



Committee Report

PURPOSE: Final Decision Report

KEY OR NON-KEY DECISION: Key decision affects 2 or more wards

COMMITTEE: Strategy and Resources Committee

DATE: 16 September 2024

TITLE: The future of The Bottle Yard Studios

Ward(s): Citywide

Officer presenting the report: Alex Hearn **Job title:** Director, Economy of Place

Committee Chair: Councillor Tony Dyer

Executive Director lead: John Smith: Executive Director for Growth & Regeneration

Proposal origin: BCC Staff

Purpose of Report:

To review the current operation and business model of The Bottle Yard Studios and consider proposals for its future.

Evidence base:

Summary:

1. The Bottle Yard Studios project is a leading film and TV studio facility in the West of England and is a cornerstone of the city's UNESCO City of Film designation. It is located across two nearby sites in the Hengrove and Whitchurch Wards in South Bristol. It has stimulated growth of the creative sector in the region and facilitates the needs of national and international production of all scales.
2. The council has invested (including within WECA funding in recent years) in the studios over many years to establish it as a key piece of national production infrastructure with a global reach. To remain competitive and to avoid medium term decline, further investment is required to maintain the physical fabric of the existing buildings and to take advantage of substantial growth opportunities.
3. Changes in the TV and film production market and the ownership and investment models of studios elsewhere suggests that the council should now review its ownership and management and to explore

opportunities for inward investment and to seek a purchaser of the leasehold interest while retaining the freehold title.

4. The Bottle Yard Studios success demonstrates the value of public sector investment where there is 'market failure' in the city economy. The council wants the studios to thrive and reach its full potential so that it can build on the social value and inclusive economic impact it brings to the city, the region and the creative industries sector. This will require access to capital investment and ambitious and focused strategic ownership and leadership.
5. A number of strategic business and financial considerations have informed the recommendation to identify a purchaser of the leasehold interest now, including:
 - **Strategic growth opportunity** - A third-party BCC tenant is vacating an adjacent building within the curtilage and this provides a significant opportunity for investment to grow its capacity and market share and economic impact;
 - **TV and film production investment market** – Major production investment funds and streaming platforms are currently seeking to invest in UK and European opportunities and there is a window to explore this; and
 - **Limitations of local authority ownership** – The council has many priorities for capital investment across its services and the city but doesn't have the capacity to fulfil all of these at any one time. A purchase by an interest with narrower priorities with rapid decision making and deployment of capital can protect the Studio's position and enable it to grow market share and its impact on the economy.
6. The Bottle Yard Studios is now the only local authority-owned production studio in the country. Its location between Bristol City Centre and the wider southwest, with access to talent and the wider supply chain for the industry means that it is a popular location for production. Marketing to prospective purchasers and attracting new investment is recommended to secure:
 - **Business development opportunities** – a clear intention to invest and grow in the facility will cement confidence in the production market and build the medium and long term orderbook in the face of competition;
 - **Social value opportunities** – enabling the studios to maximise its skills, training and local employment programme, which is a condition of the WECA grant funding relating to TBYS phase 2 expansion;
 - **Economic impact opportunities** – increasing filming activities within the high end TV (HETV) sector in the South West region which in 2019 alone resulted in an impressive 2,422 FTEs and over £230m economic impact for the city (also in May24 Bristol won the City of Film Award @screendaily Global Production Awards 2024 at Cannes)
 - **Environmental Sustainability** – capital investment to improve the fabric of the buildings will reduce the carbon emissions of production and reduce its energy costs, building on recent success (TBYS won the Sustainable Initiative Award at Screen International's inaugural awards for the TBY2 PV solar array)
7. This paper proposes to identify a purchaser of the long leasehold interest. This transaction would only be confirmed if, after careful consideration and due diligence, it is agreed that such changes will improve the

potential of The Bottle Yard Studios' continued success as a film and TV production facility. This means the council is looking for an investor who will meet these criteria:

- Commitment to continued operation of both facilities as a film studio (with clause for no change of use for ten years and first refusal on a future sale)
- Specialist studio expertise with demonstrable track record and experience
- An appetite to invest and build upon the platform created by Bristol City Council
- A good cultural fit with Bristol City Council and the existing Bottle Yard team
- A commitment to continue the employment of the existing staff (TUPE is expected to apply)
- Ongoing engagement with Bristol City Council and WECA in relation to creative industries skills, training and employment

8. In consideration of the strategic opportunities and business considerations, in January 2023 the council started to consider options for the future ownership and management of the Studios including:

- freehold sale
- long leasehold sale
- joint venture
- wholly owned subsidiary
- sale and leaseback
- master lease to operator
- do nothing

9. Having considered the complexities, costs, risks and opportunities of these options, the preferred option is to retain the freehold and identify a purchaser for the long leasehold of the site and retaining the freehold interest.

