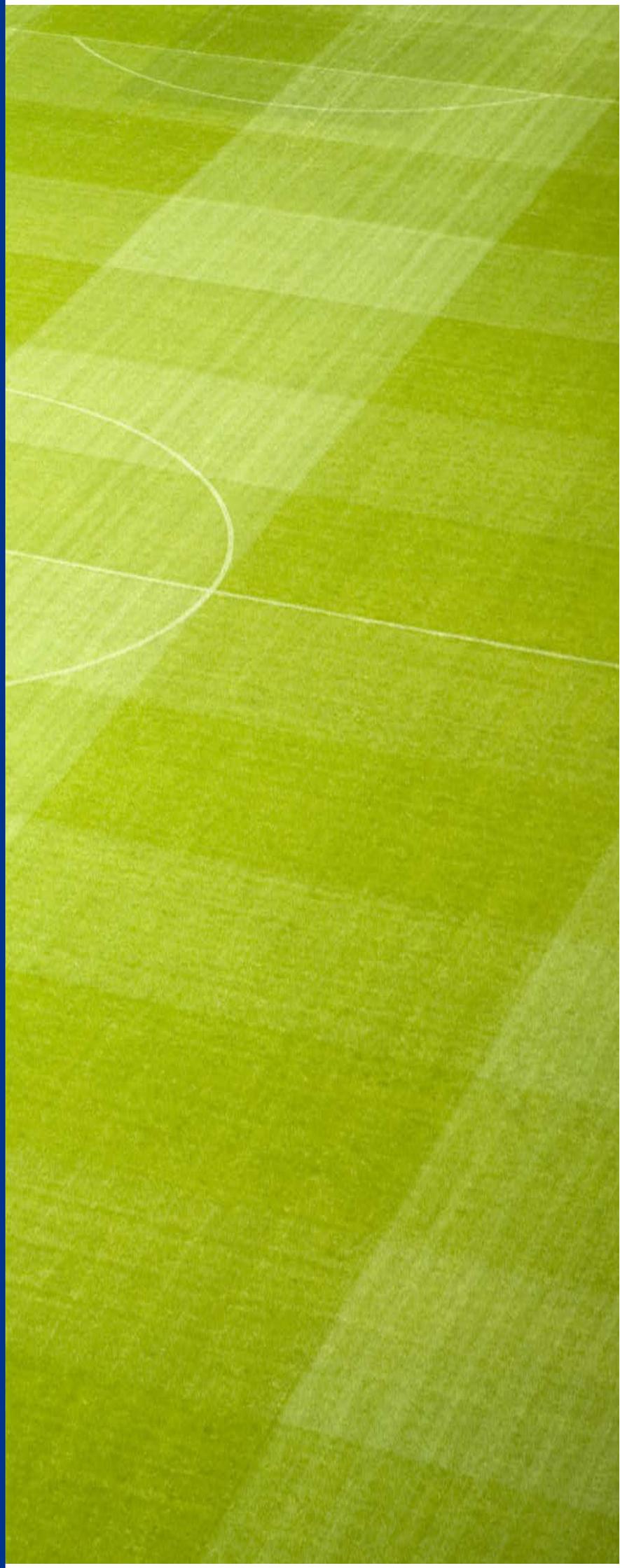




The economic impact of 2020 Developments (Luton) Ltd.'s proposed developments at Power Court and Junction 10

July 2016



Important Notice

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Executive Summary

- 2020 Developments (Luton) Ltd., the owner of Luton Town FC, plans to relocate the club's current football stadium from Kenilworth Road to a site at Power Court, to develop other new retail, leisure and housing facilities at Power Court, and to develop a site near Junction 10 of the M1 on which a range of retail and commercial facilities will be operated.
- KPMG was engaged to undertake an independent economic analysis to analyse the economic impacts of these plans.
- We calculate that the proposed plans could generate an additional £253-255 million of value added in the Luton economy per year from 2020.
- Almost 10,500 additional jobs for the Luton area, measured in full time equivalent (FTE) terms, will be generated by the new developments.
- By relocating Luton Town FC's current stadium from Kenilworth Road to Power Court, the new stadium alone could generate an additional £32.7-£68.2m of value added for the local Luton economy between August 2020 to July 2040 (up to £3.4m per year) and up to FTE 83 jobs, depending on football club's league position. This is over and above the economic value and jobs that the football club already contributes to the local economy.
- The other new facilities that will be built at Power Court could add over £450m of additional economic value to the Luton economy between August 2020 and July 2040 (almost £23m a year), sustaining almost 800 new jobs in FTE terms.
- There are currently no firm alternative proposed developments for the Power Court site which has been wasteland for some decades. There is a distinct possibility that if the 2020 Developments (Luton) Ltd. proposal does not go ahead, it could remain so for more years to come.
- The Luton Local Plan envisaged that the site could potentially be redeveloped to accommodate a convenience retail (supermarket) outlet. Even if this were to happen, which is very far from certain, KPMG estimates that the 2020 Developments (Luton) Ltd. plans could generate almost £20m per year of economic value added over and above the supermarket option, and potentially 677 more jobs.
- 2020 Developments (Luton) Ltd. also proposes developing a 40 acre site by Junction 10 of the M1, which it acquired in 2015, into a major mixed-use gateway scheme for the town. It is intended that the success of the scheme will be based on the synergy of offices, retail space and leisure amenities all working well together, supported by the required parking facilities.
- We estimate that around £235m of additional economic value will be added per year for the Luton economy from the Junction 10 development (around £4.7 billion of gross value added over the period January 2021 to December 2041) with 9,780 extra FTE jobs. Based on the current use of the J10 site (the baseline) and the lack of credible alternative uses for the site, we consider that the extra economic activity and jobs is likely to be additional for Luton.

Background to the KPMG study

Luton Town Football Club (LTFC)'s stadium has been at Kenilworth Road since 1905.

Since 2008, when 2020 Developments (Luton) Ltd. took over the Club, a core priority has been to find a new location for the stadium¹. This will allow the Club to increase its capacity, improve facilities and improve ease of access.

In December 2015, 2020 Developments (Luton) Ltd. announced plans to relocate the Club's stadium to Power Court, an undeveloped site located in the centre of Luton. As well as building a new football stadium, the plans include developing other leisure, retail, community and residential facilities on the new site.

Additionally, 2020 Developments (Luton) Ltd. proposes to develop a 40 acre site by Junction 10 of the M1, which it acquired in 2015. The site will be developed in to a major mixed-use gateway scheme for Luton, including retail, offices and parking facilities².

2020 Developments (Luton) Ltd. engaged KPMG LLP ("KPMG") to undertake an independent economic analysis of the potential economic impacts of its plans for developing the Power Court and Junction 10 sites.

Our analysis was conducted using the methodologies outlined in HM Treasury's The Green Book: Appraisal and Evaluation in Central Government³ and the Homes and Communities Agency's (HCA) Employment Density Guide⁴.

The Gross Value Added (GVA)⁵ contributions and employment impacts, in terms of Full Time Equivalent (FTE) employees, are both estimated in our analysis. We have also considered, at a high level, some of the wider socio-economic impacts of the developments in qualitative terms.

Our quantitative analysis of the GVA and employment contributions takes into account not only the direct effects of the project but also the spillover effects on the wider economy from both:

- the additional economic activity generated throughout the supply chain as a consequence of the new developments; and
- the economic activity arising from what employees spend from their earnings associated with the new developments and throughout their supply chains.⁶

We also assess: the economic impacts generated both within Luton and outside of the area; the extent to which the economic impacts associated with the development would have

¹ <http://www.lutontown.co.uk/news/article/gary-sweet-presents-2020s-vision-for-power-court-2862870.aspx>

² Additional details of the development plan for J10 are set out in Table A3 in the technical notes.

³ HM Treasury, 2011, The Green Book: Appraisal and Evaluation in Central Government https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

⁴ Homes & Communities Agency, 2015, Employment Density Guide 3rd Edition, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

⁵ GVA is a measure of the economic value of goods and services produced by an individual firm, industry or sector, net of intermediate consumption. GVA is a key component of gross domestic product (GDP) which is a measure of the value of production and is a key indicator of the state of the economy. GVA is used in the estimation of GDP, by aggregating GVA across all industries and sectors in the economy and adjusting for taxes and subsidies at the whole economy level.

⁶ In technical terminology, we measure the direct, indirect and induced effects from the developments.

happened anyway; and the extent to which the economic impacts associated with the proposed LTFC developments would reduce economic activity in other areas⁷.

Our analysis shows, therefore, the additional economic impacts over and above what would have happened if the 2020 Developments (Luton) Ltd. developments were not to go ahead, taking into account the only alternative development options that have currently been proposed for each site.

The economic impacts we have calculated are in Net Present Value⁸ (NPV) terms from the time at which the sites become operational (at least in part) for a 20 year period. This period has been chosen to be consistent with what is typically considered for similar projects, in light of guidance from HM Treasury's Green Book⁹.

The estimated economic impact of the proposed Power Court development

We estimate that the new stadium alone will generate an additional £32.7-£68.2m of GVA from August 2020 to July 2040 (an average of £1.6m-£3.4m per year) and 47-83 jobs, depending on LTFC's league position, for the local Luton economy over and above the GVA of the existing stadium.

These estimates are based on information provided by 2020 Developments (Luton) Ltd. on the detailed plans and financial projections for the new stadium and financial projections for the existing stadium at Kenilworth Road.

The range of results reflects scenarios assessed for the football league in which LTFC is playing when it relocates to the proposed new stadium (August 2020). LTFC is currently in English Football League Two. The Club's aspiration is to be promoted to higher leagues over the next few years; League One and then The Championship. Therefore, we consider three scenarios in our analysis:

1. Scenario 1: LTFC remains in its current football league; League Two.
2. Scenario 2: LTFC is promoted before the stadium move to League One.
3. Scenario 3: LTFC is promoted twice before the stadium move to The Championship.

It is, of course, possible that the football club could be playing the Premier League at some time between 2020 and 2040. There are many permutations of the leagues in which LTFC could be playing over that period and, clearly, it would be impossible to forecast what will actually happen. Rather than being forecasts of LTFC's future achievements as a football club, these are simply a range of scenarios to highlight the potential range of results that could arise after a stadium move. As our analysis indicates, although the GVA and employment generated can be expected to vary dependent on the Club's future performance, the uplifts to both are significant in all possible scenarios. Results of our

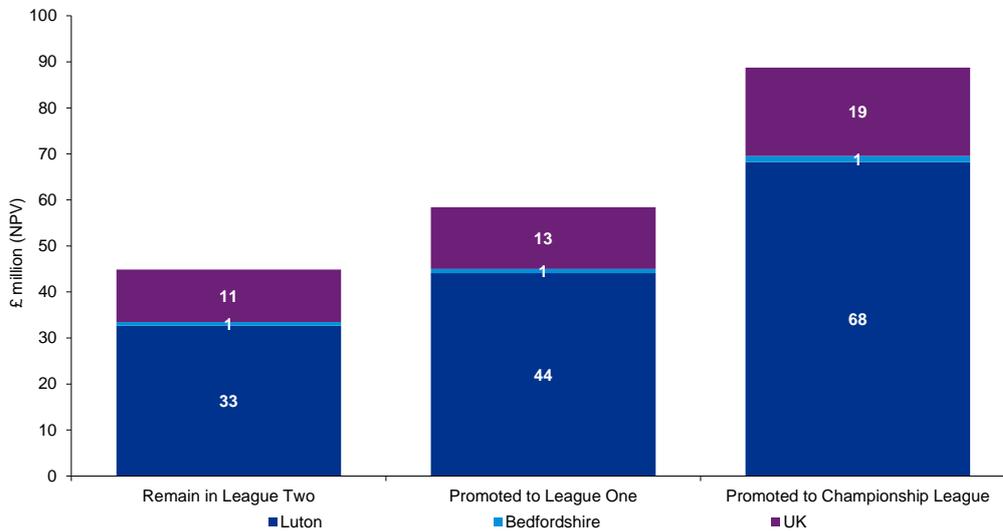
⁷ In technical terms, we take into account the additionality of the proposed developments, i.e. taking account of leakages, deadweight and displacement effects. See section 1.2 for explanations of these terms.

⁸ Net Present Value calculations involve discounting the value of a future benefits into the present day value. This is because the value of benefits to be realised in the future is less than if they were realised today due to the time preference of individuals. The analysis has discounted future benefits using the social discount rate of 3.5% as per HMT Green Book guidance.

⁹ The HMT Green Book provides guidance on the time period over which to appraise projects and policies. It states that the NPV should be assessed over its useful lifetime. For capital projects, this can be a long period. However, a 20 year timeframe is typically used.

analysis are shown in the Figure below. The GVA and employment uplifts would be greater still if LTFC were promoted, at some point in the assessment period, to the Premier League.

