

Report of the Director of City Development

Report to Executive Board 2018

Date: 21st November

Subject: Channel 4 and TV and Film Sector Growth in Leeds and Leeds City Region

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): All	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4(3) Appendix number: 1,2	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. On 31st October, Channel 4 announced that Leeds would be the new location of their new national headquarters (including a new Channel 4 Digital Creative Unit and a new major Channel 4 news hub with the capability to co-anchor the national Channel 4 news). This represents a major success for Leeds and the wider city region as a national public service broadcaster re-locates to the city. Every major city outside of London in the country participated in the bidding process to secure the new headquarters, and Leeds was one of only three locations, along with Birmingham and Greater Manchester, to be shortlisted.
2. This is a breakthrough moment for the city and city region, and a huge success for the pitch process led by the Leeds City Region Enterprise Partnership and Leeds City Council with cross-Council support from our local authority partners notably Bradford and York, as well as the support of Screen Yorkshire, independents such as True North, the creative agencies via the "All in Leeds" initiative, the education sector and many others.
3. This landmark decision is also a sign of confidence of the city and wider city region including the education and training providers and of our creative sectors. Indeed through the bidding process, the entire city region and North East united behind Leeds' pitch, including a large collective of the city's creative agencies coming together to write a love letter in a sign of our commitment to Channel 4 through the 'All in Leeds' campaign. Through Channel 4 locating here, there is the chance to boost our economy, create more local jobs, and create opportunities for our young people and to enhance the diversity of the TV/ Film sector.

4. The Channel 4 decision to relocate outside London will ultimately provide for 300 Channel 4 jobs across the Nations and Regions, with up to 250 jobs being based in the Leeds National Headquarters. Channel 4's spend on shows made by TV production companies based outside London will rise by £250m by 2023, which it is anticipated will support over 3,000 production jobs. Early estimates from the Combined Authority are that the decision will contribute to over 1,200 new jobs in the next ten years, and a cumulative impact of £1.2bn to the Leeds City Region economy.
5. The location of Channel 4 into the city is a game-changing moment for our Film and TV Sector and there is a unique opportunity to develop initiatives which maximise the investment benefits of Channel 4's decision. Leeds is already a thriving centre for the screen industries; the first moving image was shot on Leeds Bridge in 1888 by Louis le Prince and this year the city celebrates 50 years of television production with the anniversary of YTV and BBC Look North.
6. Across the city region, almost 53,000 people work in the creative industries, film and TV companies in Yorkshire have an annual turnover of £242m and the sector here is growing at a faster rate than the national average. There is an opportunity to expand film production in the city building on our existing base, and this is recognised as a priority in the Leeds Inclusive Growth Strategy as one of five Transformational Projects to help deliver the national industrial strategy.
7. This report sets out proposals for how, in the context of Channel 4's decision, our Inclusive Growth Strategy, and the growth of the existing TV/ Film businesses in Leeds, the Council proposes to maximise the social and economic benefits for the city and city region through specific policies and interventions in the Film/ TV sector. In particular, the proposals seek to support the growth of the ecosystem and to commence engagement and conversations with existing businesses in the sector on measures needed to support the anticipated growth.
8. Accordingly, further to the submission of the pitch to Channel 4, this report seeks formal approval to:
 - commence engagement and have conversations with partners and businesses to shape how the city can best support the continued growth of businesses from the TV and Film sector in the city;
 - partner with Channel 4 as it relocates its National HQ in Leeds;
 - develop new skills and training initiatives within the TV/ Film Sector via new programmes and working with schools and educational providers;
 - expand the TV, Film and production capacity in Leeds;
 - establish a partnership board, chaired by the Chief Executive, to govern ongoing activities associated with Channel 4; and
 - develop a Grants Programme to support SME and start-up businesses in the creative, cultural and digital sectors identify premises.

