

## Strategic Outline Business Case

Please complete this to enable an initial assessment of your project. Once completed, please return by email to [callsubmissions@sheffieldcityregion.org.uk](mailto:callsubmissions@sheffieldcityregion.org.uk) by 5pm on 8<sup>th</sup> December 2017.

1 - PROJECT DETAILS	
1.1 PROMOTER'S INFORMATION	
<b>Title and full name of main contact:</b>	Dr Robert Fleming
<b>Position:</b>	Chief Executive
<b>Lead Partner:</b>	Vulcan to the Sky Trust ("VTST", "The Trust")
<b>Lead partner organisation size:</b>	Small
<b>Other delivery partners &amp; roles:</b>	Doncaster Sheffield Airport
<b>Address for correspondence:</b>	Unit 4 Delta Court, Sky Business Park, Doncaster Sheffield Airport, Third Avenue, Doncaster,
<b>Postcode:</b>	DN9 3GN
<b>Phone:</b>	
<b>E-mail:</b>	
1.2 PROJECT INFORMATION	
<b>Project title:</b>	Etna Project Heritage Hangar
<b>Project name and summary (please append any graphics):</b>	The Trust is presently embarking on a new Heritage Hangar build project at Doncaster Sheffield Airport that will not only provide a home for its aircraft with excellent public access, but a location at which other restoration and operational aircraft projects can be based.
<b>Project Location:</b>	Doncaster Sheffield Airport ("DSA")
<b>Total project cost:</b>	£3,000,000
<b>Amount of funding sought from SCR:</b>	Option 1 - £300,000 (10%) grant Option 2 - £2,700,000 loan plus £300,000 grant
<b>Confirmation of other funding:</b>	VTST has launched a fund-raising campaign for the full amount of £3 million based on a reviewed and approved business plan. Its Board of Trustees believe that grant providers, investors, philanthropists, and/or a consortium who are sympathetic to the Trust's objects of aviation heritage, education and inspiration of the young in engineering and technology will be attracted by this proposition. VTST have a proven track record of successfully securing funding, having raised in excess of £27 million over a period of about 14 years to restore the

	Vulcan to flight and operate it on the airshow circuit. We have already had informal indications that an investment of £1.5 million will be available from a known source. Having a loan from the SCR making up the full amount of £3million would us the Trust to proceed with the development immediately, and provide the time to permit the rest to be raised.
<b>Is the funding requested a loan or a grant or a mix of both? If a mix, please specify percentage split:</b>	The preferred option is for a loan plus a grant to make up the full amount required of £3 million to allow work to proceed immediately. The size of the loan requested is £2,700,000 being 90% of the total, or less if other funding has already been secured. It is proposed that SCR takes a charge on the building as security for the loan. The size of the grant requested is £300,000 being 10% of the total.
<b>For loans, please suggest your preferred term (length), repayment preference (instalments or maturity) and type (discounted, commercial, etc.). Briefly outline your rationale for this suggestion:</b>	Maximum length possible with the option to repay in flexible instalments with the balance due on maturity. This will provide us with the flexibility to raise the capital from other sources over a period of 3 years, with repayments being made when the funds come in.
<b>Proposed start and end dates for project:</b>	January 2018 – March 2019

**1.3 Main Project Theme** *[Select the theme below that most closely applies to your project]*

*Place an x against one theme*

Skills	Transport	Housing	Infrastructure	Other [please specify]
			X	Visitor, Conference, Events and Exhibition Centre

**1.4 Secondary Project Themes** *[Select any additional themes below that also apply to your project]*

*Place an x against all that apply*

Skills	Transport	Housing	Infrastructure	Other [please specify]
X				STEM Engagement Programme for Young People

**1.5 Does the project have the approval of the relevant local authority?**

If no, when is this expected? If yes, please provide evidence of this.

Yes

DMBC reviewed and approved – Chris Dungworth & Scott Cardwell

**1.6 Do you have full internal approval for this project to commence works?**

If no, when is this expected?

