



Doncaster Council

Report

Date: 12th April, 2023

To: The Chair and Members of Cabinet

Report Title: South Yorkshire Airport City: Programme update and financial approvals

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

EXECUTIVE SUMMARY

1. South Yorkshire Airport City (SYAC) is the project to reopen Doncaster Sheffield Airport (DSA) and develop a cluster of high value economic activity which complements traditional aerospace functions, including logistics. SYAC would incorporate employment, retail, leisure and residential opportunities with excellent transport links, supporting new inward investment into Doncaster and South Yorkshire.
2. Until its recent closure, DSA was a major economic asset and a core element of the South Yorkshire (SY) region's economic growth and spatial development strategies. The airport supported an estimated 2,700 jobs in the local economy, contributed an annual net GVA of £108.4 million, and created an annual welfare gain of approximately £49.5 million. Taking account of leakage, displacement and multiplier effects, previous modelling estimates that over the longer term around 35,650 net FTE jobs could be supported across the region through the development of DSA and the wider 'Gateway East' site, with the potential to generate around £1.56bn in GVA annually to the SY economy.
3. In addition to the economic benefits described above, DSA is a strategically important piece of infrastructure for both passengers and businesses within South Yorkshire and beyond. Given its strategic importance, economic value and significant growth potential, plans to re-open the airport are being vigorously pursued. There is extensive support for the reopening of DSA from the public and business community, along with cross-party political backing. This includes petitions with more than 130,000 signatories that have called for the airport to be saved.

4. This report provides an update on the current position for SYAC and seeks the relevant approvals to progress the next steps of the programme. The preferred outcome is to secure agreement for the acquisition of the relevant land and rights at DSA through meaningful negotiation with the landowner(s) – including Peel. We will undertake all reasonable steps to achieve this, however, the process takes time and there is no guarantee of success. In addition, negotiations with Peel over the future of DSA by the Council and others with an interest in the reopening of DSA have not yielded a positive outcome to date. Therefore, due to the significant impact on the economy, the Council proposes to continue to make preparations to promote a Compulsory Purchase Order (CPO) as a contingency measure alongside the negotiations, as a means of last resort in the event negotiations to acquire by agreement are unsuccessful. This approach is in line with Government policy on the exercise of compulsory purchase powers. The initial programme and legal costs associated with the compulsory acquisition of the airport, excluding the purchase price of land, are estimated at £3.1m and are fully detailed in the report, along with the anticipated funding.

EXEMPT REPORT

5. This report is not exempt, however, there is commercially sensitive information contained within Appendix 1 to the report. Therefore, Appendix 1 is **NOT FOR PUBLICATION** because it contains exempt information under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information))

RECOMMENDATIONS

6. It is recommended that Cabinet:
 - a. notes the latest information provided in the report and continues to recognise the significant benefits of SYAC across the wider South Yorkshire economy.
 - b. notes the request to the South Yorkshire Mayoral Combined Authority (SYMCA) at its June meeting for consideration of granting £6.25m Local Growth Fund to support the associated costs to acquire Doncaster Sheffield Airport.
 - c. approves the alternate funding plan detailed in paragraph 28, as a contingent measure, due to the need to incur spend prior to an SYMCA decision in June 2023 and in the event that SYMCA do not approve the funding
 - d. delegates approval to accept the SYMCA grant funding, in accordance with the report, to the Assistant Director of Finance – Section 151, in consultation with the Mayor, subject to a SYMCA decision in June 2023.
 - e. delegate authority to the Director of Corporate Resources, to procure and award Contracts, in compliance with the Council's Contract Procedure Rules (CPR's), for the spend items outlined at Appendix 1.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

