

UK Airspace Design Service: Airspace Design Support Fund

Introduction

1. As part of the UK Airspace Design Service (“UKADS”) joint consultation published by DfT and the CAA (“the co-sponsors”) in Autumn 2024¹, a new Airspace Design Charge (“Charge”) was proposed, which would be specified using the same provisions in the Transport Act 2000 as those used to specify UK, Oceanic and London Approach Air Traffic Services charges. The new Charge would establish funding mechanisms for:
 - the new UKADS; and
 - a UK Airspace Design Support Fund (“Fund”), to provide support towards certain costs associated with airspace change more widely.
2. The consultation did not go into detail about how the Fund would work but proposed that it should be administered by NATS (En-Route) plc (“NERL”) (as the UKADS provider) and sought views on what kinds of costs should be eligible. The consultation suggested that a future publication would set out how the Fund would function, including:
 - how airspace change proposal (“ACP”) sponsors outside the scope of the UKADS could apply for funding, what costs would be eligible and under what conditions;
 - how the Fund would be administered by NERL through the UKADS; and
 - any requirement for a proportion of the eligible costs to be met by the ACP sponsor.
3. On 17 March 2025 the Chancellor announced that the Government would proceed with setting up both the UKADS and the Fund.²
4. This paper sets out the co-sponsors’ view of what the Fund should cover, who should be able to seek funding, and what kinds of costs should be eligible. Subject to the licence modification process, the co-sponsors are minded to establish the Fund on the basis set out in this paper, alongside the formal establishment of the UKADS before the end of 2025. The final details of how the Fund will operate will reflect consideration of any feedback on the proposition set out in this document.

¹ <https://consultations.caa.co.uk/policy-development/ukads-consultation/>

² <https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth>

5. Analysis of the consultation feedback has been considered when developing this paper. Further detail on the feedback received through the consultation, as well as the co-sponsors' responses to the points raised and co-sponsors' decisions made, is set out in CAP 3106, the consultation response document.³ Chapter 3, Analysis of the responses (Questions 18 and 19) relate to the creation of the Charge and how the Fund might operate. In particular, responses to question 19, which asked respondents which elements of expenditure on an ACP they think should be eligible under the Fund, has helped to inform the approach set out in this paper and the kinds of costs which would be eligible for support through the Fund. The co-sponsors also carefully considered how the Fund might be most effectively administered, looking at three main options. These were:
- for the Fund to be administered by NERL, including through the UKADS;
 - for the Fund to be administered by the CAA; and
 - for the Fund to be administered by DfT.

The co-sponsors concluded that a Fund administered by NERL was likely to deliver the best outcome.

6. As well as practical challenges with DfT or CAA undertaking this work, given their roles in deciding the outcome of ACPs, significant separation of functions would be required to avoid the perception of conflicts of interest for CAA or DfT to administer the Fund. The consultation responses indicated broad support in principle for the creation of the Fund, which was seen as a key way to ensure fairness for the rest of the UK if the UKADS is prioritising work on the London cluster of airports; and a key mechanism to drive progress for ACPs outside London.
7. Stakeholders generally acknowledged the potential for the Fund to provide a more level playing field between larger, well-capitalised sponsors and smaller entities, such as regional airports. The feedback underscored a critical need for equitable, transparent and well-considered financing to support airspace modernisation that promotes fairness and sustainability in funding airspace improvements.
8. Many responses said that greater detail was needed on how the Fund would work and what costs would be eligible. NERL did not support the UKADS administering the Fund, and some other responses noted the need for independent oversight. Subsequent discussion took place with NERL to understand its concerns about the administration of the Fund, and the co-sponsors also considered alternative options in developing the proposed approach set out in this paper. Some community groups argued that funding should be available for residents affected by airspace changes to get "independent advice".

³ CAP 3106 Airspace modernisation: Outcome of the consultation on a UK Airspace Design Service
www.caa.co.uk/cap3106

Principles for the new Airspace Design Support Fund

9. Building on the views set out in the joint consultation, the proposal is that the Fund must:
- maintain a level playing field between the funding for the UKADS and funding for ACPs outside the scope of UKADS, so far as practical;
 - continue to reflect the ‘user pays’ principle, ensuring the costs align with the beneficiaries of airspace change;
 - be equitable and transparent for applicants;
 - be based on clear rules governing how the Fund works, who it applies to and what the funding can be used for; and
 - ensure that key parties retain ‘skin in the game’ to incentivise progress, financial efficiency and delivery.