Recommendations

9. Executive Board is asked to

- i) Welcome the decision of Channel 4 to locate its National Headquarters in Leeds and to note the economic benefits that this will bring to the city and city region.
- ii) Formally agree that the Council, along with West Yorkshire Combined Authority, enters into arrangements with Channel 4 as per the proposals set out in exempt appendix 1.
- iii) Request that city wide engagement takes place with partners in the TV and Film sector to shape proposals that facilitate growth of the sector and existing businesses in the city.
- iv) Agree that the Council takes steps to facilitate the expansion of the TV, Film and production capacity in the city as per the proposals contained in exempt appendix 2.
- v) Agree that the Chief Executive chairs a partnership board with Channel 4, West Yorkshire Combined Authority and other partners to oversee these initiatives and proposals set out in exempt appendix 1.
- vi) Request that the Director of City Development prepares more detailed report for a future Executive Board meeting with updates on the matters contained within this paper.

1 Purpose of this report

- 1.1 In the context of the Inclusive Growth Strategy, this report sets out the steps which are proposed to support the growth of the film and TV sector in the city. On the back of Channel 4's decision to locate a new National Headquarters in Leeds, this report also sets out propositions that seek to realise the potential of the sector in the city.

2 Background Information

Inclusive Growth Strategy

- 2.1 The Leeds Inclusive Growth Strategy 2018 – 2023 provides a framework for how best to deliver growth that is inclusive and benefits all of our citizens and communities. It sets out a series of ideas and actions for growth, as well as broad themes of the Leeds economy and targeted sectors.
- 2.2 Leeds has a broad based economy that has enabled the city to recover strongly from the recession. Leeds has experienced strong private sector jobs growth since 2010, above the national average and had the highest increase of employment rate of any city in the UK during Q1 2018.
- 2.3 Building a strategy centred on inclusive growth means providing everyday jobs in everyday places. It will mean more money for public services, reduced unemployment and increased wages. Reducing inequality in our city will also boost our economic performance. The people of Leeds are at the heart of the Growth Strategy, from equipping our young people with the right skills and careers advice, to enabling in-work progression, retraining and lifelong learning in our ever changing labour market, and ensuring healthy and productive lives.
- 2.4 Supporting the creative and cultural sector is a key part of the strategy as the sector is a vital part of the Leeds economy and generates £1.42 billion in value, representing 7% of the total economy. The latest employment figures (for 2017) show a 4.4% decline in year on year job numbers, suggesting support for this sector is increasingly important.

The Film / TV sector in Leeds

- 2.5 The UK is a leading global hub for the production of film and television, with highly-skilled crews, and attractive facilities and locations. Underpinned by stable and competitive automatic production incentives for film, high-end television drama, and animation programming the UK has seen unprecedented levels of production expenditure in recent years
- 2.6 Our Film and TV companies are part of a growing industry. Leeds is already a thriving centre for the screen industries; the first moving image was shot on Leeds Bridge in 1888 by Louis le Prince and this year the city celebrates 50 years of television production with the anniversary of YTV and BBC Look North.

- 2.7 Across the city region, almost 53,000 people work in the creative industries, film and TV companies in Yorkshire have an annual turnover of £242m and the sector here is growing at a faster rate than the national average. There is an opportunity to expand film production in the city building on our existing base, and this is recognised as a priority in the Leeds Inclusive Growth Strategy as one of five Transformational Projects to help deliver the national industrial strategy.
- 2.8 Leeds has a long heritage of domestic television drama production, with an ITV base in the city and shows such as Emmerdale having been filmed in Leeds for many years. Leeds and the Yorkshire region is able to attract a strong throughput of television drama.
- 2.9 Productions are primarily attracted to the region because of its unique locations, spanning dramatic natural landscapes, period buildings, country houses, and urban locations. Leeds itself provides easy access to such locations from a modern city with convenient transport links to London and quality hotels and restaurants for cast and crew.

