Appraisal Panel Summary

Project Name	Doncaster Sheffield Airport Passenger Capacity Expansion		
Grant Recipient	Doncaster Sheffield Airport Limited (DSAL)		
SCR Executive Board	Infrastructure	**SCR Funding (Loan)**	£5,020,600
% SCR Allocation	100%	**Total Scheme Cost**	£5,020,600

Project Description

This Scheme requests a £5.02m loan from SCR' LGF to deliver increased passenger capacity via an extension and internal reconfiguration of the existing terminal building. The loan will be fully repaid after 5 years. The project will deliver:

- a new enlarged and relocated central search area at the Northern end of Level 3 of the terminal including 'smart lane' technology to improve processing;
- reconfiguration of Level 3 departure lounge, linking with the exit from the new central search area, including improved passenger service facilities;
- two new departure gates with link bridges to the apron (including one for passengers with reduced mobility);
- a scheme of internal reconfiguration to enlarge the existing Level 1 International arrivals and immigration area; and
- a lightweight single storey extension to the terminal building to further enlarge the International arrivals area.

The investment will enable the Airport to continue growth towards a critical mass of passengers, including business, leisure and inbound visitors, ensuring national and regional passenger growth opportunities are not inhibited by 'on airport' infrastructure.

A further second £5m phase of enhancement will be fully funded by Peel Group once passenger footfall grows sufficiently, but this is anticipated to be 2022/23 at the earliest. This second stage is only triggered if/when passenger numbers reach 2.5m, but the employment impact from this are included within the value for money calculation for this application.

Strategic Case

The scheme aligns with national and regional transport strategies, and its promoters base the rationale for public sector support on the assumption of demand suppression – evidenced by an average trip rate of 5 per person per annum (pppa) compared to Yorkshire and Humber's 2 pppa and capacity constraints at southern airports leading to increasing numbers of passengers per departure elsewhere.

The government's 2013 Aviation Policy supports making better use of runways subject to the UK's climate change commitments. The scheme involves expanding terminal capacity and therefore making DSA more attractive to new airlines and flights. The clear aim of the scheme is to double passenger numbers over the next 10 years in line with growth over the last 5 years.

Value for Money

This investment will support the first phase of infrastructure expansion and reconfiguration at DSA which will generate an estimated 233 fte gross additional jobs by 2029/30. Of this, 100 jobs will be created by March 2025. The LGF loan will deliver an estimated GVA benefit of £35.6m over 10 years. This is equivalent to £48.04 per every £1 of LGF.

The project will return good value for money for SCR investment.

Risk

The following risks have been identified:

Risk	Mitigation	Owner
1. Not securing private sector match funding. High impact. Low likelihood.	The Peel Group have confirmed they will provide this match funding if LGF investment is secured. Peel Group have already demonstrated a long-standing commitment to DSA, investing £200m to date.	The applicant (DSAL)
2. Not securing planning permission. High impact. Low likelihood.	Planning consent secured for all but one element of the scheme which may need a minor amendment to the consent and the Scheme aligns directly with the objectives of planning and economic policy.	The applicant (DSAL)
3. Rate of passenger growth low/ lower than anticipated. High/ Medium impact. Low likelihood.	Given DSAL's track record of delivering 25% per annum passenger growth, the national context (of overcapacity within southern airports and the anticipated growth demand highlighted by the Government) and current levels of airline engagement - lower than anticipated passenger growth is considered highly unlikely.	The applicant (DSAL)
4. DSA destination offer not improved - Airlines do not respond to DSA route development and airline incentivisation. Medium impact. Low likelihood.	There is significant scope to grow passenger traffic based on the existing destination portfolio as evidenced by the high levels of surface leakage to other competing airports and the relatively constrained levels of provision at DSA. It is envisaged that the forecast traffic growth is delivered by a mix of both expansion of the route network and continued capacity growth on existing routes. This risk will be mitigated through significant route development investment which DSAL is committed to. Soft market testing has indicated there is appetite within the market for new based operators to come to DSA following the capacity expansion.	The applicant (DSAL)
5. The Scheme is not delivered within the outlined time-scale. Risk that the Phase 1 works are not completed in their entirety by the end of FY 2020/21, 2020/21 Medium impact. Low likelihood.	DSAL have a long track record of successful delivery of complex projects in a live operational, safety critical, high security environment within tight timescales. To mitigate DSAL is already planning procurement with commencement planned as soon as LGF investment is confirmed. DSAL anticipate procurement will be complete by July 2020.	The applicant (DSAL)
6. Environmental emissions. High impact. Medium likelihood	Aviation emissions, overall, are only a relatively small proportion of total transport emissions, the bulk of which are caused by road transport. Secondly, DSA argues that a key part of their approach is to reduce vehicle mileage arising from passengers no longer travelling to Manchester and other more distant UK airports. If a rail station is delivered near DSA, (a key part of the SCR Transport Strategy), this could have an even greater impact. Finally, DSA have committed to reaching zero carbon for ground operations by 2030 and have shared their high-level plans as part of the application for this loan.	The applicant (DSAL)