Who would be eligible for support through the Airspace Design Support Fund?

10. The Fund would be available to support the delivery of ACPs in line with the Airspace Modernisation Strategy. **This Fund would only be for UK commercial airports which are:**
- (i) served by airline operators required to pay the Charge;**
 - (ii) not in scope of the UKADS; and**
 - (iii) taking forward an ACP which meets the criteria set out in Table 1.**
11. This aims to provide fairness for airports outside the scope of the UKADS and those within it, and to reflect that mainly commercial airlines will be paying the Charge. It makes clear that the Fund is not intended for small aerodromes or drone operators, for example.

Table 1: Eligibility criteria – what**Costs must:**

- a. Relate to ACPs that directly support the Airspace Modernisation Strategy* **and**
- b. as a minimum, have successfully completed the CAP 1616 Stage 2 Gateway.**

Detail: Sets a minimum point in the airspace change process (CAP 1616)*** process from which funding would be available. Funding would be available to support eligible costs of work on Stage 3 of the CAP 1616 process onwards (excluding the Stage 5 regulatory decision; ineligible costs are outlined at paragraph 16).

Why: Consistency with FASI London TMA airports as (i) the current policy is that airspace proposals will transition into the UKADS after Gateway 2 and (ii) the intended purpose of this funding is to seek to ensure that ACPs which might be funded have met a reasonable level of maturity (so the Fund cannot be used speculatively).

and**Costs must:**

- c. Relate to work done and costs incurred after the launch date for the funding scheme.

Detail: The Fund is not available for costs incurred prior to its launch, including invoices submitted after the date for the scheme launch but relating to earlier work.

Why: In keeping with normal practices for new funding and incentivises sponsors of existing ACPs to continue work prior to the launch of the Fund.

and**Costs must:**

- d. Be identifiable and verifiable and meet applicable UK accounting standards and laws, and be reasonable, justified and comply with the principle of sound management in particular regarding economy and efficiency.

Detail: Costs must meet normal standards of propriety, transparency and legality.

Why: Normal rules for good governance of funding schemes.

and**Costs must:**

- e. Relate to an ACP which has appropriate commitment from the sponsor to be seen through to completion.

Detail: A condition of funding should be that the sponsor commits to completing the ACP process, within a reasonably specified timeframe, with funds repayable / recoupable if they decide not to progress (or pause / delay for a significant period).

Why: To incentivise sponsors to complete their ACPs as efficiently as possible and ensure that any proposals they seek funding for are robust. It is also designed to prevent money being wasted on work if sponsors are not committed.

Notes to Table 1:

The above eligibility criteria are set out in [tabular form](#) at the end of this document.

* <https://www.caa.co.uk/cap1616>

** But see paragraph 17 in relation to resubmissions.

*** <https://www.caa.co.uk/ams>. This would not include:

- temporary ACPs
- ACP trials
- PPR (planned and permanent redistribution of air traffic through changes in air traffic control operational procedure)
- routine ACPs that airports would expect to do in the normal course of their activities, such as RNAV (area navigation) substitution.

FASI = Future Airspace Strategy Implementation

London TMA = London Terminal Control Area

12. The Fund administrator (assumed to be NERL through the UKADS, as set out below) should monitor costs being applied for and ask applicants to justify costs as appropriate and seek clarification if required. It might choose either immediately or over time to develop a system of benchmarking to aid this process, but should in any case be able to challenge applicants to the Fund to justify costs which appear unusually high or demonstrate any irregularities. In the event of a dispute, this could be escalated to the co-sponsors. If appropriate, partial costs could be awarded to a level which was seen to represent justifiable value.
13. As part of the CAP 1616 process, an ACP sponsor submits its proposed timescales for the ACP. This would provide a timeline against which to track progress. The sponsor should therefore be able to demonstrate its commitment to the ACP, including identifying where any delays were a consequence of factors beyond their control. The requirement to self-fund work prior to Stage 3 also provides an opportunity for sponsors to demonstrate commitment, establish a reasonable chance of success, and be financially invested in the outcome.
14. If a sponsor is seen to be failing to meet its commitment to complete an ACP, DfT has powers in the Air Traffic Management and Unmanned Aircraft Act 2021 to compel continued progress if it was deemed appropriate to do so.