Challenges in the Leeds TV/ Film Ecosystem

- 2.10 The popularity of Yorkshire as a filming destination, combined with a modest studio presence in Leeds has resulted in demand for studio space outstripping supply.
- 2.11 This is something other northern cities are addressing with studio expansions in several cities most notably Manchester and Liverpool. The economic benefits of studios for cities are plentiful, not only are they large employers but there are also added benefits to the wider economy, particularly Leeds city centre as cast and crew base themselves here during filming.
- 2.12 There are opportunities in the city region to have a greater supply of television and film sector talent, which could be boosted by prominent organisations locating in the city.
- 2.13 Furthermore, and as reported to Executive Board in June 2018, there is a growing risk of creative and cultural businesses not being able to find and source sustainable workspace solutions, and Executive Board agreed the principle of a Grants Programme being established to help businesses with property solutions.
- 2.14 Within the TV and Film sector, there is a growing demand for more production spaces and workspace for businesses in the wider ecosystem who often need short term and flexible licences/ leases to align with production timetables.

Channel 4 Headquarters

- 2.15 In March 2018, Channel 4 launched its '4 All the UK' strategy, a major new plan to boost investment, jobs and Channel 4's impact in the Nations and Regions. In addition to significantly increasing Nations and Regions commissioning spend, the strategy outlined plans to open a new National HQ and Creative Hubs in the Nations and Regions in 2019.

- 2.16 On 16 April 2018, a process was launched by Channel 4, inviting cities and regions to pitch to become home of the National HQ/Creative Hubs. As part of the process, Channel 4 set out its vision for the National HQ/Creative Hubs.
- 2.17 The Channel 4 decision to relocate outside London will ultimately provide for 300 Channel 4 jobs across the Nations and Regions, with up to 250 jobs being based in the Leeds National HQ. Channel 4's spend on shows made by TV production companies based outside London will rise by £250m by 2023, which it is anticipated will support over 3,000 production jobs.
- 2.18 Channel 4 makes a significant contribution to talent, audiences and the independent production sector in the Nations and Regions, spending over £1.5bn on TV production in the Nations and Regions over the last decade. In 2016 this was at a high of £169m, £36m of which was spent in the devolved Nations.
- 2.19 Thus, the location selected for the National HQ will not only benefit from new jobs to the city region, but will be a catalyst for a wider transformation of the TV/ Film sector through enhanced investment and confidence in regional output. It will open new avenues and growth opportunities for our businesses, residents and economy.
- 2.20 The Local Enterprise Partnership has led with the Council the city regions pitch to secure the Channel 4 National HQ to the city, with proposals to secure city region wide benefits for the TV/ Film ecosystem should the pitch be successful. Leeds was one of only three locations to be shortlisted at the final round of evaluation. Following this, the LEP, with Council support, submitted a final pitch to Channel 4.
- 2.21 Through this process, collaboration across sectors has been crucial. Leeds, Bradford and York, together with pivotal support from Screen Yorkshire have worked closely in shaping the proposals and large collective of the city's creative agencies wrote a 'love letter' to Channel 4. All Universities and colleges in the city region united to set out our compelling offer as a city region.
- 2.22 During August and September, Channel 4 held advanced discussions with all of the shortlisted regions and visited candidate cities to meet with members of the independent production sector, education providers and community groups from across the region.
- 2.23 On 31st October, Channel 4 announced that Leeds would be the new location of their new national headquarters (including a Digital Creative Unit and a new major Channel 4 news hub with the capability to co-anchor the national Channel 4 news). The specific location of the National HQ will be announced at a future date.

3 Main Issues

Ongoing Collaboration and Engagement

- 3.1 The Inclusive Growth Strategy, growth of the TV and Film Sector and lastly Channel 4's decision present a unique opportunity to collaborate with partners to shape proposals that can have a longstanding impact and benefit for our economy. The Council wishes to maximise the benefits of Channel 4's decision

whilst also supporting existing businesses located in the city to grow and reach their potential.