7. 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

8. The report to Council, 17th November 2022, provided substantial background and contextual information about the anchor airport development at the c.1600-acre Gateway East mixed-use regeneration site, which lies 6 miles (10 km) southeast of Doncaster City Centre and 19 miles (31 km) east of Sheffield. Pre-COVID19 (2014 – 2019) DSA doubled its traffic to over 1.4m passengers and in 2021 the airport moved almost 24,000 tonnes of freight. The local catchment area extends beyond South Yorkshire into West Yorkshire, East Yorkshire, Nottinghamshire and Lincolnshire.
9. Over 5.4m people have access to DSA in less than 60 minutes. As a result, DSA has one of the largest populations within 60 minutes of any UK airport. Analysis of the Civil Aviation Authority (CAA) Survey Data demonstrates that the 5.4m resident population within the DSA catchment is capable of generating over 9.5 million air journeys per annum.
10. A new airport link road opened in June 2018 providing direct access for the airport to the motorway network. Close proximity to five major motorways (M18, M1, A1M, M62 and M180) enables connections to major UK cities and the site is close to the national rail hub at Doncaster serving the East Coast Main Line, Trans-Pennine and Cross Country intercity routes as well as extensive regional services. Located alongside the Doncaster to Lincoln railway line, there is planning policy and financial support for a new railway station (£30m). The airport site is also very close to the iPort and Doncaster Railport rail freight terminals.
11. The 800 acre airport site has potential for further aviation development with ample space for new hangars and aviation activities which complement the main terminal developed in 2005. These factors combined with constraints at other airports, present opportunities to significantly increase both passenger numbers and freight capacity, while DSA's location already puts it at the heart of one of the UK's most significant logistics hubs.

Compulsory Purchase Order (CPO)

12. Since autumn 2022, Doncaster Sheffield Airport has been closed. Its existing owners, The Peel Group ('Peel'), has concluded that the airport is not commercially viable but chose not to actively seek to sell the airport to other potential owners or operators. Instead, Peel, which also owns neighbouring land at Gateway East, has indicated that it wishes to develop the airport site for alternative uses. Redevelopment of the airport for alternative uses (which is not supported by current local planning policy) would result in its permanent closure and loss to the region as an asset and generator of economic benefits.

13. The City of Doncaster Council intends that the airport should be acquired from Peel with a view to its reopening. Since Doncaster Sheffield Airport Ltd announced its Strategic Review into the future of DSA, the Council has attempted to introduce third parties to Peel so that they might take over the operation of airport. Those introductions continue where appropriate but have been unsuccessful to date. Peel has also recently offered a lease of the airport to City of Doncaster Council, but the terms offered to date are not acceptable to the City Council. Discussions are taking place between the Council and Peel's professional advisors to progress this option and explore whether a lease with a different length of demise and on different commercial terms to those initially offered by Peel could provide a basis upon which to achieve the Council's objectives.
14. Having regard to the desirability of retaining the airport and returning it to operations, the Council is proposing to continue discussions with Peel, aiming to achieve a successful outcome by agreement. However, as a contingency measure it is necessary to make preparations to exercise compulsory acquisition powers. The Council has appointed external specialist infrastructure planning lawyers in order to support the preparation and promotion of the CPO.
15. The Council's external lawyers have had regard to the case which the Council would need to make in order to make a CPO and secure its confirmation by the Secretary of State and are confident that the use of compulsory purchase powers can be justified. They have considered the extent to which the airport and its control is needed to facilitate the carrying out of development, redevelopment or improvement at or in relation to the airport and the extent to which securing it is necessary in the interests of the proper planning of the area and being likely to contribute to achieving the promotion or improvement of the economic, social or environmental wellbeing of the area.
16. The airport is supported in policy at a local, regional and national level i.e.:
- The Airport is integral to the Council's vision to build an inclusive economy. The Doncaster Local Plan 2015-2035 describes the Airport as the "Gateway to the City Region" and the sustainable growth of the Airport as a "key proposal", noting the "transformational effect it could have on the local and regional economy", and stating that: "the Airport is an economic priority both for Doncaster and for the [South Yorkshire] Mayoral Combined Authority as a whole. The airport corridor is recognised regionally as a catalyst for business development, inward investment and job creation with regard to logistics, engineering and associated aviation activities."
 - The Airport is a recognised growth corridor within the South Yorkshire Mayoral Combined Authority Local Enterprise Partnership and Integrated Infrastructure Plan, and is integral to the South Yorkshire Mayoral Combined Authority transport and economic strategies. The Airport is targeted in the Combined Authority's Strategic Economic Plan for 2021-2041, as a focus area for economic growth; as one of three sites that "has unique strengths, outstanding connectivity and large land allocations for commercial and residential development" which "link to Doncaster's priority industries and provide a focus for economic development support."

