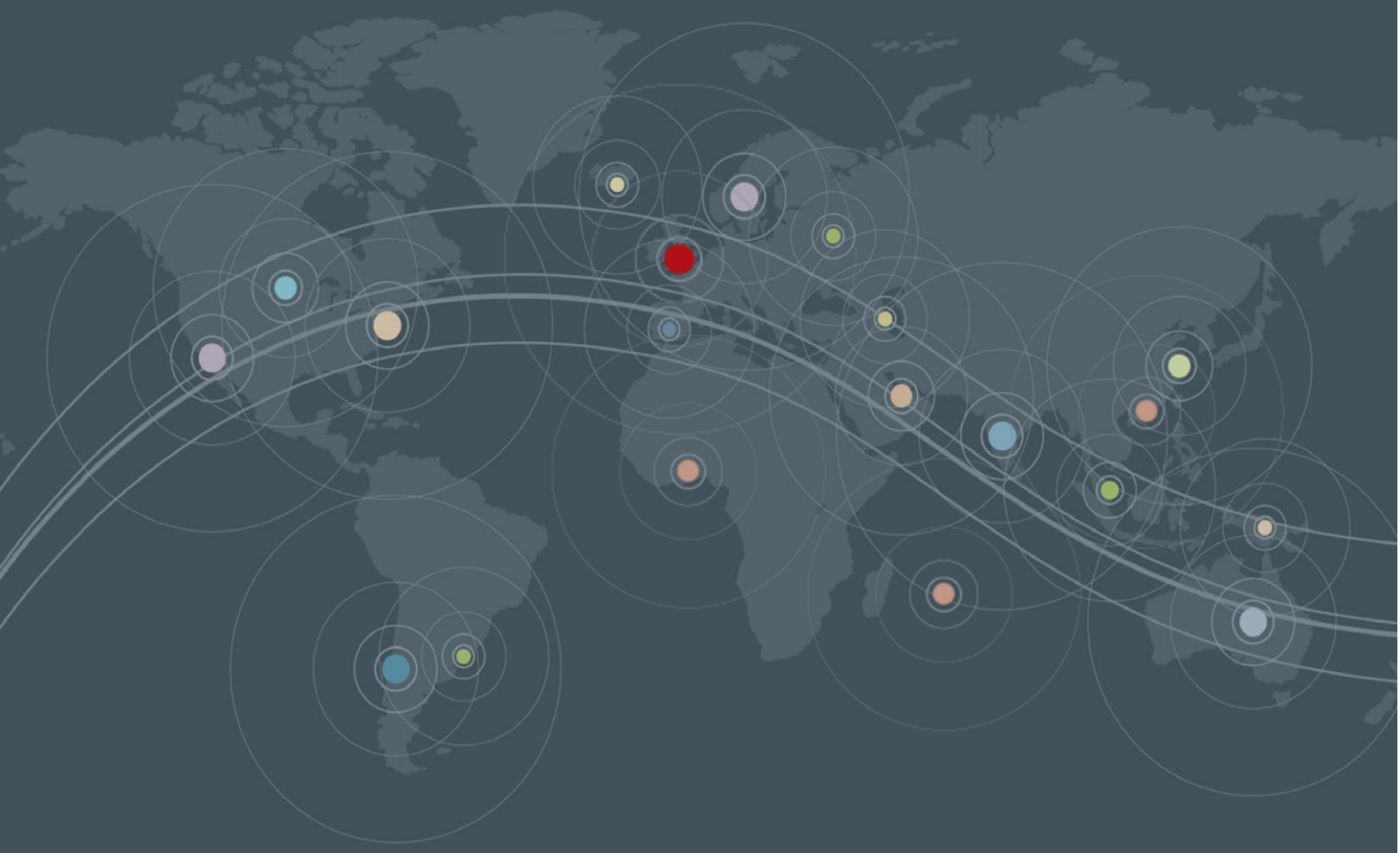
The Bottle Yard Studios – Positioning and Planning for the Future

Final Report to Bristol City Council
by Olsberg•SPI



29th May 2020

OLSBERG · SPI

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1. EXECUTIVE SUMMARY

1.1. Objectives of the Study

The strategy consultancy Olsberg•SPI ("**SPI**") has been retained by Bristol City Council ("**BCC**" or "**the Client**") to prepare a business plan (the "**Study**") for The Bottle Yard Studios ("**TBYS**") which explores the position of the business within Bristol and the UK studio market, and options for its future including the feasibility of expanding to a new site at Hawkfield Road.

TBYS, which has been owned and operated by BCC since 2010, is at a critical point in its business development, both in terms of the growth of the global film and television sector, and in relation to the potential to deliver increased economic, job creation and other benefits for Bristol through improving and expanding its offer.

The Study assesses five key objectives set out by the Client in its Consultancy Brief:

1. Conduct an overview of the UK's film and television production trajectory for the next 10 years;
2. Assess TBYS' position within the UK's studio infrastructure;
3. Develop an overview of how TBYS can/should be positioned as a catalyst for sector growth within Bristol, both in terms of job creation and inclusion;
4. Prepare a Business Plan, to include the costs of building on the Hawkfield Road site (provided by a parallel study); and,
5. Provide guidance on any interventions the Client might consider for the creation of an indigenous drama output in Bristol (e.g. production funding).

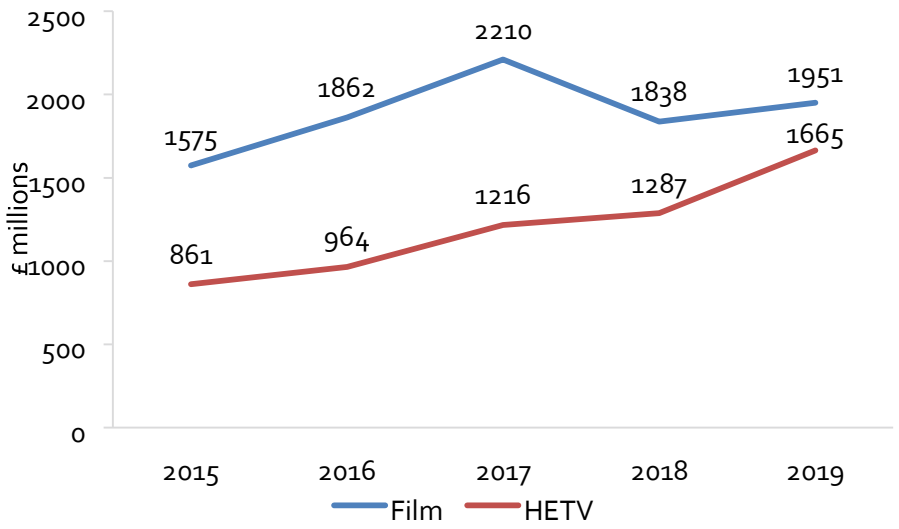
1.2. Key Findings

1.2.1. Film and Television Drama Production in the UK

The UK's film and television market has seen very strong growth in expenditure over the past five years, with particularly dramatic growth in high-end television (HETV) investment. The total spend for film and HETV production in 2019 reached £3.6 billion, the highest ever reported figure in the UK. HETV production spend has increased 93% since 2015, with a UK production spend of £1.7 billion in 2019.[1]

[1] *Film, high-end television and animation programmes production in the UK: full-year 2019*. BFI, 31st January 2020

Figure 1: Total Spend on Film and HETV Productions in the UK, 2015-2019



Source: BFI

The majority of investment in the sector is flowing from overseas. In 2019, 71 films and 74 HETV productions were inward investment titles and accounted for 89% and 78% of the total production spend, respectively. Inward investment in HETV production has grown considerably since 2015, with production spend increasing by 195% between 2015 and 2019.

The UK is one of the leading international jurisdictions for the production of US feature films. In 2019, US Studio-backed productions accounted for £1.4 billion in UK spend. This was an increase of 9% on 2018 and 20% on 2015. Furthermore, with a total of 16 of the top-grossing projects released in 2018 having been shot in the UK, the UK's percentage capture of topgrossing films is higher than both California and New York.[2]

The current strength of the film and television sector is of major strategic value. UK Government data show that the creative industries – of which film and television are a major part – are growing five times faster than the UK's national economy, contributing almost $13 million to the UK economy every hour.[3] Indeed, film and television production helped the UK economy avoid recession in 2019.[4]

1.2.2. The Bottle Yard Studios' Position in the UK Studio Market

TBYS is an established facility that offers basic production space at a lower cost than purpose-built shooting space. Crucially, it provides good access to a diverse mix of urban and natural locations in the South West, and also offers access to the Bristol and South West crew base. However, this crew base does have limitations in terms of depth, and this should be considered a key challenge for an expanded TBYS in attracting and servicing a rise in production.

At present, TBYS is an established option for UK and international producers. This is reflected by TBYS' capacity rates, which were 70.5% in the 2018-19 financial year. The site also reports that it has over-performed in relation to forecasts from a 2014 business plan undertaken by SPI.

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[2] *Feature Films: A Profile of Production*. Film LA, 2020

[3] *UK's Creative Industries contributes almost £13 million to the UK economy every hour*. Department for Digital, Culture, Media & Sport. 6th February 2020

[4] *Recession fears fall as economy boosted by film and TV industries.* Ibid.

TBYS is the only studio in the South West, and has serviced some major UK and US projects – largely in the series market – including *Poldark*, *Broadchurch*, and *Galavant*. Television drama will continue to be TBYS' core market, rather than major feature films – the production of which tends to focus on the London cluster.

The UK studio sector is seeing unprecedented demand from productions, outstripping the supply of stage space. While total UK film and television expenditure has almost doubled in the past five years – from £2.4 billion in 2015 to £3.6 billion in 2019 – the provision of production space has not expanded at the same rate.

While this creates a clear opportunity for TBYS to expand, the pipeline of potential new facilities has also been growing, as outlined in Section 3. While TBYS will undoubtedly face more competition in the coming years, it remains to be seen how much additional space will come on stream, given the challenges of progressing studio projects. As an existing site, this is an advantage for TBYS.

1.2.3. Financial Forecasts and Modelling

A key part of this Study was the creation of financial forecasts which take into account the housing development at Hengrove Park, which is expected to affect four of the main filming spaces at TBYS' current site, and the potential incorporation of new space at Hawkfield Road into TBYS' business.

A total of seven scenarios were modelled, each involving a different final layout of TBYS as set out below. The four currently-operational stages which will close (either permanently or temporarily) in Options 1 to 5 below are Studio 2, Studio 3, Studio 6, and the Export Warehouse. The models analysed are:

- **Option 1** assumes four stages at TBYS will be affected by the housing development, and that these will be permanently unavailable from January 2022; it assumes no developments at Hawkfield Road.
- **Option 2** assumes that these same four stages would be permanently unavailable from January 2022, but that Hawkfield Road would be acquired and incorporated, with three stages converted in the existing building.
- **Option 3** assumes that the same four stages would be permanently unavailable from January 2022, that Hawkfield Road would be acquired and incorporated, and that three stages would be converted in the existing building and two new stages built at the Hawkfield Road site.
- **Option 4** assumes that the four housing-affected stages would be temporarily unavailable from January 2022 for three years, after which point they would reopen; and that Hawkfield Road would be acquired and incorporated, with three stages converted in the existing building.
- **Option 5** assumes that the four housing-affected stages would be temporarily unavailable from January 2022 for three years, after which point they would reopen; that Hawkfield Road would be acquired and incorporated, and that three stages would be converted in the existing building and two new stages built at the Hawkfield Road site.
- **Option 6** contains no reference to the current site and forecasts a model where three stages are converted at Hawkfield Road.
- **Option 7** contains no reference to the current site and forecasts a model where three stages are converted and two new stages are built at Hawkfield Road.

The capital costs associated with the different options are as follows:

- £5 million purchase price of the Hawkfield Road site;
- £2.5 million in capital costs associated with converting three studios in the Hawkfield Road main building; and
- £10.5 million in capital costs associated with building two new studios at Hawkfield Road.

Financial forecasts for each option outlined in Section 3 show that there may be a business case for investing in Hawkfield Road and developing the site as a studio facility – although assigning all capital costs to TBYS has a significant impact on the options modelled. For most options, there would need to be some form of additional financial support from BCC or other stakeholders to offset the purchase price and capital costs on the business. Any action to reduce expansion costs to the TBYS business would improve the option models, and make TBYS more likely to turn a profit sooner and put the business in a position to reinvest, invest in a fund as outlined in Section 6, or return profits to BCC.

The financial model used to generate these projections is biased towards larger studios with more lettable space, and as a result finds that Option 4 and Option 5 (the largest modelled scenarios in terms of stage space) would be the most feasible in the long term.[5][6]

It should be noted that if TBYS does pay for the purchase of Hawkfield Road and associated capital costs for conversions and newbuild studios (depending on the scenario) these would not be "lost" expenses, as they would add permanent assets to the TBYS business. These assets would hold their value into the future beyond the 10-year period in question.

Caution is advised around the scenarios with more studios (Options 4 and 5) as qualitative research for this Study has shown that the larger options may not be supportable in terms of current crew capacity. It is understood that four to five larger productions would take the city up to its current capacity limit, so there is uncertainty around servicing any rapid expansion and increase in provision.

Any expansion should therefore be closely linked to a workforce development strategy and phased to enable development of sufficient crew. Phasing would also enable the reassessment of expansion strategy at key points. This could include consideration of building new stages at Hawkfield Road once the converted stages are on stream, so that workforce provision and the competitive landscape can be reassessed.

The issue of infrastructure capacity in the city of Bristol is also an important consideration. According to analysis by AM:PM Hotels reported by Savills, Bristol's average hotel occupancy has increased year-on-year since 2016 and reached in excess of 80% in 2018.[7] A workforce development strategy focused on local crew would assist to some degree, by lessening pressure on the city's hotel market from incoming productions.

1.2.4. Impacts of COVID-19

At time of writing, the global effects of the COVID-19 pandemic were causing significant and unprecedented disruption to film and television production. Stringent government restrictions on social distancing and travel bans have halted production in the UK – and across the globe – as an attempt is made to bring the crisis under control.

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[5] The model is biased towards scenarios with more overall space because TBYS would increase rents to clients by
[6] % year-on-year while applying a lesser 2% cost inflation for administration, site maintenance and other expenses
[7] *Bristol's fundamentals make it an attractive hotel market for investors.* Savills, 12th June 2019

At the same time, concerns regarding global recession is creating uncertainty about the future of all sectors, including the film and television value chain. With the longevity and ultimate impacts of the current crisis are currently unknown, it is a clearly a critical concern for this Study, and the operators of studio facilities in general.

Despite the uncertainty, SPI's assumption at this point in time is that as consumer demand for film and television content remains very strong, and as major producers remain committed to investment, production will proceed at a similar level once the market is able to function once more. We therefore believe there will be limited long-term effects on film and television production. Indeed, there will be a build-up of productions waiting to enter or resume production once the market starts up again. This is reflected in comments made by Stuart Ford, founder, chairman and CEO of producer, financier and sales agent AGC Studios: "I think the future for original content is still bright. Whenever this crisis abates, the demand from streamers, studios, distributors and broadcasters is going to remain at unprecedented levels even amidst the inevitable economic slowdown."[8]

Meanwhile, Piers Read, managing partner at Twickenham Studios, has said: "If we can mitigate any short-term collateral damage as an industry, then we know there's going to be an absolute avalanche of original content and production demand in the very near future."[9]

It is also notable that many companies driving the pre-COVID-19 production deluge are well capitalised, including entities such as Netflix, Apple, Amazon, and Disney. Once the pandemic is brought under control, producers will be closely focused on territories that offer as little production risk as possible, particularly those with highly-developed skills and infrastructure. As a leading global production hub, the UK is very well placed to come back online as soon as possible, and is likely to see a rapid return of production once the outbreak is contained.