Figure 1: NPV of Net GVA impacts of the LTFC stadium at Power Court, by geographic location of impact, August 2020 to July 2040 (i.e. over and above GVA that would be generated by Kenilworth Road stadium)



Source: KPMG analysis

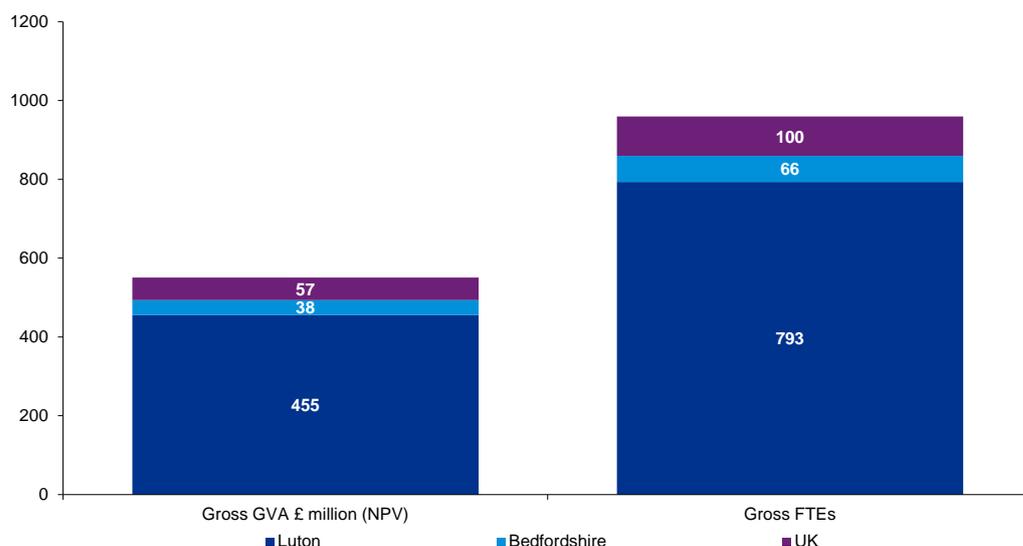
This also demonstrates the scale of impact at the Luton economy level as well as more widely in Bedfordshire and across the rest of the UK.

In addition to the stadium, 2020 Developments (Luton) Ltd. proposes to develop other new facilities at Power Court. These could add approximately another £455.3m of GVA to the Luton economy between August 2020 and July 2040 (an average of £22.8m per year) and approximately 793 FTE jobs.

These estimates are based on analysis using: i) 2020 Developments (Luton) Ltd.'s detailed plans on the specific types of facilities that it is proposed will be developed and their size; and ii) data from the House and Communities Agency (HCA) Employment Density Guide 3rd edition 2015.

The economic impact of the proposed additional developments at Power Court will spread beyond the Luton area.

Figure 2: Power Court additional developments gross NPV GVA August 2020 to July 2040 and annual FTE employment from August 2020



Source: KPMG analysis

GVA and employment will also be generated in the wider Bedfordshire region and across the UK, largely due to spending with suppliers from outside of Luton and the spending of direct and indirect employees¹⁰.

Evidence suggests that the displacement of existing economic activity in the area resulting from the development of wider facilities at Power Court will be minimal.

Information from the Luton Local Plan suggests that the proposed Power Court facilities will meet unmet demand in the local area. We, therefore, for the purposes of this analysis, assume that economic impact of the Power Court development will not displace other economic activity in Luton¹¹.

We recognise, however, that there may be some displacement of economic activity in surrounding geographies *outside* of the Luton area.

Our analysis also suggests that the economic activity generated will be significantly higher than currently proposed, albeit uncertain, alternative uses for the site.

Comparing the economic activity from the proposed Power Court development with the economic activity from the current football stadium (which generates a positive, but smaller, GVA than the proposed new stadium) and the current Power Court site (which is derelict and currently generates no value added) would overstate the benefits of the 2020 Developments (Luton) Ltd. proposals.

This is for two reasons.

¹⁰ Direct employees are individuals employed by LTFC. Indirect employees are those individually employed throughout the supply chain.

¹¹ Technically, the gross economic impact of the wider developments at Power Court is the same as the net economic impact. Or, there is no displacement.

First, although the Power Court site is currently unused, it is unlikely to remain so ad infinitum. At some point, it might be redeveloped for an alternative use that will generate economic activity. For that reason, the economic benefits of the new football stadium and ancillary services at Power Court need to be compared against the economic benefits that will be generated from next best option. This will reduce the incremental GVA and employment estimates from those shown above.

Second, if LTFC moves from Kenilworth Road, the site will be redeveloped and this will create further positive economic benefits that should be considered.

Taking into account the first of these effects, we estimate that if 2020 Developments (Luton) Ltd. builds a new football stadium and ancillary services at Power Court, depending on LTFC's league position this will generate around £356m- £392m more GVA over the period August 2020 to July 2040 (an average of £17.8m- £19.6m per year) and 641-677 more jobs for the Luton economy compared to the next best option that is currently available for redeveloping the site.

While there are no firm alternative plans to redevelop Power Court at present, the Luton Local Plan envisages that there may be some future redevelopment of the site. The only alternative possible use for the site that currently exists is of a convenience retail (supermarket) development¹².

Having estimated the possible GVA and employment benefits of this development on Power Court, we find that 2020 Developments (Luton) Ltd.'s proposals would likely generate over two and a half times greater an economic contribution than the supermarket alternative.

Not only that, it is certain that if granted permission to do so, 2020 Developments (Luton) Ltd. will proceed immediately with its plans as stated. This cannot be said for the supermarket development option, where no investors or developers have yet come forward, and for which no formal plans have been developed or submitted for approval.

There would, then, appear to be three options for the Power Court site.

One is to leave it as undeveloped site, as it has been for many years.

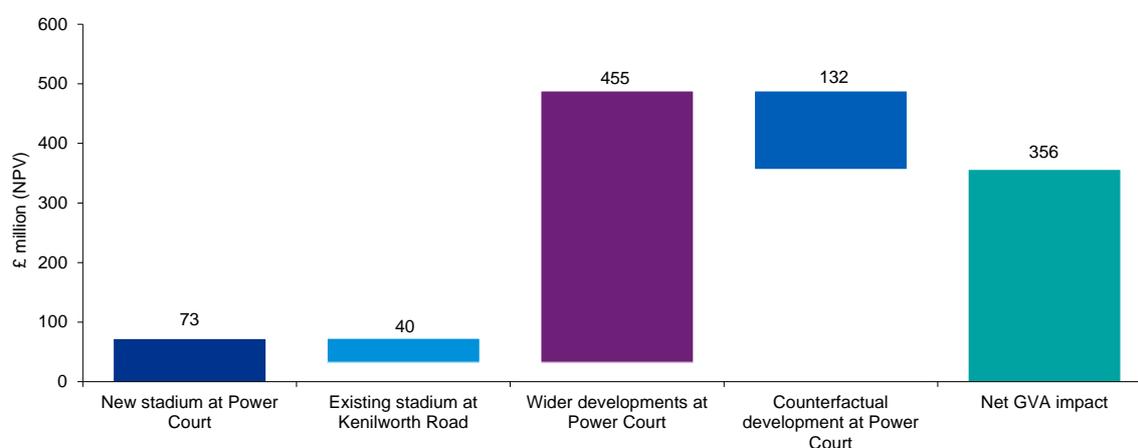
Another is to grant permission for the construction of a supermarket or other retail facility, with no certainty about the likelihood, viability or timing of the project.

The final option is to approve the 2020 Developments (Luton) Ltd. plans which are certain of going ahead with immediate effect.

As shown in the Figure below, even if LTFC were to remain in League Two (scenario 1), the additional GVA for the Luton economy over the period August 2020 to July 2040 *compared to next best option for developing the site* would be £356m (an annual average of approximately £18m).

¹² We note that the Luton Local Plan refers to 3,393 m² of convenience retail and a mix of retail and leisure facilities (with unspecified floorspace areas). The lack of information on the potential mix of retail and leisure facilities, particularly their size, means that we would be unable to accurately estimate the potential economic impacts of these. Therefore, they are not taken in to account in our analysis.

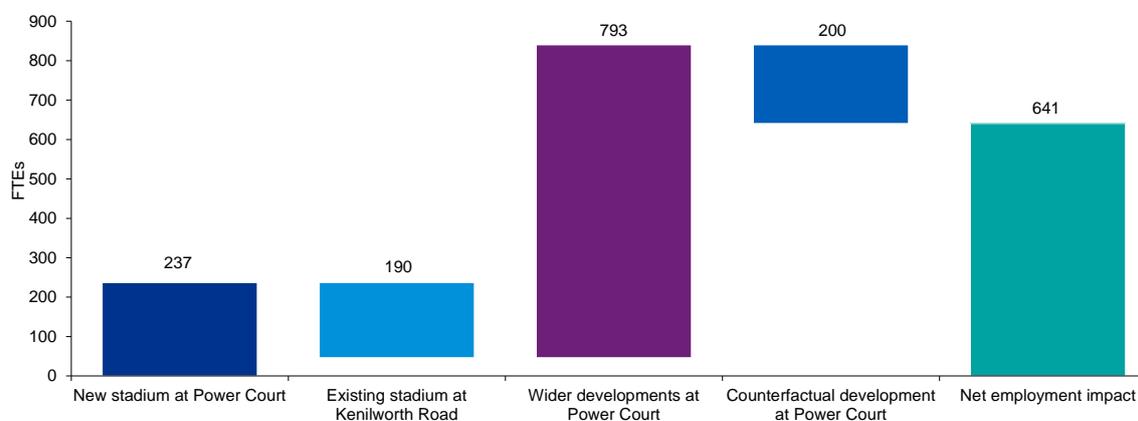
Figure 3: Additional NPV GVA impacts on the Luton economy of the Power Court development, August 2020 to July 2040, for the scenario of LTFC remaining in League Two over and above the next best option for redeveloping the site



Source: KPMG analysis

We estimate that there will also be a gain in employment in the Luton economy from 2020 Developments (Luton) Ltd.'s proposed developments at Power Court *over and above the alternative development* as shown in the chart below.

Figure 4: Employment impacts on the Luton economy of the proposed 2020 Developments (Luton) Ltd. Power Court development, annual from August 2020, for the scenario of remaining in League Two over and above the next best option for developing the site



Source: KPMG analysis

The Figures set out above are estimated on the basis that LTFC remains in League Two. There is further potential upside if LTFC were to be promoted up the football leagues, in line with the Club's ambitions. If this happens, attendances and revenues will increase and the economic contribution associated with the new ground will be enhanced further.

We calculate that:

- Under scenario 2 of LTFC being promoted to League One ahead of the stadium move, the net additional economic contribution (in GVA) generated for the Luton economy between August 2020 and July 2040 will be £367.8m (an average of £18.4m per year)



over and above the next best option for redeveloping the site. An additional 646 FTE jobs will also be created.

- Under scenario 3 of LTFC being promoted to the Championship ahead of the stadium move, the net additional economic contribution (in GVA) generated for the Luton economy between August 2020 and July 2040 will be £391.9m (an average of £19.6m per year) over and above the next best option for redeveloping the site. An additional 677 FTE jobs will also be created.

Promotion to the Premier League sometime between 2020 and 2040 cannot be ruled out. The Club has set this in its sights as something it sees as a realistic goal. If this does happen, then the economic benefits to the Luton area could potentially be higher still than any of the estimates set out in this paper.

Following a stadium move, the site at Kenilworth Road will be available for redevelopment which will yield further economic activity.

We do not know what will happen to the Kenilworth Road site if the football club vacates it.

A possible scenario is that it would be redeveloped into a residential site to address housing shortages in the Luton area. If this were to happen, there would be GVA and employment associated with the spending of new residents in the area. This impact depends on the number of new residences built on the site and their occupancy levels. But based on a range of 25 to 100 new residences, the total GVA impact in NPV terms could be in the region of £2.6m to £10.6m over the period January 2022 and December 2042 (assuming the new houses would be available roughly two years after the football club vacates the site).

The economic impact of the proposed Junction 10 development

2020 Developments (Luton) Ltd. also proposes to develop a site near Junction 10 of the M1. Based on the proposed plans, we estimate that £4,701.1m of gross GVA¹³ in total over the period January 2021 to December 2041 (an average of £235.1m per year) and 9,780 FTE jobs will be generated for the Luton economy.

