

Report of the Director of City Development

Report to Executive Board

Date: 24th July, 2019

Subject: Design and Cost Report (Scheme Number: 33054/TVF/000): Development of new Film / TV Studio

Are specific electoral wards affected? If yes, name(s) of ward(s): Beeston & Holbeck	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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: 2, 3 & 4	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- Channel 4's decision to relocate its national headquarters to Leeds has provided a catalyst to the city's growing Film / TV sector. Following the announcement there has been significant interest in Channel 4's proposals and a renewed confidence in the sector from existing TV / Film companies, emerging businesses and others wishing to relocate or create new satellite offices in the city. The spark provided by Channel 4 has resulted in several new investments including post-production facilities, new training and skills initiatives and a growing spotlight on the Leeds creative economy. Providing a new studio is one of five transformational projects set out in the Leeds Inclusive Growth Strategy and fits with the aims of the Best Council Plan.
- Further to the update provided at November's Executive Board, the Council is taking a proactive stance to help maximise our inclusive growth ambitions for the city linked to Channel 4's decision. To further support the Film / TV sector the council has launched an Expression of Interest for television post-production companies to take a lease on the grade two listed property, The Engine House, located in the South Bank of Leeds, whilst Channel 4's decision to locate their National HQ at the historic Majestic building will act as catalyst for growth.

- One major opportunity for the city is to expand the amount of TV and Film studio space in the city in order to meet a growing need for space and to secure adequate space and facilities to meet the demand anticipated by Channel 4 locating in Leeds. The Council commissioned independent advice on the need for a new studio earlier this year which confirmed this demand. Channel 4 has already announced plans to film a new daily show in Leeds, and Leeds is expected to continue to grow in popularity as a location for TV and Film production.
- Accordingly, this report seeks Executive Board approval for the Council to facilitate the delivery of a new dedicated TV and Film Studio at Whitehall Road at the site of the former Polestar Petty Factory (see location plan at appendix 1). Since the closure of the historic factory, the site has remained vacant and has been acquired by NIB Pensions Fund, and is managed by Caddick Developments.
- It is proposed that the Council takes a head lease of the property from NIB and that the Council sub-lets the property to Versa (Whitehall Road) Limited (a new company which is part of a group of organisations who own or manage studios across the country, including All Studios in Manchester). It is the intention of Versa to enter arrangements whereby existing Leeds studio operator (Prime Studios) will operate and manage the studio. In addition to the lease arrangements, the Council proposes to provide a loan of up to £1.6m for external acoustic works at the property. Versa will carry out these works and will also fund and undertake necessary fit out works resulting in the first phases of the studio opening in 2020.
- If Executive Board agree to the proposals contained within this report:
 - Approximately 70,000 square feet of usable studio space will be delivered – this will more than double the amount of studio space currently available in the city.
 - The re-development of a strategic and historic site within a Priority Neighbourhood will be secured. With over 110,000 sqft of space being regenerated at this location, including ancillary uses such as workshops and prop stores.
 - The TV and Film sector ecosystem will be strengthened. The site is positioned in a key location set between Kirkstall Road, the main Film / TV hub in the city and the South Bank, the largest regeneration project in Europe and already home to over 500 creative and digital businesses including post production companies. Importantly it is also within 15 minutes' walk of Channel 4's new headquarters at Majestic on City Square, and the railway station. Its development can spark growth of the creative ecosystem in these locations.
 - It will support the growth of a local Leeds company, Prime Studios, who will play a lead role in the management of the Studio whilst simultaneously securing new investment into the city via Versa.
 - Substantial economic benefits will be secured. A similar example to Leeds is the Space Project in Manchester, which is similar in scale to the Polestar site. Space supported at least 250 full time equivalent jobs in the first year of operation, with an associated GVA benefit of £9m to the Manchester economy due to the associated benefits of extended investment in the sector. Similar economic outputs are anticipated with a fully operational studio in this location.
 - Further work will take place to maximise the employment and training opportunities arising as part of the broader work on Channel 4, with Further

and Higher Education Establishments including with bodies such as the Northern Film School and new creative campus at Leeds Beckett, courses at Leeds City College and Leeds Trinity University, Leeds Arts University, University of Leeds and Leeds College of Music. In addition, the studio, with construction of sets within it for shows, can potentially support courses of the Leeds College of Building and further educational establishments that support the film sector across the City Region.