One area that is likely to be particularly impacted, however, is UK independent film production. This sector was already being impacted by structural shifts in the global independent market that was serving to reduce access to finance. BFI data show that domestic independent film spend decreased from £259.0 million in 2018 to £144.7 million in 2019, and the sector is expected to be impacted further from the COVID-19 crisis.

Continued difficulties in the independent film market is not expected to have a major impact on TBYS. As outlined in Section 3.1.2, TBYS' market position has largely involved servicing the series market.

2. FILM AND TELEVISION PRODUCTION IN THE UK

This section assesses current levels of film and television production activity globally and in the UK.

2.1. The Global Production Deluge

There is currently significant growth in film and television production globally, with unprecedented amounts of investment. The result is a global deluge of production, as the emergence of streaming services as significant investors in content licensing and original

[8] *My Working From Home Life: AGC Studios' Stuart Ford*. ScreenDaily, 25th March 2020

[9] *U.K. Studios Mull Going Dark Amid Coronavirus Lockdown But Confusion Reigns*. Variety, 25th March 2020

production has brought billions of dollars of new spend into the industry, while traditional studios and broadcasters have also upped their spending to remain competitive.

This is creating global opportunities, as producers look to site projects in jurisdictions with a strong offer of generous production incentives, skilled workforce and infrastructure capacity.

Ampere Analysis estimates that worldwide spending on non-sports content was $123 billion in 2018, a 29% increase from $95 billion in 2013. A further rise of 26% over the next five years is forecast.[10]

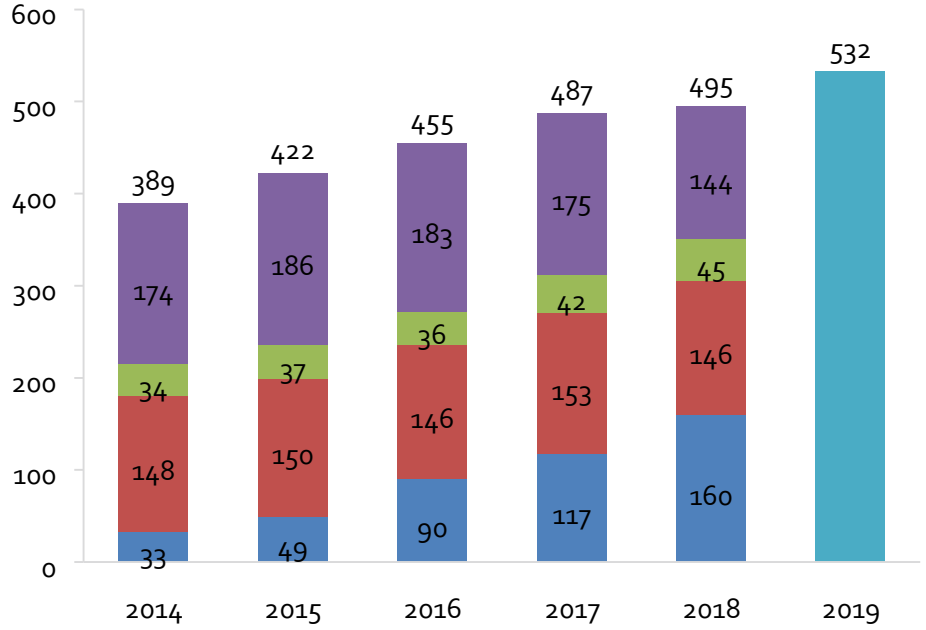
Driving this spend is an increase in content developed for online streaming services. In 2018, online streaming made up 32% of original scripted series aimed at US audiences and will continue to develop as new platforms such as Disney+, HBO Max, NBCUniversal's Peacock and Apple TV+ join market leaders Netflix and Amazon Prime Video.

In 2019, the "Big Five" streaming platforms (Netflix, Amazon, Hulu, Apple TV+ and Disney+) were estimated to have spent between $27-28 billion on content. Netflix alone spent $15 billion on content in 2019. Indeed, Netflix's CEO has said that the company would spend $500 million in the UK in 2019 on films and television shows. The Netflix film division, per a New York Times article in 2018, is set up to deliver 55 original film annually, with budgets between $20 million and $200 million. This figure excludes documentaries and animated films: inclusive of these formats the annual Netflix original film releases are closer to 90.[11]

2.1.1. Growth in Scripted Series and Feature Film Production

An area of significant development globally is in scripted original drama. Recent figures from FX Networks stated that there were 532 original scripted dramas, comedies and limited series released in 2019, an increase of 7% year-on-year.[12] As outlined in the figure below, this growth is especially noticeable in regard to online platforms, where it increased by 385% between 2014 and 2018.

Figure 2: Estimated Number of Original Scripted Series, 2014-18



[10] *Ten drama trends to watch*. Ampere Analysis presentation at Göteborg Film Festival, January 2020

[11] *Netflix's movie blitz takes aim at Hollywood's heart*. New York Times, 16th December 2018

[12] *Peak TV Update: Scripted Originals Top 500 in 2019, FX Says*. Hollywood Reporter, 9th January 2020

Total Online Services Broadcast Pay Cable Basic Cable

Source: FX Networks Research. Note: FX Networks' 2019 release did not include a breakdown of distribution format.

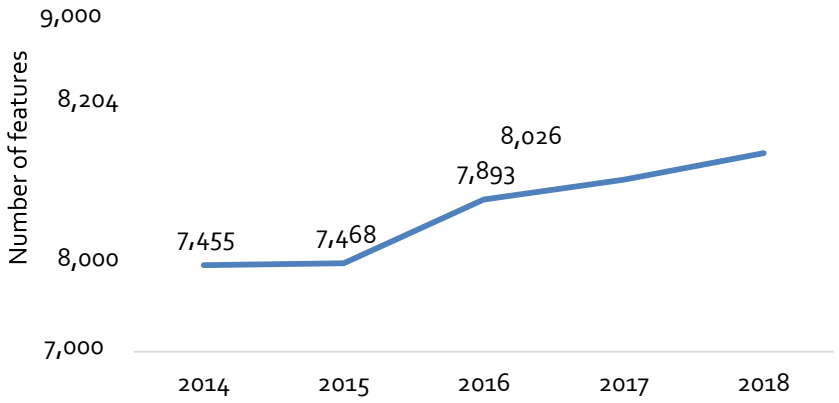
In the UK, the home video market grew 9.5% in 2019 for a total value of £2.6 billion. A significant driver for this growth were Subscription Video-on-Demand (SVoD) services which accounted for 65.9%. Physical and digital ownership, renting and electronic sell-through (EST) made up the remainder.[13]

Efforts from streamers to demarcate themselves from their competitors has led to an increased focus on original content. AT&T's HBO expanded production of original content in 2019 by 50%, which increased output to 150 hours. Netflix alone debuted 371 new original shows and films in 2019, a 55% increase over the previous year and more than the entire television industry did in 2005, according to *Variety*.[14]

The industry has also seen an increase in costs as programmes increasingly engage in 'tentpole' television. In 2016/2017, the cost to produce high-end cable and streaming drama was in the range of $5 million to $7 million, with broadcast network dramas in the range of $1.5 million to $3 million. In comparison, the six-episode final season of *Game of Thrones* reportedly cost $15 million per episode, with a similar per episode cost being reported for *See* on Apple TV+.

Meanwhile, feature film production has continued to rise, increasing by 10% between 2014 and 2018 with over 8,200 feature films produced in 2018.

Figure 3: Estimated Number of Feature Films Produced Worldwide, 2014-18



Source: European Audiovisual Observatory

2.1.2. Localised content

As competition increases between streaming platforms, demand for internationally-financed and locally-created content has increased as the major SVoD platforms look beyond the US to expand their subscription base.

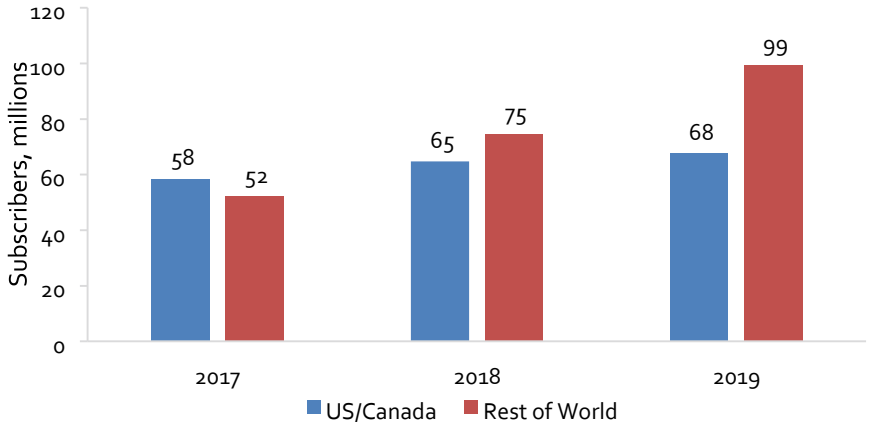
Netflix is currently leading in terms of subscribers, both within the US and globally. In 2018, annual subscription revenues from outside the US overtook those from domestic subscriptions for the first time. Global markets, such as European, the Middle East and Africa (EMEA) and the

13 rd *UK home video market grows 9.5% in 2019, led by streaming giants*. Screen Daily, 3 January 2020

14 th *Netflix Released More Originals in 2019 Than the Entire TV Industry Did in 2005*. Variety, 17 December 2019

Asia Pacific (APAC) are among the fastest growing subscribers for Netflix. In 2019 EMEA added 14.2 million new subscribers to the region, an increase of 38% over the previous year, while APAC reached 16 million subscribers over the same period, an increase of 51% over 2018.[15]

Figure 4: Netflix Subscribers by Region, 2017-19



Source: Netflix

However, other streaming platforms are also focusing on original localised content. Director of European Amazon Originals, Georgia Brown, has said that "for Amazon what is important is to design Italian shows for Italian audiences and French shows for French audiences."[16]

This strategy has proven effective with local audiences. Netflix has reported that local originals were among the most popular new titles of 2019 in eight markets. These included *Sacred Games 2* in India; *The Naked Director* in Japan; *Quicksand* in Sweden; *Kingdom* in South Korea; *Money Heist S3* in Spain; *Undercover* in the Netherlands; *The Stranded* in Thailand; and *Home for Christmas* in Norway.

2.2. UK Production Levels

The UK continues to experience high levels of investment in film and HETV productions, with the British Film Institute (BFI) reporting strong levels for 2019.[17] There was a combined total spend on film and HETV production in the UK of £3.6 billion for 2019, an increase of 16% on the 2018 spend total of just above £3 billion. [17] This is the highest figure ever reported for UK production spend, reflective of a strong year of productions such as the new James Bond film *No Time to Die* and Netflix's series *The Crown*.

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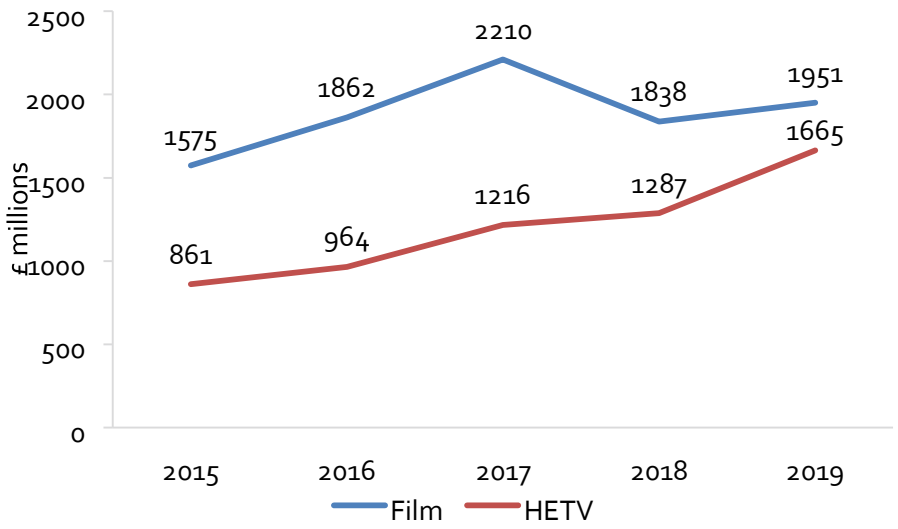
15 st *Q4 shareholders letter.* Netflix, 21 January 2020

16 rd *Amazon Studios unveils Italian slate, desire to work with diverse talent in the UK*. Screen Daily, 23 January 2020

[17] *Film, high-end television and animation programmes production in the UK: full-year 2019.* BFI, 31st January 2020 [17] The 2019 figures from the BFI are interim spend figures and likely to increase due to a lag in obtaining detailed information on production activity. All other years represent updated figures

Figure 5: Total Spend on Film and HETV Productions in the UK, 2015-2019



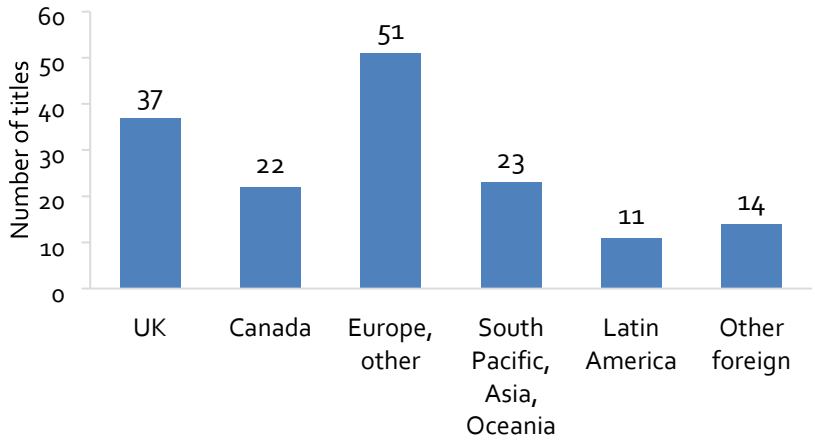
Source: BFI

There has been a steady increase for both film and HETV production spend in the UK over the past five years, with the majority of spend coming from inward investment projects. Film and HETV inward investment in the UK reached over £3 billion in 2019, an increase of 29% over 2018's figure of £2.3 billion.

In 2019, 71 of the 188 films produced in the UK were inward investment titles. These films had a total UK spend of £1.7 billion, which accounted for 89% of the total film production spend in 2019. This is an increase of 17% year-on-year from 2018.