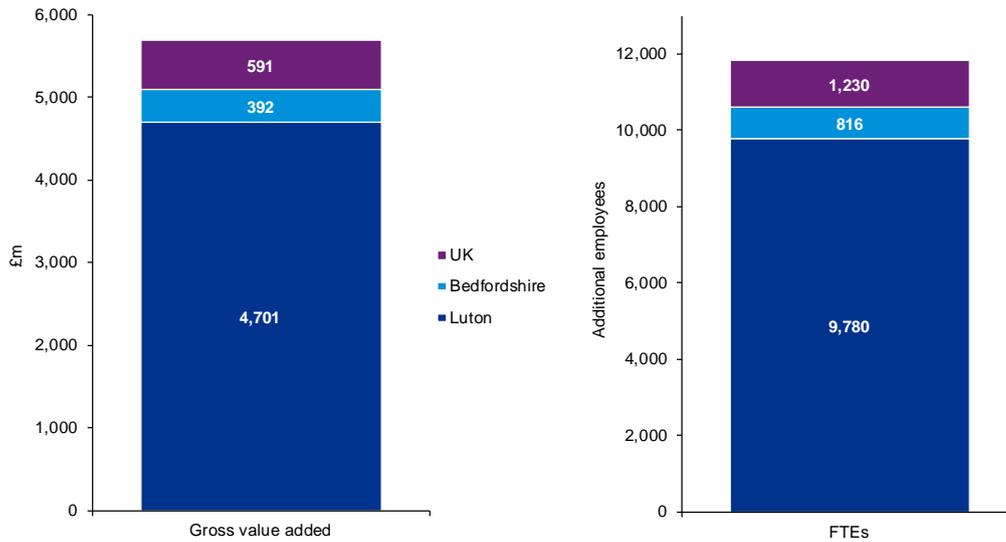
These estimates are based on analysis conducted using:

- the detailed plans provided by 2020 Developments (Luton) Ltd. on the specific types of facilities that it is proposed will be developed and their size and phasing; and
- data from the House and Communities Agency (HCA) Employment Density Guide 3rd edition 2015.

As shown in the Figure below, the economic impact of the proposed additional developments at Power Court also spreads beyond the Luton area. GVA and employment will also be generated in the wider Bedfordshire region and across the UK.

¹³ In this case, gross GVA is the GVA generated before taking in to account any economic activity that it displaces.

Figure 5: NPV of the GVA generated from the Junction 10 development between January 2021 and December 2041, and the employment impacts from January 2030¹⁴



Source: KPMG analysis

The economic activity generated by the new developments at J10 are substantial. McMullen Wilson, a retail agent working with 2020 Developments (Luton) Ltd. has said that: *“The combination of world class retail, restaurants and entertainment experiences together with a highly skilled onsite workforce will provide a social destination which cannot be found elsewhere in the region”*.

The displacement of existing economic activity in Luton from the development of J10 is likely to be minimal.

Similar to the proposed development of Power Court, we have assessed the extent to which the proposed development of J10 is likely to displace existing economic activity in Luton.

Based on:

- i) the information provided by 2020 Developments (Luton) Ltd.;
- ii) our assessment of existing alternatives to these in Luton; and
- iii) evidence of unmet demand for developments of the types proposed;

we consider that the displacement of economic activity within Luton associated with this development will be minimal.

The potential to displace economic activity from the wider surrounding area (i.e. outside of Luton) is more significant, however. We do not assess this in the current study since our analysis focuses specifically on the net additional economic contribution to Luton.

¹⁴ Employment impacts will be realised from January 2020. However, phasing of the development means that the full employment impacts will not be realised until January 2029.

Based on the current use of the J10 site (the baseline) and the lack of credible alternative uses for the site, we consider that the full £4,701.1 of GVA from January 2020 to December 2040 and 9,780 jobs for Luton is likely to be additional.

The site at J10 is an undeveloped Greenfield site. As a result, all of the economic activity associated with 2020 Developments (Luton) Ltd.'s proposed developments on J10 will be additional to the current position.

There is also no evidence to support a possible counterfactual scenario for the site based on an alternative development to that proposed by 2020 Developments (Luton) Ltd. The site has remained unused for a long period of time and no other developments have been proposed for the site. The site is owned by 2020 Developments (Luton) Ltd and there are no plans for an alternative development to that proposed. Therefore, there is nothing to suggest that an alternative development would be brought forward.

1. Introduction

1.1 Luton Town FC's proposed developments

Luton Town Football Club (LTFC) has been based at its current stadium, Kenilworth Road, since 1905. Kenilworth Road stadium is located in Bury Park, approximately one mile west of the centre of Luton. It has a usable stadium capacity of 10,108.

In 2008, 2020 Developments took over the Club. Since then, its priority has been to find a new location for the stadium¹⁵.

The main reasons for wanting to relocate the stadium include increasing capacity, providing improved facilities for those attending matches, making it easier to travel to and from the stadium and also enabling a functional development creating facilities that can be used by the whole community on non-match days.

In December 2015, LTFC and 2020 Developments (Luton) Ltd. announced the proposed relocation of the football club to Power Court. This is an undeveloped site located in the centre of Luton. As well as a new football stadium, the development would include additional retail, residential and leisure facilities on the Power Court site including retail facilities, a music venue and a conference centre.

To support the financing of the new Power Court stadium and facilities, 2020 Developments (Luton) Ltd. also proposes developing a 40 acre site by Junction 10 of the M1, acquired in 2015, into a major mixed-use gateway scheme for the city. This will include retail, offices and parking facilities.

The proposed developments fit within existing plans for the area. The Luton Borough Council's Local Plan sets out a vision and framework for future development in the Luton area for the period of 2011-2031. The latest iteration of the Plan was released in October 2015 for the pre-examination submission consultation stage. Throughout the document, the development of Power Court is mentioned, as well as the overall need for employment, housing, hotels and retail in the Luton Borough area. The Plan includes 11 strategic objectives, one of which is to relocate the stadium, clearly stating the objective as: *"To deliver a new Luton football stadium in a location capable of good access to transport infrastructure along with associated uses..."*¹⁶

In addition to the demand for additional housing identified in the Local Plan, Luton Borough Council's July 2015 Retail Study Update highlights that how Council should: *"... ensure that the Redevelopment of Power Court and the Northern Gateway in the town centre deliver aspirations for an improved shopping offer in the town centre to combat existing deficiencies and retail trade leakage"*¹⁷. This highlights the increased need for a more diversified retail offer within the town, as well as the importance of the Power Court site in delivering it.

¹⁵ <http://www.lutontown.co.uk/news/article/gary-sweet-presents-2020s-vision-for-power-court-2862870.aspx>

¹⁶ Luton Borough Council, 2015, Pre-Submission Luton Local Plan (2011-2031),

¹⁷ White Young Green Planning & Environment, 2015, Luton Borough Council Retail Study Update, Luton Borough Council, <https://www.luton.gov.uk/Environment/Lists/LutonDocuments/PDF/Local%20Plan/Luton%20town%20centre%20and%20neighbourhood%20centres/CEN%20005.pdf>

1.2 About KPMG's study

In light of these proposed new developments, 2020 Developments (Luton) Ltd. engaged KPMG to undertake independent economic analysis to analyse the economic impacts of its plans for the development of the Power Court and Junction 10 sites.

Our analysis is conducted using the methodologies outlined in HM Treasury's The Green Book: Appraisal and Evaluation in Central Government¹⁸ and the Homes and Communities Agency's (HCA) Employment Density Guide¹⁹

The Gross Value Added (GVA)²⁰ contributions and employment impacts, in terms of Full Time Equivalent (FTE) employees, are taken in to account in our quantitative analysis. We have also considered, at a high level, some of the wider socio-economic benefits of the developments in qualitative terms.

Our quantitative analysis of the GVA and employment contributions takes in to account:

- Direct effects: economic activity that is directly generated at each of the developments.
- Indirect effects: economic activity that is generated throughout the supply chain linked to each of the developments.
- Induced effects: economic activity that is generated as a result of the spending of earnings of direct employees at each of the developments and employees throughout the supply chain linked to each of the developments.

Our analysis assesses the additionality of the proposed developments, i.e. taking account of:

- leakages: economic impacts realised outside of the study area (i.e. Luton). Where data permits, we assess the economic impacts within Luton and within the Bedfordshire area. Where it is not possible to accurately assess the local impacts, our analysis assesses the economic impacts in the UK overall.
- deadweight: economic impacts that would have been realised without the proposed development going ahead. We assess the economic impacts of the developments proposed by LTFC against a 'do nothing' scenario. This is the current baseline position of economic activity on the sites. We also assess the economic impacts of the developments proposed by LTFC against a scenario of an alternative development going ahead in its place. This 'counterfactual' scenario is based on evidence, or lack thereof, for proposed alternative developments on the sites.
- displacement effects: economic impacts associated with the proposed LTFC developments that are offset by reductions in economic impacts in other areas. Displacement of economic activity within Luton, and more widely beyond the town, are considered.

¹⁸ HM Treasury, 2011, The Green Book: Appraisal and Evaluation in Central Government
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

¹⁹ Homes & Communities Agency, 2015, Employment Density Guide 3rd Edition,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

²⁰ GVA is a measure of the economic value of goods and services produced by an individual firm, industry or sector, net of intermediate consumption. GVA is a key component of gross domestic product (GDP) which is a measure of the value of production and is a key indicator of the state of the economy GVA is used in the estimation of GDP, by aggregating GVA across all industries and sectors in the economy and adjusting for taxes and subsidies at the whole economy level.

The economic impacts of each of the developments are assessed in Net Present Value²¹ (NPV) terms from the time at which the sites become operational (at least in part) for a 20 year period. The HM Treasury's Green Book provides guidance on the time period over which to appraise projects and policies. It states that the NPV should be assessed over its useful lifetime. For capital projects, this can be a long period, however, a 20 year timeframe is typically used. Therefore, we have adopted this for our analysis.

The economic impacts associated with the development and construction of Power Court and Junction 10 are not taken in to account in our analysis given that these are temporary impacts. Given the exclusion of these temporary impacts, our analysis is conservative and underestimates the overall impacts associated with 2020 Developments (Luton) Ltd.'s proposals.

Assumptions, scenarios and data sources are set out in the Technical notes in Appendix 1.

²¹ Net Present Value calculations involve discounting the value of a future benefits into the present day value. This is because the value of benefits to be realised in the future is less than if they were realised today due to the time preference of individuals. The analysis has discounted future benefits using the social discount rate of 3.5% as per HMT Green Book guidance.



2. Economic impact of Luton Town FC's development of Power Court

2.1 The net economic impact of LTFC's proposed new stadium compared to the Stadium at Kenilworth Road

By relocating Luton Town FC's current stadium from Kenilworth Road to Power Court, we estimate that the new stadium alone will generate an additional £32.7-£68.2m of GVA from August 2020 to July 2040 (an average of £1.6m-£3.4m per year) and 47-83 jobs, depending on LTFC's league position, for the local Luton economy.

In order to estimate the GVA and employment that will be generated through the development of LTFC's new stadium at Power Court, our analysis draws on the detailed plans and financial projections for the new stadium, including information on the stadium's planned capacity and the facilities that will be built within and around it. This information was provided to us by 2020 Developments (Luton) Ltd.

Under the proposed plans, LTFC anticipates that the Club will move from its current stadium at Kenilworth Road to the new Power Court stadium at the start of the 2020/2021 football season (i.e. in August 2020).

Given the length of time before the stadium move, there are a number of uncertainties that will affect the potential economic impact of the new stadium at the time of the move and the 20 years thereafter (the period over which we estimate the economic effects).

The main uncertainty is the football league in which LTFC will be playing. It is currently in English Football League Two. The Club aspires to be promoted to higher leagues over the next few years; League One and then The Championship. However, few clubs can ever be certain about in which league they will be playing in the future, if any at all in the lower leagues.

Therefore, we consider three scenarios in our analysis:

- Scenario 1: LTFC remains in its current football league; League Two.
- Scenario 2: LTFC is promoted before the stadium move to League One.
- Scenario 3: LTFC is promoted twice before the stadium move to The Championship

While there are a range of other scenarios that could be considered, such as a promotion to League One after the stadium move but before the end of the period considered in our analysis, or a series of demotions and promotions, the three scenarios considered in our analysis present potential cases proposed by 2020 Developments (Luton) Ltd. We have not assessed the likelihood of each of these scenarios. They are designed as sensitivity analysis to show the potential range of GVA and employment outcomes.

If, for example, Luton Football Club (LFC) were promoted to the Premier League at some time in the 2020 to 2040 period, as is the Club's ambition, then the economic impacts estimated in this paper could be greater than we have calculated.