2. Best Council Plan Implications

- In this context, it is anticipated that the proposals can achieve a range of Inclusive Growth and Best Council Plan priorities, including growing the creative and digital sectors, expanding skills and training opportunities, promoting Leeds and Yorkshire, and maximising the economic benefits of culture.
- The Inclusive Growth Strategy is a core strategy underpinning the Council's policies. One of the five transformational projects in the Inclusive Growth Strategy under Creative and Digital includes "provision for studio space in Leeds" for film and TV. Providing a studio has become of even more strategic importance following Channel 4's decision to relocate to Leeds.

3. Resource Implications

- The Council will provide a loan of up to £1.6m for external acoustic works and will undertake prudential borrowing to fund this. More detailed analysis of commercial terms, and the basis of this loan, are set out in exempt appendices, 2, 3 and 4. It should be noted that the Council will also receive a market rent for the use of the premises from Versa.

Recommendations

Executive Board is recommended to:

- a) Welcome the positive response from the Film / TV sector following the Channel 4 announcement and note the progress being made to maximise the economic benefits associated with Channel 4 locating in the city.
- b) Agree that the Council takes steps to facilitate the delivery of a new TV and Film studio at the former Polestar Petty Factory at Whitehall Road and note the economic and regeneration benefits of the Council doing so.
- c) Agree that the Director of City Development, in consultation with the Chief Officer – Financial Services, the Executive Member for Resources and the Leader of the Council:
 - i. Develops and enters into a head lease with NIB Pension Fund as per the principles and Heads of Terms contained in exempt appendices 2 and 4; and
 - ii. Develops and enters into a lease and other legal agreements with Versa (Whitehall Road) Limited as per the principles and Heads of Terms contained in exempt appendices 2 and 3.

- d) Agree to inject £1.6m into capital scheme number 33054/TVF/000 to finance a loan to Versa (Whitehall Road) Limited for external acoustic works, and authorise the Director of City Development and the Chief Officer - Financial Services to provide authority to spend up to that amount to provide the loan subject to completion of legal agreements with Versa (Whitehall Road) Limited.

1. Purpose of this report

- 1.1 This report sets out plans to develop a new large scale Film and TV studio in the city, located on Whitehall Road to the west of the city centre.
- 1.2 The studio supports the city's ambitions to significantly grow the Film / TV sector following last year's announcement by Channel 4 to move its national headquarters to Leeds. It will provide an enormous increase in capacity to film high end TV and feature films in the city.

2. Background information

Progress since Channel 4's announcement

- 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 Developing the Film / TV sector in Leeds and the creation of a new studio is one of five transformational projects identified in our growth strategy to help deliver on the aims of the National Industrial Strategy. The sector presents many opportunities for businesses as well as creating jobs and bringing in investment to the city.
- 2.3 The announcement by Channel 4 in October last year choosing Leeds as the home for their new Headquarters is a catalyst to reenergise the sector. One of the main issues hindering the sector is the lack of studio space for productions and the Council has made it a priority to locate and bring forward a new large scale studio facility.
- 2.4 Channel 4's decision to relocate to Majestic on City Square will provide up to 250 jobs and early estimates from the Combined Authority show that this will contribute to over 1,200 new jobs in the next ten years, with a cumulative impact of £1.2 billion to the Leeds City Region economy. Channel 4 also commissions a wide range of programmes, which it is anticipated will support over 3,000 production jobs and Leeds is well placed to gain a large proportion of this work.
- 2.5 Leeds is proving popular as a northern base, with corporations including Sky and sports streaming service DAZN already having a large presence in the city and Channel 4's announcement has sparked a number of businesses in the creative sector to follow suit. Endemol Shine, the maker of "Big Brother", production company trade body Pact, the BFI and UKTV have all announced offices or initiatives in Leeds.
- 2.6 To build on this, at the beginning of June, the Council launched an Expression of Interest for television post-production companies to take a lease of the grade two listed property, The Engine House, located in the South Bank of Leeds. There has been a high degree of interest from the sector and this has provided assurance that there is demand for additional post-production in the city. The Engine House was formally used as a power source for Tower Works, and the Council aims to work with the successful organisation to bring the property back into use. In the near future the Council will, on the basis a tenant is secured to provide a revenue stream to fund capital costs and to fund the conservation deficit - commit funding (£1.1m of

which has already been secured externally as a grant) to refurbish the internal and external fabric of the building.