According to a report from Film LA, the UK is the top international jurisdiction for US feature films, having hosted 37 of the 2018 theatrical releases examined in the report. Additionally, with a total of 16 of the top-grossing projects released in 2018 having been shot in the UK, the UK's percentage capture of top-grossing films is higher than both California and New York.[18]

Figure 6: International Jurisdictions for Theatrical Features: 2018



Source: Film LA

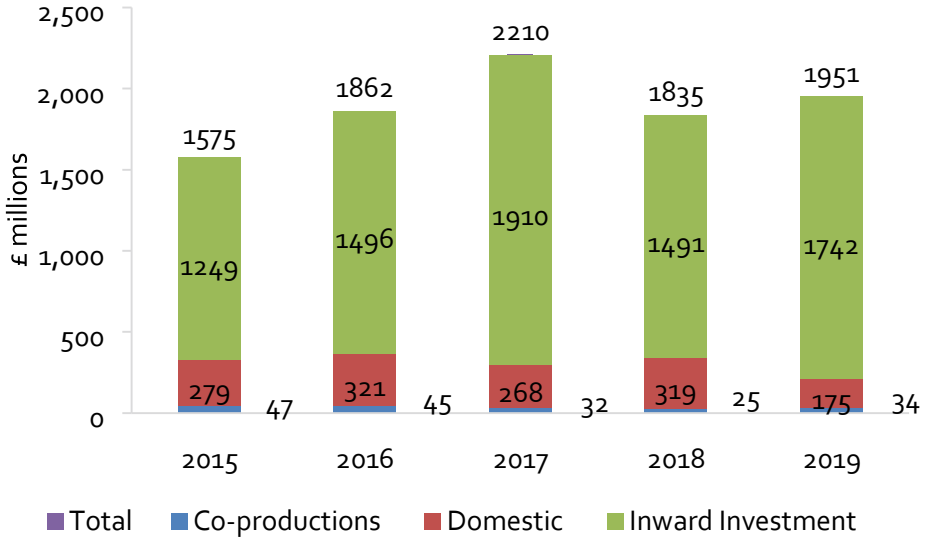
The majority of films produced in the UK in 2019 were independent films. 89% the 188 films which began principal photography in 2019 were independent titles, 56% of which were

[18] *Feature Films: A Profile of Production*. Film LA, 2020

domestic films and 31% were inward investment. However, the 21 US studio films accounted for 72% of the total UK spend, reaching £1.4 billion, a 9% increase on 2018. The UK spend of independent films accounted for £547 million, of which £368 million came from inward investment. This represents an increase of 42% on 2018's inward investment UK spend of £259 million in independent films.

In comparison, domestic film production decreased in 2019 by 46%. Production spend has fluctuated between 2015 and 2018, however in 2019 UK spend of domestic films dropped to £175 million, a decrease of £144 million from 2018's £319 million.

Figure 7: Value of UK Spend of Inward, Domestic and Co-Production Feature Films, 20152019



Source: BFI

Mirroring the global trend of an increase in original scripted television, inward investment in HETV in the UK has increased considerably over the past five years, with production spend in 2019 representing an increase of 195% over 2015. In 2019, there were 74 inward investment and co-production HETV titles with a total spend of £1.3 billion. This represents 78% of the total HETV spend, an increase of 51% on 2018's figure of £854 million.[19]

As with domestic film, domestic HETV production also saw a drop in 2019. UK spend decreased 14% to £372 million in 2019. However, while below 2018's UK spend, 2019 represented a minor increase on levels set in 2016 and 2017.

Figure 8: Value of UK Spend of Inward, Domestic and Total HETV, 2015-2019

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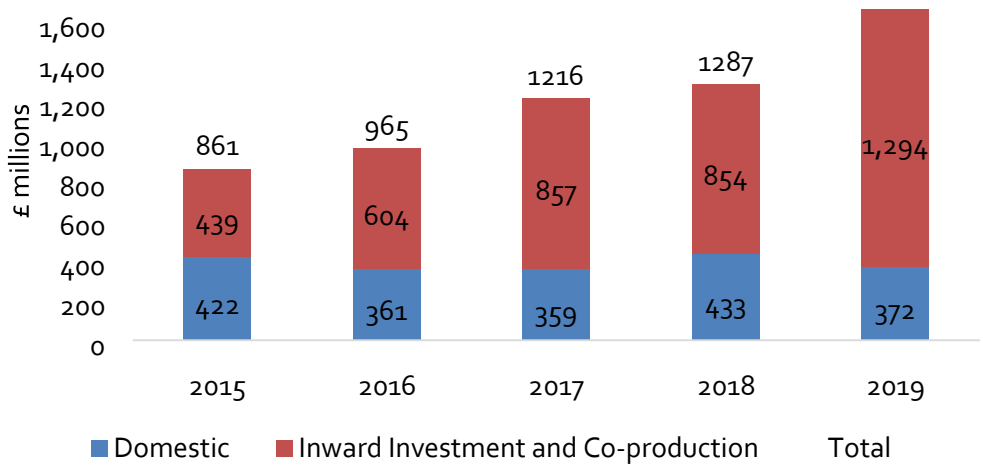
[19] Note: The BFI combines co-production and inward investment to avoid disclosing budget data for individual titles



Source: BFI. Note: The BFI combines co-production and inward investment to avoid disclosing budget data for individual titles

BFI data also assess the value and volume of SVoD-backed HETV productions in the UK between 2015 and 2018.[20] The analysis focused on Netflix and Amazon Prime as the two leading stand-alone streaming platforms in the UK with titles such as Netflix's *Sex Education* and Amazon Prime's *Hanna.* The analysis reported that the UK spend of HETV SVoD-backed productions reached £205 million in 2018. This was a 19% decrease on 2017's £254 million, however represents an increase of 149% on 2015's total UK spend of £82 million on SVoDbacked projects. The UK spend of original SVoD HETV projects in 2018 accounted for 69% of the total UK spend on SVoD-backed projects, while co-partnered HETV projects such as the BBC/Netflix collaboration for the fifth season of *Peaky Blinders* account for the remainder.

2.2.1. Impact for TBYS

The analysis above shows that global and UK expenditure growth is primarily being driven by expenditure on the production of drama series. This is predominantly driven by investment from streamers, but established broadcasters are also increasing their output.

TBYS has already hosted a range of drama series from international and UK commissioners, and additional quality production space would assist Bristol in attracting additional projects – although this is dependent on the city and region's ability to provide crew, and on the city's hotel and other infrastructure to service expanded activity.

Although the global volume of feature film has continued to increase, independent UK features are unlikely to be a core provider of throughput for TBYS going forward, given challenges in this sector.

2.3. Anticipated Trajectory of Film and Television Expenditure

One key issue for BCC in considering future investment and expansion of TBYS is the future of film and television expenditure. There are two key elements in considering future expenditure potential:

[20] *Screen Sector Certification and Production*. BFI, 4th October 2019

1. Global demand – i.e. the amount of investment likely to flow into the sector from content investors between 2020 and 2019; and
2. The UK's competitiveness – i.e. the ability of the UK to attract this investment. Within this, the ability for Bristol to complete for projects within the UK market in the future is also a key consideration.

This section considers both areas in turn. It should be noted, however, that the film and television sector is rapidly shifting and investment and production is subject to a wide range of external influences. While a 10-year horizon is included here, a five-year outlook is considered to be more reliable.

2.3.1. Global Demand

SPI's view is that the growth potential for the next five years is in fact greater than some forecasts. This is based on the fact that the Video-on-Demand (VoD) streaming market, which has seen explosive growth in the past five years, is continuing to attract strong investment. Market leader Netflix – which increased its own content investment from $3 billion in 2014 to $15 billion in 2019 – has been joined in the market by a raft of competitors, which are also continuing to increase their investments. This includes Disney+, which is continuing its international rollout, and Quibi, which is investing heavily in content ahead of its launch later in 2020. [21]

At the same time, traditional producers are also increasing output in order to compete. HBO, for example, increased its original production from around 100 hours per year to 150 hours in 2019, and will increase to 160-165 hours in 2020.[22]

Importantly, growth in investment is underpinned to a strong growth in consumer demand. Consumer spending on global theatrical and home entertainment reached $101 billion – an increase of 34% from 2015.[23]

2.3.2. UK Competitiveness

To date, the UK has been highly competitive as a destination to produce film and television projects. While there is increasing global competition, the UK is an established hub with a proven ability to service the industry's largest and most ambitious projects. This is underlined by the fact that Disney and Netflix have both made long-term commitments to the UK through leasing Pinewood Studios and Shepperton Studios respectively.

The UK's global competitiveness has seen inward investment increase by 80% between 2015 and 2019, from £1.68 billion to £3.03 billion.[24]

While the outlook for the UK remains very strong – as underlined by Disney and Netflix's studio commitments – there are a number of potential risks that may serve to limit the strength of the UK. At this stage, however, many of these key risks should be considered 'known unknowns' and their impacts are dependent on a number of factors that are still to play out.

A central challenge is the UK's forthcoming exit from the European Union (EU). Post-Brexit, it is likely that UK productions will lose their status as European Works. This is because the EU's

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[21] *Quibi* Raises $750m in Second Funding Round; at $1.75 Billion Valuation. FINSMES.com, 5th March 2020

[22] *HBO To Increase Original Programming By 10% In 2020 But Digital Platform HBO Max Won't Impact Linear Strategy – TCA*. Deadline, 24th July, 2019

[23] *THEME Report 2019*. MPA, March 2020

[24] *Film, high-end television and animation programmes productions in the UK: full-year 2019*. BFI, 31st January 2020

revised Audiovisual Media Services Directive (AVMSD), which provides a European regulatory framework, increases obligations for on-demand services to have at least a 30% share of European content in their services. If UK productions lose their European status, then this will affect the attractiveness of the UK as a production destination for foreign producers – although the impacts of this is are unclear. Moreover, such a development would make it more difficult to finance UK independent film productions, which could also affect project volume.

Any negative change to the UK's production tax relief incentives would also have an immediate and pronounced impact on competitiveness. However, given the strategic economic importance of this sector to the UK, this is considered unlikely.[25]

Other risks include any reduction in business confidence post-Brexit, or any currency fluctuations, given the importance of exchange rates in the flow of international productions.

Meanwhile, the UK Government's intention to review the status of BBC Licence Fee beyond the end of the BBC's current charter period in 2027, and the potential for it to revisit the public status of Channel 4, could result in the possibility of declining resources available to those public service broadcasters for content investment.[26]

Strategically – and of close relevance to Bristol – is the degree to which the UK Government will be focused on opportunities for growing industries in the North, Midlands and parts of Wales. While uncertain, this such a focus could mean it would be more difficult for Bristol and the South West to make its case for resources.

Finally, there are also a number of sector-specific risks. These include the emergence of studio competitors in other parts of the UK may also affect Bristol's ability to compete for projects. The current competitive landscape is assessed in Section 3.

Another major risk is whether the UK is able to ensure a sufficient pipeline of skills to service continued production growth. This is already a key challenge for the UK, and for regional production centres such as Bristol.

2.3.3. Conclusion

Given these factors, global investment levels are continuing to increase and are likely to remain very robust over a five-year horizon, underpinned by strong consumer demand. It is likely that content investment will continue at robust levels beyond the next five years, though given the speed at which consumption and production trends shift, there can be less certainty around this.

Over a five-year horizon, the UK is expected to remain very competitive. There is potential disruption from various Brexit-related factors, although the multi-year deals announced by Netflix and Disney in 2019 at Shepperton Studios and Pinewood Studios respectively would suggest that the competitiveness of the UK outweighs potential disruption.

The Department of International Trade noted in February 2020 that more than £3 billion of inward investment was attracted in 2019, with expectations that this will increase by over 70% over the next five years.[27] For the model outlined below, SPI has assumed that growth in total expenditure will in fact occur at a higher rate of 15% annually, for a total of £7.3 billion in 2024.

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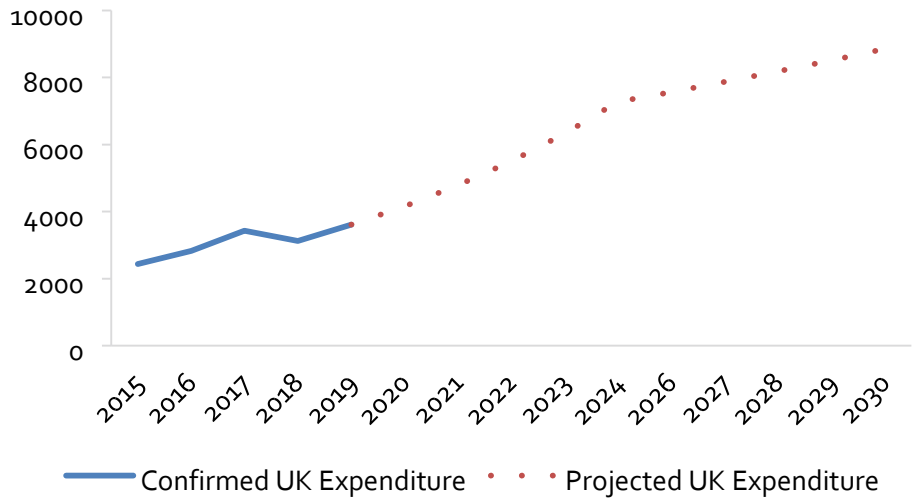
[25] An example of this can be seen in the impact that film and television production had in helping the UK economy grow in 2019 and avoid recession. *Recession fears fall as economy boosted by film and TV industries.* The Times, 11th October, 2019

[26] *UK government hints BBC licence fee could be scrapped*. Reuters, 5th February 2020

[27] *£500 million boost for UK film industry from US firm.* Department for International Trade, 19th February 2020. While the release points to more than £3 billion of inward investment from the UK's creative industries in 2019, SPI

Beyond this five-year timeframe, it is expected that growth will continue – but this is modelled below at a slower rate of 4% annually. As previously outlined, the UK's ability to attract expenditure is dependent to a degree on wider market and contextual factors that are yet to play out.

Figure 9: Projected Total Film and HETV Production Expenditure in the UK, 2015-2030 (£ millions)



Source: 2015-2019 data from the BFI. Note: this has not been adjusted to account for COVID-19 impacts.

3. THE UK STUDIO MARKET

This section assesses the UK studio market, including the pipeline of new facilities. It also assesses the position of TBYS in this landscape.

3.1. The UK Studio Market

The UK has one of the most well-developed studio infrastructure offerings in the global market. Despite this, significant demand from both inward and national projects in recent years has outstripped the supply of studio space. While total UK film and television expenditure has almost doubled in the past five years – from £2.4 billion in 2015 to £3.6 billion in 2019 – the provision of production space has not expanded at the same rate. In 2018, Pinewood estimated that around 940,000 ft² of additional stage space was needed just in London to meet the demand.

This section provides an analysis of current studio provision in the UK, and also examines the current known pipeline of new studio projects. It should be noted that the market is currently seeing a response to the lack of UK studio space, with a number of projects in the works. However, studio businesses can be challenging to bring to completion so the competitive picture is very much dependent on which projects are able to progress from concept to opening. It is not possible to predict with any certainty what the success rate of the projects in the pipeline will be.

understands this to mean the film and television sector, as BFI date show that inward investment from these sectors was over £3 billion in 2019

3.1.1. Current Studios

SPI's research for this project found 45 studios or filming facilities currently in operation in the UK. Of these, 33 are dedicated filming facilities, while the remainder are pop-ups – i.e. buildings that have been converted for production use.

The majority of these studios are privately owned, but the UK does have several publiclyowned facilities, including TBYS. All are dedicated filming facilities. In stage space terms, publicly-owned studios make up a fifth of the total UK dedicated filming facility capacity.

Not all of these are managed by public organisations. For example, Pinewood Wales is owned by the Welsh Government, with Pinewood Group providing marketing, studio operations, and management services in an agreement which will end in March 2020. Belfast Harbour, which owns Belfast Harbour Studios, is a port authority administered as a trust by an independent body.