Eligible costs

15. Subject to meeting the criteria in Table 1, the Fund should in principle be available for sponsors to meet costs associated with the same services provided by the UKADS for airports within its scope⁴, and bids should be assessed against this core principle,

⁴ See CAP 3106, the UKADS consultation response document for further information.

www.caa.co.uk/cap3106

as well as any specific costs identified as eligible. We expect eligible costs to include:⁵

- Costs of service contracts (including externally) for airspace design, including design services and third-party advice and support to deliver the ACP;
- Direct costs of delivering airspace design, including but not limited to safety assessment, options appraisal, airspace design and noise modelling and analysis. This includes the cost of preparing submissions to the CAA as part of the CAP 1616 process; and
- Certain costs related to preparing materials for public consultation under the CAP 1616 process. Eligible consultation costs should broadly match the UKADS' costs relating to preparing consultation materials and supporting materials. This assumes that the airport partnering arrangements described in CAP 3106, the UKADS consultation response document, for airports within the geographical scope of the UKADS will not apply to airports seeking to use the Fund. Eligible consultation costs under the Fund could include the preparation of a consultation strategy, preparation of data and information needed for consultation, preparation of consultation documentation, incremental website costs (if necessary), collection and analysis of results, and preparation and publication of responses.

Ineligible costs

16. Costs that would not be eligible under the Fund include:

- Work that is being carried out by the UKADS or within scope of the UKADS, unless the UKADS has agreed that this work can be carried out independently of it;
- Costs incurred in relation to Stage 1 and 2 of the CAP 1616 process up to and including the successful completion of the Stage 2 Gateway, **unless** required to enable the work of the UKADS⁶ (and agreed by the UKADS and the co-sponsors), or as a result of a specific change to an ACP or cluster requested by the co-sponsors.⁷ In this event, the costs met would be equivalent to those set out in Table 1 and paragraph 15 (with appropriate adjustments to enable application to the earlier stage of the CAP 1616 process); costs highlighted in this list as ineligible would remain ineligible;

⁵ This could change in the future if the scope and remit of the UKADS evolves over time, subject to the direction of the co-sponsors.

⁶ This is to allow for the possibility, for example, that some standardisation and consolidation might be needed when the UKADS takes on ACPs.

⁷ The effect of this would be to enable funding to be available if a significant change to a cluster required existing ACPs that had passed their Stage 2 Gateway or reached that stage to significantly rework early stages of the ACPs.

- Costs not directly related to an eligible ACP and BAU staff costs (such as for day-to-day engagement resourcing);
 - BAU work not related to delivering an ACP;
 - ACPs that do not directly support the delivery of the Airspace Modernisation Strategy (such as routine updating of navigation aids or updating an Instrument Flight Procedure);
 - BAU costs to airports of local stakeholder engagement not specifically related to carrying out consultation work required for the CAP 1616 process;
 - Physical costs relating to some stakeholder engagement activities such as hire of a hall, creating physical display boards (but creating any information, maps or data used on display boards would be eligible);
 - Noise mitigation costs (such as noise insulation schemes);
 - Costs of third parties affected by airspace change; and
 - Legal costs associated with any ACP (such as those to defend a challenge to the ACP).
17. In principle, where an ACP does not progress through a gateway⁸, funding would (subject to approval) be available to help the sponsor address specified issues and re-submit. This would not apply where the CAA or Secretary of State has made a regulatory decision to reject the ACP. However, ACP sponsors would be incentivised to deliver high-quality submissions via a decreasing proportion of total eligible costs being funded with each gateway resubmission. This could include fully funding a second attempt and covering 50% of costs incurred for a third attempt, with no further funding available for any additional attempts required.
18. Where minor amendments to submissions or clarification to technical details are requested by the CAA in Stage 5, funding might be available to help the sponsor address these specific issues ahead of the regulatory decision.
19. In line with the 'user pays' model, the design of the Fund set out above would not fund ACPs required for Future of Flight or General Aviation activities, as those groups would not be contributing financially via the Charges that will support the UKADS and the Fund. In the future (if the scope of the UKADS evolves or if new groups are required to pay the Charge) the eligibility criteria for the Fund could be amended. If that occurred, alongside the change to the Fund, the Charge would need to be adjusted to encompass the beneficiaries of such airspace change (i.e. to mitigate against the risk of creating an unjustified cross-subsidy for other airspace user groups by charges levied on commercial airlines). This would follow any necessary processes set out in the Transport Act 2000 and could take place in line with future NERL price control reviews.

⁸ In line with the approach above, this would principally relate to the Stage 3 Gateway.