- The Airport is recognised as an important economic centre in Transport for the North's Strategic Transport Plan. The Council considers that the Airport represents a national opportunity in terms of the UK Government's "levelling-up" agenda to deliver growth in economic output, productivity and exports in the North of England, particularly South Yorkshire, North Nottinghamshire and North Lincolnshire. The Airport is featured in Central Government's Flightpath to the Future Plan, which emphasises the importance of the regional airport network in unlocking local benefits and levelling up, by reference to "positive economic outcomes ... for the whole of the UK" supporting "jobs, investment, trade and tourism".

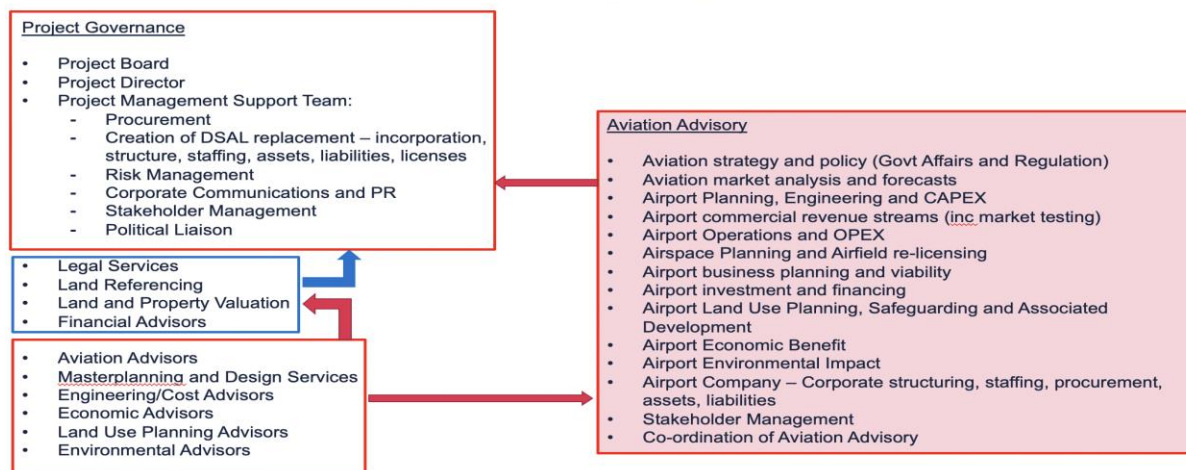
17. Aside from policy support, the Council is receiving advice on the prospects for commercial operation of the airport, its value and the means by which it can be brought back into operation, including the necessary programme for and cost of doing so. In that regard it is developing its proposals to resource the ultimate reopening of the airport in the public interest.

18. The Council is also being advised on the cost of acquisition by specialist compulsory purchase valuation surveyors. This will help determine the level of capital funding that might be required to support the acquisition of the airport and potentially any additional infrastructure required to expediently support its functional operational use. Current information and advice suggest that whilst there are inevitably risks in promoting a CPO there is currently no reason to conclude that a CPO would not be confirmed and that there is a good case being developed for CPO in the event that an agreed sale of the airport cannot be achieved in line with the statutory and policy tests applicable to the making and confirmation of a CPO.

Cost Estimates/Financial Rigor:

19. The anticipated programme and legal costs associated with the CPO vary depending on a number of work streams that include both financial and economic viability, and the next iteration of the detailed investor search. To make and implement a CPO it is clear that the input of aviation specialists in a number of key fields is critical. Suitable governance, economic, finance/legal advice and environmental/planning advice will also be crucial to a successful CPO outcome (see below diagram of the range of specialist requirements).