It is notable that, in relation to some publicly-owned studios, public support can extend beyond site ownership. In February 2014, for example, the Welsh Government purchased a site for £6.3 million for development in collaboration with Pinewood Shepperton, and spent £3.1 million on renovations. The government also established a £30 million Media Investment Budget. [28]

Production company Bad Wolf has also received a £9 million funding package from the Welsh Government, structured as an initial £4.5 million repayable loan that can be converted into non-repayable grant funding in relation to Welsh production spend milestones. The remaining £4.5 million will be released by the government as grant payments if additional production spend targets are met. Bad Wolf also leases Cardiff's Wolf Studios Wales from the Welsh Government on commercial terms. This opened in May 2017.[29]

A list of studio facilities currently in operation are outlined in Table 1. We note that a number of these are pop-ups, more of which are likely to exist on more informal terms.

[28] *The Welsh Government's relationship with Pinewood*. Wales Audit Office, June 2018

[29] Ibid

Table 1: Current Studio Facilities in the UK, 2020

Facility	Pop-up/ dedicated	Total ft²	Number of Stages	Ownership
3 Mills Studio, London	Dedicated	79,197	11	Private
Arborfield Studios, Berkshire	Pop-up	127,020	6	Private
Bay Studios Business Park, Swansea	Pop-up	516,000	4	Private
BBC Pacific Quay, Glasgow	Dedicated	78,011	5	Public
Belfast Harbour Studios, Belfast	Dedicated	65,340	2	Public
Black Hangar Studios, Alton	Dedicated	32,000	1	Private
Buchanan Park, Glasgow	Pop-up	137,279	7	Private
Cardington Studios, Bedford	Pop-up	128,500	5	Private
dock10 Manchester MediaCityUK, Salford	Dedicated	42,050	9	Private
Dragon Studios, Bridgend	Dedicated	50,928	4	Private
DRESD	Dedicated	29,100	4	Private
Ealing Studios, London	Dedicated	25,500	5	Private
Elstree Studios, London	Dedicated	60,914	7	Public
Fly By Nite Studios, Birmingham	Dedicated	18,000	1	Private
Island Media Studios, Isle of Man	Dedicated	14,000	2	Private
Island Studios, London	Dedicated	56,530	9	Private
London Metropolitan Studios, Greenford	Pop-up	105,000	3	Private
Longcross Film Studios, Surrey	Dedicated	91,803	4	Private
Loop Studios (Britvic), Belfast	Pop-up	85,000	3	Private
Maidstone Studios, Kent	Dedicated	18,000	2	Private
Manchester Studios	Dedicated	48,333	7	Private
Neasden Studios, London	Pop-up	67,900	4	Private
North Light Film Studios, Huddersfield	Dedicated	17,956	4	Private
Pelamis Building, Edinburgh	Pop-up	160,000	3	Private
Peregrine Studio, Rotherham	Pop-up	48,000	1	Private
Pinewood Studio Wales	Dedicated	79,000	3	Public
Pinewood Studios, Buckinghamshire	Dedicated	415,297	20	Private
Prime Studios, Leeds	Dedicated	11,563	4	Private
Production Park, Wakefield	Dedicated	17,664	1	Private
Pyramids Business Park, Edinburgh	Pop-up	64,400	1	Private
Roath Lock, Cardiff	Dedicated	175,000	9	Public
Shepperton Studios, Surrey	Dedicated	167,504	14	Private
Space Studios Manchester	Dedicated	80,711	6	Public
Studio 81, Leeds	Dedicated	16,100	1	Private
Tatton Studios, Cheshire	Pop-up	19,600	3	Private
The Bottle Yard Studios, Bristol	Dedicated	111,449	8	Public
The Sharp Project, Manchester	Dedicated	49,700	4	Public

The Yorkshire Studios, Church Fenton	Pop-up	99,018	3	Private
Titanic Studios, Belfast	Dedicated	106,000	6	Private
Twickenham Studios	Dedicated	15,103	3	Private
Wardpark Studios, Cumbernauld	Dedicated	53,000	5	Private
Warner Bros Studios Leavesden	Dedicated	415,200	16	Private
West London Film Studios, Hayes	Dedicated	36,431	6	Private
Facility	**Pop-up/ dedicated**	**Total ft²**	**Number of Stages**	**Ownership**
Wimbledon Studios, London	Dedicated	15,000	2	Private
Wolf Studios, Cardiff	Dedicated	126,355	5	Public

3.1.2. TBYS' Market Position

TBYS is a regional studio that offers basic production space at a lower cost than purpose-built shooting space.

It offers strong access to a diverse mix of urban and natural locations, and access to the Bristol and South West crew base. While this crew base is developed, it is limited in terms of depth and Bristol would be challenged in servicing more than a handful of series productions at one time. Production office space is also a challenge in Bristol.

Nevertheless, TBYS is an established option for UK and international producers. This is reflected by TBYS' capacity rates, which were 70.5% in the 2018-19 financial year. The site has also over-performed in relation to forecasts from a 2014 business plan undertaken by SPI.

It is the only studio in the South West, and has serviced some major UK and US projects – largely in the series market – including *Poldark*, *Broadchurch*, and *Galavant*. Television drama will continue to be TBYS' core market, rather than major feature films – the production of which tends to focus on the London cluster.

There are regional competitors in Wales, although the offer is different. Indeed, TBYS proximity to the Welsh production base – which receives robust financial support from the Welsh Government – should be considered an opportunity.

While there are a number of studio projects in the UK pipeline, as outlined in the following section, TBYS as an established operator is in a very strong position to take advantage of the current market opportunity immediately.

3.2. The UK Studio Pipeline

In addition to those facilities currently operating, there are a number of other studio projects at various stages of development around the UK.

These include: a major development at Shepperton Studios, where planning permission has been gained to develop 465,000 ft² of stage space; Sky Studios Elstree, which will have at least 280,000 ft² of stage space, subject to planning consent; and an expansion of Belfast Harbour Studios in Northern Ireland where an additional 120,000 ft² of stage space is planned.

Table 2, below, includes a list of know studio and expansion plans. This does not include the potential expansion of TBYS.

It should be noted that some other projects have been announced, but that their full size is unclear. For example, in announcing its acquisition of Twickenham Studios in March 2020, The Creative District Improvement Company, and subsidiary operating company Time + Space

Studios, also announced a £500 million UK studio fund, and the intention to open one million ft². [30] It has also announced a £250 million investment in Ashford International Studios in the South East, which will have totalling 80,000 ft² of studio space.[31]

Table 2: Planned Studio Facilities in the UK

Facility	Planned	Total ft²
Dragon Studios, Bridgend	2019	30,000
Pinewood Studios, Buckinghamshire	2019	90,000
Elstree Studios, London	2020	36,166
Leeds Studios, Leeds	2020	70,000
Littlewoods Film Studios, Liverpool	2020	40,000
Pinewood Studios, Buckinghamshire	2020	100,000
The Yorkshire Studios, Church Fenton	2020	34,000
Belfast Harbour Studios, Belfast	2021	120,000
Dagenham Studio Project, London	2021	70,000
Ashford International Studios, South East	2021	80,000
Shepperton Studios, Surrey	2022	465,000
Sky Studios Elstree	2022	280,000
Blackhall Studios, Berkshire	2022	n/a
Dagenham Studio Project, London	n/a	60,000
Great Point Media Studio Project	n/a	n/a
Mercian Studios, Birmingham	n/a	n/a
Rebellion Studios, Didcot	n/a	215,450

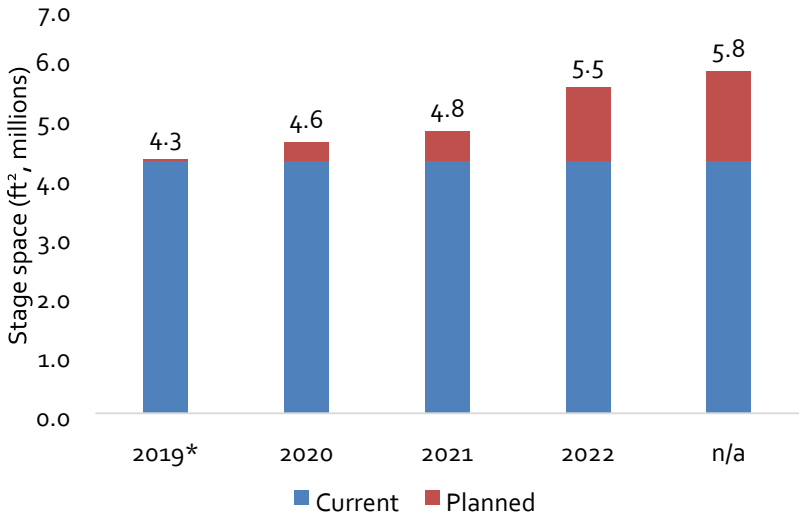
The UK's current stage space capacity, and the planned additions over the next few years are modelled in Figure 10. This shows that, by 2022, an additional 1.2 million ft² of additional stage space is planned. It should be emphasised that planned additional space is unlikely to translate into additional market capacity, due to reasons such as planning consent. This is relevant for Sky Studios Elstree, for example, a 32-acre site that will consist of 14 soundstages all over 20,000 ft². The development, expected to open in 2022, is subject to planning consent.[32]

[30] *UK investors launch £500m UK studio fund, acquire Twickenham Studios*. Screendaily, 2nd March 2020

[31] *New $292 Million Film & TV Studios to Be Built in Ashford, South-East England.* Variety, 22nd March 2020

[32] *Sky to Develop Major New Studio at Elstree*. Elstreestudios.co.uk

Figure 10: Current and Planned Stage Space in the UK, 2019-2022



Source: Olsberg•SPI. Notes: 2019 counts developments that were planned to come onto market in 2019; 'n/a' includes planned studios/expansions where no launch year was available.

3.3. Relevant Market Trends

It is important to consider the studio pipeline in the UK alongside current market trends – particularly the willingness of major global producers to undertake long-term leases of space.

Until recently, the majority of the UK's studios were independent of major producers, with the exceptions being Warner Bros. Studios Leavesden and facilities operated by public service broadcasters.

Reflecting the limited supply in the UK studio market however, in 2019 several major US production companies announced long-term commitments to studio facilities, as well as plans to develop new infrastructure.

This includes Netflix which, in July 2019, announced that it had reached a deal with Shepperton Studios to lease 14 stages for what is expected to be at least 10 years.[33]

In September 2019, Disney signed a similar deal to lease most of Pinewood Studios in Buckinghamshire, again reportedly for 10 years.[34]

In December, Sky announced a new 14-stage studio in Elstree, which will be made with the backing of Comcast (Sky's new owner) and NBCUniversal (Sky's sister company under Comcast), with Legal & General developing the site and providing financing. The stakeholders announced that the site would have capacity to host third-party productions.[35]

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[33] *Netflix strikes production deal with Shepperton Studios*. The Guardian, 3rd July 2019

[34] *Disney books out Pinewood Studios*/ The Times, 8th September 2019

[35] *Sky to develop major new studio at Elstree*. Ibid

Together, these deals represent at least 862,000 ft² of stage space, or around a third of the UK's current dedicated stage space of 2.6 million ft².

Moreover, the growth in series is putting more pronounced pressure on studio space because of the fact that production cycles are longer than with feature films. This is evidenced by the fact that while feature film spend in the UK increased by 24% between 2015 and 2019, spend from HETV increased by 93% over the same period.

3.4. The Opportunity to Attract a Major Producer

As outlined, there is a trend towards a long-term lease model in the UK. However, these deals have focused on two of the UK's most established and significant production facilities close to London with a cohesive offer and access to the UK's most developed specialised workforce base. Sky's deal focuses on a new-build facility in London.

The potential for TBYS to achieve such a deal with a major producer is more limited for a number of reasons – not least the fact that many majors are now committed at sites in the UK. Because of the consolidation of US production companies (HBO and WarnerMedia are both owned by AT&T, Disney recently acquired 21st Century Fox and Hulu), the deals above, along with Warner Bros.' ownership of Warner Bros. Studios Leavesden, mean that the majority of the major US producers are now committed in the UK.

However, the demand for content is strong enough that these companies will likely require more space than the deals include – for example Netflix, which produced 50 television shows and films in the UK and spent $500 million (£380 million) in 2019, is likely to need more than the c. 160,000 ft² it has leased at Shepperton.

It should also be noted that producers acquiring studio space have largely focused on a rental, rather than a purchase, model.

While Bristol's attractiveness is underlined by the establishment of Channel 4 in the city, the factors above and the limited workforce will be further barriers.

While attracting a major producer is challenging, TBYS can certainly compete for a high-value returning series for global broadcasters and streaming services given its previous experience in this area.

Such projects can bring highly-significant impacts over a multi-year timeframe. For example, in Northern Ireland, *Game of Thrones* made a huge impact on the economy and on the local production sector.

The possibility of this will of course be increased by the creation of dedicated shooting space at Hawkfield Road, given limitations in supply elsewhere.

4. FINANCIAL FORECASTS AND MODELLING

This section provides a detailed breakdown of SPI's financial modelling in relation to the future of TBYS.

4.1. Assumptions

A key part of this Study has been the creation of a financial model which takes into account both the planned housing development, which is expected to affect four of the main filming spaces at TBYS' current site, and the potential incorporation of new space at Hawkfield Road.

4.1.1. Hawkfield Road

The site at Hawkfield Road has been acquired by BCC with the intention of developing it as part of TBYS, subject to a supportable business case.

Hawkfield Road has been surveyed and planned for development by a separate team at AHR – commissioned separately by the Client – which has determined the site to be fit for development and has created a specification for development. The financial model outlined in this section is based on that specification in terms of the number and size of potential stages, as outlined in the following table.

Table 3: Hawkfield Road – Number and Size of Stages

Stage	Type	Size
Stage 1	Conversion	9,590 ft²
Stage 2	Conversion	12,303 ft²
Stage 3	Conversion	14,240 ft²
Stage 4	Newbuild	31,000 ft²
Stage 5	Newbuild	18,000 ft²
Total		**85,113 ft²**

In terms of purchase price and capital costs, Hawkfield Road cost BCC £5 million. To convert the existing building on the site to create three stages plus support facilities is expected to cost £2.5 million, and to build two new stages as above will cost an estimated £10.5 million.

Although not specified by AHR, SPI has assumed for its model that 13,527 ft² of office space will be available at Hawkfield Road. This figure was reached using the plans provided by AHR for the available office space at the main building (estimated 3,414 ft²), and from the marketing materials for Hawkfield Road, which give a figure of 10,113 ft² for the 'Head Office Building'.[36]

4.1.2. Spaces and Occupancy

The financial model tests a range of potential scenarios, including the following stage composition options provided by the Client.

[36] Hawkfield Business Park marketing materials, Appendix A of the BCC Hawkfield Road acquisition documents

Table 4: TBYS Stage Composition Options

Composition Option	No. of Studios, Current Site	No. of Studios, Hawkfield Road	Total No. of Studios
Option 1	4 of 8 studios permanently unavailable from January 2022	None	4
Option 2	4 of 8 studios permanently unavailable from January 2022	3 converted studios	7
Option 3	4 of 8 studios permanently unavailable from January 2022	3 converted studios and 2 newbuild studios	9
Option 4	4 of 8 studios temporarily unavailable from January 2022 – back online January 2025	3 converted studios	11
Option 5	4 of 8 studios temporarily unavailable from January 2022 – back online January 2025	3 converted studios and 2 newbuild studios	13
Option 6	Current site not included	3 converted studios	3
Option 7	Current site not included	3 converted studios and 2 newbuild studios	5

Source: TBYS

These options were then tested against three different occupancy models. The occupancy models reflect a 'baseline' occupancy, which is affected by factors including the availability of studio space and the effect on ancillary facilities. The three baseline occupancy levels are as follows:

- **Low** (50% occupancy)
- **Middle** (70% occupancy, which is the 2019 average across TBYS' current site)
- **High** (80% occupancy).

