



GFirst Local Enterprise Partnership

Board Paper – 10th December 2019

Agenda Item 8	Gloucestershire Airport Anson Park Investment
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Supporting Papers	Gloucestershire Airport Anson Park Due Diligence Report -COMMERCIAL IN CONFIDENCE
Confidentiality	Board Paper publicly available, supporting Paper – Commercial in Confidence
Purpose	<ol style="list-style-type: none"> 1) To inform the Board of the details related to the Gloucestershire Airport Anson Park Investment proposal 2) To seek LEP Board Approval for the project to proceed to the Funding Agreement Stage
Summary	<p>This paper is written to support a request that the LEP Board approve the offer of a formal funding agreement to the value of £1,885,000, as a contribution to the provision of new infrastructure (access road and site services) to enable further airport related development through an extension to Anson Business Park, to the north of the airfield, consistent with the indicative funding allocated to the project within the Growth Deal Portfolio.</p> <p>A due diligence process has been completed as part of an assessment of the Business Case and likely economic benefits of the scheme. The full due diligence report is attached for more detailed reading.</p> <p><u>Background:</u></p> <p>The applicant is Gloucestershire Airport Ltd (GAL), which is jointly owned by both Gloucester City Council and Cheltenham Borough Council, located at Staverton on a 376-acre site in greenbelt land between Gloucester and Cheltenham, adjacent to the M5 motorway and just north of the A40 trunk route, linking Cheltenham and Gloucester.</p> <p>The project involves the construction of a new 550m long access road, associated levelling works and installation of utilities in order to facilitate the construction of some 13,500m² of floor space in 5 buildings, forming an extension to the Anson Business Park, to the north of the airfield.</p>

The business case identifies the investment as being important in assisting the Airport to maximise its commercial potential and embark on an ambitious 10-year plan, to provide continued and sustainable growth for the benefit of the local economy and the wider Region beyond. Whilst the Airport business trades profitably, it remains constrained financially by its business model of local authority ownership, which places a restriction on the business as to where it can source appropriate funds. This has limited the Airport's ability to react positively to investment opportunities received from new operators wishing to relocate or develop in Gloucestershire. Consequently, a critical part of the 10-year business plan is to deliver long term financial returns to the business by opening up the site for further investment by the private sector.

An earlier project at the airport received £550k of LGF2 funds in 2015 and provided for the development of an additional 11,776m² of hangar floor space as all of the existing accommodation was then fully occupied. Three of the ten plots were developed immediately, but other interests are still emerging, possibly held back by nervousness around Brexit. These sites have restricted planning permission to be aviation related and so are very niche. However, the proposed development at Anson Business Park, a key part of the airport growth plan, can include commercial property rather than just aviation hangars, which it is anticipated will be much quicker to develop out.

The proposal seeks to maximise the Airport's economic contribution to Gloucestershire and the wider sub-region beyond, through direct and indirect employment as well as wider catalytic impacts. GFirst identify productivity as a key weakness in the regional economy and the Airport can play a role in overcoming this by increasing complementary commercial space and in so doing, enhancing the financial performance of the airport through rents and increased use, fuel sales and landing fees. In addition, it is considered that the new businesses that would be located in the commercial floor space would also bring additional economic benefits to the locality.

In terms of the local planning framework, the JCS duly recognises the strategic importance of the Airport as the busiest general aviation airport in the UK, serving a sub-regional catchment of 1.9 million people and over 84,000 businesses. The Tewkesbury Borough Plan, in line with the Council's Economic Development objectives, clearly states an objective to examine the growth of the airport and the businesses surrounding it, to encourage flexibility and the relevant need for different land uses to support its ongoing operation. This, it is accepted, will include ongoing review of the essential and non-essential operational areas of the site together. Furthermore, Gloucestershire Airport is duly regarded to be an appropriate use within the Green Belt and is recognised as a key regional asset and as such, the Borough Plan policy seeks to support this role.

In particular, the Plan states that "additional employment land will be allocated for development at the airport to allow it to expand the level of commercial businesses floor space to attract new businesses to the Borough, as well as allow for the expansion of existing businesses, whilst protecting the operational use of the site as an airport".

At a national level, the Government's General Aviation Strategy promotes a vision of the UK being the best place in the world for General Aviation (GA), as a flourishing, wealth generating and job producing sector of the economy.