Detailed financial projections for the new and current stadium under each scenario were used to estimate the potential future economic impact from the proposed stadium development. In the financial projections provided by 2020 Developments (Luton) Ltd., expected increases in attendance linked to the football league in which the Club would be playing, were included. For each scenario, LFC estimated that there will be an approximate 50% increase in match day attendance and a 75% increase in season tickets sold if the Club were to play at the proposed new stadium rather than Kenilworth Road²². Projections for revenue, payroll and non-payroll costs were provided by 2020 Developments (Luton) Ltd. for each of the scenarios assuming promotions to the higher leagues. Using these projections, we were able to estimate the direct GVA and employment of the new stadium.

In order to capture the indirect GVA and employment associated with the economic activity generated through the supply chain, we used the financial projections of non-payroll costs and 2014/15 detailed supplier spending data. For the purpose of our analysis, we assume that the profile of supplier spending by the supplier's industry (by Standard Industry Classification (SIC) code) and geographic location remains proportionally unchanged.

Induced GVA, which captures the wider economic activity generated through direct and indirect employees spending a proportion of their wages in the wider economy, was estimated using induced economic multipliers sourced from the Office of National Statistics (ONS)²³.

Our analysis takes account of 'leakage' of the economic activity outside of Luton, Bedfordshire, and the UK. As the stadium is located in Luton, the direct GVA and employment are generated within Luton. Indirect and induced GVA and employment is generated across the UK, however, given the geographic spread of suppliers. We use the postcode data for LFC suppliers to identify where this economic activity takes place and apply regional and sub-regional²⁴ estimates of leakage for development recommended by the Department for Business, Innovation and Skills (BIS)²⁵ to determine the location of impacts through the remainder of the supply chain.

²² We conducted analysis of the possible change in attendance at LFC by looking at the experience of 14 other football clubs in various leagues that have moved stadium since 1990. On average across these 14 clubs, there was a 43% increase in attendance in the year they moved stadium. This varied from 6.9% for Millwall to 102.7% for Southampton. Of these 14 clubs, 8 had stayed in the same league in the year they moved stadium. The average increase for these 8 clubs was also 43%. Given that LFC's estimate of the increase in attendance at the new stadium is only slightly higher than this average, we considered it reasonable to use.

²³ Details of the multipliers used can be found in Technical notes

²⁴ It is assumed that regional covers the entire Bedfordshire County and sub-regional covers Luton Borough Council area.

²⁵ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

Table 1 summarises our estimate of the total economic impact of the new stadium at Power Court under the three different scenarios, in terms of GVA.

Table 1: Gross NPV GVA impact of the new Power Court Stadium by location of impact and direct, indirect and induced and total impacts, August 2020 to July 2040, and the total average annual NPV GVA

Location of impact	Scenario	NPV Direct GVA (£ m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
Total NPV GVA August 2020-July 2040						
Luton	Remain in League Two	66.8	5.2	0.8	72.8	3.6
	Promoted to League One	96.6	6.1	0.9	103.6	5.2
	Promoted to Championship League	201.8	7.8	1.2	210.8	10.5
Bedfordshire	Remain in League Two	66.8	7.2	1.2	75.2	3.8
	Promoted to League One	96.6	8.5	1.4	106.4	5.3
	Promoted to Championship League	201.8	10.8	1.7	214.4	10.7
UK	Remain in League Two	66.8	37.1	6.1	110.0	5.5
	Promoted to League One	96.6	43.4	7.1	147.1	7.4
	Promoted to Championship League	201.8	55.4	9.0	266.3	13.3

Source: KPMG analysis

Table 2 shows our estimate of the total impact of the under the three different scenarios on employment (in FTE terms).

Employment impacts were estimated based on the projected payroll costs for the new stadium under each of the three scenarios and the current payroll spend per FTE, excluding first team players and management²⁶.

Table 2: Gross employment impact of the new Power Court Stadium by location of impact and direct, indirect and induced and total impacts, annual from August 2020

Location of impact	Scenario	Direct FTEs	Indirect FTEs	Induced FTEs	Total FTEs
Luton	Remain in League Two	199	8	30	237
	Promoted to League One	214	9	32	254
	Promoted to Championship League	260	12	38	310
Bedfordshire	Remain in League Two	199	11	31	240
	Promoted to League One	214	13	32	258
	Promoted to Championship League	260	16	39	315
UK	Remain in League Two	199	67	36	301
	Promoted to League One	214	78	40	331
	Promoted to Championship League	260	99	49	408

Source: KPMG analysis

As one would intuitively expect, the gross economic impact generated by the Club, in both GVA and employment terms, will be higher the higher football league that LTFC is playing in. This is primarily driven by the anticipated increase in attendances at home matches (driving increases in ticket, hospitality and in-stadium retail purchases, revenues) and increased sponsorship, league payments and advertising revenue.

As explained in Section 1.2, we assess the additionality of the new developments (the net gain in economic contributions for the area from the proposed developments). The first step to taking account of additionality is to 'net off' from the economic impacts of the new stadium the economic contribution of the existing stadium at Kenilworth Road. The second will be to compare possible alternative uses for Power Court against the impacts of the 2020 Developments (Luton) Ltd. proposals.

Looking to the first of these adjustments, the economic impacts of LTFC if the Club were to remain at Kenilworth Road will also be dependent on the football league in which LTFC is playing. This is because match attendance and revenues generated through sponsorships and other means would be expected to increase.

²⁶ The salaries of the first team players and management was excluded as this would overestimate the average cost per FTE figure for the rest of the employees.

We, therefore, assess the displaced economic activity at Kenilworth Road (i.e. the economic activity at Kenilworth Road that will be replaced by economic activity at Power Court) under the same three scenarios as the analysis for the new stadium.

This analysis is based on financial projections for the Kenilworth Road stadium, including revenue, payroll and non-payroll costs, provided by 2020 Developments (Luton) Ltd. for each of the scenarios and the supplier spending data for FY2014/15. Employment forecasts were not provided, so future employee numbers were estimated using current payroll spend per FTE, excluding first team players and management²⁷.

We assessed the economic impact of the Kenilworth Road stadium under the three scenarios for the period 2020 to 2040. While the economic impacts would be higher if LTFC were promoted to higher leagues, the growth in GVA and employment at this site is constrained by the stadium's capacity, so attendance (and associated revenues) potential of LTFC being in higher leagues would be constrained.

To estimate the net economic impact of the new stadium (taking account of displacement), the economic impact of the Kenilworth Stadium was deducted from the economic impacts of the new stadium at Power Court. The results of for each scenario, in Table 3 and Table 4, show the *additional* economic activity associated with the stadium move.

Table 3: NPV of GVA impacts of the new stadium compared to the existing Kenilworth Road site, by location of impact and direct, indirect and induced and total impacts, August 2020 to July 2040 and the total average annual NPV GVA

Location of impact	Scenario	NPV Direct GVA (£m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
Total NPV GVA August 2020-July 2040						
Luton	Remain in League Two	30.7	1.7	0.3	32.7	1.6
	Promoted to League One	41.8	2.0	0.3	44.1	2.2
	Promoted to Championship League	64.9	2.9	0.4	68.2	3.4
Bedfordshire	Remain in League Two	30.7	2.4	0.4	33.5	1.7
	Promoted to League One	41.8	2.8	0.4	45.0	2.3
	Promoted to Championship League	64.9	4.0	0.6	69.5	3.5
UK	Remain in League Two	30.7	12.1	2.0	44.8	2.2
	Promoted to League One	41.8	14.3	2.3	58.4	2.9
	Promoted to Championship League	64.9	20.5	3.3	88.7	4.4

Source: KPMG analysis

²⁷ The salaries of the first team players and management was excluded as this would distort the average cost per FTE figure for the rest of the employees.

Table 4: Employment impact of the new Power Court Stadium compared to current Kenilworth Road site, by location of impact and direct, indirect and induced and total impacts, annual from August 2020

Location of impact	Scenario	Direct FTEs	Indirect FTEs	Induced FTEs	Total FTEs
Luton	Remain in League Two	38	3	7	47
	Promoted to League One	43	3	6	52
	Promoted to Championship League	69	4	10	83
Bedfordshire	Remain in League Two	38	4	7	48
	Promoted to League One	43	4	7	54
	Promoted to Championship League	69	6	10	85
UK	Remain in League Two	38	22	8	67
	Promoted to League One	43	26	9	78
	Promoted to Championship League	69	37	14	120

Source: KPMG analysis

2.2 The economic impact of 2020 Developments (Luton) Ltd.'s wider proposed development of Power Court

In addition to the stadium development, 2020 Developments (Luton) Ltd. will build other new facilities at Power Court. These could add approximately another £455.3m of GVA to the Luton economy between August 2020 and July 2040 (an average of £22.8 per year) and approximately 793 FTE jobs.

In addition to the proposed stadium at Power Court, 2020 Developments (Luton) Ltd. has plans to develop additional facilities on the site. These additional developments include retail facilities, residential properties, a music venue and a cinema.

In order to estimate the economic impact of these new developments, our analysis was based on:

- the detailed plans provided by 2020 Developments (Luton) Ltd. on the specific types of facilities that it is proposed will be developed and their size; and
- data from the House and Communities Agency (HCA) Employment Density Guide 3rd edition 2015 which provides the density (floor area) associated with one FTE job for a wide range of categories of developments dependent on their use.

The FTE estimates for the new developments on Power Court were then converted in to GVA using average GVA per FTE figures estimated for each industry sector²⁸. Further details of the methodology and sources for this analysis are set out in the Technical notes.

²⁸ To estimate the sector average GVA per employee, in GVA terms, we had to first estimate the number of FTEs for each SIC code as the ONS does not publish FTE breakdown by industry. We estimated this using total employment figures from the ONS Business Register and

As the new facilities on the Power Court site will be developed over a number of years, the estimated economic impact of the development has been estimated based on the phasing profile of the development and the estimated occupancy of these facilities once completed. Detailed information from 2020 Developments (Luton) Ltd. on the size and proposed use of the developments at Power Court (for example, food and beverage retail use, leisure use and commercial retail use) was used to inform our analysis. Each type of use for a development generates different levels of GVA and employment. For our analysis we used the employment densities (jobs created per m2 of floor space) for different uses, sourced from the HCA Employment densities guide.

We assume that:

- nine types of developments will be operational from August 2020: a hotel and conference center; restaurants; other food and beverage retail; commercial retail; leisure facilities; a gym or soft play crèche; a music/theatre/live venue; a supermarket; and an educational facility;
- occupancy²⁹ of three types of development: restaurants, other food and beverage and commercial retail will be 95%³⁰;
- occupancy of the remaining six types of development is assumed to be 100% as each is one entity; and
- residential properties will be built between 2020 and 2024, with a straight-line development profile over the 4 years.

The economic impacts associated with the residential aspect of the Power Court development is not included in the analysis. The reason for this is that the HCA Employment Densities Guide 2010³¹ sets out that when estimating the economic impact of a mixed use development, only the commercial aspect of the development should be accounted for. This is to avoid double counting of the GVA as the spending of residents on the site will already be reflected in the GVA estimates for the individual facilities.

The new developments at Power Court will generate direct, indirect and induced GVA and employment in the Luton and Bedfordshire areas and more widely in the UK economy. Detailed information is not available at this stage on who will be occupying the new facilities at Power Court or of the geographical location of the supply chain linked to these facilities. Nevertheless, we have estimated the potential 'leakages' of the economic impacts out of Luton and Bedfordshire using an approach based on average leakage figures estimated by BIS³² for capital developments, as set out in the Technical Notes.

Table 5 and Table 6 show the results of our analysis of the economic impacts of the proposed developments (additional to the stadium) at Power Court.

Employment Survey 2014, which states both full-time and part-time employment figures which was converted to FTE using the same approach as above. This figure was then used to estimate the GVA per FTE.

²⁹ Occupancy means that a tenant/owner is running a business from the site and that it is not left empty.

³⁰ Based on guidance from 2020 Developments (Luton) Ltd.

³¹ Drivers Jonas Deloitte, Employment Densities Guide 2nd Edition, 2010, HCA accessible at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378203/employ-den.pdf

³² BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

Table 5: Gross NPV GVA impacts of the additional developments at Power Court by location of impact and direct, indirect and induced and total impacts, August 2020 to July 2040 and the total average annual NPV GVA

Location of impact	NPV Direct GVA (£m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
Total NPV GVA August 2020-July 2040					
Luton	250.4	142.1	62.7	455.3	22.8
Bedfordshire	271.3	154.0	67.9	493.3	24.7
UK	302.8	171.9	75.8	550.5	27.6

Source: KPMG analysis

Table 6: Gross employment impacts of the additional developments at Power Court, by location of impact and direct, indirect and induced and total impacts, annual from January 2029³³

Location of impact	Direct FTEs	Indirect FTEs	Induced FTEs	Total FTEs
Luton	554	167	73	793
Bedfordshire	600	181	79	860
UK	670	202	88	959

Source: KPMG analysis

Evidence suggests that the displacement of existing economic activity in the area resulting from the development of wider facilities at Power Court will be minimal.