For the composition of Hawkfield Road in terms of stages and other leasable space, SPI has used Option 1A from AHR's *Stage One Report*, as well as estimates from the Client regarding the size of the potential newbuild studios.

The four stages at the current TBYS site which are expected to close, either permanently or temporarily, in all five scenarios are Studio 2, Studio 3, Studio 6, and the Export Warehouse. These will be unavailable between 2021-22 and 2023-24 as a result of the first phase of nearby housing development.

4.1.3. Rates

The financial model calculates the estimated income and expenses using assumed rates for the yearly cost of renting a square foot of stage, office, workshop/flexible, or ancillary space.

Different rates are assumed for the different types of spaces in line with TBYS' current pricing model.[37]

Reflecting the differences between the current site and the expected development at Hawkfield Road, SPI's indicative rates for the latter site are higher for all types of space. The studios at Hawkfield Road would be larger, and the office space and other facilities would be more modern – particularly in the case of newbuild stages.

The indicative rates for the current site are based on TBYS' existing rate card.

The indicative studio rates for Hawkfield Road are based on TBYS' existing rates, the suggested rate of £[redacted] per ft² per year provided by TBYS, and a 2018 report by commercial real estate consultants Lambert Smith Hampton (LSH).[38]

LSH's research generated the following indicative rents for 20,000 ft² stages at UK studios outside of Greater London:

- £13 per ft² per year for repurposed warehouses
- £25 per ft² per year for purpose-built film studios.

The 2020-21 financial year rates for TBYS as used in the business plan are set out below. ***Table 5: Forecast TBYS Rates, Financial Year 2020-21***

Site	Type of Space	Rate (ft²/year)
Current Site	Stages	£[redacted]
	Offices	£[redacted]
	Workshop/Flexible	£[redacted]
	Ancillary	£[redacted]
Hawkfield Road	Stages	£[redacted] (£25 also modelled for Options 3, 5, and 7)
	Offices	£[redacted]
	Workshop/Flexible	£[redacted]
	Ancillary	£[redacted]

If newbuild stages were added at Hawkfield the rates could increase overall, as the studio offer would be of a higher quality. We therefore also projected Options 3, 5, and 7 – the scenarios involving newbuild studios – assuming £25 ft²/year is charged for stage space at Hawkfield Road.

At present, TBYS adds [redacted]% annually to its rates for clients. Bearing this in mind, the financial model assumes that a [redacted]% increase will be made to these rates for each year. This means, for instance, that in 2029-30, TBYS will be charging £[redacted] per square foot of stage space at Hawkfield Road.

[37] The Hawkfield Road site will have offices and studios. There is no option for permanent tenancies at the site, which should remain at the existing TBYS site to ensure they can continue to provide income

[38] *Sites, Camera, Action!* Lambert Smith Hampton, 2018

4.1.4. Expenses

Against the income from studios and other rentable spaces, the financial model factors in the operational costs of running the facility. These costs differ across each scenario, as they are influenced by the number and availability of stages. In line with the Office for Budget Responsibility's inflation rate, SPI has assumed a 2% inflation rate on expenses for the 10 financial years covered in the business plan.

The business plan assumes that 9% of TBYS' total annual income comes from utility recharges.

Assuming the current site was fully operational, and that Hawkfield Road was developed with three converted stages, the annual expenses (provided by TBYS) are estimated as follows.

Table 6: Indicative Annual Expenses for TBYS (Current Site and Hawkfield Road)

Site	Category	Annual Cost (£)
Current Site	Administration	325,429
	Site Cleaning	50,100
	Repairs, Maintenance, Facilities Management	285,685
	Security/Access/Fire	142,475
	Utilities	181,816
	Business Rates	186,291
	IT & Comms	103,220
	Internal Trading/Central Charges	18,500
Hawkfield Road	Administration	46,900
	Site Cleaning	31,700
	Repairs, Maintenance, Facilities Management	130,700
	Security/Access/Fire	67,500
	Utilities	44,500
	Business Rates	165,155
	IT & Comms	17,000
	Internal Trading/Central Charges	2,000

In years where studios are not operational, the costs above are not expected to dramatically change. The expenses for the current site are reduced by 2% in the years where four studios are available.

The costs for Hawkfield Road are estimates based on a site where three studios are converted. In the models where two newbuild stages are included at Hawkfield Road, the costs for this site are projected to increase by 10%.

For Options 6 and 7, SPI removed the expenses for the current site and used a different set of expenses for Hawkfield Road, which were provided by the Client. These are as follows: ***Table 7: Indicative Annual Expenses for Standalone Hawkfield Road Options***

Hawkfield Road	Administration	172,000

	Site Cleaning	41,700
	Repairs, Maintenance, Facilities Management	187,925
	Security/Access/Fire	81,000
	Utilities	147,000
	Business Rates	165,155
	IT & Comms	-
	Internal Trading/Central Charges	-

4.2. Income/Expenses Projections

Note: These financial projections do not account for recent and future impacts of COVID-19 on film and television production. Also, the projections do not include any 'meanwhile' use of the four affected stages in overall income figures.

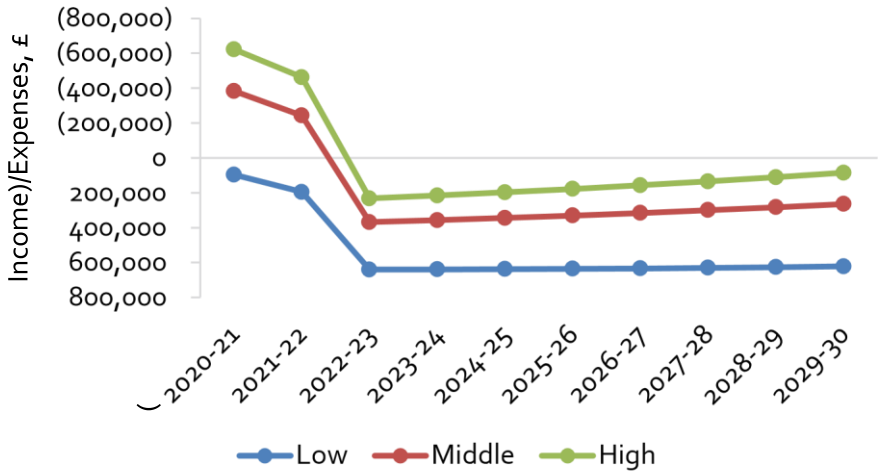
4.2.1. Option 1

The Option 1 scenario assumes that the four stages affected by the first phase of housing development are made permanently unavailable from January 2022. It also assumes Hawkfield Road is not incorporated into the business.

This means that no capital costs are included in this model, as there would be no development of converted/new space, and the purchase price of Hawkfield Road would not apply.

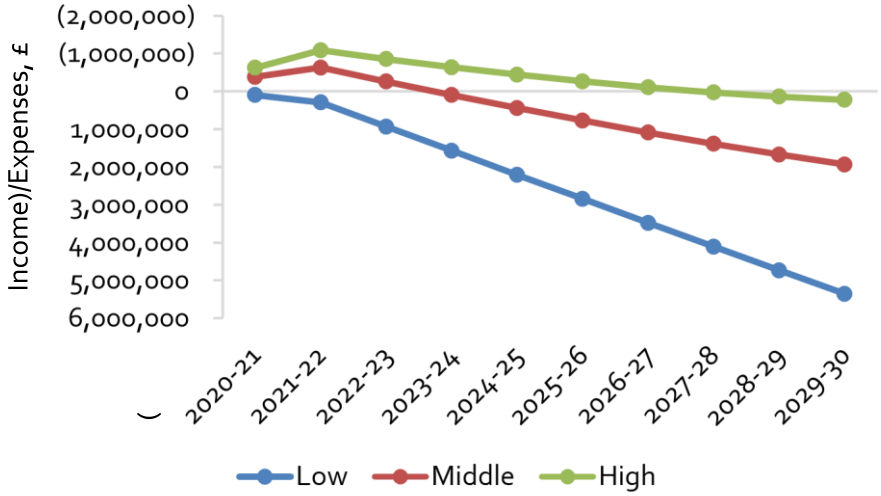
As shown below, the permanent removal of space would significantly affect income at TBYS and the studio would make a substantial loss each year if it continued at the current level of occupancy (70%).

Figure 11: Option 1 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 12: Option 1 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Note that this model does not take into account any repurposing of offices or warehouses for non-studio tenants. If four studios at TBYS' current site were permanently closed, based on this model we would advise that additional income could be generated by letting offices and other TBYS spaces to non-studio tenants.

4.2.2. Option 2

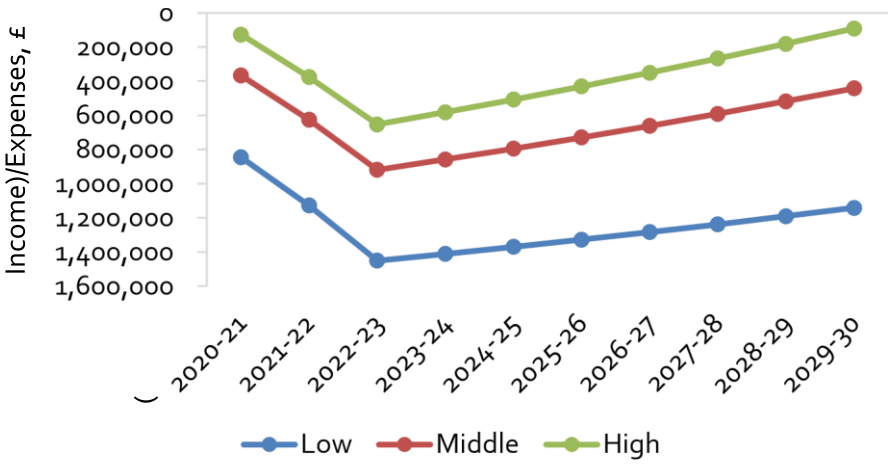
The Option 2 scenario assumes that the four studios affected by the first phase of housing development are made permanently unavailable from January 2022. It also assumes that Hawkfield Road is acquired and converted into three stages with support facilities.

Capital costs for this option would total £7.5 million, comprising the £5 million purchase price for Hawkfield Road as well as £2.5 million for the cost of converting three stages at Hawkfield Road (including support facilities). The tables below show these capital costs paid in instalments over 10 years, with the 3.11% interest rate provided by the Client factored in.[39]

As above, the permanent removal of space would significantly affect income at TBYS, and the high capital costs and interest would create a substantial annual loss.

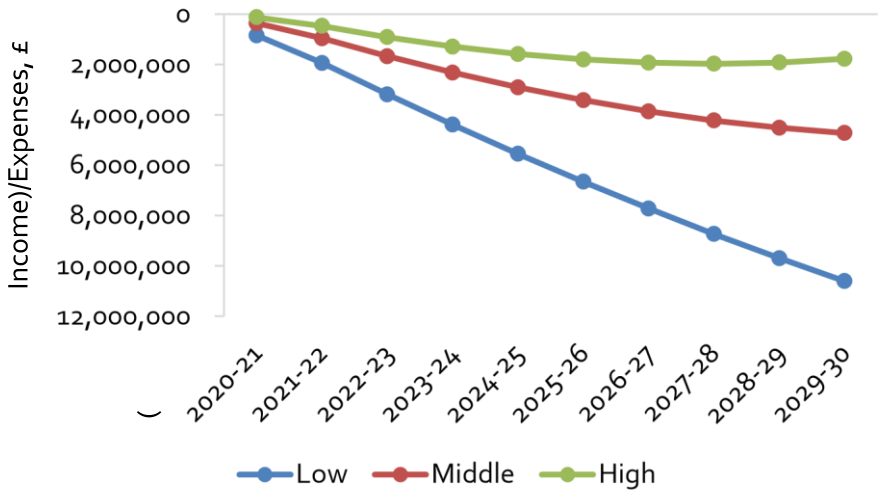
[39] This 3.11% interest rate has been added to the purchase price of Hawkfield Road and the capital costs of conversion / new build studios (if applicable, depending on the option). In the case of a 10-year repayment plan, annual repayments are one tenth of the purchase price and capital costs plus any interest on the remaining balance from the previous year. This means that the full amount, plus interest, will be repaid within 10 years

Figure 13: Option 2 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

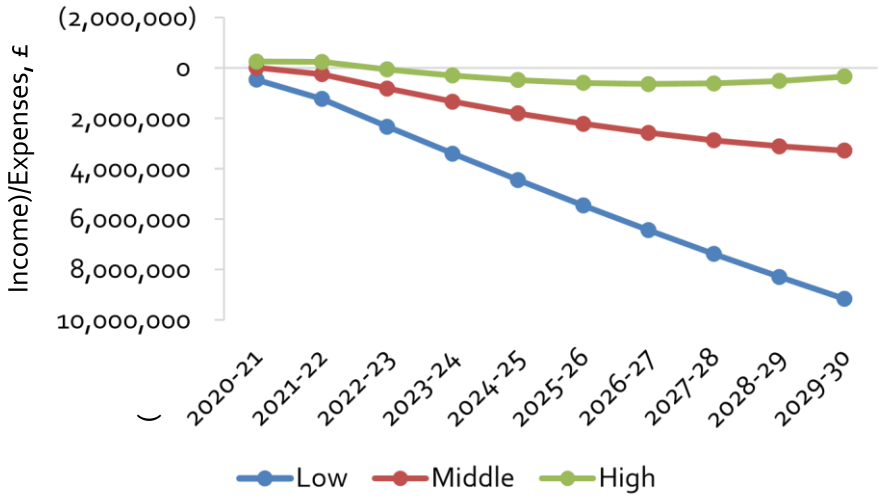
Figure 14: Option 2 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

The figures above project that this option would not be financially viable in the 10-year period due to the high capital costs. It is notable that if the repayment period for the purchase price and capital costs is extended to 20 years, rather than 10 years, the studio is potentially viable at the high rate of occupancy (80%) – though would make a cumulative loss over the period in question.

Figure 15: Option 2 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

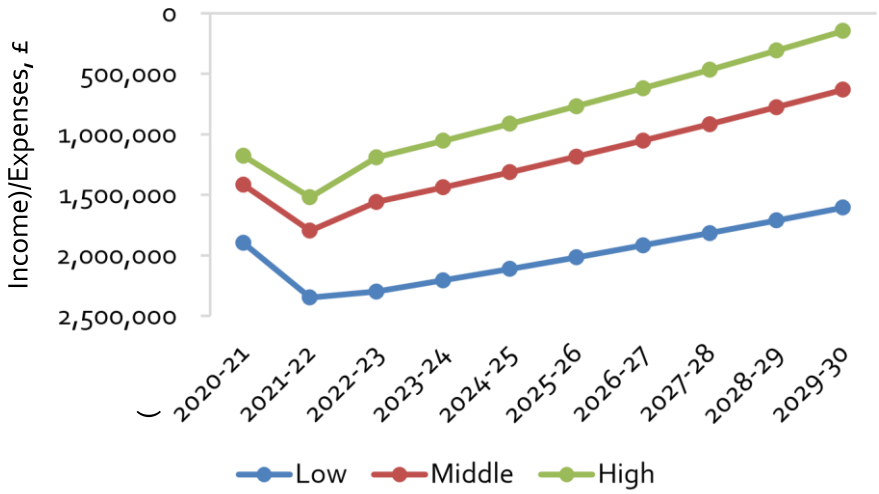
4.2.3. Option 3

The Option 3 scenario assumes that the four studios affected by the first phase of housing development are made permanently unavailable from January 2022. It also assumes that Hawkfield Road is acquired and converted into three stages with support facilities, and that two new stages are built at Hawkfield Road with relevant support facilities.