Yes

**2. STRATEGIC CASE**

**2.1 What is the rationale for public sector investment in this project?**

*150 words max*

- The Hangar will be a significant heritage attraction with local relevance, boosting attractiveness of the region for tourism.
- It will provide a unique setting for conferences, corporate and private events, thereby generating secondary spend in the local economy e.g. hotel bed occupancy.
- The Hangar will generate 14 local jobs, rising to more than 25 within 3 years.
- It will provide an economic contribution focused on STEM engagement for young people, putting it at the heart of and showcasing the world class and cutting-edge technologies being developed by businesses in the SCR e.g. the likes of Boeing, Rolls-Royce and McClaren.
- The STEM engagement programme would be complimented by signposting young people to the career paths being offered by local education and training providers such as the AMRC (Doncaster) Apprentice College, Doncaster College and the National Rail College through apprenticeships and other courses, in a region of low aspiration and educational attainment.

**2.2 Which of the SCR objectives below does this project contribute to?**

Objectives	<i>Place an x against the objectives that your project aims to directly deliver.</i>
1. Increasing SCR's Gross Value Added by improving productivity	X
2. Increasing the number of jobs/employment rate in the SCR	X
3. Rebalancing the economic base of the City Region by increasing the proportion of private sector employment and helping to address the performance gap between SCR and the Greater South East	X
4. Capitalising and enhancing the quality of life in the SCR and delivering sustainable economic growth	X

**2.3 Please set out the objectives of the proposed project. Briefly show how these align with the relevant SCR objectives you have selected in 2.2.**

*100 words max*

The objective is to deliver public benefit: conservation and restoration of heritage aircraft, education and inspiration of the young in aviation, engineering and technology by offering tours of its heritage assets, and by providing a unique and attractive venue for events & conferences. 1) GVA will be increased by stimulating the young to choose STEM jobs. 2) The project will generate 25 jobs. 3) Private sector employment is increased by an attraction not available in the South East. 4) The project will be a tourist attraction enhancing quality of life, generating a sustainable GVA of at least £2.8m pa.

**2.4 Is the scheme compliant with statutory plans and processes (e.g. Local Authority planning policy and economic/ housing growth strategies, transport needs, provision of education)?**

*100 words max*

Yes; Planning application submitted 25<sup>th</sup> September 2017; determination 12<sup>th</sup> December 2017.

**2.5 Will your project have any implications for the existing transport network and its users?**

**No**

**If yes, please summarise the results of your transport assessment below.**

**100 words max**

The Transport Statement for the Planning Application concludes: the proposed supporting highway access works will deliver safe access to the site and there is no realistic prospect of the operation of the application scheme giving rise to any severe network capacity or effects. It is therefore concluded that there are no grounds for highways objection to the proposals.

### 3. COMMERCIAL CASE

**3.1 Please justify and evidence the need for this project i.e. define the problem/barrier that this project will address.**

**Outline the evidence that supports this including any market testing or modelling work you may have carried out.**

**100 words max**

The Vulcan Experience operated very successfully in Hangar 3 at DSA for 5 years until its enforced closure in January 2017, and was rated on TripAdvisor as the top visitor attraction in South Yorkshire. It employed 14 people, now redundant, had a gross revenue of £1m. Its loss has had a significant negative impact on the local visitor economy.

This new facility wholly owned by VTST will enable us to restore and improve upon these economic benefits, also becoming the base for a new STEM engagement programme designed to support the development of the skills base in the SCR.

**3.2 Please identify the key risks to the project and any dependencies on other projects or investment.**

**75 words max**

Timescale: Given the effects of weather, Vulcan XH558 needs to spend the minimum amount of time outside. With a 12 month build, assuming funding became available during early 2018, the new hangar would be ready in early 2019.

Inability to raise funds: VTST may find it difficult to raise the capital for the project. The Trust believes that its Business Plan gives strong confidence in the viability of the Trust's business in the new Hangar.