Project Team – Scope and Capacity



20. As we move onto the next phase, it is important to crystallise the considerable amount of work and effort that is running concurrently with the potential CPO process. This is to ensure that if we receive a successful outcome the airport can be operational in the most expedient way possible. An initial assessment of the further associated costs has been undertaken through liaison with our aviation specialists and legal advisors. A working assumption at this stage is that in securing a potential investor some of the potential future costs may no longer be required to be financed by the Council and could be applied to and/or secured by the new private sector operator.

21. The latest estimate of costs for the next phase of the project is up to £3.1m, with a breakdown of the expenditure across financial years provided below and further detail provided in Appendix 1. All budgets will be managed closely, reducing and mitigating the additional external cost where possible, including utilising internal staffing. However, the forecast reflects the wealth of external expertise required and additional internal capacity, to undertake the complex programme of works. It also demonstrates the requirement to access substantial funds immediately to progress the project.

| 2023/24 | 2024/25 | 2025/26 | Later Years | Total |
|------------|----------|---------|-------------|-------------------|
| £2,088,166 | £920,127 | £63,230 | £28,477 | £3,100,000 |

22. The estimate is based on the following assumptions:

- Majority of the costs will be incurred over the next 24 months from 1st April 2023 to 31st March 2025.
- Range of costs provided by our external specialist lawyers including the costs associated with the public inquiry – maximum costs have been incorporated to date, subject to further review by the Assistant Director of Legal & Democratic Services.
- Initial estimates provided by external advisers for the activities proposed, which require further refinement due to potential duplication with other related costs.
- All external costs to be Public Subsidy compliant, currently a number already exist and thus the route to market is procurement compliant.

- e. Potential for the identification of further external advisor costs as the project progresses.
- f. With robust programme/ financial management it is appropriate in the current economic climate that we include a small contingency budget; this will be constantly reviewed and the discretion of the utilisation of this contingency will be with the SY Airport City Programme Board.
- g. The case for making a CPO is under continual review and preparations could halt at any point as a result of the outcomes of the financial viability modelling, investor search, the business case or other extinguishing factors, thus the project team supporting this programme are all time limited.
- h. Costs and capital funding for implementing any CPO following confirmation by the Secretary of State will be the subject of a separate key decision and reported to Cabinet or Council depending on the nature of the decision being proposed.

23. It is important to note that the costs have gone through a rigorous dialogue with all external parties. This robust challenge resulted in the achievement of competitive quotes, thus offering best value for the Authority, but is also procurement compliant. Due to the significant costs involved in the programme, an Airport City Operational Board has been created with members including the Council CEO and S151 officer. This robust senior leadership coupled with the appointment of a Programme Director will ensure all costs are aligned and signed off at the commencement; any potential overruns or additional activities will be raised at board level, and mitigations in place include the ability to stop the programme at any given point.

24. Whilst the legal and programme costs are to be born over 3 financial years; 23/24, 24/25 and 25/26, it is important to state that the project business case will constantly be kept under review. The programme includes the ability to stop at any given point, recognising the fluidity of the investor search/financial viability assessment and the outline business case. A decision can be made not to proceed at any point right up to the public inquiry.

25. Due to the challenging timescales, the financial viability assessment and strategic business case for the SYAC concept are being progressed, and interim approval provided, on the same basis as outlined in this report. The strategic business case will include an assessment of the current operating base and surrounding land. These critical elements are expected to be concluded in May/June 2023. They will provide the essential information required to assess the likelihood of the successful outcome of the project including any potential CPO.

26. Overall, it is estimated that the Council will incur £390k in the first quarter of 2023/24, prior to the point of the SYMCA funding decision. In addition to the activities detailed in the preceding paragraph, these will also include the initiation of the programme governance, specialist legal costs, land referencing and valuation work. This expenditure will take us to a key gateway stage for the programme i.e. decision to acquire the airport by agreement, make the CPO or a decision not to proceed.