- 2.7 Building on the broad talent base in the region, a series of skills interventions are being designed to meet the needs of screen and TV and the wider creative and digital sectors. In the short term these are focused on the skills gaps currently experienced by independent producers and over the longer term programmes will help increase the talent pipeline by building awareness of the wide range of opportunities and the way in which the sector operates.
- 2.8 Currently plans are ongoing to develop a pilot phase of work based training programmes for Assistant Editors working with higher and further education providers across the region. The Beyond Bronte Programme is another example of a new skills programme, over the next two years it will support over 100 young people aged 18 to 25 years to access paid internships, one to one support, training and mentoring. It will focus on practical interventions to enable young and talented people from disadvantaged and diverse backgrounds to develop careers in the creative sector.
- 2.9 The Leeds City Region Enterprise Partnership currently offers a wide range of support schemes to businesses, the majority of which can be accessed by the creative industries. These schemes offer funding to cover capital investments including those associated with office fit-out and refurbishment, production equipment and post-production facilities. Additional schemes can also offer advisory support and contribute to training costs associated with upskilling staff.
- 2.10 Channel 4 is also investing in the city and in April this year invested in True Vision Yorkshire through its Indie Growth Fund. This is the second investment in a Leeds-based production company for the Channel 4 Indie Growth Fund, the first being in True North which was sold to Sky in 2017.

TV Production

- 2.11 Film and television drama production is increasing worldwide to an unprecedented degree with over 8,000 films produced in 2018 and this growth is expected to continue. In the UK increased pressure for broadcasters and other publicly-supported institutions to expand their presence beyond London, especially in terms of investment, means that we can expect to see more film and television production in the UK nations and regions.
- 2.12 The sector's regulator, Ofcom, requires broadcasters to produce a suitable proportion of programmes outside the M25, currently 50% for the BBC and 35% for ITV. Channel 4 is also required to produce 35% of its content in the regions but has recently committed to increasing this to 50% by 2023, increasing the amount it spends on programmes outside London by £250m over the next five years. As the home of its new national headquarters, Leeds is well placed to take advantage of this increasing programme budget.
- 2.13 The UK's Film and TV production sector is facing unprecedented demand for large-scale, dedicated production facilities with demand far exceeding supply. Leeds is without this kind of facility with its existing hub at Kirkstall Road limited in capacity of studio space. Other UK cities outside London have created or are planning new studios to meet this requirement and gain from the economic growth that ensues, examples include Manchester, Liverpool, Belfast, Bristol, Cardiff and Edinburgh.

- 2.14 Leeds is a popular destination for filming with a recognised heritage of production, ITV's Emmerdale is filmed in the city and recent productions include the 2018 BBC Christmas special of Agatha Christie's ABC Murders starring John Malkovich, and the BBC's Gentleman Jack, whilst ITV's "Victoria" is also filmed on location around Leeds. The city is also home to critically acclaimed production companies such as Rollem, which is run by the BAFTA award winning Kay Mellor, and who already have a working relationship with Prime Studios. A good skills base and desirable locations are positives for the area but a lack of a studio space is inhibiting further growth.
- 2.15 Film studios provide a wide range of economic benefits to local areas, both culturally and economically. Olsberg SPI's recent Screen Business study for the British Film Institute, which was signed by the Chancellor of the Exchequer, showed that the film, High End TV and animation sectors contribute to the UK in a variety of ways:
- Productions generate direct economic impact through production expenditure, employment and value within the sector;
 - There is also economic value generated when the screen sector procures supplies and services from outside the value chain, i.e. accounting and legal services;
 - Screen sector production also has a number of spillover effects, i.e. the effect mass-audience production has on the broader "UK brand", as well as the induced tourism impact created by production in the UK;
 - Productions need and create a highly skilled workforce, which is a valuable international asset and a massive contributor to the UK economy;
 - Screen sector production drives investment in infrastructure in the UK nations and regions.