Similar to the development of the new stadium, it is important to consider whether the development of wider facilities at Power Court will displace any existing economic activity in the Luton area.

Based on the information provided by 2020 Developments (Luton) Ltd. on the proposed developments and our assessment of existing alternatives to these in Luton, we consider that the displacement of economic activity associated with the Power Court development will be minimal. There is evidence of demand for the facilities proposed Power Court in the local Luton area, as summarised in the table below, drawing on information set out in the Local Plan.

Although this strongly suggests that there will be very limited displacement by the proposed new development at Power Court of existing economic activity in Luton, we recognise that there could be a small degree of displacement due to the income constraints of consumers and the potential substitution of spending away from current facilities in Luton to these new developments. However, the displacement effects will also diminish as the population, and GVA per head, of Luton grows over time.

³³ Employment will be generated at Power Court from August 2020. However, due to the phasing of the development, the full employment impacts will not be realised until January 2029.

Table 7: Evidence of the demand for the different new developments at Power Court

Proposed development at Power Court	Source	Evidence for minimised displacement
Commercial retail	Luton Retail Study Refresh	It has been identified that there is a “constant market share capacity of between 2,652sqm net and 4,420sqm net of additional comparison retail floorspace in 2020, increasing to between 11,246sqm net and 18,744sqm by 2031”
Hotel and conference	Luton Local Plan	“there is a need for an extra hotel room requirement of 1,030 rooms by 2020, growing to potentially 1,830 rooms by 2030”
Restaurant	Luton Local Plan	“a quantitative need for 10,300 sqm net of Class A3 floorspace (restaurants and cafes)”
Gym or Soft Play/ Crèche	Luton Local Plan	“a qualitative need for better co-provision and distribution of swimming/health and fitness”
Music / Theatre/ Live Venue	Luton Local Plan	“a qualitative need for..... multi-purpose theatres/cinemas”
Residential	Luton Local Plan	“6,700 dwellings need to be delivered in the borough to meet market and affordable housing requirements”
Education	Luton Local Plan	“school provision is struggling to meet demand, with significant capacity concerns in central and southern Luton”
Supermarket	Luton Local Plan	“a need for circa 3,393 sqm net retail convenience floorspace” and “the study also found that convenience (food store) retail is proportionally under-represented”

Source: Pre Submission Luton Local Plan (2011-2031), October 2015 and Luton Retail Study Refresh 2015

Given that the evidence suggests that there will be limited, if any, displacement effects in Luton of the wider developments at Power Court, and that these would likely dissipate over time in any case, for our analysis we assume that the gross economic impact of the wider developments at Power Court is the same as the net economic impact (i.e. there is no displacement). However, to take a conservative approach we have also considered how the economic contributions of the Power Court development would be affected if there were a degree of displacement within the Luton economy. This provides a downside scenario in our analysis, although as set out above there is little to suggest there will be significant displacement within Luton.

We have estimated the potential displacement of the economic impacts out of Luton using BIS³⁴ estimated levels of ‘displacement’ for the sub-regional and regional levels³⁵.

Accounting for any potential displacement in the Luton area of the developments at Power Court, we estimate that the proposed Power Court developments will generate an additional £259.0m of GVA and 441 new FTE employees in the Luton area (i.e. £196.3m and 352 FTEs less than in our central case).

³⁴ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

³⁵ It is assumed that regional covers the entire Bedfordshire County and sub-regional covers Luton Borough Council area.

The development of Power Court (both the stadium and wider facilities) will have broader additional positive socio-economic benefits for the local area.

The development of Power Court could play an important role in the regeneration of Luton town centre.

As highlighted in section 1.1, the development of the site is an integral part of the Local Plan that will contribute toward the economic growth of the area. By attracting new businesses to Luton and increasing the number of individuals coming in to the town centre to use the new facilities at Power Court and attend LTFC matches, this is likely to increase economic activity in other areas of the town centre.

For example, while there will be retail, leisure and catering facilities at Power Court, it is likely that attendees will also spend in other establishments as part of their visit.

With the capacity of the proposed new stadium being greater than the Kenilworth Road stadium, its more central location, and the additional facilities, such as the proposed leisure and retail facilities, the increased footfall in Luton resulting from the proposed development would be expected to raise the GVA in the wider Luton town centre.

There are 23 million people within two hours' travel time³⁶ of Luton and by improving facilities in the Luton area, there is a possibility that Luton may attract more visitors and displace economic activity from the wider surrounding area.

Higher quality, and a greater availability, of leisure and retail facilities in the town centre may also result in local residents spending a greater proportion of their disposable income in the local area, rather than travelling to, and spending in, other towns and cities in the Bedfordshire, or neighbouring, regions. Therefore, 'leakages' of economic activity may be reduced.

More generally, there are also positive socio-economic effects stemming from regeneration projects, such as that proposed at Power Court. Improvements to the quality of place can enhance the attractiveness of an area to businesses and individuals, encouraging greater investment and attracting higher value jobs. While the redevelopment of Power Court – a site in the town centre that has remained disused for many years – is likely to play a role in enhancing the quality of place, wider regeneration of Luton is likely to be needed alongside this for the full potential to be realised.

³⁶ Luton Borough Council, Your future? Our future?, accessed via <https://www.luton.gov.uk/Business/Lists/LutonDocuments/PDF/Think%20Luton%20Think%20Business.pdf>

2.3 Comparing the economic impacts of 2020 Developments (Luton) Ltd.'s proposed development of Power Court against alternative scenarios for the site

If 2020 Developments (Luton) Ltd. builds a new football stadium, and ancillary services, at Power Court, depending on LTFC's league position this will generate around £356m- £392m more GVA over the period August 2020 to July 2040 (an average of £17.8m- £19.6m per year) and 641-677 more jobs for the Luton economy compared to the next best option that is currently available for redeveloping the site.

One element of additionality to take into account in economic impact analysis is deadweight. This is an assessment of the net *economic impact after making allowances for what would have happened in the absence of the intervention* (in this case the proposed development of a supermarket on Power Court³⁷).

The additionality of the economic impacts may be assessed against the current baseline position (a 'do nothing' scenario) or, if relevant, a realistic counterfactual scenario of an alternative intervention (development).

Currently Power Court is an undeveloped site located in the centre of Luton. British Land bought the land in 2011 but has yet to develop the site or submit any formal planning applications for its redevelopment. The site was used for manufacturing and general industrial uses in the 1970s, but is currently not used apart from a small warehouse currently in use on the site³⁸. The baseline position, therefore, is of no economic activity on the site.

Against this baseline position, all the economic activity associated with the proposed development of Power Court is additional. The total additional economic activity generated is, therefore, the economic impact of the new stadium at Power Court, minus the economic impact currently generated by Kenilworth Road, plus the economic impact of 2020 Developments (Luton) Ltd.'s proposed wider developments at Power Court, minus the current economic activity generated at Power Court.

These results are shown in Table 8 and Table 9.

Whilst we consider the baseline position to be the most realistic outcome against which to compare the economic impact of 2020 Developments (Luton) Ltd.'s proposed development of Power Court, there is a possible counterfactual that an alternative development will be undertaken on the site. Given that the site has been disused for many years and, as far as we have been made aware, no alternative planning applications have been submitted for Power Court, we consider this unlikely, certainly in the near term.

However, we recognise that in the medium to long term, Power Court may be developed if 2020 Developments (Luton) Ltd.'s proposals did not go ahead. Indeed, the Luton Local Plan envisaged that there may be redevelopment of the site. We have, therefore, used these plans as our counterfactual scenario for an alternative development.

³⁷ Luton Borough Council, 2015, Pre-Submission Luton Local Plan (2011-2031),

³⁸ Luton Borough Council, Pre-Submission Luton Local Plan (2011-2031), October 2015

Table 8: NPV of the GVA impact in the Luton economy of the stadium and wider developments at Power Court against the baseline scenario, August 2020 to July 2040 and the total average annual NPV GVA

Element	Scenario	NPV Direct GVA (£m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
Total NPV GVA August 2020-July 2040						
Net Stadium	Remain in League Two	30.7	1.7	0.3	32.7	1.6
	Promoted to League One	41.8	2.0	0.3	44.1	2.2
	Promoted to Championship League	64.9	2.9	0.4	68.2	3.4
Power Court additional developments		250.4	142.1	62.7	455.3	22.8
Baseline		0	0	0	0	0
Net additional	Remain in League Two	281.2	143.8	62.9	488.0	24.4
	Promoted to League One	292.2	144.1	63.0	499.3	25.0
	Promoted to Championship League	315.3	145.0	63.1	523.5	26.2

Source: KPMG analysis

Table 9: Employment impacts in the Luton economy of the stadium and wider developments at Power Court against the baseline scenario, annual from January 2029³⁹

Element	Scenario	Direct FTEs	Indirect FTEs	Induced FTEs	Total FTEs
Net Stadium	Remain in League Two	38	3	7	47
	Promoted to League One	43	3	6	52
	Promoted to Championship League	69	4	10	83
Power Court additional developments		554	167	73	793
Baseline		0	0	0	0
Net additional	Remain in League Two	592	169	79	840
	Promoted to League One	597	170	79	846
	Promoted to Championship League	623	171	83	877

Source: KPMG analysis

³⁹ Employment will be generated at Power Court from August 2020. However, due to the phasing of the development, the full employment impacts will not be realised until January 2029.

The Luton Local Plan sets out that a redevelopment of Power Court may include 3,393 m² of convenience retail and a mix of retail and leisure facilities (with unspecified floorspace areas). The lack of information on the potential mix of retail and leisure facilities, particularly their size, means that we would be unable to accurately estimate the potential economic impacts of these. However, we have estimated the potential economic impacts of the convenience retail development. While we recognise that the economic impacts will be underestimated as a result of this, we have sought to offset this, to some extent, in our analysis by assuming that the convenience retail development would be operational to the same timeline as 2020 Developments (Luton) Ltd.'s proposed development of Power Court (by August 2020). We consider this unlikely given that an investor/developer has not yet come forward and no plans have been developed or submitted for approval.

The additional economic activity generated by 2020 Developments (Luton) Ltd.'s proposed development of Power Court compared to a counterfactual scenario is the net economic impact of the new stadium, plus the net economic impact of 2020 Developments (Luton) Ltd.'s proposed wider developments at Power Court, less the net economic impact of an alternative development on Power Court.

These results are shown in

Table 10 and Table 11.

Table 10: The NPV GVA impact on the Luton economy of the stadium and wider developments at Power Court against the potential alternative development of Power Court, August 2020 to July 2040 and the total average annual NPV GVA

Element	Scenario	NPV Direct GVA (£m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
		Total NPV GVA August 2020-July 2040				
Net Stadium	Remain in League Two	30.7	1.7	0.3	32.7	1.6
	Promoted to League One	41.8	2.0	0.3	44.1	2.2
	Promoted to Championship	64.9	2.9	0.4	68.2	3.4
Power Court additional developments		250.4	142.1	62.7	455.3	22.8
Alternative development of Power Court		74.9	38.1	18.5	131.6	6.6
Net additional	Remain in League Two	206.3	105.7	44.4	356.4	17.8
	Promoted to League One	217.3	106.1	44.4	367.8	18.4
	Promoted to Championship	240.4	106.9	44.6	391.9	19.6

Source: KPMG analysis



Table 11: Employment impacts on the Luton economy of the stadium and wider developments at Power Court against potential alternative development of Power Court, annual from January 2029⁴⁰

Element	Scenario	Direct FTE	Indirect FTE	Induced FTE	Total FTE
Net Stadium	Remain in League Two	38	3	7	47
	Promoted to League One	43	3	6	52
	Promoted to Championship	69	4	10	83
Power Court additional developments		554	167	73	793
Alternative development of Power Court		136	44	20	200
Net additional	Remain in League Two	455	126	59	641
	Promoted to League One	461	126	59	646
	Promoted to Championship	487	128	63	677

Source: KPMG analysis

2.4 Potential further economic impacts associated with LTFC's proposed move to Power Court and any redevelopment of Kenilworth Road

As part of LTFC's proposed move to Power Court, the site at Kenilworth road will be available for redevelopment, which may yield further economic activity.

If the proposed stadium at Power Court is approved, LTFC will move into the stadium for the 2020/21 football season leaving the Kenilworth Road site vacant.

The site is owned by Luton Borough Council and could be redeveloped for an alternative use. There are, at the time of writing, currently no firm plans for this, however.