Capital costs for this option would total £18 million, comprising the £5 million purchase price for Hawkfield Road, £2.5 million for the cost of converting three stages at Hawkfield Road, and £10.5 million to build two new stages. Figure 16 and Figure 17 show these capital costs paid in instalments over 10 years, with an annual interest rate of 3.11%.

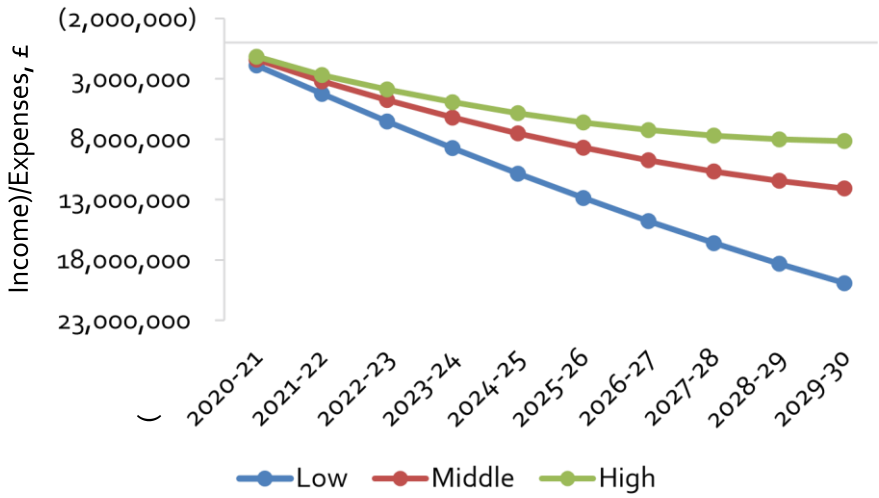
The permanent removal of space would significantly affect income at TBYS. As with the other models, a small (2%) reduction in costs at the main site is forecast after the studios are unavailable for use. For Hawkfield Road, a 10% increase on base expenses is assumed relative to models where no new stages are built.

Figure 16: Option 3 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

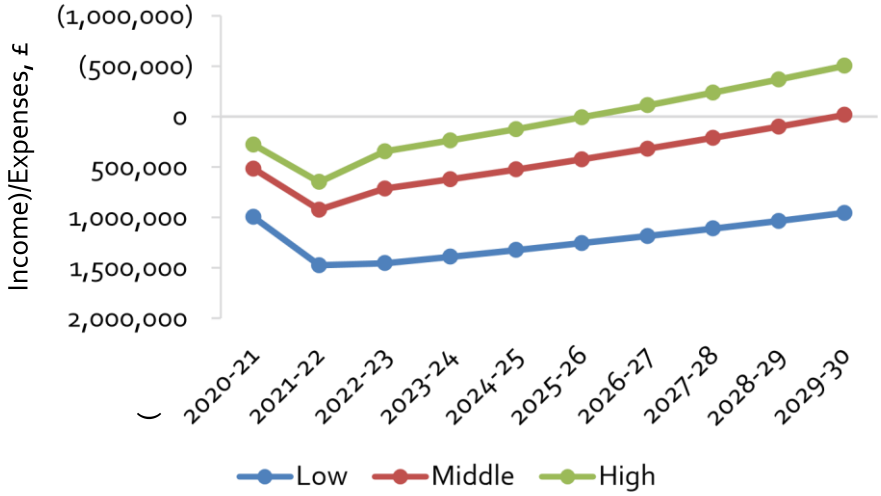
Figure 17: Option 3 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

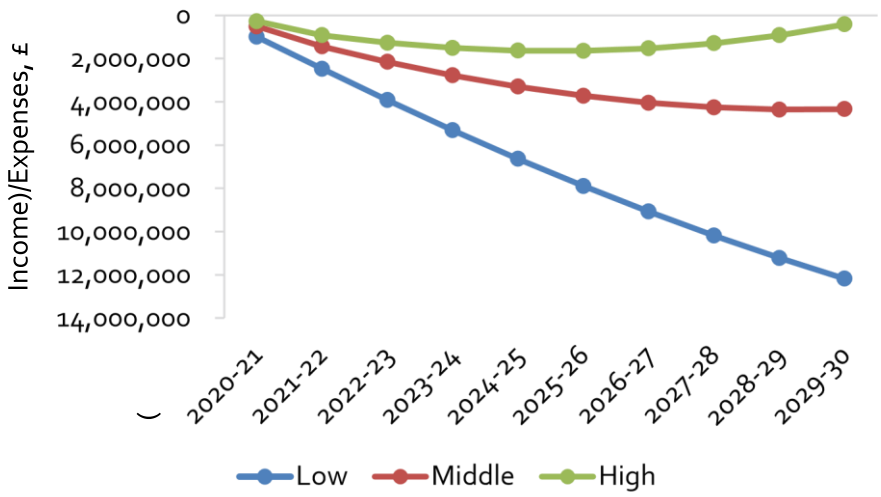
The high capital costs associated with building two new stages (£10.5 million) with the according interest payments mean that this option is better suited to a longer repayment period. The charts below show the same scenario with a 20-year repayment plan.

Figure 18: Option 3 – 20-year Repayment Period Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

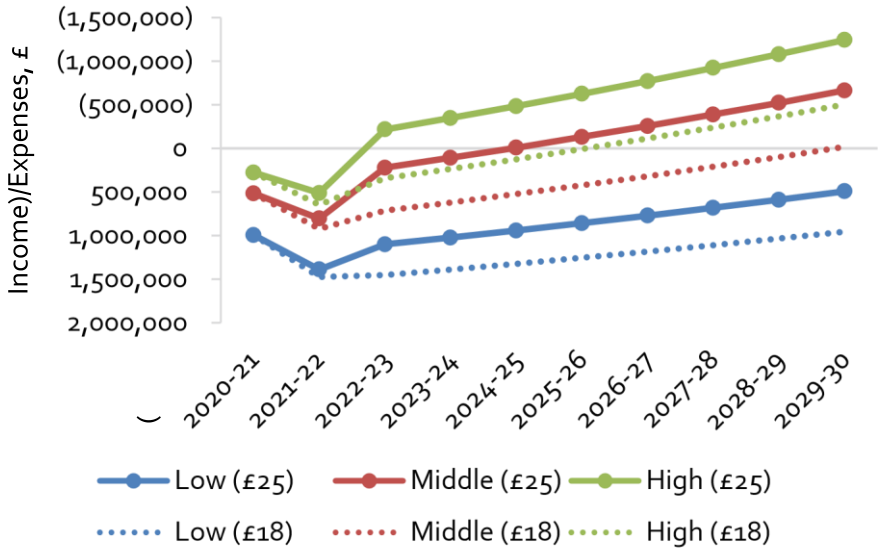
Figure 19: Option 3 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

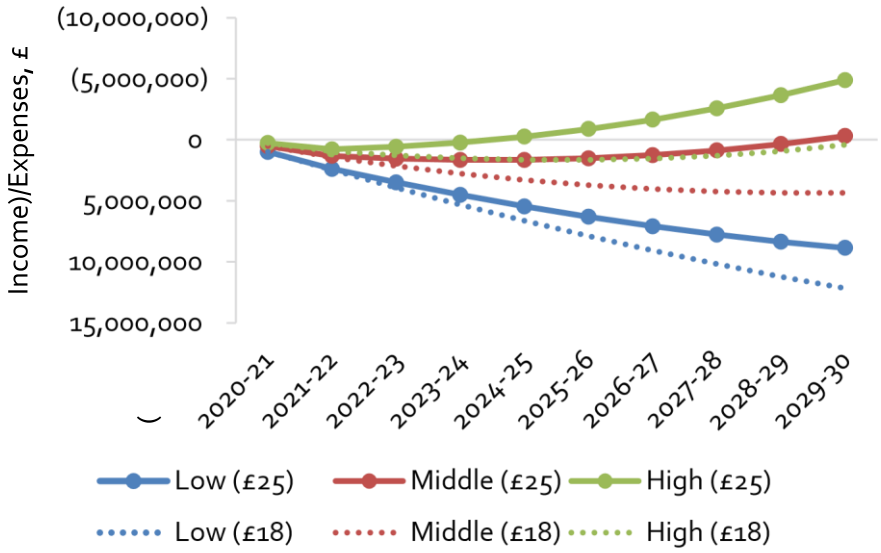
The two newbuild stages included in this model mean that the stage rate at Hawkfield Road could be increased from £[redacted] ft²/year to £25 ft²/year. The charts below show the projected impact of making this change. They assume a 20-year repayment plan.

Figure 20: Option 3 – 20-year Repayment Period Annual (Surplus)/Loss Projections, Hawkfield Road Stage Rate Comparison



Source: Olsberg•SPI

Figure 21: Option 3 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections, Hawkfield Road stage rate comparison



Source: Olsberg•SPI

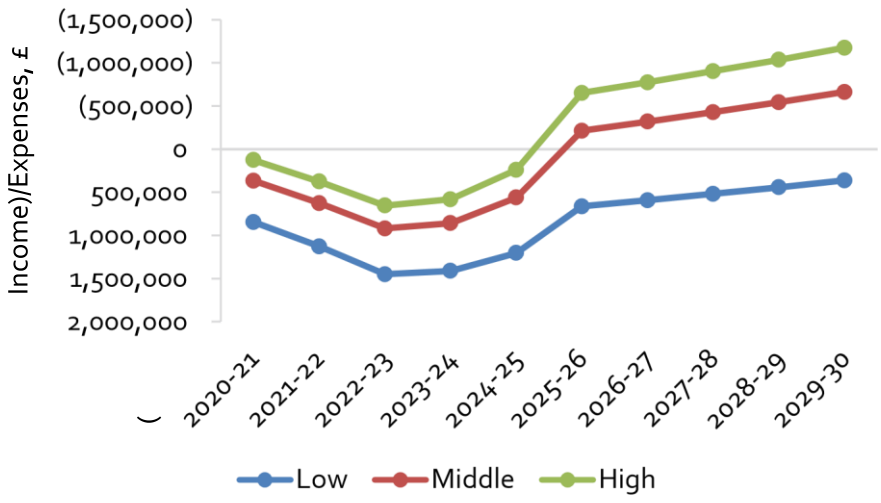
4.2.4. Option 4

The Option 4 scenario assumes that the four studios affected by the first phase of housing development will be unavailable for three years starting January 2022. These stages will then come back online and will be used going forward. It also assumes that Hawkfield Road is acquired and converted into three stages with support facilities, but does not include any new stages.

Therefore, the capital costs for this option would total £7.5 million, comprising the £5 million purchase price for Hawkfield Road and £2.5 million for the cost of converting three stages at

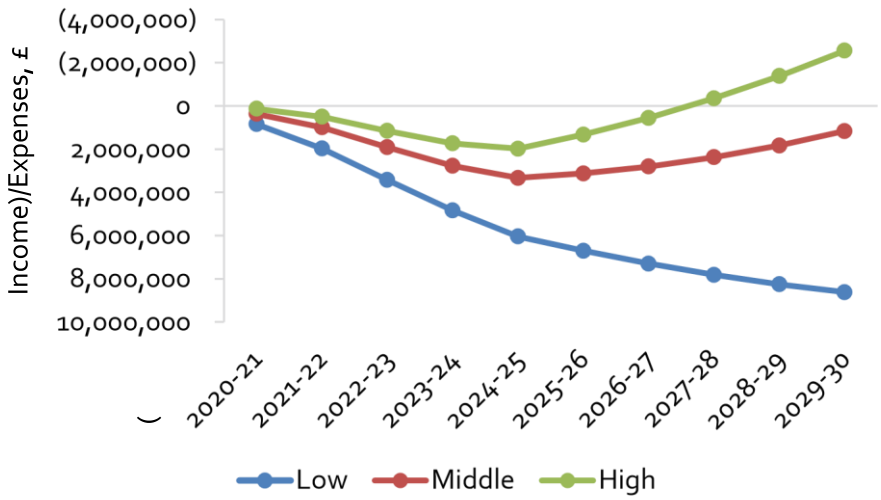
Hawkfield Road. Figure 22 and Figure 23 show these costs repaid over a 10-year period with an annual interest rate of 3.11%.

Figure 22: Option 4 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 23: Option 4 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

The reintroduction of stages at the current site means that, for this scenario, the business would return to an annual profit after five years and could be expected to break even after the projected period. However, achieving a 70% occupancy at an 11-stage facility would be subject to further workforce development.

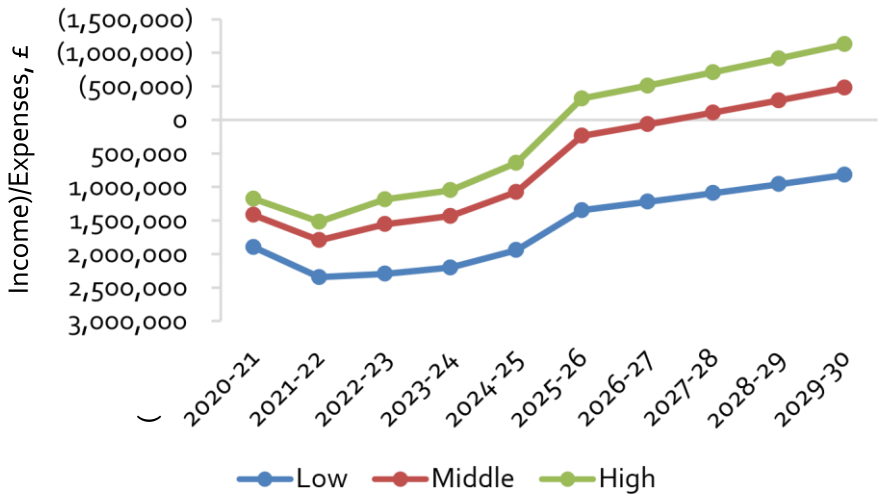
4.2.5. Option 5

The Option 5 scenario assumes the largest facility of those tested. It would ultimately include 13 stages: the four studios affected by the first phase of housing development will be unavailable for three years starting January 2022, but will come back online and be used going forward; at Hawkfield Road this scenario assumes three stages will be converted in the main building and two new stages would be built.

Capital costs for this option would total £18 million, comprising the £5 million purchase price for Hawkfield Road, £2.5 million for the cost of converting three stages at Hawkfield Road, and £10.5 million to build two new stages. Figure 24 and Figure 25 show these capital costs paid in instalments over 10 years.