3. Main issues

Demand for Studio Space

- 3.1 Given the market growth and demands in TV and Film studios, the economic benefits they provide, and the location of Channel 4 in the city, there is a clear opportunity for the city to invest in new TV and Film studio facilities.
- 3.2 At its November meeting, Executive Board was advised that the Director of City Development would undertake further work and due diligence on the delivery of a new TV and Film Studio in Leeds within financial parameters outlined in the confidential appendix.
- 3.3 On the back of existing demand and the arrival of Channel 4, it is considered that a major opportunity exists for Leeds to establish a unique position among the UK's creative industries hubs, and the importance to move quickly in developing a new studio to keep pace with other areas in the UK that are also expanding, such as Manchester.
- 3.4 Based on trends in the TV and Film sector, it is considered that there is demand for a studio serving high-end TV drama and independent feature films, an element of "shiny floor" filming can also be accommodated in the city to serve live broadcasting / shows with an audience. Market evidence and analysis indicates that a new studio should comprise of between 4 and 6 sound stages ranging from 8,000 to 30,000 sqft as this could accommodate two productions simultaneously.

Location and Specification

- 3.5 Studios are difficult to locate due to their size and the need for quiet during filming. They tend to require more height than a general industrial building and usually more parking and ancillary accommodation (production offices, workshops, stores etc). Pillars and other load bearing obstructions also render some existing industrial buildings unsuitable as they hinder the construction of large sets used for filming.
- 3.6 The Council identified a suitable site at Whitehall Road in 2018, this was originally a print works for over 150 years and was in a poor state of repair (please see appendix 1 for location and floorplan). The owner of the site, NIB Pension Fund (the development is managed by Caddick Developments) is currently undertaking a full renovation of the two buildings which combined will create 110,000 sqft of space. Due diligence has been exploring how a studio could be facilitated at this location.
- 3.7 The property could support six studios, ranging from approximately 8,000 to 22,000 sqft, together with space for prop stores, changing rooms, workshops and other ancillary uses. Additional office and production space of 25,000 sqft adjacent to the site could also be operated in support of on-site production activity.
- 3.8 The location has many positives, it is close to the new Channel 4 HQ and main railway station (15 minutes' walk) and other city centre based production companies. It is also close to the traditional TV hub of Leeds, at Kirkstall Road where ITV and other independent studios and post-production facilities are based. Ease of access, close proximity to amenities, such as hotels and restaurants, and strong public transport links make the site ideal for filming, particularly as large numbers of crew and extras are sometimes needed.

Proposals

- 3.9 Examples from across the country demonstrate that public sector intervention is often required to facilitate the delivery of new TV and Film Studios. As set out above, due diligence has been exploring a range of options, this has included:
 - 3.9.1 **Option 1: The council designing and constructing a new facility at a new site.** Analysis indicated that the design and construction of a new property would cost at least £11m based on land values of explored sites and comparable evidence of other TV and Film Studios. Indeed, evidence from other locations – Manchester and Liverpool – has seen the public sector invest considerable seven and eight figure grants into TV and Film Studios. There is a lack of 'oven ready' sites in Leeds where a TV and Film studio could be built, especially given high market demands for new employment land use sites. The Council would be required to take on all design and construction risk in this scenario and whilst rental income could be achieved, analysis indicated that it was unlikely that the majority of these costs would be recovered over a 20 year borrowing lifecycle. This option was not considered to be financially viable or deliverable, with a lack of suitable sites close to Channel 4's new Headquarters.
 - 3.9.2 **Option 2: The Council takes a head lease of the Polestar site and finances the fit out works for an operator**– This option would see the Council take on design and construction risk for any works to the Polestar site to convert it into a studio and seek to recover sums through a lease or funding agreement. The construction risk for the Council in taking on this approach would need to be carefully assessed. Moreover, the specialist fit out of TV Studios is not an area that the Council has expertise in. Consequently, a specialist operator in the sector would be better

placed to manage this risk as part of the business they would then take direct control of. Further analysis of this option is set out in exempt appendix 2.