- 3.2 In drawing the pitch proposal for Channel 4 together, this was a focus of the joint working with partners to shape proposals. Accordingly, it is proposed that further engagement takes place across the sector in the city to establish how to best to deliver growth, support existing businesses and to make the most of Channel 4's decision to locate in Leeds. It is intended that the engagement can help to further define and refine proposals contained in the pitch to Channel 4 and help formulate new initiatives and policies.
- 3.3 This can include looking at shaping more specific details of:
- Proposals for new skills and training initiatives within the TV/ Film Sector via new programmes and working with schools and educational providers.
 - Potential to expand TV, Film and production capacity in Leeds whilst supporting existing businesses.
 - Proposals for a Grants Programme to support SME and start-up businesses in the creative, cultural and digital sectors to identify premises.

Channel 4's HQ Decision and Benefits

- 3.4 Prior to submitting the pitch to Channel 4, consultation took place with Members across all parties represented on Executive Board and endorsement was provided to submit the proposal. Formal approval to the proposals, as contained in exempt appendix 1, is now sought from Executive Board in order for more detailed work to be initiated and completion of legal agreements. The West Yorkshire Combined Authority gave approval to its proposals and pitch at a meeting on 11th October.
- 3.5 Channel 4 will determine the specific location of its new National HQ building in the coming months and will see Channel 4 enter into agreements with third parties for the provision of HQ space. Early estimates from the Combined Authority are that the decision will contribute to over 1,200 new jobs in the next ten years, and a cumulative impact of £1.2bn to the Leeds City Region economy, whilst Channel 4's investment into the regions supports over 3,000 jobs.
- 3.6 The growth of the TV/ film sector in the city and region will provide opportunities for our residents through skills and training, the Leeds City Region has a younger population than other regions and this presents opportunities to grow our talent base, in support of our child friendly ambitions. There is likely to be a need to ensure a supply of skills and talent to support the growth of the sector.
- 3.7 In doing so, there is a chance for greater collaboration with our schools and educational providers to develop new skills and training initiatives within the TV/ Film Sector and develop and implement new programmes. As noted, a strength of the city region is our diversity. It is proposed that the Council works with City Region partners to improve diversity in the TV and Film sector, through joint working with Channel 4 and other organisations. Work has already begun in this area using monies from the Business Rates pool to support inclusion and diversity

in the screen industry, Bradford is leading this work on behalf of the Leeds City Region.

- 3.8 It is proposed that dedicated work will take place to define initiatives that provide employment and training opportunities and initiatives to enhance diversity through further working in partnership with districts across the city region and organisations within the industry.

TV, Film and Production Capacity

- 3.9 Through the Inclusive Growth Strategy and Channel 4 process, businesses located in the city have highlighted potential constraints for the city's capacity in for TV, Film and production in terms of the supply of facilities and workspaces.
- 3.10 Executive Board considered proposals in July for the Council to play a more proactive role to support SME and start up creative, digital and cultural businesses find sustainable workspace solutions. This is in the context of a lack of sustainable, affordable and or flexible spaces for creative businesses. Executive Board agreed that the Council bring forward the Engine House and Aire Street for redevelopment as workspace for creative businesses. At the same meeting, Executive Board approved that a 'Call for Evidence' progress and that in principle support be given for the establishment of a Grants Programme to support cultural and creative businesses identify sustainable property solutions.
- 3.11 With regards to the proposed Grant Programme, Executive Board is asked to note the intention for the Programme be included in the 2019/20 Capital Programme to establish a scheme which supports creative, cultural and digital businesses identify sustainable property solutions. It is proposed that an amount is dedicated for workspace provisions for companies in or supporting the TV and Film sector. The remaining funding will be allocated based on the outcomes of the forthcoming Call for Evidence and would support a number of different industries within the 'creative, digital and cultural' sectors and would not be constrained to companies in the TV/ Film industries. In both instances, this would be subject to further engagement with partners to define specific initiatives.
- 3.12 Furthermore, the Council has considered how it can help to facilitate an expansion of capacity for TV, Film and production through its own property portfolio and potential opportunities at third party owned sites. Commercial discussions with regards to these matters are ongoing, and Executive Board approval is sought to progress specific proposals as contained in exempt appendix 2.
- 3.13 It is anticipated that the forthcoming Call for Evidence and conversations with the sector will help to establish a more detailed understanding of short, medium and long term pressures and work with partners will seek to establish proportionate action plans and future initiatives to ensure the supply of capacity to meet demands

Next Steps and Delivery Arrangements

- 3.14 This programme of work will require co-ordination and close partnership between the Council, WYCA, City Region partners, industry specialists, skills providers and

broader ecosystem and skills providers. It is proposed that the Chief Executive of the Council leads a Partnership Board comprising C4, the LEP, city region partners and partners in the TV/ Film industry to oversee delivery.

