

**Officer**

**Report to Director of City Development and Chief Officer (Financial Services)**

**Date: 23<sup>rd</sup> October 2019**

**Subject: TV and Film Studio, Whitehall Road, Leeds**

Are specific electoral wards affected? If yes, name(s) of ward(s): Beeston and 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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" 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	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary**

**1. Main issues**

- i. Since Channel 4 announced its plans to locate its National Headquarters in Leeds, there has been real momentum in activities which promote the growth of the TV and Film sector. In July 2019, Executive Board considered a report setting out the need and justification for a TV and Film Studio in Leeds.
- ii. Executive Board agreed that the Council take steps to facilitate the delivery of a new TV and Film studio at the former Polestar Petty Factory at Whitehall Road, by taking a Head Lease from NIB Pension Fund (owners of the building), and sub leasing the property to Versa (Whitehall Road) Ltd. Executive Board also agreed to a loan of up to £1.6m being provided for external acoustic works to Versa.
- iii. Executive Board gave approval for 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) *To develop and enter into a head lease with NIB Pension Fund, as per the principles and Heads of Terms, as contained within exempt appendices 2 and 4 of the submitted report; and*
  - (ii) *To develop and enter into a lease and other legal agreements with Versa (Whitehall Road) Limited, as per the principles and Heads of Terms, as contained within exempt appendices 2 and 3 of the submitted report*
  - (iii) *to inject £1.6m into Capital Scheme Number 33054/TVF/000 in order to finance a loan to Versa (Whitehall Road) Limited for external acoustic works; and that the necessary authority be delegated to the Director of City*

*Development and the Chief Officer (Financial Services) to enable the Director and Chief Officer to provide ‘authority to spend’ up to that amount in order to provide the loan, subject to the completion of legal agreements with Versa (Whitehall Road) Limited.*

- iv. With legal agreements now drawn up and agreed by parties, this paper seeks formal approval from the Director of City Development to enter into the legal agreements with both NIB Pension Fund and Versa.

## **2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- v. 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.
- vi. 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**

- vii. The Council will provide a loan of up to £1.6m 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 appendix 2. The Council will pay a market rent for its lease from NIB and will also receive a market rent for the use of the premises from Versa.

## **Recommendations**

The Director of City Development is asked to:

- i) agree that the Council enters into the head lease and other legal agreements with NIB Pension Fund as per the proposals contained in exempt appendix 2.
- ii) agree that the Council enters into an underlease and other legal agreements with Versa (Whitehall Road) Limited as per the proposals contained in exempt appendix 2.

The Chief Officer – Financial Services is asked to:

- i) Inject SDLT payable from Capital Scheme Number 33054/TVF/000, on the Council's headlease as per the terms set out in exempt appendix 2.

The Director of City Development and Chief Officer (Financial Services), are asked to:

- i) Provide authority to spend from Capital Scheme Number 33054/TVF/000 to fund the Council’s loan to Versa (Whitehall Road) Limited and SDLT, as per the principal terms set out in exempt appendix 2.

## **1. Purpose of this report**

- 1.1 Further to Executive Board approval in July 2019, this paper seeks final approvals to enter into legal agreements with NIB Pension Fund and Versa (Whitehall Road) Limited to facilitate the delivery of the TV and Film Studio. The proposals outlined in this report are within the parameters approved by Executive Board.

## **2. Background information**

- 2.1 The Council identified a suitable site for a TV and Film Studio 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 shortly due to complete a full renovation of the two buildings which combined will create 110,000 sqft of space.
- 2.2 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.
- 2.3 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.