Administration and Fund decision-making

20. The joint UKADS consultation proposed that, subject to principles and processes to be established by co-sponsors, NERL would administer the Fund through the UKADS, with an escalation route to the co-sponsors for assistance with making novel or contentious decisions. This remains the preferred approach, although the co-sponsors recognise that in its consultation response NERL said, on the basis of the information it had at that time, it had some concerns about taking on the role of administering the Fund.
21. As announced by the Chancellor and set out in CAP 3106, the UKADS consultation response document, the UKADS will be provided by NERL and, subject to consultation and licence modification processes, it is proposed that NERL would be able to recover its costs of providing the UKADS through the Charge. This approach has the advantage of simplicity and consistency.
22. In general, following the eligibility criteria set out in paragraphs 10–16, the allocation of funds to a particular applicant should be a mechanical process, and the number of ACPs that might realistically be eligible is limited. The administrator of the Fund would be responsible for assessing whether requests for funding met the criteria, assuring that the funded work had been completed and conducted efficiently⁹, and processing payments to successful applicants.
23. All funding decisions would be made according to the eligibility criteria and should be justified with reference to them. Funding decisions, including the justification, should be reported transparently.
24. Any novel or contentious decisions could be escalated to the co-sponsors, including any decisions where it is unclear whether the criteria have been met. The escalation route could form part of the normal governance and reporting process for the UKADS, which is expected to sit within the co-sponsors' existing structures for the Airspace Modernisation programme.
25. The consultation set out that the Fund would require appropriate and transparent governance. In addition to the co-sponsors' Airspace Modernisation governance structures, there could be a role for the UKADS Advisory Board in overseeing the work of the UKADS in administering the Fund. Consistent with its wider role, any Advisory Board involvement would be in relation to assurance that processes were being followed effectively and fairly – it would not be involved in specific funding decisions. This will be subject to the terms of reference for the Advisory Board, which it is proposed that NERL will be responsible for determining. Further information on this is covered in the Governance paper.

⁹ As funding would be provided retrospectively, evidence would be presented as part of the funding application, rather than this being an onerous ongoing requirement.

26. The CAA will determine, subject to consultation, how the Charge is treated in regulatory terms. It is assumed that the CAA would treat the Fund the same in regulatory terms as funding for the UKADS. If this is treated as a cost pass through model, any significant underspend would be returned to those who pay the charge through normal regulatory processes. This could allow greater flexibility in managing cashflow between years, to balance any peaks and troughs in demand.
27. The role of the UKADS as administrator of the Fund would need to be reflected in the NERL licence, and the changes required will be subject to further CAA consultation.

Table 1: Eligibility criteria – what		
Costs must:	Detail	Why
<p>a. Relate to ACPs that directly support the Airspace Modernisation Strategy*</p> <p>AND</p> <p>b. as a minimum, have successfully completed the CAP 1616 Stage 2** Gateway</p> <p>AND</p>	<p>Sets a minimum point in the airspace change process (CAP 1616)*** process from which funding would be available. Funding would be available to support eligible costs of work on Stage 3 of the CAP 1616 process onwards (excluding the Stage 5 regulatory decision; ineligible costs are outlined at paragraph 16).</p>	<p>Consistency with FASI LTMA airports as</p> <p>(i) the current policy is that airspace proposals will transition into the UKADS after Gateway 2 and</p> <p>(ii) the intended purpose of this funding is to seek to ensure that ACPs which might be funded have met a reasonable level of maturity (so the Fund cannot be used speculatively).</p>
<p>c. Relate to work done and costs incurred after the launch date for the funding scheme</p> <p>AND</p>	<p>The Fund is not available for costs incurred prior to its launch, including invoices submitted after the date for the scheme launch but relating to earlier work.</p>	<p>In-keeping with normal practices for new funding and incentivises sponsors of existing ACPs to continue work prior to the launch of the Fund.</p>
<p>d. Be identifiable and verifiable and meet applicable UK accounting standards and laws, and be reasonable, justified and comply with the principle of sound management in particular regarding economy and efficiency</p> <p>AND</p>	<p>Costs must meet normal standards of propriety, transparency, and legality.</p>	<p>Normal rules for good governance of funding schemes.</p>
<p>e. Relate to an ACP which has appropriate commitment from the sponsor to be seen through to completion.</p>	<p>A condition of funding should be that the sponsor commits to completing the ACP process, within a reasonably specified timeframe, with funds repayable / recoupable if they decide not to progress (or pause / delay for a significant period).</p>	<p>To incentivise sponsors to complete their ACPs as efficiently as possible and ensure that any proposals they seek funding for are robust. It is also designed to prevent money being wasted on work if sponsors are not committed.</p>

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