DSAL have provided assurance that they can manage any capital work risks that materialise however it is also unclear whether the works timeframe includes scope to mitigate any adverse weather conditions or delays to loan funding approval. An updated risk log where risks have been costed should be provided for additional comfort.
Delivery
Project management will be delivered by DSAL under the approval and oversight of the Peel Group and its construction project management team. These management resources are in place and the team have delivered many similar capital investments at the DSA Estate in recent years. Subject to the agreement of final scheme scope, DSAL will ensure that it has enough resources in place to ensure the efficient and effective delivery of the project. The overall timescales appear realistic. Further certainty is necessary over any remaining statutory approvals which need to be in place before commencement of works, but this may be possible to monitor through agreeing milestones. SCR can take confidence from DSAL's commercial imperative to deliver these works before the summer 2021 season which, in practical terms, commences April-May.
Legal
The applicant has requested the loan at market rates so the offer will not represent a state aid.

Recommendation	Full loan award at a commercial rate of return
Payment Basis	Repayment after 5 years

Conditions of Award (including clawback clauses)

The following conditions must be satisfied before contract execution.

1. Evidence of internal Board approval to proceed.
2. Receipt of latest (18/19) accounts from parent company.
3. Receipt of suitable parent company guarantee covering 100% of the £5m LGF loan value.
4. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.

The conditions above should be fully satisfied by **28th February 2020**. Failure to do so could lead to the withdrawal of approval.

The following conditions must be satisfied before drawdown of funding.

5. A complete risk log which includes cost estimates if risks materialise, should be provided.

The following conditions should be included within the loan agreement

6. Within 12 months of reaching 2.5m passengers per annum, the recipient will fully fund phase 2 works as set out in the business case.
7. Fully costed scheme to be submitted prior to commencement of works, if costs are lower than the £5m loan agreement value then the difference should be returned to SCR.

<table>
<tr><th colspan="6">Record of Recommendation, Endorsement and Approval</th></tr>
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<tr><th colspan="2">Appraisal Panel Recommendation</th><th colspan="2">Board Endorsement</th><th colspan="2">MCA Approval</th></tr>
<tr><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td><td>Date of Meeting</td><td></td></tr>
<tr><td>Head of Paid Service or Delegate</td><td>Ruth Adams

Deputy CEX</td><td>Endorsing Officer (Board Chair)</td><td></td><td>Approving Officer (Chair)</td><td></td></tr>
<tr><td>Signature</td><td></td><td>Signature</td><td></td><td>Signature</td><td></td></tr>
<tr><td>Date</td><td></td><td>Date</td><td></td><td>Date</td><td></td></tr>
<tr><td>S73 Officer or Delegate</td><td>Simon Tompkins

Finance Manager</td><td colspan="4" rowspan="6">Statutory Finance Officer Approval

Name:

Signature:

Date:</td></tr>
<tr><td>Signature</td><td></td></tr>
<tr><td>Date</td><td></td></tr>
<tr><td>Monitoring Officer or Delegate</td><td>Steve Davenport

SCR CA Solicitor</td></tr>
<tr><td>Signature</td><td></td></tr>
<tr><td>Date</td><td></td></tr>
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