The Luton Local Plan highlights the need for housing provision in Luton, specifically that, "provision will be made for 6,700 dwellings in the borough to help meet the housing needs for Luton". Given this, and the location of the site within an existing residential area, it may be the case that a redevelopment of the site is for residential use. In the absence of further information, we have based our analysis on this assumption.

For indicative purposes of assessing the potential additional economic activity that could be generated by the redeveloped Kenilworth Road site, we have drawn on information on the economic impact of residential developments from the HCA Employment Densities Guide 2nd edition, 2010⁴¹. The Guide sets out that for every 1,000 increase in residents, 150 jobs will be generated in the local area through these residents spending in the local economy.

⁴⁰ Employment will be generated at Power Court from August 2020. However, due to the phasing of the development, the full employment impacts will not be realised until January 2029.

⁴¹ Drivers Jonas Deloitte, 2010, Employment Densities Guide 2nd edition, HCA https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378203/employ-den.pdf. The 2010 version of the Guide (rather than the latest version) was used as the latest edition of the Guide provides no updated guidance on how to measure the effects of residential developments.

On the basis of an average of 2.7 individuals occupying a residential property⁴², we have estimated the economic impacts⁴³ that would be associated with redevelopment of Kenilworth Road to accommodate 25, 50, 75 and 100 new homes. Our analysis assumes the houses will be built and occupied from 2022. The NPV of the impacts is the assessed up to 2042 to be consistent with assessing impact over a 20 year period. The results are summarised in Table 12 below.

Table 12: Gross NPV induced GVA and induced employment impacts from potential Kenilworth Road housing redevelopment, January 2022 to December 2042

Number of homes	NPV Induced GVA (£m)	Induced FTE
25	2.7	10
50	5.3	20
75	8.0	30
100	10.6	41

Source: KPMG analysis

While the economic impacts associated with the residential developments themselves are limited, as GVA and employment is not directly generated by residential properties, additional wider socio-economic impacts can result. For example, sufficient housing provision is required for businesses to be attracted to locate in an area as they need to be able to access, and attract, the workforce relevant to their needs. Additionally, if any of the residential development is designated as affordable housing or social housing, there are wider socio-economic benefits associated with this.

⁴² ONS, 2011 Census data of average household size, accessible at <https://www.nomisweb.co.uk/census/2011/KS403EW/view/1946157201?cols=measures>

⁴³ All impacts are induced as they derived from new residents spending on local goods and services.



3. Economic impact of Luton Town FC's development of the Junction 10 site

3.1 The economic impact of 2020 Developments (Luton) Ltd.'s proposed development of the Junction 10 site

2020 Developments (Luton) Ltd. also proposes to develop a site near Junction 10 of the M1. Based on the proposed plans, we estimate that £4,701.1m of gross GVA⁴⁴ in total over the period January 2021 to December 2041 (an average of £235.1m per year) and 9,780 FTE jobs will be generated for the Luton economy.

A 40 acre site near Junction 10 of the M1 was purchased by 2020 Developments (Luton) Ltd. in 2015. This is currently a Greenfield site. 2020 Developments (Luton) Ltd. propose to develop the site into a multi-use gateway development, consisting of retail, leisure and office facilities. This will be developed to support the construction of the stadium and wider facilities at Power Court.

In order to estimate the potential economic impact of the proposed J10 development, 2020 Developments (Luton) Ltd. has provided KPMG with details of the proposed individual developments on the site, including their proposed use and floor space. Similar to the analysis of the economic impact of the developments at Power Court, we have used information from the HCA Employment densities guide to estimate the economic impacts of each type of development on the site.

We were also provided with details of the proposed phasing of the project, including the timing of when the various developments will become operational and occupied. Further details are available in the Technical Notes, but in summary we assume that:

- eight types of development: the single large (flagship) retail unit; comparison retail and retail trading; convenience retail; leisure; hotel; food and beverage; and office space will be developed and operational from January 2021;
- occupancy of the comparison retail, retail trading, convenience retail, food and beverage will be 95%⁴⁵;
- the single large (flagship) retail unit, leisure and hotel will be 100% occupied; and
- the office developments will be built between 2021 and 2031, with a straight-line development profile over the 10 years.

Using this detailed information, combined with information from the HCA's Employment Densities Guide 2015, we have estimated the economic impact of proposed J10 developments over the time period 2021 to 2041 in NPV terms.

⁴⁴ In this case, gross GVA is the GVA generated before taking in to account any economic activity that it displaces.

⁴⁵ Occupancy rates provided by 2020 Developments (Luton) Ltd which has been estimated by Montagu Evans the chartered surveyors working with 2020 Developments (Luton) Ltd.

This economic activity (GVA and employment) will be generated in the Luton and Bedfordshire areas and more widely in the UK economy. While detailed information is not available at this stage on who will be occupying the new developments at J10 and the geographical location of the supply chain linked to these facilities, we have estimated the potential ‘leakages’ of the economic impacts out of Luton and Bedfordshire using BIS⁴⁶ estimated levels of ‘leakage’ for the regional and sub-regional level⁴⁷.

The office agent Lambert Smith Hampton, who is working with 2020 Developments (Luton) Ltd. to lease the office space at J10 has said that: *“The development of a new office and business park as part of the wider master plan for [the development] will represent a step-change in the availability of high quality offices available in the wider-Luton area. The combination of accessibility, visibility and quality alongside a first class amenity offer will make [the development] a truly flagship scheme for the M1 corridor. As such we believe that we are able to reach out beyond the traditional M1 corridor tenants and provide a credible and compelling offer for footloose occupational requirements scouting for new premises across the South East as a whole.”*

Furthermore, the retail and leisure agent McMullen Wilson, who is working with 2020 Developments (Luton) Ltd. has indicated that the development: *“...will unite leading national and international aspirational brands in retail and leisure with intelligent technology in a contemporary and visually stunning mixed-use environment that will provide a unique experience for the M1 corridor. The centre will have access to one of the UK’s most exceptional catchments with in excess of 2 million people allowing CACI to predict a residential comparison goods market potential of in excess of £350m. Not only will the centre provide a regional shopping experience along the M1 corridor the onsite community of over 4,000 highly skilled office workers and 4*+ hotel guests will enhance the already highly aspirational catchment. The combination of world class retail, restaurants and entertainment experiences together with a highly skilled onsite workforce will provide a social destination which cannot be found elsewhere in the region.”*

The results of our analysis are shown in Table 13 and Table 14 below.

Table 13: Net NPV GVA impact of the J10 developments, by location of impact and direct, indirect and induced and total NPV GVA, January 2021 to December 2041 and the total average annual NPV GVA

Location of impact	NPV Direct GVA (£m)	NPV Indirect GVA (£m)	NPV Induced GVA (£m)	NPV total GVA (£m)	NPV total GVA (£m) annual
Total NPV GVA January 2020 to December 2040					
Luton	2,605.5	1,412.2	683.4	4,701.1	235.1
Bedfordshire	2,822.9	1,530.1	740.4	5,093.3	254.7
UK	3,150.5	1,707.7	826.4	5,684.5	284.2

Source: KPMG analysis

⁴⁶ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

⁴⁷ It is assumed that regional covers the entire Bedfordshire County and sub-regional covers Luton Borough Council area.

Table 14: Net employment impact of the J10 developments, by location of impact and direct, indirect and induced and total FTEs, annual from January 2030⁴⁸

Location of impact	Direct FTE	Indirect FTE	Induced FTE	Total FTE
Luton	6,462	2,470	847	9,780
Bedfordshire	7,002	2,677	918	10,596
UK	7,814	2,987	1,024	11,826

Source: KPMG analysis

The displacement of existing economic activity in Luton resulting from the development of the J10 site will be minimal.

Similar to the proposed development of Power Court, we have assessed the extent to which the proposed development of J10 is likely to displace existing economic activity in Luton.

Based on the information provided by 2020 Developments (Luton) Ltd. and our assessment of existing alternatives to these in Luton, we consider that the displacement of economic activity associated with this development will also be minimal within Luton. This is because there is evidence of unmet demand for the types facilities proposed at J10 in the local Luton area, based on, for example, the expected wider economic growth of Luton. The Luton Local Plan details the demand for retail facilities within the town centre and wider borough of Luton going forward. Given the location of the J10 site approximately 3 miles (10 minutes' drive time⁴⁹) from the centre, this evidence is of relevance for these proposed developments. This is summarised in Table 15 below.

Furthermore, the retail developments will be aimed at attracting retailers without existing retail outlets in the Luton area. This will help to minimise any displacement and will create additional demand for retail within the local area; demand which may be presently being met from across a broader geographic area, representing leakages from the Luton economy. This means, however, that there is potential for the new development to displace economic activity from the wider surrounding area.

Given this evidence, for the purposes of analysis we assume that the gross economic impact of the proposed developments at J10 is the same as the net economic impact (i.e. there is no displacement).

However, to take a conservative approach we have also considered how the economic contributions of the J10 development would be affected if there were a degree of displacement within the Luton economy. This provides a downside scenario in our analysis, although as set out above there is little to suggest there will be significant displacement within Luton.

⁴⁸ Employment will be generated at Junction 10 from January 2020. However, due to the phasing of the development, the full employment impacts will not be realised until January 2030.

⁴⁹ A Park and Ride scheme from J10 to and from Luton town centre is also planned, which will facilitate ease of access to the proposed development.

We have estimated the potential displacement of the economic impacts in Luton using BIS⁵⁰ estimated levels of ‘displacement’ for the sub-regional and regional levels⁵¹.

Table 15: Evidence of demand for new types of development at J10

Proposed development at J10	Source	Evidence for minimised displacement
Commercial retail	Luton Retail Study Refresh 2015	“constant market share capacity of between 2,652sqm net and 4,420sqm net of additional comparison retail floorspace in 2020, increasing to between 11,246sqm net and 18,744sqm by 2031”
Hotel	Luton Local Plan	“there is a need for an extra hotel room requirement of 1,030 rooms by 2020, growing to potentially 1,830 rooms by 2030”
Food and Beverage	Luton Local Plan	“a quantitative need for 10,300 sqm net of Class A3 floorspace (restaurants and cafes)”
Supermarket	Luton Retail Study Refresh 2015	“a need for circa 3,393 sqm net retail convenience floorspace” and “the study also found that convenience (food store) retail is proportionally under-represented”
Leisure	Luton Retail Study Refresh 2015	“The development of a strong leisure offer to complement improved retail provision should prove to be symbiotic.”
Office	Luton Borough Council Employment Land Review ⁵²	“overall space requirements resulting from these different scenarios/approaches range from 216,400 to 358,800 m2 of all types of employment space up to 2031”

Source: Pre Submission Luton Local Plan (2011-2031), October 2015, Luton Retail Study Refresh 2015 and Luton Borough Council Employment Land Review

Accounting for any potential displacement in the Luton area of the developments at J10, we estimate that the GVA and employment generated by the developments at J10 will be £2,674.9m and 5,565 FTEs (i.e. £2,026.2m of GVA and 4,215 less FTEs compared to our central case). We consider this downside scenario unlikely to occur, however, given the evidence set out above which suggests that there is unmet demand with Luton for the type of facilities proposed for J10.

As noted above, the proposed development of retail facilities at J10 is likely to lead to the displacement of economic activity from the wider surrounding geographies. For example, the J10 retail offer may compete with retail at Milton Keynes. The degree to which this happens will depend on the occupiers of the retail facilities at J10, and the demand for these compared to other retail developments nearby. We do not assess the displacement in the wider surround geographies as our analysis focuses on the net additional economic contribution to Luton.

⁵⁰ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

⁵¹ It is assumed that regional covers the entire Bedfordshire County and sub-regional covers Luton Borough Council area.

⁵² Nathaniel Lichfield & Partners, 2013, Employment Land Review, Luton Borough Council, accessible at [https://www.luton.gov.uk/Environment/Lists/LutonDocuments/PDF/Planning/Regional%20Planning/13204%20Amended%20Luton%20ELR%20Final%20Report%20\(May%202013\).pdf](https://www.luton.gov.uk/Environment/Lists/LutonDocuments/PDF/Planning/Regional%20Planning/13204%20Amended%20Luton%20ELR%20Final%20Report%20(May%202013).pdf)

In addition to the economic impacts outlined above, the development of J10 will have broader additional positive socio-economic benefits for the local area.

The development of J10 is intended to create a gateway to Luton. Given its location in close proximity to London Luton airport, the M1 and Luton itself, and the large scale of the development, it will form an important element of the wider regeneration of the area.

As noted in Section 2.2, enhancements to the quality of place resulting from large scale developments such as those proposed by 2020 Developments (Luton) Ltd. can have broader positive socio-economic spillover effects. The J10 development may attract increased business investment in to the area, further driving economic and employment growth.

Higher quality, and a greater availability, of leisure and retail facilities in the Luton area may also result in local residents spending a greater proportion of their disposable income in the local area. While this may displace economic activity in other geographies, this will benefit Luton.

