



Linford Christie Stadium

OBC Executive Summary

Prepared by



September 2020

Executive Summary

Introduction

- 1.1 IPW... was appointed by the London Borough of Hammersmith & Fulham (the Council) on behalf of The Wormwood Scrubs Charitable Trust (the Trust) in January 2020 to deliver a Business Case that identifies (a) preferred option(s) for the future of Linford Christie Outdoor Sports Stadium (LCOSS).
- 1.2 The Business Case will enable the Trust Committee to decide on what action should be taken and how the Trust's resources might be best used to deliver the best outcomes for LCOSS and the site.
- 1.3 The Strategic Outline Case (SOC) was completed in March 2020, identifying a shortlist of five development options based on their high-level appeal and strategic fit, scored based on their ability to achieve each of the five Critical Success Factors identified for the project.
- 1.4 The Outline Business Case (OBC) confirms the options being considered and provides a detailed analysis of the key financial and non-financial implications of each, to identify (a) preferred option(s) for the long-term future use of the site. In line with the Treasury five case model, the OBC addresses:
 1. Strategic case - a robust strategic case to demonstrate strategic fit and rationale for action/change, based on the information collated at the SOC stage and, where appropriate and applicable, further expanded based on information gathered at the OBC stage;
 2. Economic case - a clear, ratified set of shortlisted project options evaluated based on their appropriateness against a rounded, project-specific, evaluation framework;
 3. Commercial case - considers potential procurement strategy/ options and contractual terms;
 4. Financial case - sets out financial information and commentary on potential affordability considerations (including costs, revenues, other funding and financial risks) derived by IPW...'s analysis combined with additional, specialist input from other advisors; and
 5. Management case - has a clear view on how the project will be managed and governed including key risks, particularly given the unique characteristics and challenges of the site.
- 1.5 We would highlight that, as we understand at this stage, there will be no public money invested or put at risk in developing the project. As such this is not a traditional Business Case insofar as it is not expected to form the basis of a funding application or decision.
- 1.6 We have however followed the Treasury model to bring rigour, analysis and structure to the process of determining the most viable long-term uses of the site, to enable the Council (as corporate Trustee) to ultimately, we anticipate, tender a development opportunity in such a way as to maximise its financial and non-financial returns.
- 1.7 The process set out in this OBC therefore is intended to assist in identifying some of the more viable uses that are considered likely to come forward should the Trust wish to engage a private sector partner, and exploring how they might ultimately stack up financially and be procured.

Project background and Critical Success Factors

- 1.8 LCOSS is an ageing facility and does not meet the requirements of its tenants and of other users. Significant investment is required to maintain and improve the facilities.
- 1.9 The Trust currently subsidises the operations of LCOSS at c. £30,000 per annum, and the Council is currently spending c. £300,000 a year (average of last four years) in subsidy as shown at Table ES2 below, while continuing to provide some capital investment in the facilities. The Council is currently facing a number of financial pressures and has indicated that it may not be able to continue providing this level of subsidy in the future.

Table ES1 Summary financial performance of LCOSS (2016/17 to 2019/20)

Activity	2016/17	2017/18	2018/19	2019/20*
Fees and Charges	£168,000	£123,000	£99,000	£113,000
Total Income	£168,000	£123,000	£99,000	£113,000
Salaries	£159,000	£164,000	£170,000	£181,000
Stadium Running Costs	£38,000	£80,000	£46,000	£67,000
Maintenance and Equipment	£61,000	£11,000	£46,000	£35,000
Support Services	£57,000	£41,000	£83,000	£3,000
Misc.	£3,000	£2,000	£5,000	£8,000
Capital Charges	£140,000	£145,000	£136,000	£136,000
Total Expenditure	£458,000	£443,000	£486,000	£430,000
Cost to Trust	£32,000	£32,000	£32,000	£32,000
Cost to Council	£258,000	£288,000	£355,000	£285,000

* Forecast figures

NB Figures are rounded

Source: Accounts data provided by the Council, January 2020

- 1.10 Without the Council's subsidy, the Trust would be reliant on its own income and reserves to maintain and operate the facilities which would be problematic. Notwithstanding that the facility requires significant investment and it will be extremely challenging for the Trust to invest the necessary capital to continue to provide an athletics stadium and other sporting facilities of the required standard and quality, and indeed maintain the ongoing revenue requirement.
- 1.11 The Trust currently has limited available capital to invest into the site and improve its facilities so therefore has reviewed a number of options for the future of the site.

