

Report of: Inward Investment Manager

Report to: Chief Officer Financial Services

Date: 4th January 2021

Subject: Discretionary Rates Relief (Inward Investment) for Channel 4

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Little London & Woodhouse	<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
Is the decision eligible 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: Appendix number:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. Executive Board approved the creation of discretionary rates relief policies, including one for inward investments creating new jobs in Leeds, in March 2014. This supports the Council's priority to promote sustainable and inclusive economic growth.
2. On 31st October 2018, 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
3. The arrival of Channel 4 and growth created in the creative sector and the wider economy in Leeds is significant. Channel 4's investment in the region has already precipitated a number of investment projects with new investors moving into the region, start-ups being founded and existing businesses receiving investment. In addition, the Channel 4 headquarters will directly employ 200 people, including a new Digital Creative Unit, a department commissioning and producing digital content to reach audiences on social and digital platforms.
4. This period of rapid change presents a strategic opportunity for Leeds to generate sustained growth in the sector, establish a nationally significant industrial cluster, develop new innovative products and services and grow employment across the region. Significantly, this also provides a chance to ensure that the many opportunities arising from this period of development are spread geographically across the region and accessible to the diversity of communities beyond Leeds.

5. Executive Board (21st November 2018, Channel 4 and TV and Film Sector Growth in Leeds and Leeds City Region) approved the Heads of Terms that set out the commitments Leeds City Council and West Yorkshire Combined Authority entered into with Channel 4, including Business rate relief of up to 200,000 Euros spread over a three (3) year term for any property which C4 selects as its Property.

Recommendations

6. The Chief Officer Financial Services is requested to approve the request from Channel 4 for rates relief and to offer £178,100 over a three year period from FY 21/22 and the rates relief be released incrementally over 3 years as follows: 25% in FY 2021/22 (£44,525), 35% in 2022/23 (£62,335) and 40% in 2023/24 (£71,240)

1 Purpose of this report

- 1.1 To note the approved request for business rates relief for Channel 4 in accordance with the agreement set out in the Heads of Terms and approved by Executive Board (21st November 2018). Business rate relief of up to 200,000 Euros is approved spread over a three (3) year term for Channel 4.
- 1.2 Rate relief of £178,100 is approved and to be spread over a three year period from FY 21/22.

2 Background information

- 2.1 The Council's discretionary rates relief policy was approved on 5th March 2014. It includes a category of relief for, "Significant business relocations to Leeds" which enables the authority to offer 1% relief for each job created up to a maximum of 50% relief or the State Aid de minimis threshold of €200,000. The relief is targeted at businesses in our priority growth sectors.

Strategic Context

- 2.2 The creative industries sector is already a vital part of the UK's economy, growing twice as fast as other sectors and employing over two million people. Sector Economic Estimates show that in 2017 the Creative Industries made a record contribution to the UK economy, with a contribution of £101.5bn – 5.5% of UK GVA. Between 2010 and 2017, the Creative Industries GVA increased by 53.1% (£66.3bn in 2010). This was the fastest growth among the DCMS sectors, and an increase nearly twice as fast as the UK economy (28.7% increase in the UK between 2010 and 2017).
- 2.3 Technological developments such as 5G connectivity, augmented reality and widespread artificial intelligence (one of UK Government Grand Challenges) create further opportunities. This is why the Government has acknowledged the creative industries as a strategically important sector in its UK Industrial Strategy.
- 2.4 Creative businesses tend to be more productive than businesses in other sectors in almost all parts of the country. For example, creative businesses with fewer than ten employees have a Gross Value Added (GVA) per worker of £46,000, 20 per cent higher than similarly sized businesses in other sectors. Ninety-four per cent of the businesses in the sector are, however, micro-businesses (10 per cent more than in other sectors), which limits the sector's ability to lift regional productivity. Growth in the sector will have the biggest economic impact if it is accompanied by an increase in the number of scale-up businesses with higher productivity growth.
- 2.5 Second wave investments outside of London also have the potential to expand the Leeds business stock and the wider economy. Experience shows that a natural instinct is for them to think about replicating the decision made by Channel 4 to locate in Leeds City region.

3 Main issues

- 3.1 Channel 4 is a unique and distinctive part of the UK. Publicly owned but entirely commercial.

- 3.2 Channel 4's plan is to boost investment and jobs in the Nations and Regions to enable the organisation to further serve the whole of the UK, by significantly increasing the Nations and Regions content spend from the current quota of 35% to a voluntary target of 50%, establishing three new Creative Hubs including a new National HQ in the Nations and Regions and by also expanding the footprint of Channel 4 News, and co-anchoring programmes in the Nations and Regions.
- 3.3 Channel 4 have committed to 200 jobs being based in the Nations & Regions. These will be jobs encompassing a variety of roles, including commissioning editors who will be commissioning new programmes and overseeing major existing shows, as well as supporting functions and technical roles and some partners from our contractors. The National HQ will be significantly bigger than the Creative Hubs.
- 3.4 Channel 4 will also be the catalyst to grow and nurture the young talent that already exists in the city and region and provide the opportunity to produce the next generation of world class creative talent in our city and wider region.
- 3.5 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.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The original policy was subject to extensive consultation and engagement.
- 4.1.2 The Executive Member for Economy and Culture and the Little London & Woodhouse Ward Councillors have been consulted on the detail of this implementation and has approved the recommendation.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The policy was screened for Equality and Diversity/Cohesion and Integration issues and deemed to have no impact. This report relates to the implementation of that policy and thus also has no impact and does not need re-screening.

4.3 Council policies and City Priorities

- 4.3.2 The proposed rates relief supports the Council's priority to promote sustainable and inclusive economic growth.

4.4 Resources and value for money

- 4.4.1 The rates relief is good value for money as it will cement substantial job creation in Leeds directly and also through the wider creative industries ecosystem as well as from new investment in the city as a result of the new National HQ presence.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Localism Act powers underpin the new discretionary rates relief schemes, and our use of them is enabled by the March 2014 Executive Board approval for the policy.

4.6 Risk Management

4.6.1 There is a risk that Leeds does not capitalise on the wider growth, regeneration, economic and social benefits to be achieved through the presence of a National HQ of a major UK broadcaster in the city.

5 Conclusions

5.1 To offer Channel 4 rates relief at £178,100 over a three year period and the rates relief be released incrementally over 3 years as follows:

25% in FY 2021/22 (£44,525)

35% in 2022/23 (£62,335)

40% in 2023/24 (£71,240)

5.2 The investment will create 200 jobs in one of our key target sectors. It will help unlock and serve as a catalyst for further economic growth in the city with the related socio-economic benefits for Leeds.

5.3 Offering rates relief is a good use of our discretionary powers and offers strong value for money.

6 Recommendations

6.1 The Chief Officer Financial Services is requested to approve the request from Channel 4 for rates relief and to offer £178,100 over a three year period from FY 21/22 and the rates relief be released incrementally over 3 years as follows: 25% in FY 2021/22 (£44,525), 35% in 2022/23 (£62,335) and 40% in 2023/24 (£71,240).

7 Background documents¹

7.1 None