- 3.15 It is proposed that engagement with the sector will commence imminently.
- 3.16 More detail on the outcome of conversations with partners, the property proposals and funding and financing plans would be reported back to Executive Board for further approvals. It is proposed that a further update is brought to Executive Board reporting on progress in 2019.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The proposals contained in this report and exempt appendices have been subject to consultation with the Leader of the Council, as well as the Leaders of the Conservative Group and the Liberal Democrats Group. Prior to the Council submitting its proposals to Channel 4, there was also consultation with elected members and the Combined Authority.

4.1.2 As set out in this paper, it is proposed that more detailed engagement takes place with partners and businesses to help to shape proposals to maximise the inclusive growth benefits of the sector.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An equality screening assessment has been completed. This demonstrates that there is the potential for Channel 4's location into the city and the proposals contained in this report to have a positive impact across a number of equality characteristics. A major component of the proposals is around the city and city region taking specific steps to enhance the diversity of the TV/ Film sector and to promote greater inclusion. Specific initiatives will be developed working with Channel 4 and communities and it is proposed that work takes place to develop a comprehensive equality and diversity, cohesion and integration impact assessment with dedicated monitoring to ensure the delivery of diversity objectives.

4.3 Council Policies and Best Council Plan

4.3.1 The proposals support the Best Council Plan priorities of 'Growing the cultural and creative sector'; 'Ensuring that culture can be created and experienced by anyone'; 'Supporting growth and investment, helping everyone benefit from the economy to their full potential'; and 'Supporting businesses and residents to improve skills, helping people into work and into better jobs'.

4.3.2 The proposals would help to achieve multiple objectives as set out in the 12 key ideas in the Inclusive Growth Strategy. This includes 'backing innovators and entrepreneurs in business and social enterprise'; and 'promoting Leeds and Yorkshire; and maximising the economic benefits of culture'.

4.4 Resources and value for money

- 4.4.1 The proposals contained in this report and exempt appendices will primarily see existing resources utilised to support their delivery and WYCA has recently confirmed the funding of a number of proposals as contained in exempt appendix 1.
- 4.4.2 It is proposed that a new capital scheme is established to support property solutions for the creative, cultural and digital sectors as part of the budget setting process for 2019/2020 capital programme. Whilst this will be unsupported borrowing, it will seek to leverage private sector investment.
- 4.4.3 Further, the proposals will require dedicated resources to manage and deliver activities. Whilst some of this will fall within the workloads of existing Council departments, additional support, particularly on programme and project management, will be required to support the Council in facilitating activities.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The approval of this report constitutes a 'Key Decision' and as such will be subject to 'Call-In'.
- 4.5.2 The recommended decisions within this report fall within the Council's Key Decision category. The Executive and Decision Making Procedure Rules require any Key Decisions to be included in the List of Forthcoming Key Decisions not less than 28 clear calendar days in advance of the proposed decision date.
- 4.5.3 Further, in accordance with Executive and Decision Making Procedure Rule 2.3.2, where it is proposed that part of a report is to be exempted from publication and discussed in private at an Executive Board meeting, notice of the intention to hold a meeting or part of a meeting in private is to be published at least 28 clear calendar days prior to that meeting. Where the date of the meeting makes compliance with rule 2.3.2 impracticable, rule 2.3.4 provides that the meeting can only consider exempt or confidential items in private with the agreement of the Chair of the relevant Scrutiny Board, who must be satisfied that the meeting is urgent and cannot reasonably be deferred.
- 4.5.4 This matter was not included on the List of Forthcoming Key Decision for the required 28 days as Channel 4 only made its announcement on 31st October and this did not give enough time to include it at least 28 days before the meeting. Likewise, whilst a Notice of the Intention to consider exempt information was published on 23rd October this did not include that it related to matters concerning Channel 4 – again due to Channel 4 having only made its decision to relocate to Leeds on October 31st.
- 4.5.5 On both matters, given the need to progress proposals with Channel 4 as soon as possible, it is considered that this matter cannot reasonably be deferred until a later Executive Board meeting.
- 4.5.6 C4's decision to bring their new HQ to Leeds is an inward investment decision of national significance and a major vote of confidence in the city. In order to ensure