- 3.9.3 **Option 3: The Council facilitating the delivery of a Studio through property transactions and a loan** – An alternative model would be the Council taking a lease and simultaneously entering into a sub-lease, with the Council's tenant undertaking fit out works and them taking on any design and construction risk. Council support would be via a secured loan, with the Council's financing helping to ensure sustainability for the operation of the studio.
- 3.9.4 **Option 4: No Council involvement** – Evidence from elsewhere is that most new studios operate with public sector intervention and financial support. Operators in Leeds have been seeking to expand in Leeds, over recent years but without success due to lack of land supply and affordability of proposals. It is not considered that a large TV and Film Studio could be sustainably developed without Council support
- 3.10 Accordingly, the Council proposes to take steps along the lines of Option 3 to facilitate the delivery of a studio in Leeds, providing certainty on the delivery of the studio and cost certainty and minimal risk to the Council.
- 3.11 It is proposed that the Council takes a head lease of the property from NIB Pension Fund and simultaneously sub-lease the studio to Versa (Whitehall Road) Limited at market rent.
- 3.12 Versa (Whitehall Road) Limited is part of a group of organisations who successfully manage and develop major TV and Film studios across the country – including in Manchester and London. The company is associated with Allied London which has facilitated the turnaround of Leeds Dock as a successful mixed use destination anchored by creative and digital businesses.
- 3.13 The proposed terms are set out in confidential appendices 2, 3 and 4. The studio will be operated via arrangements between Versa and Prime Studios. The Council will not be involved in the day to day management.
- 3.14 Prime Studios is a growing Leeds based independent studios based on Kirkstall Road. In addition to providing commercial studio space Prime is committed to developing talent within Leeds and the region, working in partnership with both the Northern Film School and Leeds City College. This covers all manner of creative courses, ranging from directing, camera work and writing, to make-up and prosthetics and Prime accommodates nearly 200 students each year and is looking to expand its offer once the new film studio is complete, working with more education institutes across Leeds, the Council, the LEP and Channel 4.
- 3.15 The location, whilst having many benefits, does mean that noise levels would be a concern without acoustic treatments to reduce external noise when inside the studios. The Council commissioned third party specialist advice to undertake a full acoustic assessment on noise and vibrations throughout the site. This concluded that with suitable acoustic works to minimise noise and vibrations film studios are viable on this site. It is proposed that the Council provides a loan – to a maximum of £1.6m – to be repaid in full by Versa, to fund capital works to eliminate acoustic risks. The Council would undertake prudential borrowing to fund these works upfront and would be provided with appropriate security to provide certainty of repayment. This proposal is within the cost parameters considered by Executive Board in November. Full details are set out in confidential appendices 2 and 3.

- 3.16 Whilst the Council is providing some financial support through this loan, as set out above this is considered less than many local authorities who have had to take a more interventionist approach due to a lack of commercial partners. A large proportion of UK film studios are directly supported by local authorities, as they provide significant benefits to local economies.
- 3.17 A similar example to Leeds is the Space Project in Manchester. Opened in 2015 the Space Project is owned by Manchester City Council and initially cost the public sector £11m. With 55,000 sqft of studio space across five studios (it has since been extended due to its popularity) it is similar to Whitehall Road. A report by Manchester City Council after its first year of operation highlighted the broader benefits of the studio to the economy, including economic and employment growth in new economic activities, the development of talent, local regeneration and enhancing the city's reputation as a creative and cultural hub. Space supported at least 250 full time equivalent jobs in the first year of operation, with an associated GVA benefit of £9m to the Manchester economy. The council expects a similar uplift to the Leeds economy.