Conclusions – Strategic Case, Part 1

- 2.1 There remains a very strong need for quality sports and leisure facilities both in the immediate LCOSS catchment and across Hammersmith & Fulham. As the largest current STP site, and the only athletics track, in the Borough, the facilities serve a key strategic purpose and demand. However, the current facilities do not meet user requirements from either the key tenants of the site or general public use, driving a real need for investment to modernise the site and make it fit for purpose.

- 2.2 There is a clear strategic case for interventions at the site, based on the weight of public consultation feedback, and the wider value of the Stadium and the wider Scrubs as hugely important strategic assets for Hammersmith & Fulham, Borough residents, and West London.
- 2.3 In order to ensure any sporting facilities can be sustainable long-term there is a requirement for interventions to secure the future of the Trust in a way that would not be possible without financial input from the Council. This means seeking to generate new capital and revenue to reduce/ remove the current obligations.
- 2.4 As a development of MOL and given the sensitivities of the site, any scheme will likely face challenges related to mitigating negative ecological impacts (associated with any increased use of the site) and the implications that this has for planning. As such it will be important to explore and implement a series of investments and interventions to minimise any negative impact and the ability of any scheme to generate ongoing income for the Trust to enable it to continue to deliver on its charitable objectives should therefore be considered highly important.
- 2.5 The site clearly faces multiple development challenges, but the presence of existing users, proximity of potential synergistic partners across education and health, and the initial interest in the site from multiple prospective new stakeholders, creates a series of interesting and exciting opportunities that can potentially be leveraged to deliver a quality, sustainable, long-term solution for the site. Any ultimate determination will however need to balance the community, social and sporting enhancements that can be delivered with potential compromises in terms of the overall use of the site and the Scrubs.

Conclusions – Strategic Case, Part 2

- 3.1 Based on analysis of the wider strategic backdrop for LCOSS and the potential for interventions that can provide solutions for the social, sporting and community requirements while balancing financial considerations, we have developed a series of options potentially available for the site.
- 3.2 The initial shortlist of facilities identified at the SOC stage has been reviewed, to establish and test need/ demand, confirm physical fit on site (within the red line boundary), review the likely associated capital costs, and explore the likely market appetite from prospective partners.
- 3.3 This has led to a series of refinements to the shortlist at the OBC stage, to best reflect the potential of alternative options to meet the Trust’s objectives and, crucially, be deliverable and financially sustainable. In light of these refinements, the shortlisted options considered in further detail in this OBC are therefore:
 - Option 1A: Do Nothing/ Business As Usual (BAU)
 - Option 1B: Do Minimum
 - Option 3A: Athletics & sports centre including pitch hub
 - Option 5: Athletics & indoor arena
 - Option 6: Athletics & professional sport stadium.