10. Phase 1 market testing was undertaken in February and March 2024 with five investors representing a cross-section of the film and TV production market; the response was positive giving confidence to proceed with formal marketing which will be to a wider pool of interests. The formal marketing to parties involving site visits and due diligence will enable formal offers to be evaluated in relation to meeting the council's criteria.

11. The Committee decision is being sought ahead of completion of an agreement with a purchaser due to the need to engage in negotiations and due diligence where offers may be timebound or require rapid responses to information.

12. This report therefore delegates the decision to complete a negotiation to the Executive Director for Growth and Regeneration in consultation with the Leader of the Council, the Director of Finance (Section 151 Officer) and the Director of Legal Services.

13. The selected bidder will be granted exclusivity and trigger further due diligence, currently scheduled for Winter 2024.

14. Transfer of Undertaking (Protection and Employment) regulations are likely to apply and all staff in-scope will be consulted with in accordance with employment legislation and policies

Officer Recommendations:

That the Committee for Strategy and Resources :

1. Approves the proposal to identify a purchaser of the long leasehold interest of The Bottle Yard Studios.
2. Authorises the Executive Director for Growth and Regeneration, in consultation with the Leader, Director of Finance and the Director of Legal Services, to settle the terms of disposal and negotiate (as necessary) the final terms of contract, subject to any condition or requirements set by the Committee.

Corporate Strategy alignment:

15. Ensuring that The Bottle Yard Studios positively contribute to Bristol’s economy and its inclusive growth and to generate meaningful social value is a key consideration for the recommendation to seek a purchaser. The studios will continue to require investment and focused strategic leadership to protect and grow its market share to do so.
16. **Economy and skills:** Economic growth that builds inclusive and resilient communities, decarbonises the city and offers equity of opportunity.
17. **Regeneration:** Enable the growth, development and regeneration of the city in an inclusive, sustainable, healthy and resilient way. Attract investment, develop growth sectors to create and retain decent jobs, and improve access to opportunities afforded by regeneration for disadvantaged areas and groups of people.
18. **Good growth:** Lead partners in developing skills and routes into employment that tackle structural inequality. Plan for how the economy will change in the future and support people to access good jobs whatever their formal level of qualification. This applies whether people are starting out, re-entering or migrating into the job market, or changing roles and needing new skills.
19. Shape investment in the city to support the creative industries and cultural activity, including integrating teams to help better identify opportunities for increased cultural participation within regeneration programmes.
20. The Bottle Yard Studios generates employment on site and within the wider supply chain within the TV production industry. It is an important part of the cultural and creative industries in the city, the city region and the wider southwest. While Bristol City region is one of the most dynamic and productive in the UK and the city has a very well-developed creative industries sector, it is a city characterised by inequalities.

21. The studios are located within and adjacent to neighbourhoods characterised as being some of the most deprived in the country. Its economic development and social value ambitions are to:

- **Film:** To make Bristol a centre of excellence for film and TV production by enabling, facilitating and supporting UK indigenous and international productions of all scales in the region
- **Skills:** To deliver a sustainable and locally focussed skills development strategy that nurtures a workforce for the future and facilitate increased levels of filming activity in the region for years to come
- **Growth:** To strive to deliver exceptional social value for the city and wider region through continuing to attract high-profile, economically beneficial, and employment-generating TV and film productions to the city

22. The Workforce Development strategy will:

- Work with key local educational partners, explore alternative approaches to workforce development, beyond traditional models of apprenticeships
- Develop a bespoke workforce development programme targeting underrepresented groups
- Develop a Bristol HETV Drama New Talent Network
- Work with South Bristol partner schools, colleges and community organisations
- Support successful placements to become trainees who will then be added to local talent agency
- Organise regular Bristol HETV New Talent Network get-togethers, advice sessions and mentoring opportunities
- Utilise the UNESCO Creative Cities Network to secure funding for new research, supporting the future and sustainability of the programme