3.2 Assessment of the economic impacts of the proposed development of J10 against alternative scenarios for the site.

Based on the current use of the J10 site (the baseline) and the lack of credible alternative uses for the site, we consider that the full £4,701.1m of GVA from January 2021 to December 2041 and 9,780 jobs for Luton is likely to be additional.

In assessing the deadweight associated with the economic impacts of the proposed J10 developments (i.e. the economic activity that would have happened anyway in the absence of the development), we have analysed the current baseline economic activity on the site. We have also considered the possibility of alternative developments on the site.

The site at J10 is an undeveloped Greenfield site. We understand that it currently has planning permission for agricultural use, but it is not being used for that, or any other, purpose. There is no economic activity taking place on the site. Therefore, the baseline position for the J10 site is zero GVA and zero employment. As a result, all of the economic activity associated with 2020 Developments (Luton) Ltd.'s proposed developments on J10 will be additional to the current position.

There is also no evidence to support a possible counterfactual scenario for the site based on an alternative development to that proposed by 2020 Developments (Luton) Ltd. The site has remained unused for a long period of time and no other developments have been proposed for the site. Therefore, there is nothing to suggest that an alternative development would be brought forward.

Additionally, 2020 Developments (Luton) Ltd. has indicated to us that it would not consider an alternative development on the site if its current proposals were rejected.

Therefore, we consider that the only counterfactual scenario for the site is no development (i.e. the counterfactual and baseline scenarios of no economic activity on the site are the same).

Technical notes

1.1 Our overarching approach to assessing the economic impacts

Our analysis of the economic impacts of the developments proposed by 2020 Developments (Luton) Ltd. for the Power Court and Junction 10 sites was conducted in line with methodologies set out in HM Treasury's *The Green Book: Appraisal and Evaluation in Central Government*⁵³ and methodologies for measuring the impact of new development as set out in the Homes and Communities Agency's (HCA) *Employment Density Guide*⁵⁴.

Our quantitative analysis covers the economic impacts in terms of direct, indirect and induced GVA and employment. Details of our approach to estimating these for each of the individual developments included in this study are detailed below.

The additionality of the economic impacts is assessed. This includes the economic leakages, displacement and deadweight. An explanation of each of these is provided in Section 1.3 below and details of our approach to assessing each for each of the developments is detailed in Section 1.2 below.

The economic analysis covers the economic impacts associated with:

- the proposed new stadium at Power Court;
- the existing stadium at Kenilworth Road;
- the proposed wider developments at Power Court;
- the current activity at Power Court (the baseline position for Power Court)⁵⁵;
- an alternative development at Power Court (a counterfactual scenario for Power Court);
- the potential redevelopment of Kenilworth Road after LTFC's proposed stadium move;
- the proposed developments at Junction 10;
- the current activity at Junction 10 (the baseline position for Junction 10)⁵⁶;
- an alternative development at Junction 10 (a counterfactual scenario for Junction 10)⁵⁷.

The economic impacts are assessed in NPV terms over a 20 year period, starting in the year in which the developments first become operational, at least in part. The timing of the economic impacts over the 20 year period were based on details provided by 2020 Developments (Luton) Ltd. on the phasing of the developments. The social discount rate of 3.5%, as per HMT's *Green Book*, was used to convert the annual economic impacts in to present value terms.

Our analysis is based on the economic impacts associated with the proposed developments when they become operational. These are the economic impacts that will persist throughout the lifetime of the developments. The economic impacts associated with the development and construction of Power Court and Junction 10 are not taken in to account in our analysis, given that these are

⁵³ HM Treasury, 2011, *The Green Book: Appraisal and Evaluation in Central Government*
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

⁵⁴ Homes & Communities Agency, 2015, *Employment Density Guide 3rd Edition*,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

⁵⁵ As detailed in Section 2.3, there is no current economic activity at Power Court (the baseline). Therefore, no further analysis was required.

⁵⁶ As detailed in Section 3.1, there is no current economic activity at Junction 10 (the baseline). Therefore, no further analysis was required.

⁵⁷ As detailed in Section 3.2, there is no counterfactual scenario in which economic activity takes place at the Junction 10 site (other than under 2020 Developments (Luton) Ltd.'s proposed development). Therefore, no further analysis was required.

temporary impacts. However, given the exclusion of these temporary impacts, we consider that our analysis is conservative and underestimates the overall impacts associated with 2020 Developments (Luton) Ltd.'s proposals.

1.2 Our approach to assessing the GVA and employment impacts of the proposed developments

Estimating the GVA and employment of the proposed new stadium and the existing stadium at Kenilworth Road

The same approach was taken to estimating the economic impacts associated with both the proposed and current LTFC stadium.

GVA

The production approach⁵⁸ to assessing the direct GVA was used, drawing on the financial projections provided by LTFC for each football league scenario (as detailed in Section 2.1).

The indirect GVA was estimated based on the financial projections of spending with suppliers for each stadium under each scenario and detailed supplier spending data for FY2014/15.

The supplier spending data was used to identify the profile of supplier spending by geography and industry sector. For the top 105 suppliers (by value of spending)⁵⁹, we identified the relevant SIC code for each using the identified postcode and through use of the fame⁶⁰ database. We then scaled up the proportion of spending with these 105 suppliers in each SIC code to the remaining 303 suppliers to estimate all supplier spending by SIC code⁶¹.

In order to estimate the indirect GVA we first estimated the GVA associated with the Tier 1⁶² suppliers supporting LTFC's operations using the following formula:

$$\text{Tier 1 supplier GVA} = \sum_{n=1}^{99} \text{Spending with supplier } x \text{ sector average GVA as a proportion of output}^{63}$$

Note: Where n is the number of sectors

We then estimated the GVA associated with the wider supply chain supporting LTFC using the following formula:

$$\text{Wider supply chain GVA} = \sum_{n=1}^{99} \text{Tier 1 supplier GVA } x \text{ (sector specific Type I GVA multiplier}^{64} - 1)$$

Note: Where n is the number of sectors

The induced GVA effects were then estimated using the following formula:

⁵⁸ GVA = Turnover (or sales) less the cost of bought in goods & services (excl. employee costs)

⁵⁹ Spending with these suppliers accounted for 89% of total supplier spending in FY2014/15.

⁶⁰ <https://fame.bvdinfo.com/version-2016531/Home.serv?product=fameneo>

⁶¹ Given that we were able to identify SIC codes for 89% of the spending, we considered it reasonable to assume that the spending by SIC code for these suppliers would be broadly representative of all supplier spending.

⁶² Tier 1 suppliers are those supplier which provides products or services directly to the Original Equipment Manufacturer (OEM).

⁶³ To estimate the sector average GVA per employee, in GVA terms, we had to first estimate the number of FTEs for each SIC code as the ONS does not publish FTE breakdown by industry. We estimated this using total employment figures from the ONS Business Register and Employment Survey 2014, which states both full-time and part-time employment figures which was converted to FTE using the same approach as above. This figure was then used to estimate the GVA per FTE.

⁶⁴ Office for National Statistics, 2010 Input-Output Analytical Tables, Multipliers and effects

$$\begin{aligned}
 & \textit{Induced GVA effect} \\
 & = \sum_{n=1}^{99} [(Tier\ 1\ supplier\ GVA \times sector\ specific\ Type\ II\ GVA\ multiplier^{65}) \\
 & \quad - (Tier\ 1\ supplier\ GVA \times sector\ specific\ Type\ I\ GVA\ multiplier^{66})]
 \end{aligned}$$

Note: Where n is the number of sectors

The sector specific Type I and Type II GVA multipliers used were sourced from the Scottish Government to capture the induced effect as the ONS does not produce Type II multipliers.

The estimated GVA impacts resulting from this analysis were in gross terms. Our approach to assessing additionality is explained in Sections 2.3 below.

Employment

The direct employment impacts in all three scenarios for both Kenilworth Road counterfactual and the proposed new stadium at Power Court were estimated based on previous payroll costs per FTE, excluding first team players and management⁶⁷, as calculated for Kenilworth Road's current stadiums' operations.

LTFC provided us with a complete list of its employees as of September 2015 broken down by full-time, part-time and function headcount.

For the full-time employees the headcount figure is the same as the FTE figure. For the part-time employees we were provided with the exact amount of time, by function, which employees worked. This enabled us to find the average number of hours worked by those in part-time employment, by function, and convert this to a FTE using the minimum number of hours that must be worked to be classified as full-time (30 hours is used by the ONS⁶⁸). On average one part-time employee was 0.11 of an FTE as of September 2015. This FTE of part time workers was added to the full-time employee headcount to calculate the number of LTFC FTEs. The number of first team players and management, 41 full-time, was deducted to give an FTE figure for all other staff.

LTFC also provided us with a complete list of expenses which were able to be characterised as payroll and non-payroll. The payroll costs associated with first team players and management was deducted to give a payroll cost figure for all other staff. This was divided by the number of FTEs for all other staff to give a payroll per FTE estimate of £17,324.

LTFC's projections of revenues and costs, for Kenilworth Road and Power Court, included a breakdown of revenue, non-payroll costs and payroll costs. The payroll costs included a breakdown by type so we were able to identify the costs associated with the first team players and management. The total projected payroll cost for non-first team was divided by the average payroll per FTE estimate to give a direct FTE figure, excluding the first team. The number of first team players and management is assumed to be constant and was then added to the figure to yield an overall direct employment estimate.

To estimate the induced employment created through the suppliers to the current and proposed stadium we used the estimations of the indirect GVA, as outlined above.

The indirect employment at Tier 1 suppliers to LTFC was estimated using the following formula:

⁶⁵ Scottish Government Type II, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁶⁶ Scottish Government Type I, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁶⁷ The salaries of the first team players and management was excluded as this would distort the average cost per FTE figure for the rest of the employees.

⁶⁸ Office for National Statistics, Business Register and Employment Survey (BRES) provisional results: 2014,

$$\text{Tier 1 supplier employment} = \sum_{n=1}^{99} \text{Tier 1 supplier GVA} \times \text{sector average GVA per employee}^{69}$$

Note: Where n is the number of sectors

We estimated the indirect employment associated with the wider supply chain using the following formula:

$$\begin{aligned} & \text{Wider supply chain indirect employment} \\ &= \sum_{n=1}^{99} \text{Tier 1 supplier employment} \times (\text{sector specific Type I employment multiplier}^{70} - 1) \end{aligned}$$

Note: Where n is the number of sectors

In addition to the indirect effect, we estimated the induced employment effects using the following formula:

$$\begin{aligned} & \text{Induced employment effects} \\ &= \sum_{n=1}^{99} [(\text{Tier 1 supplier employment} \times \text{sector specific Type II employment multiplier}^{71}) \\ & \quad - (\text{Tier 1 supplier employment} \times \text{sector specific Type I employment multiplier}^{72})] \end{aligned}$$

Note: Where n is the number of sectors

Estimating the GVA and employment of the proposed wider developments at Power Court, the alternative developments at Power Court (under the counterfactual scenario), and the proposed developments at Junction 10.

The approach to assessing the direct, indirect and induced GVA and employment of the proposed wider developments at Power Court, the alternative developments at Power Court (under the counterfactual scenario), and the proposed developments at Junction 10 drew on the guidance and information set out in the HCA Employment Density Guide⁷³.

For each development, detail was available on the planned use of each facility and the planned floor space. Information on the planned use for each facility was used to categorise it in to the appropriate development type and to determine the relevant SIC code for the economic activity. Our assessment of each of these for each of the developments is set out in Tables A1 to A3 below, along with details of the proposed floor spaces and the assumed occupancy rates.

Employment

The direct employment, for each type of development, was calculated using the following formula:

⁶⁹ To estimate the sector average GVA per employee, in GVA terms, we had to first estimate the number of FTEs for each SIC code as the ONS does not publish FTE breakdown by industry. We estimated this using total employment figures from the ONS Business Register and Employment Survey 2014, which states both full-time and part-time employment figures which was converted to FTE using the same approach as above. This figure was then used to estimate the GVA per FTE.