- 3.4 These options respond to the strategic analysis presented above and to the consultation previously commissioned. They provide a range of challenges and opportunities, reflecting the issues inherent in this project and in the site's designation as MOL, in particular.
- 3.5 Given the nature of this appointment, this list of options is not intended to be exclusive or definitive, and subject to the Trust's wishes as the project advances there is potential scope for alternative iterations, mixes of facilities and alternative site configurations. However, they provide a robust basis for testing the likely implications of development at the site.
- 3.6 We would highlight, for example, that were Option 3A to come forward it may be possible to deliver the Sports Centre component in the location of the current changing block to avoid moving the athletics track, but this would ultimately be subject to a determination with key project stakeholders – in this instance most notably Imperial College. At this stage in the process we have however illustrated a single site configuration for each option for indicative layout and initial commercial analysis purposes.
- 3.7 The athletics track provision is retained under all options, given the strategic importance of this provision as the only track in the Borough and as the home of Thames Valley Harriers.
- 3.8 Option 1B is KDFC's preferred solution insofar as it delivers their pitch scheme as previously shared with the Trust and which has planning position. A hybrid grass pitch is however not included in any of the other options as it is assumed that in order to maximise usage that STP provision is preferable, since a hybrid pitch cannot be heavily used and indeed will, largely, only be available to KDFC. KDFC will have the option to remain on the site under all the other options, albeit this would need to be:
- On the pitch in the centre of the track under Option 1A, 3A, 5 or 6 (though this is not appropriate for higher divisions than currently)
 - On the pitch in the centre of the track or a 4G pitch (subject to formal league approval) under Option 3A or 5.
- 3.9 Consultation has identified multiple credible potential investors/ developer partners/ end users to suggest that a major development can be delivered without requiring the Trust or Council to provide a grant. The specific appeal of the site and its location is such that the economics work for these prospective partners in a way that would not be elsewhere in a less significant and appealing market, for example:
- Imperial College has a strategic requirement for new sports facilities to serve its central campus and appeal to current and prospective students that goes beyond the pure investment return associated with sports facilities
 - QPR have a specific strategic need for a new stadium in their current catchment area and as a major professional club require a new long-term home to enable them to be sustainable as a business in the long-term, beyond the headline returns achievable purely from the operation of a stadium
 - Multiple arena developers/ operators have significant appetite for a new venue in London, and in West London in particular. While arenas would typically require capital grant funding from the public sector, the particular economics of the London market (and the levels of corporate demand, sponsorship opportunities and latent promoter/ event

- need) are such that a new venue could potentially be deliverable without any public funding.
- 3.10 In developing the OBC we have identified a number of key constraints and dependencies associated with the potential development of the LCOSS site. These are primarily driven by planning and transport factors. In order to address these issues, Savills (planning) and Arup (Transport) were engaged to advise on key implications and headline potential mitigation strategies.
- 3.11 The Report considers the full range of planning matters relevant to the Development Options and particularly highlights two matters that will heavily influence the success of a planning application, these being the loss of sporting facilities and the impact on MOL.
- 3.12 The second issue is concerned with impact on the MOL which directly relates to the nature of some of the uses (namely non-sporting) and the amount of built form(s) over and above what currently exists at the site. The proposed indoor sporting and non-sporting facilities (leisure and entertainment) are uses that are not considered to be acceptable in MOL (without Very Special Circumstances - VSC) and will thus be more challenging to justify. Options 3A, 5 and 6 introduce new built forms into the site which would have an impact on the 'openness' of the Site.
- 3.13 A planning consent will require demonstration of VSC. The VSC case to be made will be bespoke to the proposal and must be able to clearly demonstrate that the harm created is outweighed. This baseline understanding and contextual analysis helps to understand the potential opportunities to maximise the socio-economic benefits associated with redevelopment of the LCOSS, including benefits beyond the red-line boundary. These are likely to include, inter alia:
- Overall improvement of existing facilities
 - Safeguarding the long-term viability of sport facilities at the site (and in the Borough)
 - Increased direct on-site employment
 - Potential for Community Use Agreements and better engagement of facilities with local community including local education facilities
 - Increased visitor and off-site expenditure (see the Financial Case).
- 3.14 The review concludes that Option 3A is expected to be accommodated with minimal mitigation required (car parking reviews, installation of Legible London signage), and as such is not anticipated to be constrained from a transport perspective.
- 3.15 Options 5 and 6 are expected to significantly increase trip attraction to the site by all modes of transport. There is limited scope for physical mitigation in the local area to address the impact of Options 5 and 6 however improvements to pedestrian underpasses at the junction of Wood Lane/ A40 may be necessary. There will also need to be a number of agreements with local stakeholders such as the Council and TfL as well as potentially with local landowners (Hammersmith Hospital, Imperial College).
- 3.16 Mitigation for Options 5 and 6 is therefore expected to focus on operational aspects to ensure safe and acceptable activity on the local transport networks. The operational measures are not limited to but may include management of pedestrian flows, parking and

Controlled Parking Zone (CPZ) reviews, street cleaning following events, a bus and coach strategy and coordination with TfL to manage activity at stations.