Funding considerations

27. Prior to the programme phase outlined in this report the costs associated with acquisition of DSA have been funded from the Council's centrally held contingency fund, approved by Officer Decision Records, as individual decisions have been made. However, this funding is insufficient to cover the necessary additional costs outlined. We are now at the stage where the Council is committing to embark upon the preparation for a potential CPO and will be incurring significant additional costs, as detailed in the report. Therefore, the Council is actively pursuing £6.25m of Local Growth Fund, which will be considered by SYMCA Board in June 2023.
28. To continue to progress the project at the pace necessary, the Council is beginning to incur additional costs and therefore requires an alternative funding plan, as a contingent measure. Therefore, the Council reserves have been reviewed and alternative funding identified which can support the costs if necessary, allowing the Council to make progress prior to the SYMCA funding approval decision. The Revenue Contribution to Capital Reserve will be utilised, current unallocated balance £3.5m, whilst recognising this is not the preferred method of financing and if utilised for the airport reduces the internal funding capacity to undertake feasibility and ability to contribute revenue towards capital schemes.
29. In the scenario, that the £6.25m Local Growth Fund funding is not approved, the Council will continue to seek alternative external funding, potentially utilising the Council specific gainshare allocations for anticipated costs.

Programme Plan and Next Steps

30. To ensure successful delivery the Council has developed a detailed programme plan with a number of strands. It seeks to protect existing airport assets where possible including airspace, ensure there is a viable and robust case for the acquisition and operation of a successful airport, and considers the wider development of an economic cluster around the airport. Key areas of work being taken forward include ongoing negotiations with Peel regarding the acquisition of DSA by agreement, aerodrome safeguarding, market testing and an investor search, identification and selection of business models, land valuation and land referencing as well as the production of a financial viability assessment and outline business case to green book standard, which will:
- i) Provide a robust evidence of the assessment of procurement options
 - ii) Capital funding sources and mechanisms
 - iii) Operational arrangements post completion
 - iv) A high-level assessment of commercial viability;
 - v) The assessment of distribution of commercial impacts.
- Furthermore, we will continue to engage with other interested organisations over the potential direct acquisition of DSA by a third party where appropriate.

OPTIONS CONSIDERED



31. The scale of the endeavour required to secure the future of the airport including making a potential CPO are considerable. The use of compulsory purchase powers will be a means of last resort and efforts and discussions will continue to exhaust all other courses of action. This includes securing a credible offer from an investor to purchase the airport through a private sale. The options are set out below:
32. Do Nothing: The City of Doncaster Council could determine to do nothing and not pursue the proposed acquisition and CPO action as described above; this is clearly not acceptable based on rationale contained within this report.
33. Negotiate with Peel for preferred purchase: The option of negotiating with Peel on a purchase price prior to incurring significant costs for both parties continues to be explored;
34. Negotiate with Peel for a preferred lease: Discussions are taking place with Peel regarding this option to explore whether a long term lease could provide a basis upon which to achieve our objectives.
35. CPO process: To prepare for a potential CPO in the event that negotiations with Peel are unsuccessful.

REASONS FOR RECOMMENDED OPTION


36. The report highlights the important strategic value of DSA and the major economic development potential associated with the airport. Prior to its closure DSA made a very significant direct and indirect contribution to the local economy and local communities. Successful delivery of SYAC programme has the potential to dramatically increase the economic impacts associated with DSA and secure catalytic economic change. Given the weight of public support for reopening the airport and the scale of the economic opportunity it presents, it is recommended that Cabinet support the report recommendations.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

37.

| Great 8 Priority | Positive Overall | Mix of Positive & Negative | Trade-offs to consider – Negative overall | Neutral or No implications |
|--|------------------|----------------------------|---|----------------------------|
|  Tackling Climate Change | | | ✓ | |
| Comments: Airports are a significant contributor to global carbon emissions with a negative overall impact on climate change. However, the reopening of DSA and development of the surrounding area will result in significant job creation and associated economic opportunities. | | | | |
|  Developing the skills to thrive in life and in work | ✓ | | | |


Comments: Reopening DSA and delivering the associated economic development opportunities would support our plans to improve skills levels and continue the trajectory of upskilling residents of Doncaster.

| | | | | |
|--|---|--|--|--|
|  Making Doncaster the best place to do business and create good jobs | ✓ | | | |
|--|---|--|--|--|

Comments: The presence of a successful international airport coupled with Doncaster’s city status and existing economic assets will be a significant benefit in attracting new inward investment opportunities and foreign direct investment.