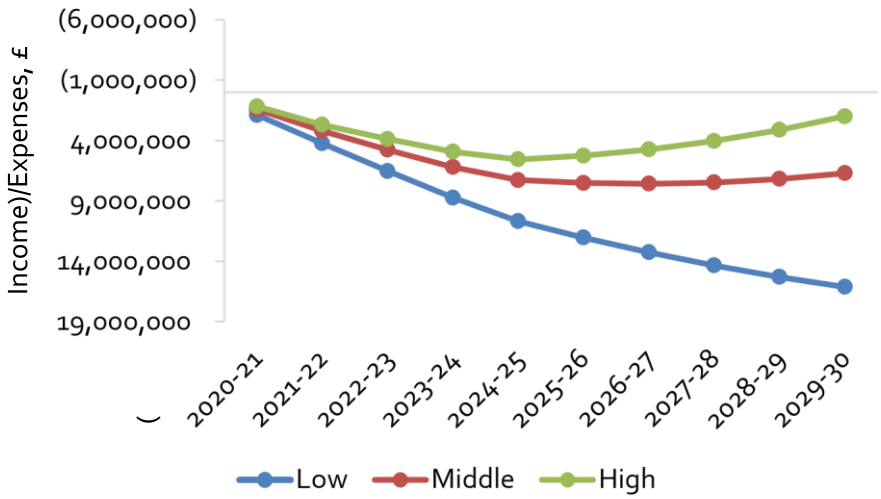
In this scenario the highlighted costs in Section 4.1.4 would be reduced relative to the studio space during housing development and would return to normal after the housing development is completed.

Figure 24: Option 5 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 25: Option 5 – Cumulative Annual (Surplus)/Loss Projections

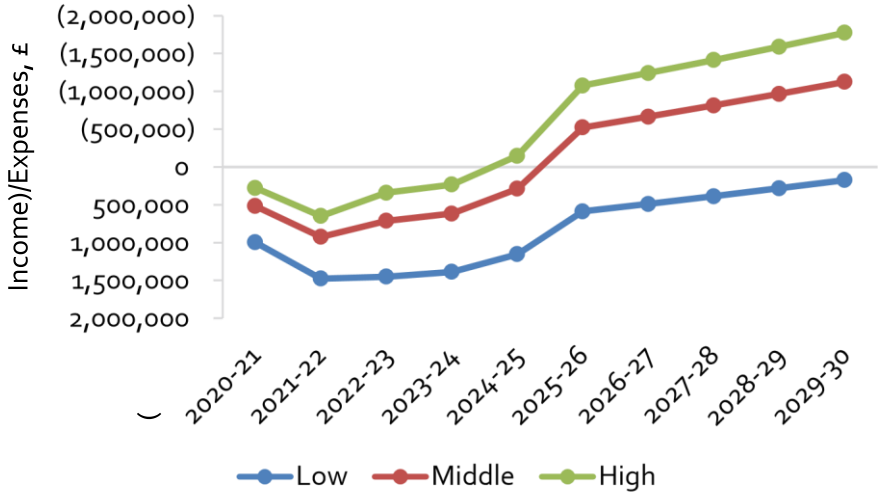


Source: Olsberg•SPI

The model shows a return to annual profit in the sixth operational year (2025-26) assuming a high occupancy level, or in 2027-28 assuming a middle occupancy level. The studio would not break even in the 10-year period.

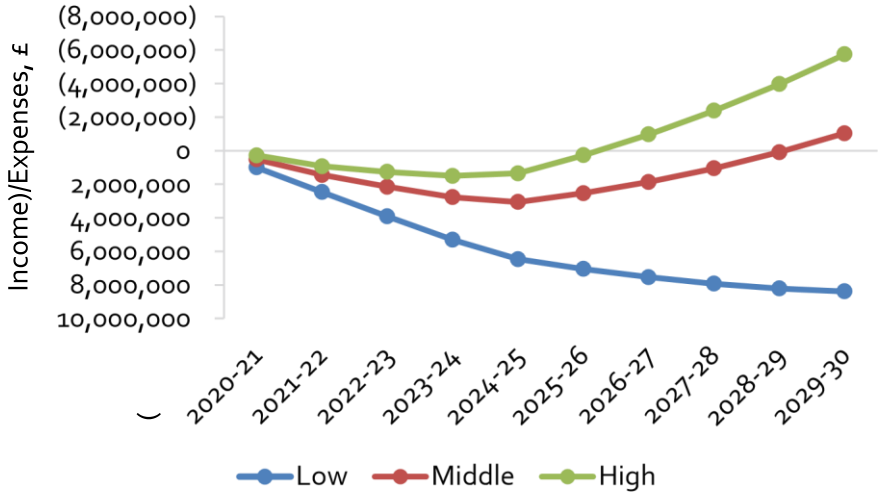
If Option 5 was chosen to go forward, a 20-year repayment period as opposed to the 10-year model shown above, has a positive effect on the business case, outlined below.

Figure 26: Option 5 – 20-year Repayment Period Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 27: Option 5 – 20-year Repayment Period Cumulative (Surplus)/Loss Projections



Source: Olsberg•SPI

The two newbuild stages included in this model mean that the stage rate at Hawkfield Road could be increased from £[redacted] ft²/year to £25 ft²/year. The figures below show the projected impact of making this change. They assume a 20-year repayment plan.

Figure 28: Option 5 – 20-year Repayment Period Annual (Surplus)/Loss Projections, Hawkfield Road Stage Rate Comparison

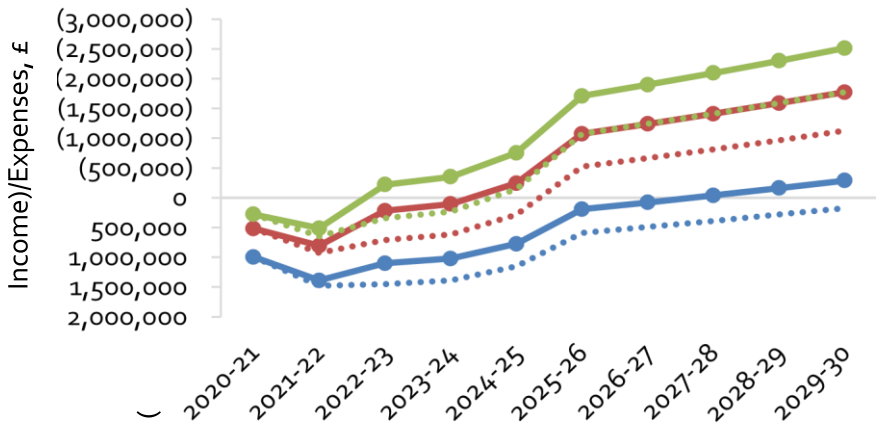
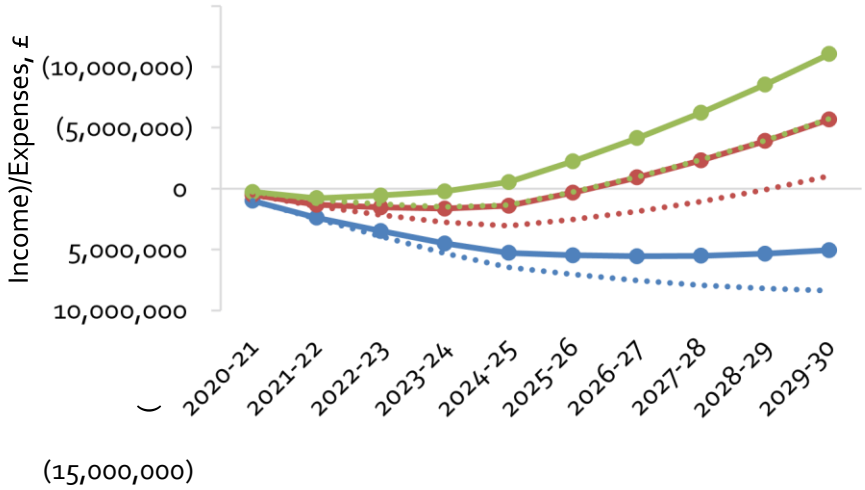


Figure 29: Option 5 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections, Hawkfield Road Stage Rate Comparison



These models show a strong profit for both the middle and high occupancy models. We would however advise caution around these figures, as the model, particularly in the later years, is biased in favour of scenarios which include high amounts of lettable space.

This is because of TBYS' pledge to increase rents to clients by [redacted]% year-on-year, versus the 2% cost inflation for administration, site maintenance and other expenses. This bias applies to all models but is particularly visible here.

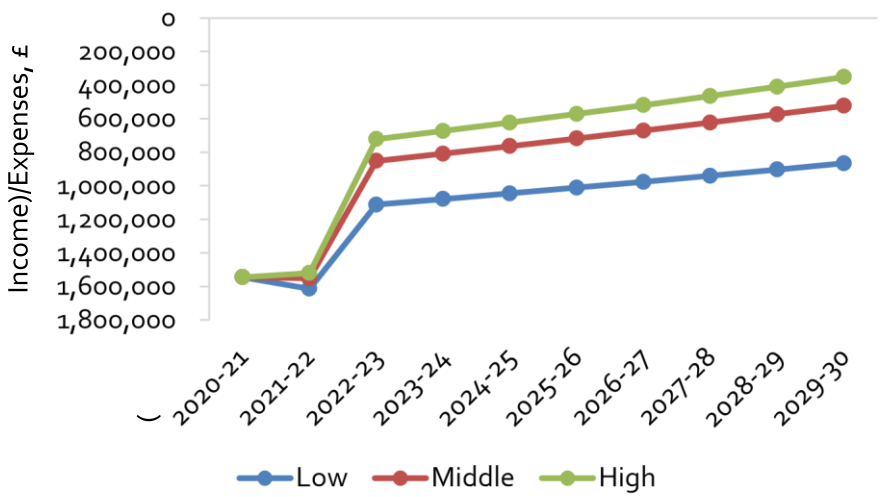
SPI's advises caution around the rapid development of a 13-stage facility in Bristol due to the lack of crew depth city region, and the potential increases in competition over the next few years. Any expansion should therefore be closely linked to a workforce development strategy and phased to enable development of sufficient crew. Phasing would also enable the reassessment of expansion strategy at key points. This could include consideration of building new stages at Hawkfield Road once the converted stages are on stream, so that workforce provision and the competitive landscape can be reassessed.

4.2.6. Option 6

The Option 6 scenario projects the standalone income and expenses for Hawkfield Road, assuming three stages are converted at the site. The model assumes that all annual expenses (capital cost repayment and operational expenses starting at £794,780 in 202021) begin in the first year, while the converted stages come online in January 2021.

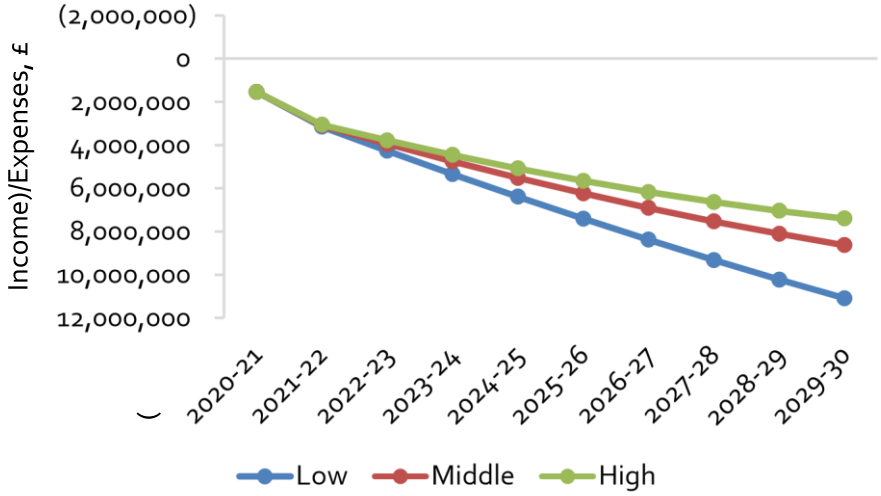
Capital costs for this option would total £7.5 million, comprising the £5 million purchase price for Hawkfield Road, £2.5 million for the cost of converting three stages at Hawkfield Road. Figure 30 and Figure 31 show these capital costs paid in instalments over 10 years.

Figure 30: Option 6 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

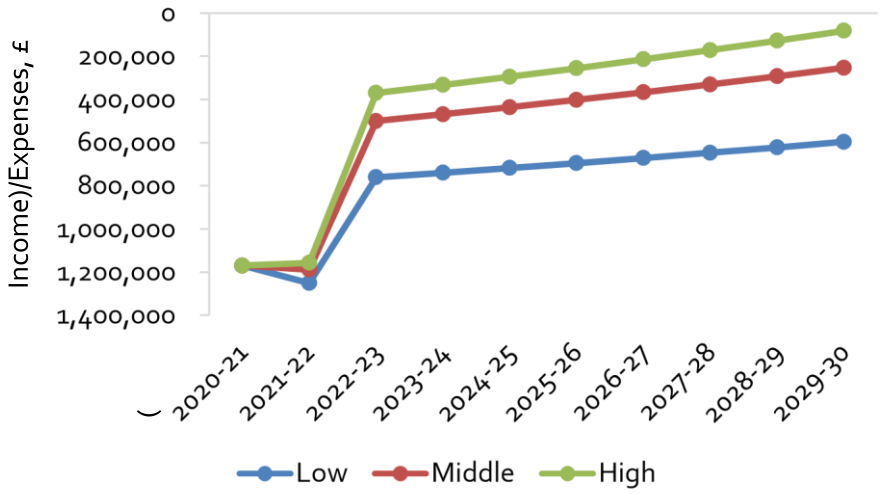
Figure 31: Option 6 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

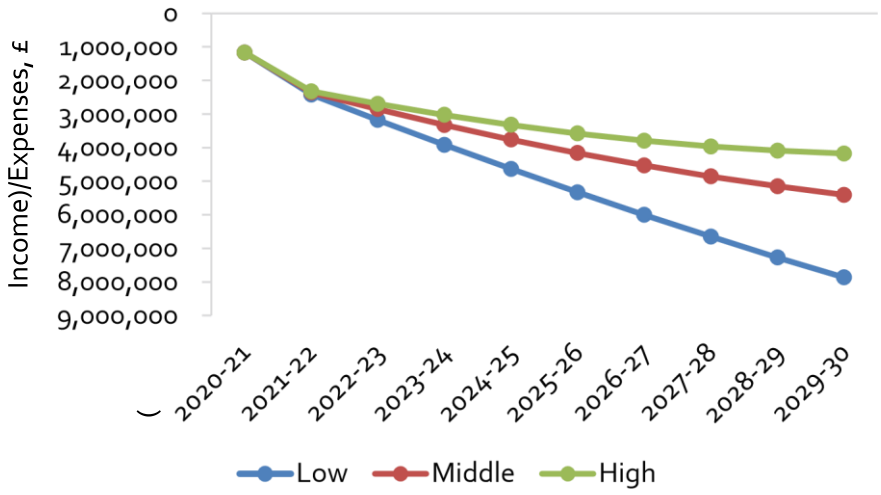
The charts below show the same scenario with a 20-year repayment plan.

Figure 32: Option 6 – 20-year Repayment Period Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 33: Option 6 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections



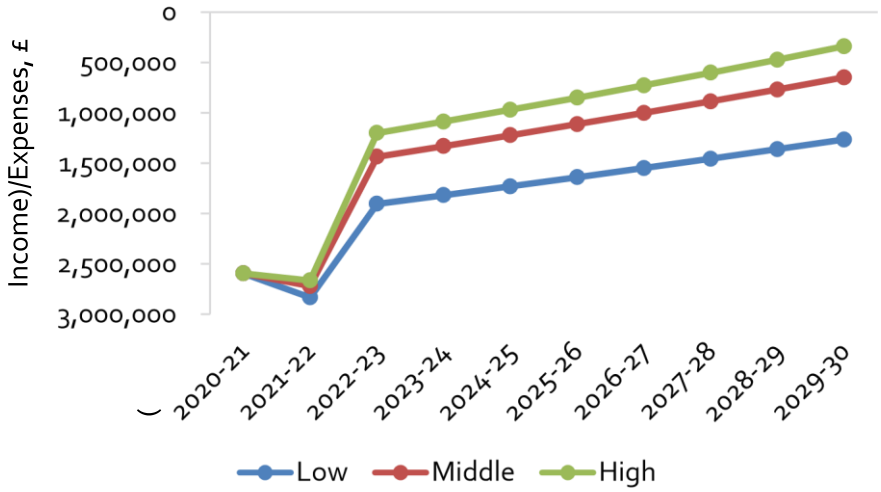
Source: Olsberg•SPI

4.2.7. Option 7

The Option 7 scenario projects the standalone income and expenses for Hawkfield Road, assuming three stages are converted, and two new stages are built at the site. The model assumes that all annual expenses (capital cost repayment and operational expenses starting at £794,780 in 2020-21) begin in the first year, while the converted and newbuild stages come online in January 2021.