Conclusions – The Economic Case

- 4.1 The economic dimension of the OBC has identified the proposals that are considered likely to deliver best overall value for the Trust, including wider social and environmental effects as well as commercial/ economic considerations, using cost benefit analysis (CBA).
- 4.2 The projected costs of developing each of the shortlisted options is summarised in Table 1 of the confidential appendix to this Executive Summary.
- 4.3 Detailed P&L projections have been prepared for each of the shortlisted options, based on the IPW... team's experience, local and national benchmarks and other data and information collated during this appointment. Table 2 of the confidential appendix to this Executive Summary summarises the base case operating projections for each of the five core options modelled. This compares the projected EBITDA under each option to illustrate the high-level operating positions over each of the first five years (the development options are projected to reach maturity in Year 3). The analysis projects that:
 - Option 1A is the worst overall operating position
 - Option 1B delivers improvements relative to the BAU option
 - Options 3A, 5 and 6 are projected to achieve an operating surplus, before making provision for Lifecycle (NB this moves Option 3A to an operating loss)
 - The sports facility-related losses are marginal in the context of a major arena/ stadium development EBITDA.
- 4.4 The approach to the economic assessment within this OBC focuses on the relative economic contribution or impact of the options. As funding across the options is expected to be private sector led with no direct public sector cost the analysis does not present standard HMT Green Book metrics. This analysis may become relevant if associated public sector infrastructure expenditure is required to progress the development options.
- 4.5 However, the Trust and the Council need to secure best value given their respective objectives. Hence the economic assessment includes metrics such as changes in financial net operating revenues, changes in associated footfall and sports use and local economic contribution of the options. The data on the throughput and use of facilities, financial position and regeneration metrics will need to be weighed up in considering the relative merits of the options, and the extent to which they deliver best value. As the project progresses these choices should be examined in more detail.
- 4.6 The economic analysis prepared in the course of the OBC is based on the P&L projections for each option with supporting assumptions. The impact target is defined as Hammersmith and Fulham local authority area with broad assumptions about the extent to which the local area could capture on and off-site economic activity.
- 4.7 The options impact analysis shows that Option 5 generates the largest incremental footfall and GVA economic contribution followed by Option 6 and then Option 3A. Options 3A, 5 and 6 all provide a positive net operating position for the Trust and Council. However, for Option

- 3A this is relatively small in comparison to the income generated by more intensive uses of the site under Options 5 and 6.
- 4.8 Whilst the significant development options (3A, 5 and 6) have the potential to reduce the current operating deficit for the Trust the most significant regeneration benefits arise from Options 5 and 6.
- 4.9 Given the nature of the Trust’s varying objectives and requirements, and the high likelihood that compromises will be required to balance these issues, we do not believe that a single preferred option can be identified at this stage in the process. Instead, the Trust will, we recommend, need to market the opportunity and encourage partners to come forward with proposals that have potential to maximise benefit while, where possible, limiting the negative implications of development.
- 4.10 The options have been compared to one another based on an analysis of the Trust’s key drivers and objectives for the project, determined through the application of Relative Importance Grids across project stakeholders to determine priority criteria. Table ES2 below summarises, at a high level, the indicative outcomes of the options appraisal matrix.

Table ES2 Summary outcomes – options appraisal matrix

Anticipated planning complexity/risk rating					
Indicative complexity of transport issues					
Criteria	Option 1A	Option 1B	Option 3A	Option 5	Option 6
Financial and economic	4.0	8.0	16.0	40.0	32.0
Non-Financial	32.4	40.2	43.6	25.0	25.4
Overall	36.4	48.2	59.6	65.0	57.4
Overall percentage of maximum score	36%	48%	60%	65%	57%
Rank	5	4	2	1	3

- 4.11 This illustrates that the BAU option is the least positive of the options. It also particularly highlights that the Imperial College sports, professional sports stadium and arena development options (3A, 5 & 6) have varying strengths and shortcomings/ challenges.
- 4.12 The three development schemes are considered most likely to give the overall best outcomes, against the evaluation criteria developed during this process, and are closely grouped. This is however indicative and subject to further testing from the Trust – we would expect that the Trust will not be so prescriptive as to determine a single option but instead will consider alternative proposals brought forward by prospective partners through a competitive process.
- 4.13 We would however highlight that Option 6 and, in particular, Option 5 are considered very challenging in deliverability terms due to the planning restrictions and potential transport implications associated with these developments.