Next Steps

- 3.18 Should Executive Board agree to the proposals contained within this report, it would be the intention for legal agreements to be completed within eight weeks of the decision being taken. The Landlord is due to complete works to the property by the end of September this year, and it is envisaged that Versa's works to fit out the premises will start immediately after that, leading to the first phases of the studio being operational in 2020 – in advance on Channel 4 opening its new HQ in the city.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Developing a new film studio forms part of the Council's commitment to Channel 4 which has been subject to considerable internal and external consultation. The Leader of the Council has been fully briefed and is supportive of the proposal.
- 4.1.2 As touched upon in this report the Council has commissioned independent analysis of the Film / TV sector to determine the demand for new studios and this included engagement with the sector. Screen Yorkshire has indicated its support for the proposals.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 Our vision is to for Leeds to be the best city in the UK, one that is compassionate and caring, with a strong economy. The film studio will boost the Film / TV sector providing jobs to the local economy. Additionally as part of the wider sector work to support Channel 4, the Council is investing in a wide range of skills programmes.
- 4.2.2 The Diversity and Inclusion Screen Industries Initiative is led by Bradford Council, supported by Leeds City Council and funded through Leeds City Region Business Rates Pool. Screen Yorkshire, the delivery partner has completed its youth participant recruitment phase to The Beyond Bronte Programme and will hold induction events shortly in Leeds and Bradford.

4.2.3 An equality impact assessment has been performed as part of this report and is attached as an Appendix..

4.3 Council policies and the Best Council Plan

4.3.1 The Inclusive Growth Strategy is a core strategy underpinning the Council's policies. One of the five transformational projects in the strategy under Creative and Digital includes "provision for studio space in Leeds" for film and TV. Providing a studio has become of even more strategic importance following Channel 4's decision to relocate to Leeds.

Climate Emergency

4.3.2 With regards to the climate, investment into the Polestar site through these works will increase significantly the energy efficiency of the property. The location is in close proximity to the Station and will be used to promote sustainable transport mode choices for staff, as will its proximity to the wider TV/Film ecosystem along Kirkstall Road. It is considered that the proposed use is more environmentally friendly than the previous use of the site as a printing factory. As part of the refurbishment, the property will be enhanced in its environmental performance, relative to its position as former industrial premises. In terms of wider implications, a TV and Film studio will require large uses of power in short duration periods due to equipment needs but this will evolve with technology in the field and there is a significant drive for all TV and Film production to achieve Albert Sustainable certification.

4.4 Resources, procurement and value for money

4.4.1 The Council will provide a loan of up to £1.6m for external acoustic works and will undertake prudential borrowing to fund this. More detailed analysis of commercial terms, and the basis of this loan, are set out in exempt appendices, 2, 3 and 4. It should be noted that the Council will also receive a market rent for the use of the premises from Leeds Studios. Overall, it is forecast that the proposals will be at least cost neutral for the Council, with the Council's cash flow and financing support helping to achieve a sustainable proposition in the formative years of the studios.

4.4.2 This report seeks approval to inject £1.6m into Capital Scheme number 33054/TVF/000 and the final loan sum. It is proposed that authority to spend be delegated to the Director of City Development and the Chief Officer - Financial Services within the cap of £1.6m. It is forecast that funds will be drawn down in this financial year.

Authority to Spend required for this Approval	TOTAL £000's	FORECAST				
		2019/20	2020/21	2021/22	2022/23	2023 on
		£000's	£000's	£000's	£000's	£000's
LAND (1)	0.0					
CONSTRUCTION (3)	1600.0	1600.0				
FURN & EQPT (5)	0.0					
DESIGN FEES (6)	0.0					
OTHER COSTS (7)	0.0					
TOTALS	1600.0	1600.0	0.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	FORECAST				
		2019/20	2020/21	2021/22	2022/23	2023 on
		£000's	£000's	£000's	£000's	£000's
LCC Deptl Unsupported Borrowing	1600.0	1600.0				
Total Funding	1600.0	1600.0	0.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0

4.5 Legal implications, access to information, and call-in

4.5.1 This report is eligible for call-in.

4.5.2 The Council must ensure that the transactions which it is proposing to enter into are compliant with the European Commission's rules as to the provision of State aid. State aid occurs where public resources are used to provide an undertaking which is engaged in economic activities with a selective advantage over its competitors which has the potential to distort competition between EU member states. The European Commission's State aid rules provide that State aid can be given in a number of different circumstances. In the case of the proposals outlined in this report, advice has been taken from Legal Services and they have confirmed that, subject to independent verification being obtained in respect of the terms of the proposed sublease, and to the final interest rate for the loan being agreed, the proposals are compliant with the State aid rules.

