

Guidance on preparation of the annual budget and statement for those costs associated with obtaining planning permission for a new northwest runway

CAP 1651

Copyright United Kingdom Civil Aviation Authority
Provided by IHS Markit under License with UKCAA
No reproduction or networking permitted without license from IHS

Published by the Civil Aviation Authority 2018

Civil Aviation Authority
CAA House
45-59 Kingsway
London
WC2B 6TE

You can copy and use this text but please ensure you always use the most up to date version and use it in context so as not to be misleading, and credit the CAA.

First published April 2018

The latest version of this document is available in electronic format at: www.caa.co.uk



Documents
Document Sharing Hub

Contents

Contents	3
Chapter 1	5
Executive Summary	5
Introduction	5
Summary of guidance document	5
Structure of this guidance document	6
Chapter 2	7
Background and need for this guidance document	7
Introduction	7
CAA policy CAP 1513 on recovery of planning costs	7
Category B costs definition	7
Chapter 3	8
Recovery of Category B costs	8
Introduction	8
Definition of Category B costs	8
Scope	8
Cost categories	9
Definition clarifications	9
Costs incremental to those already included in the Q6 settlement	10
Efficiently incurred costs	10
Context	10
Independent Fund Surveyor role	11
Efficiency requirements included as part of this Guidance document	11
Chapter 4	12
Budget guidance	12
Introduction	12
Budget data structure and requirements	12
Structure requirements	12

Information to support the Budget cost data	13
Related commercial requirements	14
Efficiency requirements	14
Chapter 5	15
Statement guidance	15
Introduction	15
Statement data structure and requirements	15
Structure requirements	15
Statement cost data requirements	15
Information required to support the Statement cost data	16
Related commercial requirements	17
Efficiency requirements	17
Appendix A - Defined terms and acronyms	18
Defined terms	18
Acronyms	19
Appendix B – HAL reporting calendar	20
Appendix C - Summary cost template – Budget and Statement	21

Copyright © 2018 UKCAA. All rights reserved.

Chapter 1

Executive Summary

Introduction

- 1.1 On the 25 October 2016, the government identified the North West runway at Heathrow as its preferred option for airport capacity expansion in the South East of England.
- 1.2 Subsequent to this announcement the Civil Aviation Authority (CAA) has issued a policy which sets out the regulatory treatment for the recovery of costs associated with obtaining planning permission for a new northwest runway at Heathrow Airport (reference CAP 1513).
- 1.3 The purpose of this document is to supplement CAP 1513 in order to provide guidance and requirements for Heathrow Airport Limited (HAL) on the scope and presentation of its annual Budget and Statement for those costs associated with obtaining planning permission for a new runway (Category B costs).

Summary of guidance document

- 1.4 To assist HAL in the preparation of their annual Budget and Statement the following terms from CAP1513 are further defined in this guidance document:
 - Category B costs; and
 - Efficiency.
- 1.5 The requirements for the annual Budget and Statement are proportional to the scale and complexity of Heathrow Expansion, and the scrutiny that will naturally accompany it.
- 1.6 The transparency, structure and consistency of the scope and associated costs planned and delivered by HAL is pivotal to enable the regulation of Category B costs.
- 1.7 Reasonable supporting evidence and rationale as detailed in this guidance document is required to be able to fully understand and justify Category B costs.
- 1.8 HAL has planned to develop a more mature understanding of the scope and cost estimate for Expansion during 2018. Consequently, given the more mature programme environment by 2019, some additional requirements are identified from 2019 onwards.

Structure of this guidance document

- 1.9 The remaining content and structure of this guidance document is summarised in table 1 below with the purpose of each chapter included:

Chapter	Purpose
Chapter 2 - Background and need for this Guidance document	Summarises the relevant key aspects of the CAP 1513 document and contextually sets the requirement for this Guidance document.
Chapter 3 – Recovery of Category B costs	Further defines and clarifies the requirements which must be satisfied in order that costs may be recovered by HAL through aeronautical charges (first £10m pa), or added (subject to obtaining DCO and possible review of efficiency) to the Regulatory Asset Base (RAB) (spend above £10m pa).
Chapter 4 – Budget guidance	Sets out the scope and requirements for preparation of the annual Budget.
Chapter 5 - Statement guidance	Sets out the scope and requirements for preparation of the annual Statement.
Appendix A – Defined terms and acronyms	References the defined terms and acronyms used in this Guidance document.
Appendix B – Annual calendar/ timeline	References the annual reporting calendar including when the Budget and Statement are required to be submitted by.
Appendix C – Summary cost template	References the summary template for the Budget and Statement, representing the Heathrow Work Breakdown Structure being used for Category B cost planning and reporting

Table 1: summary of structure and content

Chapter 2

Background and need for this guidance document

Introduction

- 2.1 The CAA published the policy statement “The recovery of costs associated with obtaining planning permission for a new northwest runway at Heathrow Airport” (reference CAP 1513) in February 2017. CAP 1513 sets out the CAA’s decisions for the regulatory treatment of the costs HAL will incur in seeking planning permission to develop a new northwest runway and capacity expansion at Heathrow Airport. These are termed Category B costs (or planning costs).
- 2.2 This guidance document is required to supplement CAP 1513 and to provide guidance to HAL on the scope and presentation of its annual Budget and Statement for those costs associated with obtaining planning permission for a new runway (Category B costs).

CAA policy CAP 1513 on recovery of planning costs

Category B costs definition

- 2.3 Policy reference CAP 1513 defines Category B costs as:

“capacity expansion costs that are, in general, incurred by HAL after the Government policy decision on the location of new capacity (i.e. 25 October 2016)” and

“costs which are directly associated with, and solely for the purposes of, seeking planning consent for the delivery of new runway capacity, including through the Development Consent Order (DCO) process.”

- 2.4 This definition of Category B costs is further detailed in Chapter 3 in order to clarify whether costs may be classified as Category B and consequently recoverable under the terms set out in policy reference CAP 1513.