Conclusions – The Commercial Case

- 5.1 The initial project management structures for the development of any scheme must recognise that the Trust itself has no direct staff and that in effect the Council provides the resources to engage and deliver any of the tasks of the Trust. It is assumed that the Council

will provide the resources to engage and deliver any of the tasks of the Trust under a scheme of delegation from the Trust Committee.

- 5.2 It is advised that Trust should employ experienced advisors on the procurement and the development options being sought. This advice would be supported by specialist technical input on planning, design, costs and legal issues (either through Bevan Brittan as the Trust's appointed legal advisors or another practice, if required). In effect, the Trust has already appointed a team to undertake these tasks and these can be continued through the procurement and contracting stage.
- 5.3 We believe the best route will be for a competitive procurement process (competitive dialogue under the Public Contracts Regulations 2015 (PCR), a similar process under the Concession Contracts Regulation 2016, or light regime PCR) where the Trust and its advisors engage in a dialogue/ negotiation with the potential partners so as to maximise the community benefits and financial payments that would flow from the proposed scheme.
- 5.4 Whilst it is potentially possible to seek a relatively simple development competition seeking to dispose of a long leasehold sale of the land, we believe greater engagement with the development partners will both maximise the outcomes for the Trust and increase the likelihood of a successful development coming forward.
- 5.5 Once the procurement process has selected a preferred development and operating partner it will be for that partner to drive forward the design and planning permissions to deliver the facilities. The Trust will need a level of support to ensure that its interests are being protected but most of the risk and costs associated with the design and planning process would, we anticipate, be undertaken by the development partner.
- 5.6 The ultimate management solution for the facilities will be specific to the development solution procured. However, under Options 3A, 5 and 6 it is assumed that operations and risk are taken by a partner organisation and therefore cease to be the responsibility of the Trust.
- 5.7 Based on feedback from prospective partners, there is a clear appetite to commence a competitive process as early as possible. In order to maximise interest from the market, it is important that any competitive process is designed and implemented in such a way that partners are confident in the speed and fairness of a competition.

Conclusions – The Financial Case

- 6.1 Given the financial situation of the Trust and the fact that it will not be able to continue with the current operating position at LCOSS if the Council withdraws its financial contributions, it has become necessary to consider whether operating LCOSS in this manner is the best way of discharging the Trust's objects or if other interventions will better achieve this.
- 6.2 As such, we have prepared a series of operating projections for the uses that have been tested in the course of this OBC, noting that this list of options does not preclude alternative proposals coming forward.
- 6.3 Option 1B is the only option that is anticipated to require a Trust/ Council capital grant contribution, as currently modelled. Options 3A, 5 and 6 are assumed to not require any capital grant contribution or ongoing revenue subsidy from the Trust or the Council.

- 6.4 We have engaged closely with a number of prospective partners/ developers in the course of undertaking this work, to gauge their interest in the opportunity and their appetite to participate in a commercial procurement process (should the project advance) to deliver new facilities at the site. This has highlighted significant market appetite to develop projects of differing scales and nature at the site, subject to the specific drivers of each organisation.
- 6.5 The aim/ anticipation is that any major development interventions will be funded without a (capital or revenue) grant from the Trust or from public sector parties, and the Financial Case therefore responds specifically to the unique characteristics of the LCOSS project and of the Trust's needs rather than forming the basis of a public sector 'ask' or funding requirement.