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	<p>Consequently, the assessment of the business case concludes that an investment of £1.855m of LGF has the potential to lead to the creation of 400 indirect jobs, implying a cost per job of £4,637, plus at least £20.9m of private investment which is considered to represent very good value for money.</p>
<p>Implications, impacts or risks</p>	<p>The main risk identified by the applicant is planning, due to the location of the Airport within Green Belt. This is being dealt with through early engagement with the planning authority, Tewkesbury Borough Council, with the aim of finalising whilst seeking the investment funding. Initial indications are that the Council is likely to look favourably on such a development but an early screening opinion will need to be sought to ascertain the level of environmental information which will need to be submitted to comply with the Environmental Impact Assessment (EIA) Regulations.</p> <p>In addition is the risk that the award of grant is considered an un-notified State Aid which could be challenged and investigated by the European Commission. In the event that a clawback was found to be required, the Funding Agreement will provide for this to be borne by GAL, along with any penalties.</p> <p>A further risk relates to the condition of the runways. In terms of general air travel, there is less volume of movement, but higher yield aircraft using the airport. This is consistent with the strategic focus in the masterplanning for the Airport promoting higher value usage. However this is having a negative impact on the runway due to heavier aircraft landings. The runway surface is being surveyed to identify the extent of the structural damage so that an appropriate course of action can be implemented. The use of heavier aircraft movements has implications on the maintenance costs. These are reported as potentially £2m to £20m for major structural repairs. The risk here lies in the potential for runway closure during repairs which may impact on marketing of hangar plots, but also financial from reduction in income as well as additional repair costs. The risk is real, and appears to be medium/high with the only viable mitigation of further investment by the local authority owners to cover the cost of repairs. At the investment panel GAL indicated that the shareholders recognise their responsibilities in this regard.</p> <p>A final risk could concern perception around climate change and the increased promotion of the growth of the airport by an agency such as the LEP. However, the Company argues that the carbon footprint of Gloucestershire Airport is actually very low, when compared to that of motor vehicles on nearby roads (notably the M5 and A40) and local gas/electricity consumption. The industry is also gearing up to meet its carbon neutral growth targets by 2020. Aerospace is a dynamic sector that fosters technical innovation and environmental stewardship across the full value chain, from manufacturers to operators. Furthermore, new technologies are rapidly evolving making aircraft design more responsive to the environmental agenda and this pioneering R and D is happening on site in Gloucestershire .</p> <p>Furthermore, the Airport’s Green Policy envisages no long distance flights or use by passenger jets.</p>
<p>Decision required</p>	<p>For the LEP Board to approve or not approve the offer of a formal funding agreement to the value of £1,885,000</p>

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<p>Recommendations</p>	<p>Approve the offer of a formal funding award, of £1,885,000, post due diligence and business case assessment, for essential infrastructure to enable the expansion of Anson Business Park at Gloucestershire Airport .</p> <p>Authorise GCC as the Accountable Body to prepare the final Heads of Terms for the release of the funding, noting the conditions:</p> <p>Conditions</p> <p>To provide details of the contractor appointment and process prior to the drawdown of any funds, plus details on the timing and profiling of costs associated with site servicing, as outlined in full detail in the accompanying due diligence and business case assessment report.</p> <p>No funding to be advanced until planning consent is obtained.</p> <p>The new access road and enabling infrastructure must be provided on an open access basis, such that the land is made available for more than one occupant. If there is only one occupant on the land at the end of a period of 5 years after practical completion of the road, then provision for clawback should apply, subject to a review with the accountable body. The terms of clawback would be determined by reference to the benefit obtained by the sole occupant from the use of the infrastructure but would be no more than the £1.885m cost funded by LGF.</p> <p>Comment for LEP Board</p> <p>The Investment Panel considered that the financial sustainability of the Airport would be better served if GAL were able to both construct and let premises on the land designated for extension at Anson Business Park <u>and</u> at Meteor Business Park if required. In this respect, the Panel felt that the shareholders should be more proactive in enabling GAL to secure commercial borrowing, or themselves provide capital loan funding that would enable any new development of commercial or hangar space to be built providing there were pre-lets for the accommodation, with loan serviced from rental income. Such action would support the Airport’s Development Plan more effectively and provide valuable leverage/added value for any external investment funds (such as LGF) secured.</p> <p>Any future requests for public funding from loan or grant would be predicated on the premise that such funding would be as a last resort, with strong evidence as to why other funding sources and/or direct investment by the owners were not available or appropriate.</p>
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For further information points raised in this Board paper, please contact Barry Bodin-Jones barry.bodin-jones@gfirstlep.com