Consultation Details:

- Overview and Scrutiny Management Board

Background Documents: See exempt documents at Appendix E

Revenue Cost	£466,820 for the period Jan23-Mar25 <i>(some delivery costs are recoverable from the capital receipt, estimated at £181,000, meaning that the revenue costs could be reduced to £285,820)</i>	Source of Revenue Funding	Property Programme
Capital Cost	£0	Source of Capital	n/a

	Capital receipt will be generated	Funding	
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Capital receipt will be generated	

Professional comments section:

1. Finance Advice: Given the current pressures on funding for all Local Authorities, and the need for further investment over the medium to long term, it is felt that running a commercial film studio is no longer a core function of the Council, and the private sector would be better placed to grow and manage the facility in the medium to longer term.

The Business Case financials, whilst positive, are subject to external factors, which are beyond the Council’s control, with the potential to require further funding from the Council. There is also a need for further capital investment, particularly at TBYS1, to maximise future income streams. This is currently not captured as part of the Council’s 24-25 Medium Term Financial Plan (“MTFP”), given the intention to seek a private sector investor for the studio.

Whilst the proposed transaction is to be considered a property disposal, there are some additional considerations to be taken into account, as in effect, the Council is also disposing of a business. This most likely includes TUPE, and an obligation on the prospective buyer to carry on operating the sites as a film studio (for ten years), and delivery of social value as contemplated by any grant conditions and broader Council aims for the City of Bristol.

As there is an obligation on the Council to achieve best value / consideration on the disposal, it is recommended that as a minimum, a Minimum Price Threshold (“MPT”) is achieved in the event of an offer, capable of acceptance, being received.

If the Price falls outside of this MPT, and/or any parameters set by the Committee as part of this report, a separate report should be brought back to Committee for a final decision on disposal.

Finance Business Partner: Paul Keegan, 27 August 2024

2. Legal Advice: The proposed disposal of The Bottle Yard Studios is, in effect, a property disposal. The council is advised by the Council’s specialist consultant, Lambert Smith Hampton, that this is the approach adopted in all other disposals of operational film and TV studios. The intention is to dispose of the site together with all buildings, plant, equipment and materials etc on site, by way of a long lease. The aim is to secure the continued use and operation of the studios as a commercial going concern. Commitments in this regard will be sought as a term of sale, to the fullest extent possible.

As a property disposal the Council will ordinarily be required to ensure it achieves best consideration in compliance with its obligations under S123 Local Government Act 1972.

The Council has sought specialist advice on the proposed disposal from Lambert Smith Hampton (LSH), consultants with expertise in the sale of film and TV studios. Their advice has guided the approach to the basis of the disposal, the procedure to be adopted and certain terms of disposal.

Staffing issues. The expectation is that all existing Council employees will transfer to the new owner by

operation of the Transfer of Undertakings (Protection of Employment) Regulations, or otherwise. Appropriate steps will need to be taken to facilitate this.

Should the new owner wish to take up the existing FM contract, between the Council and Bristol Waste, it is anticipated that this will be achieved by way of a simple novation.

A broad delegation is being sought in favour of the Executive Director, within any parameters set by the Committee, in order to facilitate finalising the terms of the sale and negotiate around any last minute issues which may arise.

Legal Team Leader: Eric Andrews, 27 August 2024

3. Implications on IT: I.T. are supportive and available to aid in progressing relevant work, engaged through the existing work request process.

IT Team Leader: Alex Simpson: Lead Enterprise Architect, 21 May 2024

4. HR Advice: Where a service is transferring from the Council to a new provider, Council employees in scope will transfer in accordance with the provision of Transfer of Undertakings and Protection of Employment Regulations (TUPE), on their existing terms and conditions. In this scenario, the Council will conduct full and meaningful consultation with trade unions and affected employees at the earliest practicable time.

HR Partner: Celia Williams: HR Business Partner, 25 May 2024

APPENDICES

Appendix A – Further essential background / detail on the proposal	NO
See exempt documents at appendix E	
Appendix B – Equality Impact Assessment (EqIA)	YES
Appendix C – Environmental Impact Assessment	YES
Appendix D – Decision Risk Assessment	YES
Appendix E – Exempt Information	YES
Appendix F – Details of consultation carried out - internal and external	NO
Appendix G – Options appraisal matrix	NO
Appendix H – Business case / financial analysis	NO