## **2.4 Main issues**

- 2.5 On July 24<sup>th</sup> 2019, Executive Board agreed that the Council take steps to facilitate the delivery of a new TV and Film studio at the former Polestar Petty Factory at Whitehall Road, by taking a Head Lease from NIB Pension Fund (owners of the building), and sub leasing the property to Versa (Whitehall Road) Ltd. Executive Board also agreed to a loan of up to £1.6m being provided for external acoustic works to Versa.
- 2.6 Executive Board gave approval for 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) To develop and enter into a head lease with NIB Pension Fund, as per the principles and Heads of Terms, as contained within exempt appendices 2 and 4 of the submitted report; and*

*(ii) To develop and enter into a lease and other legal agreements with Versa (Whitehall Road) Limited, as per the principles and Heads of Terms, as contained within exempt appendices 2 and 3 of the submitted report*

*(iii) to inject £1.6m into Capital Scheme Number 33054/TVF/000 in order to finance a loan to Versa (Whitehall Road) Limited for external acoustic works; and that the necessary authority be delegated to the Director of City Development and the Chief Officer (Financial Services) to enable the Director and Chief Officer to provide 'authority to spend' up to that amount in*

*order to provide the loan, subject to the completion of legal agreements with Versa (Whitehall Road) Limited.*

- 2.7 With legal agreements now drawn up and agreed by parties, this paper seeks formal approval from the Director of City Development to enter into the legal agreements with both NIB Pension Fund and Versa, and for Authority to Spend to be approved for the Council Loan.
- 2.8 Detailed terms are set out in exempt appendix 2, with a summary of progress since Executive Board. The proposals outlined in this report are within the parameters approved by Executive Board.

### **3. Corporate considerations**

#### **3.1 Consultation and engagement**

- 3.1.1 The Chief Officer (Financial Services), the Executive Member for Resources and the Leader of the Council have been consulted on the detailed terms.
- 3.1.2 Previous engagement has taken place with Local Ward Members on the proposals for a TV and Film Studio.

#### **3.2 Equality and diversity / cohesion and integration**

- 3.2.1 An Equality Screening assessment was undertaken at the time of Executive Board agreeing to proposals, and there are no equality considerations and implications arising from this paper.

#### **3.3 Council policies and the Best Council Plan**

- 3.3.1 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.
- 3.3.2 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.

#### **Climate Emergency**

- 3.3.3 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. A further consideration will relate to the environmental standard of any construction relating to the train station and wider site.

### **3.4 Resources, procurement and value for money**

3.4.1 The Council will provide a loan of up to £1.6m and will undertake prudential borrowing to fund this, with costs recovered. More detailed analysis of commercial terms, and the basis of this loan, are set out in exempt appendix 2. The Council will pay a market rent for its lease from NIB and receive a market rent for the use of the premises from Versa.

### **3.5 Legal implications, access to information, and call-in**

3.5.1 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, following third party review, the proposals are compliant with the State aid rules.

3.5.2 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.

3.5.3 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.

3.5.4 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.

3.5.5 The Chief Asset Management and Regeneration Officer 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.

3.5.6 The information contained in appendix 2 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.

3.5.7 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 has also obtained adequate security in respect of Versa's financial obligations to the Council.

### **3.6 Risk management**

3.6.1 Risks are detailed further in exempt appendix 2.

## **4. Conclusions**

4.1 The delivery of a new TV and Film Studio will unlock substantial economic benefit for Leeds. Further to Executive Board approval, detailed legal agreements have now been agreed between all parties, and this paper seeks approval to enter into these as to enable the facility to open in 2020

## **5. Recommendations**

5.1 The Director of City Development is asked to:

- i) Agree that the Council enters into the head lease and other legal agreements with NIB Pension Fund as per the proposals contained in exempt appendix 2.
- ii) Agree that the Council enters into an underlease and other legal agreements with Versa (Whitehall Road) Limited as per the proposals contained in exempt appendix 2.

5.2 The Chief Officer – Financial Services is asked to:

- i) Inject SDLT payable from Capital Scheme Number 33054/TVF/000, on the Council's headlease as per the terms set out in exempt appendix 2.

5.3 The Director of City Development and Chief Officer (Financial Services), are asked to:

- i) Provide authority to spend from Capital Scheme Number 33054/TVF/000 to fund the Council's loan to Versa (Whitehall Road) Limited and SDLT, as per the principal terms set out in exempt appendix 2.

## **6. Background documents<sup>1</sup>**

None.

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<sup>1</sup> 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.