4.5.3 Section 1 of the Localism Act 2011 empowers the Council to do anything that individuals generally may do, subject to any restrictions as to the use of its powers to which the Council was subject when that Act came into force or which have subsequently been imposed.

4.5.4 Section 120 of the Local Government Act 1972 empowers the Council to acquire by agreement any land for any of its functions or for the benefit, improvement or development of its area, notwithstanding that the land is not immediately required for such purposes.

4.5.5 Section 123 of the Local Government Act 1972 empowers the Council to dispose of land which it holds in any manner it wishes, subject to the land being disposed of for the best consideration reasonably obtained.

4.5.6 The Director of City Development is satisfied that disposing of land to Versa (Whitehall Road) Limited in the manner set out in this report will satisfy the requirements of Section 123.

4.5.7 The information contained in appendices 2, 3 and 4 is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of a particular person (including the Council). 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 Council has a common law duty to the Council Tax and business rates payers of Leeds to conduct its financial affairs in a business-like manner, with reasonable care, skill and caution, and with due regard to their interests. In the case of the proposals outlined in this report, they will, at worst, be cost neutral to the Council. The Council will also be obtaining adequate security from Versa (Whitehall Road) Limited in respect of that company's financial obligations to the Council.

4.6 Risk management

- 4.6.1 A risk assessment has been undertaken and risks will be monitored on an ongoing basis. A detailed risk assessment is set out in exempt appendix 2.

5. Conclusions

- 5.1 This report sets out plans for a new large scale film studio at Whitehall Road in Leeds and seeks Executive Board approval for the Council to take a head lease of the site and grant a sublease and provide a loan to Versa (Whitehall Road) Limited. The film studio will be run and operated by Versa and Prime Studios. A film studio is needed to continue growth in the sector, prevent Leeds falling behind other northern cities who are also expanding their studio provision, and make the most of the opportunities that Channel 4's position in Leeds will bring.
- 5.2 A film studio provides many benefits including direct and indirect employment, cultural and economic uplift, support for training and skills, and confidence and opportunities for the wider Film / TV sector. The studio will increase the Leeds studio offer considerably and is the first stage in a transformation of the sector including new post-production facilities, growing and new Leeds businesses, closer connections with Manchester and additional skills and training for Leeds citizens.

6. Recommendations

- 6.1 Executive Board is recommended to:

- a) Welcome the positive response from the Film / TV sector following the Channel 4 announcement and note the progress being made to maximise the economic benefits associated with Channel 4 locating in the city.
- b) Agree that the Council takes steps to facilitate the delivery of a new TV and Film studio at the former Polestar Petty Factory at Whitehall Road and note the economic and regeneration benefits of the Council doing so.
- c) Agree that the Director of City Development, in consultation with the Chief Officer – Financial Services, the Executive Member for Resources and the Leader of the Council:
 - i. Develops and enters into a head lease with NIB Pension Fund as per the principles and Heads of Terms contained in exempt appendices 2 and 4; and.

- ii. Develops and enters into a lease and other legal agreements with Versa (Whitehall Road) Limited as per the principles and Heads of Terms contained in confidential appendices 2 and 3.

- d) Agree to inject £1.6m into capital scheme number 33054/TVF/000 to finance a loan to Versa (Whitehall Road) Limited for external acoustic works, and authorise the Director of City Development and the Chief Officer - Financial Services to provide authority to spend up to that amount to provide the loan subject to completion of legal agreements with Versa (Whitehall Road) Limited.

7. Background documents¹

7.1 None.

8. Appendices

- 8.1 Appendix 1 – Site Plan
- 8.2 Appendix 2 – Commercial Terms (Exempt from publication – 10.4(3))
- 8.3 Appendix 3 – Heads of Terms (Exempt from publication – 10.4(3))
- 8.4 Appendix 4 – Heads of Terms (Exempt from publication – 10.4(3))
- 8.5 Appendix 5 – Equality, Diversity, Cohesion and Integration Screening

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.