**3.3 If this scheme is reliant on private partners / stakeholders to deliver outputs, outline any discussions, procurement, negotiations or process undertaken?**

**75 words max**

VTST believe that grant providers, investors and philanthropists who are sympathetic to the objects of aviation heritage, education and inspiration of the young in engineering and technology will be attracted. Certain investors and institutions have already been identified; a business case and investor proposition have been prepared and are in the process of being presented to target individuals and institutions. Informal indications have been received that £1.5 million will be available from a known investor.

### 4. ECONOMIC CASE

**4.1 Please complete the relevant tab(s) in the Proforma provided.**

The hangar build will create 3000 square meters of floor space on a developing airport and provide a number of jobs in the local construction industry for a period of up to 12 months.

Once open, the facility will be a visitor attraction/exhibition space also providing a unique setting for a range of events and conferences. Our business plan envisages that the venue will create 14 new jobs initially but this will increase to around 25 over a period of 2-3 years as the visitor and events business ramps up. Additionally, once Canberra WK163 is under cover and the funding is in place, the aircraft will be restored to flight and operated on the UK airshow circuit, creating a further 5 engineering jobs and potentially 2-3 apprenticeships.

It is anticipated that the visitor and events business will take around 6 months to reach target utilisation, at which point the total annual visitor numbers including both tours and events will be 40,000 and the direct revenue spend will be over £1m per annum. The business plan assumptions for these figures are based on our previous experience of us operating the Vulcan Experience visitor and events business at DSA for 5 years to January 2017 and the Trust's management accounts. It is envisaged that these figures will grow by around 5% annually.

It is projected that for each £1k generated in direct tourism income, that there will be a further £1.8k that is supported elsewhere in the economy through the supply chain and secondary consumer spending. The evidence source for this is Deloitte's report "Tourism: jobs and growth" November 2013.

<http://www.oxfordeconomics.com/my-oxford/projects/246555>

Based on their tourism multiplier of 2.8 the total GVA for our £1m of direct tourism GVA, would be £2.8m. We are currently in the process of compiling data on room occupancy rates at local hotels relating to time when the Vulcan Experience was operating. The Ramada Encore Hotel for example has seen a large drop off in room nights and income resulting from its closure and based on the data received to date from those hotels, we estimate that over 1,000 room nights have been lost over the past 12 months in just 3 of the local hotels.

Additionally, through the secondary project theme of STEM engagement, implemented in partnership with the SCR business community, education and training providers, we will over time help inspire young people to choose careers in the aviation, engineering and technology sectors. This enabling role will involve showcasing the world class and cutting edge technologies being developed by businesses in the SCR e.g. Boeing, Rolls-Royce, McClaren etc. in our hangar. These will be refreshed/changed approximately every 9-12 months. This will be supported by a range of educational visits, outreach activities, resource packs, the extensive use of the web and social media. Hangar displays, our educational activities and the various media used will signpost young people to the career paths being offered by local education and training providers, thereby indirectly contributing to an increase in engineering and technology skills base in the SCR.

**4.2 Summarise the main assumptions you have made in forecasting outputs and outcomes.**

**50 words max**

Approximately 6 million people live within one hour's drive of the New Hangar. Based on our experience of operating the highly acclaimed Vulcan Experience for 5 years, hangar tours will attract at least 2,000 visitors per month with a similar number attending the venue for conferences, corporate events and dinners.

**4.3 What is the likely range of uncertainty around your forecasts (e.g. 10%-90%)?**

**50 words max**

Given that the business plan is based on solid historic information, the uncertainty in the forecasts is low.

**4.4 Briefly outline the other options considered and why none of these are deemed suitable.**

**100 words max**

The aircraft need to remain under cover to enable the Trust's commitment to conserve them in perpetuity to be carried out. Renting hangar space at DSA was considered but there is no spare space likely to become available in the foreseeable future. Moving the aircraft to another airfield is impossible without irreversible damage, and the heritage connection with Finningley would be lost. Visitor numbers and catchment areas at other airfields would be lower than at DSA.