that progress is made in a timely way, it is important to move forward with the proposals for implementation as soon as possible. Therefore in accordance with rule 2.3.4 of the Executive and Decision Making Procedure Rules the Infrastructure, Investment & Inclusive Growth, Scrutiny Board Chair (City Development) has been consulted and has agreed that the matter is urgent and cannot reasonably be deferred.

- 4.5.7 The information contained in appendices 1 and 2 are exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of appendices as exempt outweighs the public interest in disclosing the information as doing so would prejudice the Council's commercial position and that of third parties should they be disclosed at this stage.
- 4.5.8 The provision of assistance and support to Channel 4 by the Council is, in principle, subject to the European Commission's rules as to the provision of State aid. These provide that, save in certain circumstances, state resources cannot be used so as to provide a selective advantage to undertakings engaged in economic activities in a way which distorts or threatens to distort competition and will or is likely to affect trade between EU member states.
- 4.5.9 Notwithstanding Brexit, the UK Government is committed to enshrining the principles of State aid into UK law, so the Council will need to ensure that the arrangements that they are proposing to enter into with and for the benefit of Channel Four, both now and in the future, are compliant with the relevant legislation.
- 4.5.10 To this effect, preliminary advice has been taken from both the Council's own legal services department and from external legal advisers in relation to the proposals outlined in this report.
- 4.5.11 A summary of the advice received can be found at Confidential Appendix 1. In broad terms, the proposed arrangements are believed to be State aid compliant, but there is a need to ensure that, as the final details of the proposals are developed and agreed, they remain so. To that end, further legal advice will be taken as required as matters progress.

4.6 Risk Management

- 4.6.1 A full risk assessment will take place across the initiatives that the Council propose as per this report. Through the Partnership Board, specific risks and opportunities will be discussed and managed, with suitable mitigation measures agreed.

5 Conclusions

- 5.1 The decision by Channel 4 is a major coup for the city and a unique opportunity to leverage the benefits of Channel 4 being in the city to maximise inclusive growth for Leeds and the wider city region. The Council can do so by investing into our ecosystem infrastructure and supporting initiatives which create employment and

training opportunities. This report sets out proposals that, if approved by Executive Board, will enable further work to take place in dialogue with partners and a further report will be brought back to Executive Board on these points.

6 Recommendations

6.1 Executive Board is asked to:

- i) Welcome the decision of Channel 4 to locate its National Headquarters in Leeds and to note the economic benefits that this will bring to the city and city region.
- ii) Formally agree that the Council, along with West Yorkshire Combined Authority, enters into arrangements with Channel 4 as per the proposals set out in exempt appendix 1.
- iii) Request that city wide engagement takes place with partners in the TV and Film sector to shape proposals that facilitate growth of the sector and existing businesses in the city.
- iv) Agree that the Council takes steps to facilitate the expansion of the TV, Film and production capacity in the city as per the proposals contained in exempt appendix 2.
- v) Agree that the Chief Executive chairs a partnership board with Channel 4, West Yorkshire Combined Authority and other partners to oversee these initiatives and proposals set out in exempt appendix 1.
- vi) Request that the Director of City Development prepares more detailed report for a future Executive Board meeting with updates on the matters contained within this paper.

7. Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.