⁷⁰ Office for National Statistics, 2010 Input-Output Analytical Tables, Multipliers and effects

⁷¹ Scottish Government Type II, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁷² Scottish Government Type I, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁷³ Homes & Communities Agency, 2015, Employment Density Guide 3rd Edition, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

Direct employment effect

$$= \sum_{n=1}^i \text{Area of occupied development} \times \text{employment density for development type}^{74} (1 - \text{leakage})$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

The indirect employment effects through the supply chain were estimated using the following formula:

Indirect employment effect

$$= \sum_{n=1}^i \text{Direct employment effect} \times (\text{sector specific Type I multiplier}^{75} - 1)$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

The induced employment impacts were estimated using the following formula:

Induced employment effect

$$= \sum_{n=1}^i (\text{Direct employment effect} \times \text{sector specific Type II employment multiplier}^{76}) \\ - (\text{Direct employment effect} \times \text{sector specific Type I employment multiplier}^{77})$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

GVA

The direct GVA effect, for each type of development, was estimated using the following formula:

$$\text{Direct GVA effect} = \sum_{n=1}^i \text{Direct employment effect} \times \text{sector average GVA per employee (FTE)}^{78}$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

To estimate the indirect GVA effect the following formula was used:

$$\text{Indirect GVA effect} = \text{Direct GVA effect} \times (\text{sector specific Type I multiplier}^{79} - 1)$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

To estimate the induced GVA effect the following formula was used:

⁷⁴ Homes and Communities Agency, Employment Density Guide 3rd Edition, November 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

⁷⁵ Office for National Statistics, 2010 Input-Output Analytical Tables, Multipliers and effects

⁷⁶ Scottish Government Type II, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁷⁷ Scottish Government Type I, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁷⁸ To estimate the sector average GVA per employee, in GVA terms, we had to first estimate the number of FTEs for each SIC code as the ONS does not publish FTE breakdown by industry. We estimated this using total employment figures from the ONS Business Register and Employment Survey 2014, which states both full-time and part-time employment figures which was converted to FTE using the same approach as above. This figure was then used to estimate the GVA per FTE.

⁷⁹ Office for National Statistics, 2010 Input-Output Analytical Tables, Multipliers and effects

$$\begin{aligned}
 & \text{Induced GVA effect} \\
 &= \sum_{n=1}^i [(Direct\ GVA\ effect\ x\ sector\ specific\ Type\ II\ GVA\ multiplier^{80}) \\
 &\quad - (Direct\ GVA\ effect\ x\ sector\ specific\ Type\ I\ GVA\ multiplier^{81})]
 \end{aligned}$$

Note: where n is the number of developments, and i is the total categories of developments which is 9 for Power Court, and 10 for J10.

The estimated GVA and employment impacts resulting from this analysis were in gross terms. Our approach to assessing additionality is explained in Sections 1.4 below.

Table A 1: Details for the estimation of the GVA and employment impacts of the additional developments at Power Court

Development type	HCA Employment Densities Guidance 3 rd edition 2015 Category	Implied Density (m ² per FTE)	Floorspace (m ²) / rooms	Occupancy	Timing for completion	SIC code
Food and Beverage Retail	A3: Restaurants and cafes A1: Retail, High Street	18	3,623	95%	August 2020	47
Leisure	D2: Fitness centre (Mid-market and Family) and D2: Amusement & Entertainment Centres	67 ⁸²	975	100%	August 2020	93
Gym or Soft Play / Crèche - unit	D2: Fitness centre (Mid-market and Family) and D2: Amusement & Entertainment Centres	67 ⁸³	1,231	100%	August 2020	93
Music / Theatre / Live Venue	D2: Visitor & Cultural attractions (only Arts/conference venue, Mixed use venue, Commercial visitor attraction and Concert venue)	151 ⁸⁴	2,834	100%	August 2020	90
Supermarket	A1: Retail, Food store	18	2,014	100%	August 2020	47
Education*	Average of D2: All Visitor & Cultural attractions	165	2,014	100%	August 2020	91

⁸⁰ Scottish Government Type I, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁸¹ Scottish Government Type II, output, income, employment and GVA multipliers Scotland 1998-2012 (SIC 2007 basis)

⁸² An average of these categories was taken

⁸³ An average of these categories was taken

⁸⁴ An average of the range in this category was taken

Commercial retail	A1: Retail, High Street	18	3,080	95%	August 2020	47
Restaurant	A3: Restaurants and cafes	18	1,421	95%	August 2020	56
Mid-market hotel	C1: Hotels: Mid-scale		150	100%	August 2020	55

Table A 2: Details for the estimation of the GVA and employment impacts of the alternative developments at Power Court (counterfactual scenario)

Development type	HCA Employment Densities Guidance 3 rd edition 2015 Category	Implied Density (m ² per FTE)	Floorspace (m ²) / rooms	Occupancy	Timing for completion	SIC code
Food superstore	A1: Retail, Food store	18	2,884	100%	August 2020	47

Table A 3: Details for the estimation of the GVA and employment impacts of the proposed J10 development

Development type	HCA Employment Densities Guidance 3 rd edition 2015 Category	Implied Density (m ² per FTE)	Floorspace (m ²) / rooms	Occupancy	Timing for completion	SIC code
MSU retail	A1: Retail, High Street	18	14,539	100%	January 2021	47
Comparison retail	A1: Retail, High Street	18	21,089	95%	January 2021	47
MSU & Comparison	A1: Retail, High Street	18	27,871	95%	January 2021	47
Convenience retail	A1: Retail, Food store	18	232	100%	January 2021	47
Food and beverage	A3: Restaurants and cafes A1: Retail, High Street	18	7,153	95%	January 2021	47
Leisure	D2: Fitness centre (Mid-market and Family) and D2: Amusement & Entertainment Centres	67 ⁸⁵	8,673	100%	January 2021	93
Cinema	D2: Cinema	200	4,645	100%	January 2021	59
Offices	B1a General Offices	12 ⁸⁶	21,000	100%	10% per year for 10 years from January 2021	70
Offices	B1a General Offices	12 ⁸⁷	21,000	100%	10% per year for 10	70

⁸⁵ An average of these categories was taken

⁸⁶ An average of this category was taken

⁸⁷ An average of this category was taken

Development type	HCA Employment Densities Guidance 3 rd edition 2015 Category	Implied Density (m ² per FTE)	Floorspace (m ²) / rooms	Occupancy	Timing for completion years from January 2021	SIC code
Upper class hotel	C1: Hotels: Upscale	2 rooms per FTE	300	100%	January 2021	55

1.3 Estimating the GVA and employment effects of the potential redevelopment of Kenilworth Road

When LTFC moves from its current stadium at Kenilworth Road, to the proposed new stadium at Power Court, the site will become vacant and available for redevelopment. As explained in Section 2.4, we assume that this redevelopment may be for residential use.

We estimate the economic impacts associated with development of 25, 50, 75 and 100 new residential properties on the site. We assume that the redevelopment will be complete by 2022 and the properties will be 100% occupied.

The economic impacts are assessed in terms of the induced economic activity that will arise from additional residents spending a proportion of their disposable income in the local area.

The employment impact from the additional housing was estimated using the following formula:

$$\text{Employment impact} = \text{Increase in population} \times \text{Induced employment multiplier}^{88}$$

The GVA impact from the additional housing was estimated using the following formula:

$$\text{GVA impact} = \text{Employment impact} \times \text{Average GVA per employee}$$

The average GVA per employee was sourced from the ONS average GVA per head for Luton from 2014, which is £22,377. This was sourced from Luton Borough Council⁸⁹.

1.4 Assessing the additionality of the proposed developments

In our analysis, the additionality of the economic impacts is assessed. This includes the economic leakages, displacement and deadweight. Details of approach to assessing each of these elements for the developments in outline below.

⁸⁸ The induced employment multiplier is taken from the HCA Employment Densities Guide, 2nd edition 2010. This sets out the recommended assumption that for every 1,000 new residents there will be 150 jobs created through additional spending on goods and services in the area (i.e. an induced employment multiplier of 0.15)

⁸⁹ Luton Borough Council, Regional Gross Value Added: Luton January 2016, LBC Research and Geospatial Information, accessible at https://www.luton.gov.uk/Community_and_living/Lists/LutonDocuments/PDF/Luton%20Gross%20Value%20Added.pdf

1.4.1 Assessing economic leakages

Our analysis takes accounts of leakages of the economic activity outside of the Luton and Bedfordshire areas and out of the UK.

All direct economic activity for each of the developments is assumed to be in the Luton area, given that is where the activity takes place.

However, the indirect and induced GVA is likely to spread to wider geographic areas.

For our analysis of the indirect and induced economic leakages associated with the proposed stadium at Power Court and the existing stadium at Kenilworth Road, we use the supplier spending data for LTFC for FY2014/15 as a proxy.

The postcode information for each supplier was used to determine where the economic activity takes place. Where the Tier 1 supplier had either a Luton or Bedfordshire postcode, the indirect economic activity associated with the spending with these suppliers was attributed to these relevant areas.

The relevant postcodes used are detailed in the Table below.

Table A 4: Postcodes used to estimate the impact in the supply chain for the Luton and Bedfordshire areas

Luton Postcodes	Bedfordshire Postcodes
LU1	All included in Luton
LU2	MK17
LU3	MK40
LU4	MK41
LU5	MK42
LU7	MK43
	MK44
	MK45
	NN10
	NN29
	PE18
	PE19
	SG5
	SG15
	SG16
	SG17
	SG18
	SG19

Source: <http://www.postcode-info.co.uk/b> 1

The analysis has also adjusted for leakage, in order to capture the employment effect specifically for the Luton area⁹⁰. To estimate the level of leakage, the average leakage for capital projects at a sub-regional level of 17.3%⁹¹ was used, to identify the impacts within Bedfordshire the regional leakage level of 17.3% was applied to the indirect and induced effects in the supply chain. This is due to the fact that it cannot be assumed that, even though the suppliers are within the specified geography, the suppliers and workers of the Tier 1 suppliers also lie within the same geography. These figures were taken from the Department for Business, Innovation and Skills (BIS) paper on additionality⁹².

⁹⁰ Leakage refers to the amount of benefits realised outside the target area, i.e. the number of jobs who are filled by people who do not reside within the Luton area.

⁹¹ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

⁹² BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

1.4.2 Assessing economic displacement

Our analysis takes account of the extent to which the economic impacts generated by the proposed developments displace any existing economic activity (either current or potential) in the Luton area. Displacement of economic activity outside of the Luton area is considered in qualitative terms but is not included within our quantitative analysis.

For our analysis of the proposed development of Power Court, we took in to account the extent to which the new stadium displaces the economic activity associated with the existing stadium at Kenilworth Road. By deducting the economic impacts of the existing stadium from the economic impacts of the new stadium we derived the net additional economic impacts of the stadium.

We also considered the extent to which the economic activity associated with the wider proposed developments at Power Court (retail, leisure and residential accommodation facilities) displace any existing economic activity in Luton. As detailed in Section 2.2, however, the evidence suggests that there would be limited, if any displacement. Therefore, we did not reduce the economic impacts of the proposed developments to reflect any displacement.

Although we did not reduce the economic impacts of the proposed developments to reflect displacement, we have calculated and included them in the report to present a complete possibility of scenarios. In order to calculate the displacement we used the displacement percentage for sub-regional capital projects sourced from the BIS additionality guide⁹³.

For our analysis of the proposed development at Junction 10, we again considered evidence around the extent to which the economic activity generated at the site may displace existing economic activity in the Luton area. As detailed in Section 3.1, however, the evidence suggests that there would be limited, if any displacement. Therefore, we did not reduce the economic impacts of the Junction 10 proposed developments to reflect any displacement.

We did not reduce the economic impact of the developments for J10, however as we did with Power Court, we used the BIS additionality guide⁹⁴ to estimate the potential displacement effects. The displacement we used was for sub-regional capital projects.

1.4.3 Assessing economic deadweight

The potential economic deadweight associated with each of the proposed developments is assessed by comparing the economic impacts of each development against the baseline position of economic activity on the site and against a counterfactual scenario of economic activity on the site based on evidence of an alternative development.

For the proposed developments at Power Court, as the site is currently used, the baseline position used in our analysis is of zero economic activity. Therefore, there is no economic deadweight associated with 2020 Developments (Luton) Ltd.'s proposed developments against this baseline.

The counterfactual scenario for an alternative development is based on the details set out in the Luton Local Plan. Further details of this scenario are included in Section 2.3. The economic deadweight is assessed by analysing the economic impacts associated with this alternative development. Deducting these economic impacts from the economic impacts of the Power Court development provides an estimate of the additional economic activity that will take place under 2020 Developments (Luton) Ltd.'s proposed plans for the site.

⁹³ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

⁹⁴ BIS, 2009, Research to improve the assessment of additionality, BIS, Occasional Paper No.1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

For the proposed developments at Junction 10, as the site is currently used, the baseline position used in our analysis is of zero economic activity. Therefore, there is no economic deadweight associated with 2020 Developments (Luton) Ltd.'s proposed developments against this baseline.

Additionally, there is no evidence to support a counterfactual scenario of an alternative development on the site. Therefore, we consider that there would be no economic deadweight and all the economic impacts generated through this new development would be additional.

Appendix 1 Masterplan for Power Court



Appendix 2 Masterplan for J10



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