**5. FINANCIAL CASE**

<b>5.1 Spend / Funding Profile</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>Total</b>	<b>Funding Status</b>
(A) Total Private Investment (£)						£1.5 m investment in pipeline for 2018/19
(B) Total Other Public Sector Investment (non-SCR funding) (£)						Not secured
(C) Total SCR Funding Sought (£)	300,000 grant & 2,700,000 loan				300,000 grant & 2,700,000 loan	Not secured
(D) Total Project Investment (£) (A+B+C=D)	3,000,000				3,000,000	
SCR as % of Total Project Investment	10%				10%	
<b>Degree of certainty of cost estimates</b>	<ul style="list-style-type: none"> <li>75% (Project designed in detail and costs reviewed by appropriate independent assessor i.e. Q.S.).</li> </ul>					

**5.2 Please outline any additional work required to confirm project costs / funding and when this is likely to be completed.**

**75 words max**

The costings have already been prepared on the basis of detailed designs by experienced contractors; we are confident in these numbers.

**5.3 If funding sought is part or wholly grant, please justify why 100% loan is not suitable.**

**100 words max**

A 10% grant is justifiable on the basis that the project will ultimately create 25 jobs, with the potential for further engineering jobs and potential apprenticeships once the funding is in place to restore and operate Canberra WK163.

**6. MANAGEMENT CASE**

**6.1 Please provide your timetable for delivery. Please justify your response considering factors such as the time required to secure statutory powers, secure match funding, procure contracts etc.**

Key Milestones	Date	Comments
All funding secured	Mar 2018	Terms of a private sector investment of £1.5m just offered, yet to be discussed and agreed
Cabinet / other external approvals		Not needed
Procurement complete	Mar 2018	Material sourcing completed
Statutory processes complete	Dec 2017	Will be completed
Land acquisition complete	Mar 2018	Dependent on DSA
Start on site	Apr 2018	
Scheme opening	Mar 2019	

**6.2 Where appropriate, please indicate whether the following have been secured, agreed fully or agreed in part, or provide an estimation of when they are likely to be secured. Insert N/A if not applicable to the project. If not fully agreed, please provide a summary of the remaining tasks.**

Delivery Constraint / Risk	Status	Completion Date	Comments on remaining tasks
Planning consents	Submitted	Dec 2017	
CPOs	N/A		
Public consultation	Informal from the Vulcan's supporters and the local community		Full support
Public inquiry	N/A		
Traffic regulation orders	Traffic statement	Nov 2017	No issues
Transport and works act	N//A		
Public sector match Funding	Being sought	Mar 2018	
Private sector match Funding	Being sought	Mar 2018	
Procurement contracts	In Plan	Mar 2018	
Revenue funds	In plan		
Partnership agreement	N/A		

Other statutory processes	N/A		
<b>6.3a Explain the State Aid evaluation of Project.</b>	N/A	Details regarding State Aid can be found at: <a href="https://www.gov.uk/guidance/state-aid">https://www.gov.uk/guidance/state-aid</a>	
<b>6.3b If the project involves provision of State Aid, please indicate the amount of State Aid provided and under what heading / project. If the project does not amount to State Aid funding, please provide an explanation as to why; making specific reference to the State Aid tests. Do not leave this section blank.</b>			
<p>The project does not amount to State Aid. On the four tests of whether the project involves the provision of State Aid, whilst state resource are being requested, VTST's proposition is unique and will be undertaking activities not carried out by other organisations so there is no advantage gained. Similarly because the unique nature of the Trust's activities in the region there is no opportunity for competition to be distorted. Lastly the assistance will not affect trade between member states of the EU.</p>			
<b>SIGN OFF</b>			
<b>Officer responsible for the application (the relevant Executive Director in your organisation)</b>			
Officer name:	Dr Robert Fleming		
Role:	Chief Executive		
Date:	8 <sup>th</sup> Dec 2017		
<b>Counter signatory – Director of Finance</b>			
Officer name:	John Sharman		
Role:	Chairman of the Board of Trustees		
Date:	8 <sup>th</sup> Dec 2017		