Conclusions – Management Case

- 7.1 Once the procurement process has selected a preferred development and operating partner it will be for that partner to drive forward the design and planning permissions to deliver the facilities. The Trust will need a level of support to ensure that its interests are being protected but most of the risk and costs associated with the design and planning process would, we anticipate, be undertaken by the development partner.
- 7.2 The ultimate management solution for the facilities will be specific to the development solution procured. However, under Options 3A, 5 and 6 it is assumed that operations and risk are taken by a partner organisation and therefore cease to be the responsibility of the Trust.

Conclusions and Next Steps

- 8.1 Based on feedback from prospective partners, there is a clear appetite to commence a competitive process as early as possible. In order to maximise interest from the market, it is important that any competitive process is designed and implemented in such a way that partners are confident in the speed and fairness of a competition.
- 8.2 Any solution procured should seek to maximise the benefits for the Trust – with potential financial benefits converted into interventions that benefit the public, in line with its charitable status.
- 8.3 Per the terms of the WSA, the Trust's objectives relate to delivering "exercise and recreation... [for] the inhabitants of the metropolis" through the Scrubs. While we would expect the Trust to first consider the interests of the beneficiaries based in the communities adjacent to the Scrubs (as these are the individuals who are more likely to use the Scrubs) the remit extends beyond this locale and as such any solution should consider the needs of both the immediate surroundings and of the wider catchment. This should also extend to capturing any benefits associated with the development, including the potential to realise wider improvements to the leisure and recreation offer.
- 8.4 A clear procurement process will require the development of robust evaluation criteria and weightings to ensure that the Trust achieves its objectives. These criteria will require further development, but we would expect them to align closely with the Trust's overall objective of providing for the physical exercise and recreation of London.

Social and community benefits

1. Provision of an athletics track and field, accessible to the public and for the use of Thames Valley Harriers
2. Safeguarding ongoing access to facilities for existing user groups
3. Respect and preserve the Scrubs and its public users
4. Provide new changing facilities for teams using the Scrubs sports pitches
5. Provide additional opportunities for community use and engagement
6. Not disturb the operation of Hammersmith Hospital and the Pony Club

Financial/ commercial benefits

7. Ensure the Trust's long-term financial sustainability so that it can continue to preserve and maintain the Scrubs
8. Potential to generate income for in the long-term, so that any changes are financially sustainable
9. Secure additional contributions to achieve wider benefits beyond the Scrubs and across/ beyond the Borough.

Next steps

- 8.5 The analysis that we have completed has illustrated the significant complexity associated with the development decision and the likely compromises that the Trust will have to consider in seeking to secure a sustainable outcome for LCOSS and the Trust (and by extension the Council) that facilitates sporting and recreational use of Wormwood Scrubs. Assuming that the OBC is approved, the project will move into Phase 3 – Procurement.
- 8.6 Given the range of considerations, benefits and compromises available under the alternative options, we believe that the Trust should seek to deliver a competitive procurement process to secure a partner for the development of the site, rather than specifying a single particular outcome. The latter approach would, we anticipate, limit flexibility and creativity and, in all likelihood, the quality and competitiveness of the outcomes generated.
- 8.7 Within this process, prospective partners would be encouraged to come forward with their own proposals (be they in line with the options considered in greatest detail in this report) for the site, that deliver on the community, sporting, social and financial requirements of the Trust.
- 8.8 The OBC process has identified significant demand from venue developers/ operators, sports clubs and other current and prospective future users of the site. On this basis, we are confident that were a development opportunity to be marketed there would be very strong interest from a range of potential partners with the financial wherewithal to bring forward a scheme.
- 8.9 In order to alleviate the financial burden on the Trust, and given the likely lead-in period associated with developing the ultimate scheme, securing planning consent and building the facilities themselves, we recommend moving swiftly to the procurement phase.
- 8.10 Despite the current economic challenges, strong levels of demand have been expressed in the course of this OBC from multiple credible developers/ operators – and a clear appetite to move forward swiftly.

- 8.11 We anticipate that any procurement competition would follow a PCR (or if applicable the Concession Contracts Regulations 2016) competitive procurement process to achieve the necessary levels of rigour required by the Trust. In order to deliver this process, we expect that the Trust will require external support to manage the competition in line with procurement best practice.