| | | | | |
|---|--|--|--|---|
|  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 operational airport. If the airport remains closed 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 remains closed.

| | | | | |
|---|---|--|--|--|
|  Promoting the borough and its cultural, sporting, and heritage opportunities | ✓ | | | |
|---|---|--|--|--|

Comments: Since the 1940’s Doncaster has had a strong aviation presence. Retaining the aviation operation at DSA continues this rich heritage link to Doncaster and provides international access to local and regional cultural and sporting opportunities.

| | | | | |
|-----------------------------|---|--|--|--|
| Fair & Inclusive | ✓ | | | |
|-----------------------------|---|--|--|--|

Comments: DSA and the supply chain opportunities associated with SYAC will provide wide ranging workforce opportunities that will be particularly valuable as we seek to grow a fair and inclusive economy.

Legal Implications [Officer Initials: SRF | Date: 24.03.23]

38. Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government Act 1972 gives the Council the power to purchase goods and services.
39. The Council has the power to acquire assets including land under section 120 of the Local Government Act 1972 but should exercise these powers under the principles of achieving best value.
40. The appointment of advisors must be carried out in accordance with Council Procurement Rules. The appointment of any additional internal staff to support the project should be carried out in accordance with Council procedures and HR advice.
41. As the project develops, significant further legal advice will be required across a number of disciplines including commercial law, property law, procurement and infrastructure law.
42. There will be a requirement for further decision making in accordance with the Council's constitution in respect of any decisions to purchase the airport and this will be updated and advised upon as required.

Financial Implications [Officer Initials: MS | Date: 24/3/23]

43. As stated above the initial costs associated with the CPO are estimated at £3.1m. These costs are expected to be funded using grant from SYMCA (subject to approval in June). This report recommends of acceptance of that grant is delegated to the Assistant Director of Finance, in consultation with the Mayor. Prior to acceptance of the grant, the detailed terms and conditions will need to be reviewed. These are likely to include provisions for clawback should the funding not be spent as planned and may include clawback if specific outputs or outcomes aren't achieved.
44. Should the funding not be approved an alternative funding plan is outlined above involving the use of the Revenue Contribution to Capital earmarked reserve. There is sufficient funding in the reserve but if it has to be used for the airport CPO costs then only a small balance will be available for other purposes.
45. The nature of the costs means they need to be carefully managed to value of for money and that expenditure is contained within the approved funding. The £3.1m budget includes a contingency of nearly £0.3m. Further approval will be needed if expenditure exceeds £3.1m and/or for the acceptance of other external funding.

46. Human Resources Implications [Officer Initials: AC | Date 27/03/2023]

There are no HR implications associated with this report.

47. Technology Implications [Officer Initials: JG | Date: 27/03/2023]

There are no technology implications relating to this report.

RISKS AND ASSUMPTIONS

48. 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 some of these below but recognise that they are not exhaustive given the preparatory work will provide greater clarity on the strength of the case for making a CPO, and these risks and assumptions are under continually review throughout the process.
49. Requirements include the need to demonstrate the means for paying for the airport; 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; recognise there may be some reputational damage. Finally, we need to understand that the Secretary of State may decide not to confirm a CPO which may have costs consequences for the Council, including the possibility of an award of costs against the Council.
50. In order to seek to mitigate against these risks, the Council has: instructed an independent valuation of the proposed site; commissioned independent land referencing; and sought external specialist legal and professional advisers.

CONSULTATION

51. 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. On 26th September following a period of consultation, The Peel Group announced that the strategic review had ended and that it would begin winding down the provision of aviation services at DSA. Both during and following this period, representations have been received from the public, businesses and other bodies via petitions, questionnaires, public meetings and through direct representations.
52. Recognising that community and business support is pivotal in our continued acquisition of the airport, we plan various gateway stages which will ensure continued dialogue with stakeholders at appropriate times.

BACKGROUND PAPERS

53. Doncaster Sheffield Airport, report to Council, 17th November, 2022.
[DSA Report.pdf \(moderngov.co.uk\)](#).

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

54. Not applicable

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