport at a reasonable market value the only alternative options are therefore to either:
- a. Progress a legal intervention as described in this report with a view to securing the future of the Doncaster Sheffield Airport site as an operational airport, should it be closed by The Peel Group; or
 - b. Cease further legal action and accept the closure of Doncaster Sheffield Airport by The Peel Group.

REASONS FOR RECOMMENDED OPTION




39. It is recommended that, in the event that The Peel Group closes Doncaster Sheffield Airport, a legal process is initiated with a view to securing the future of






aviation activities on the current airport site. Council are asked to support this position and note that any further action; including the necessary financial provision to commence these actions, will be subject to further decision making arrangements.

40. If this course of action is not progressed it is expected that the airport closure programme will commence on the 23rd November 2022, and remain closed indefinitely. Without intervention it is highly unlikely that the airport will ever re-open and the significant economic benefits associated with having an international airport in Doncaster will be lost. In addition, a number of existing residential and commercial Local Plan allocations will remain undeveloped for the foreseeable future.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

41.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change		✓		
<p>Comments: Airports are a significant contributor to global carbon emissions with a negative overall impact on climate change. However, the closure of DSA will result in a significant loss of local jobs and associated economic opportunities, and most current aviation activity at DSA will be displaced to other airports rather than ceasing altogether. The vision for Gateway East (as set out in the GE investment blueprint) focuses on the de-carbonisation of the aviation sector through the development of an innovation cluster that would not only create good quality jobs but support efforts to decarbonise the industry</p>				
 Developing the skills to thrive in life and in work	✓			
<p>Comments: DSA and the employment and skills benefits are hugely significant and diverse for the economy of South Yorkshire, retaining DSA helps continue the trajectory of upskilling residents of Doncaster.</p>				
 Making Doncaster the best place to do business and create good jobs	✓			
<p>Comments: The employment opportunities centred around an operational airport, coupled with City Status and our appetite to operate internationally is a key factor</p>				

in a successful place, continuing the operations of an airport is key if we are to continue to attract inward investment opportunities of the right calibre.				
 Building opportunities for healthier, happier and longer lives for all				✓
Comments: No direct impact.				
 Creating safer, stronger, greener and cleaner communities where everyone belongs	✓			
Comments: Development of the Local Plan residential allocation of up to 1200 new homes adjacent to DSA is dependent on the presence and growth of an operation airport. If the airport closes there is no policy support for this development.				
 Nurturing a child and family-friendly borough				✓
Comments: No direct impact.				
 Building Transport and digital connections fit for the future	✓			
Comments: A new railway station is proposed to deliver rail access to the airport. This would also benefit existing residents and businesses as well as new developments, but is unlikely to come forward as envisaged and may not ultimately be deliverable if the airport closes.				
 Promoting the borough and its cultural, sporting, and heritage opportunities	✓			
Comments: Since 1940's Doncaster has had a strong aviation presence within its DNA; a continued aviation operation at DSA continues this rich heritage link to Doncaster.				
Fair & Inclusive	✓			
Comments: The workforce supporting DSA and our surrounding supply chain is extremely diverse given this is a gateway of international significance; the ability to retain this asset is key if we are to grow a fair and inclusive economy.				

42. Legal Implications [Officer Initials: _SRF_ | Date: _03.11.22_____]

The steps being taken by the Council in relation to both Judicial Review and potential Compulsory Purchase Order are significant and will require detailed and bespoke

legal advice from both internal and external advisors. The Council has a wide range of powers available to it and any further significant steps will be subject to formal decision making in accordance with the Council's Constitution.

Financial Implications [Officer Initials: FT__ | Date: 07.11.22_____]

43. As detailed in the report the legal costs borne by DMBC will depend on a wide range of variables and initial costs could range between £240k and £350k. The Council has set aside funding for estimated costs to be incurred in 2022/23, funded from contingency budget held centrally. This does not take account of liabilities and costs arising from the action. A broad estimate has been provided by our external legal advisors at c£600k - £1m. If additional funding is required subsequent decisions will need to be progressed.

44. The report also details the implications of undertaking a CPO, which would be a significant step and involve considerable additional costs. The financial implications would need to be fully considered, including sufficient funding identified, as part of the further decision making required before embarking upon the CPO.

45. Human Resources Implications [Officer Initials: RH Date: 04.11.22]

There are no HR implications associated with this report.

46. Technology Implications [Officer Initials: _JG_ | Date: __07.11.22__]

There are no technology implications relating to this report.

RISKS AND ASSUMPTIONS

47. In making a case for CPO there are a number of risks and assumptions that need to be considered and highlighted and potentially mitigated, we have attempted to describe these below; but recognise that these are not exclusively exhaustive given the process will provide greater clarity on element of the CPO, and these risks and assumptions are at different points throughout the process.

48. Making the case for the CPO – we need to demonstrate the means for paying for the airport; and the appetite from the market to retain, and operate an airport either short, medium or long term, understanding the public interest test; understanding the parameter of the land both in terms of size and valuation; recognising there may be some reputational damage. Finally, we need to understand that the decision may not fall in favour of the Local Authority, and such any costs associated with the legal position from both parties may have to be born.

CONSULTATION

49. On the 13th July 2022; the Peel Group commenced its intention to undertake a consultation on a strategic review of DSA, this was initially for 4 week period but was extended to the 26th September 2022 partly due to death of her majesty Queen Elizabeth II. . Post this strategic review, the Peel Group concluded that DSA was economically unviable and thus commenced its intentions to close the airport; clearly we believe this is not in the interest of our local and regional economy and thus the intention of this report is to discuss with the Executive and Elected Members their appetite and views on instigating a potential CPO.

BACKGROUND PAPERS

50. DSA Land Allocations Local Plan Summary

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

51. Not applicable

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