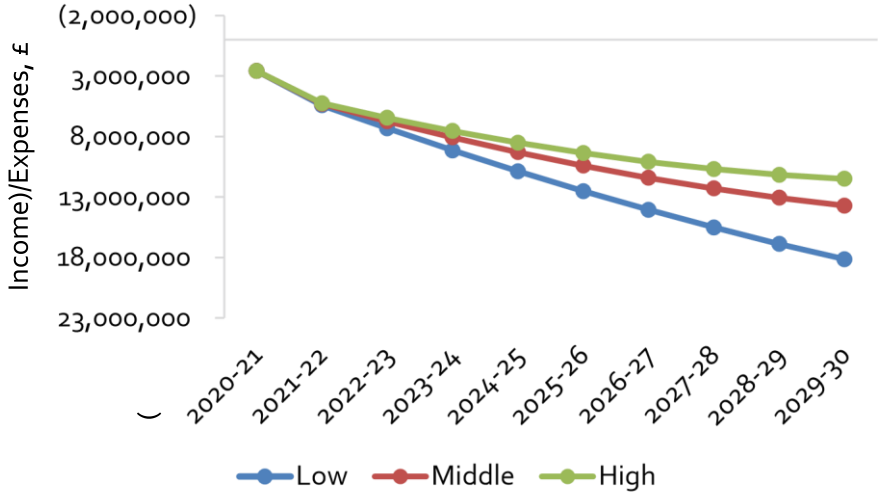
Capital costs for this option would total £18 million, comprising the £5 million purchase price for Hawkfield Road, £2.5 million for the cost of converting three stages at Hawkfield Road, and £10.5 million to build two new stages. Figures 34 and 35 show these capital costs paid in instalments over 10 years.

Figure 34: Option 7 – Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

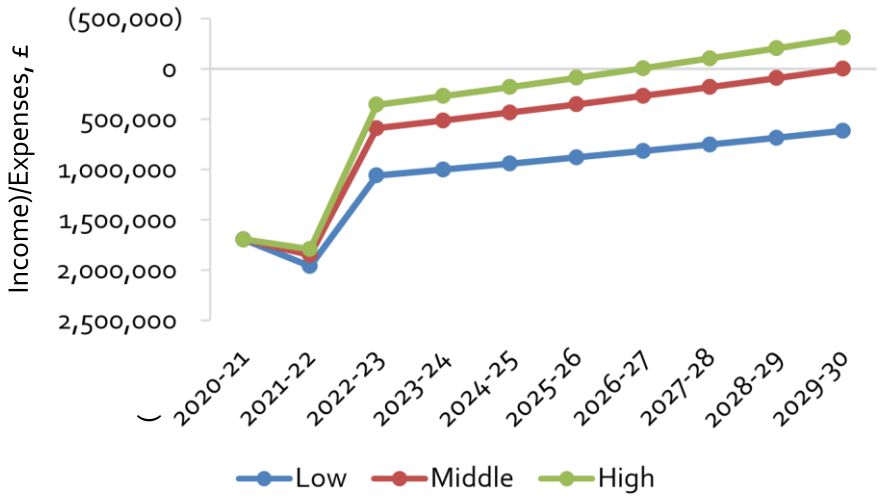
Figure 35: Option 7 – Cumulative Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

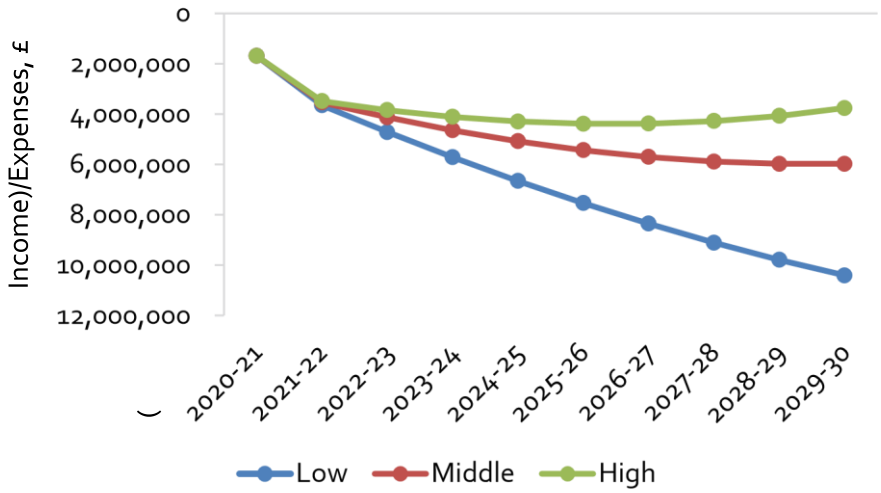
The charts below show the same scenario with a 20-year repayment plan.

Figure 36: Option 7 – 20-year Repayment Period Annual (Surplus)/Loss Projections



Source: Olsberg•SPI

Figure 37: Option 7 – 20-year Repayment Period Cumulative (Surplus)/Loss Projections



Source: Olsberg•SPI

The two newbuild stages included in this model mean that the stage rate at Hawkfield Road could be increased from £[redacted] ft²/year to £25 ft²/year. The charts below show the projected impact of making this change. They assume a 20-year repayment plan.

Figure 38: Option 7 – 20-year Repayment Period Annual (Surplus)/Loss Projections, Hawkfield Road Stage Rate Comparison

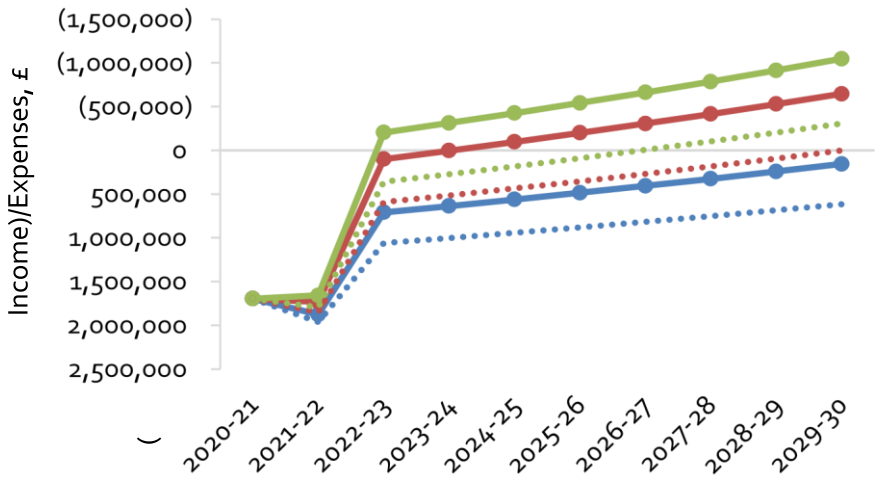
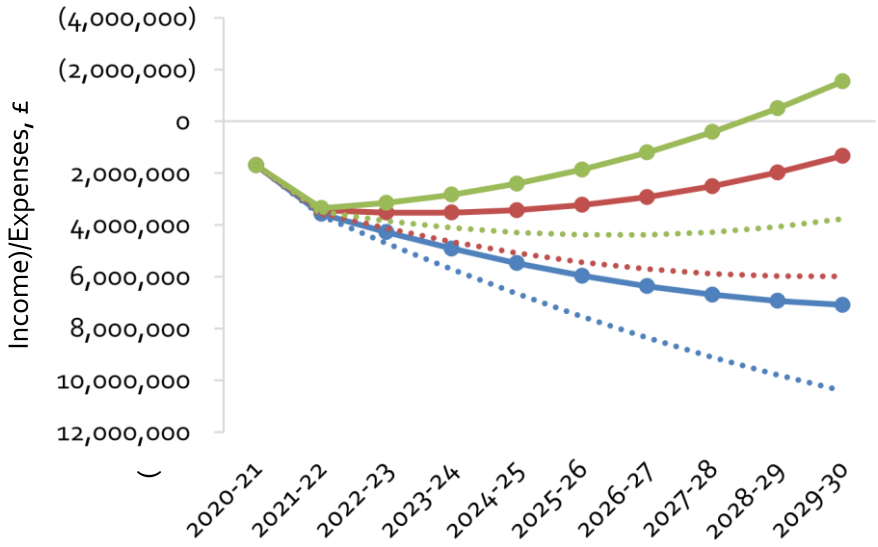


Figure 39: Option 7 – 20-year Repayment Period Cumulative Annual (Surplus)/Loss Projections, Hawkfield Road stage rate comparison

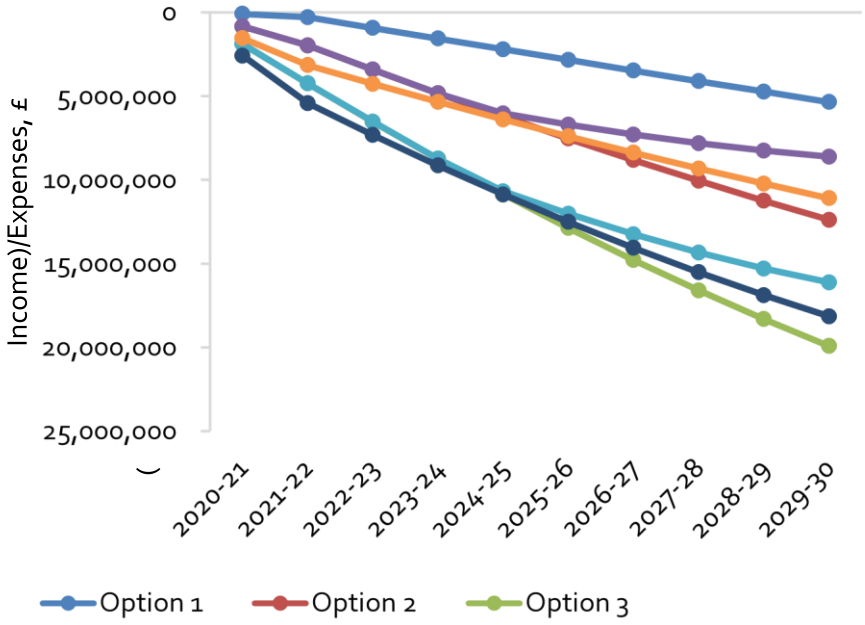


4.3. Comparisons

The charts below show how the different scenarios tested above compare with each other in terms of the cumulative (Surplus)/Loss projections.

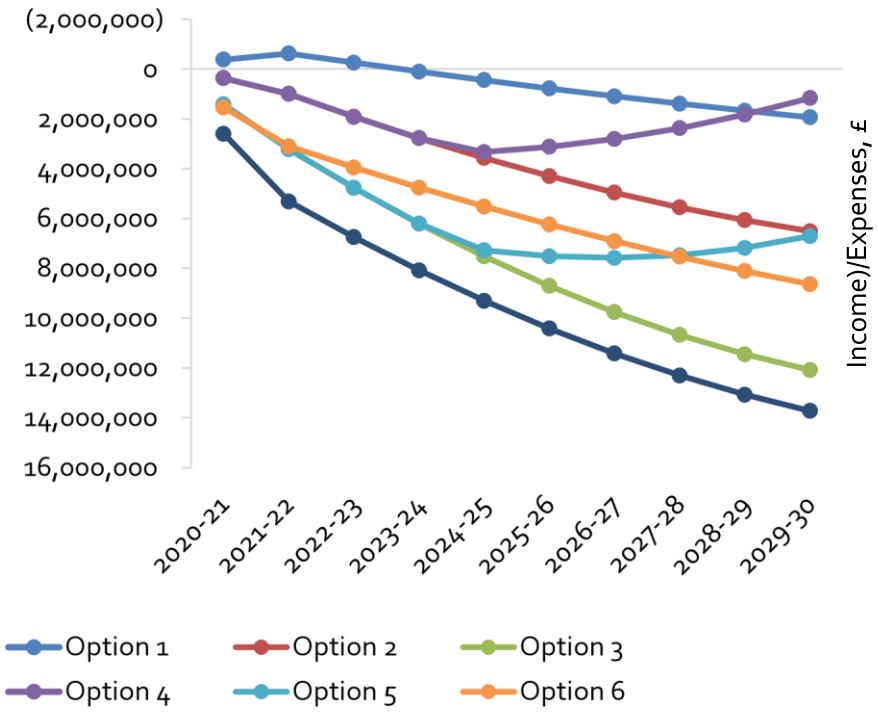
4.3.1. 10-Year Repayment Plan

Figure 40: Cumulative Annual (Surplus)/Loss Comparison – Low Base Occupancy (50%)



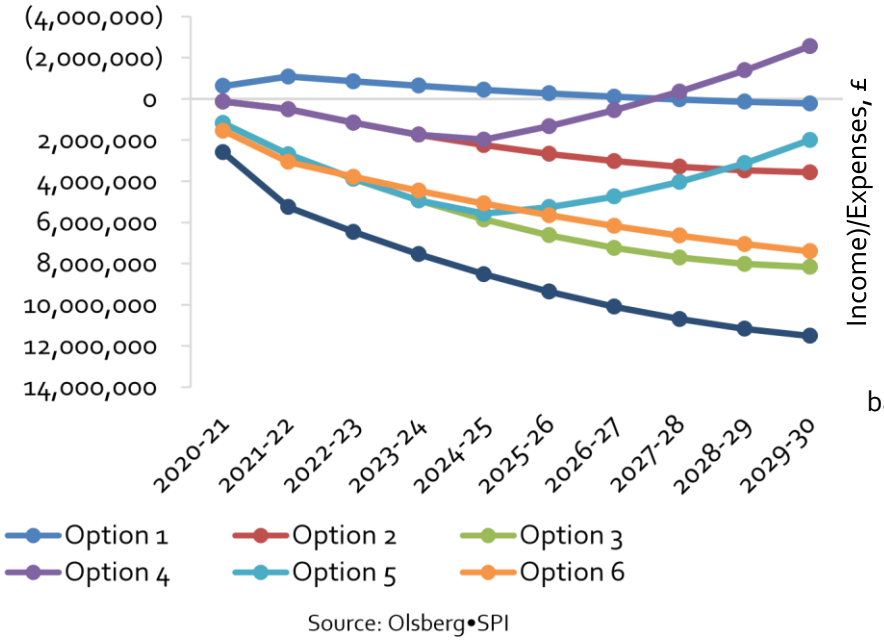
Source: Olsberg•SPI

Figure 41: Cumulative Annual (Surplus)/Loss Comparison – Middle Base Occupancy (70%)



Source: Olsberg•SPI

Figure 42: Cumulative Annual (Surplus)/Loss Comparison – High Base Occupancy (80%)

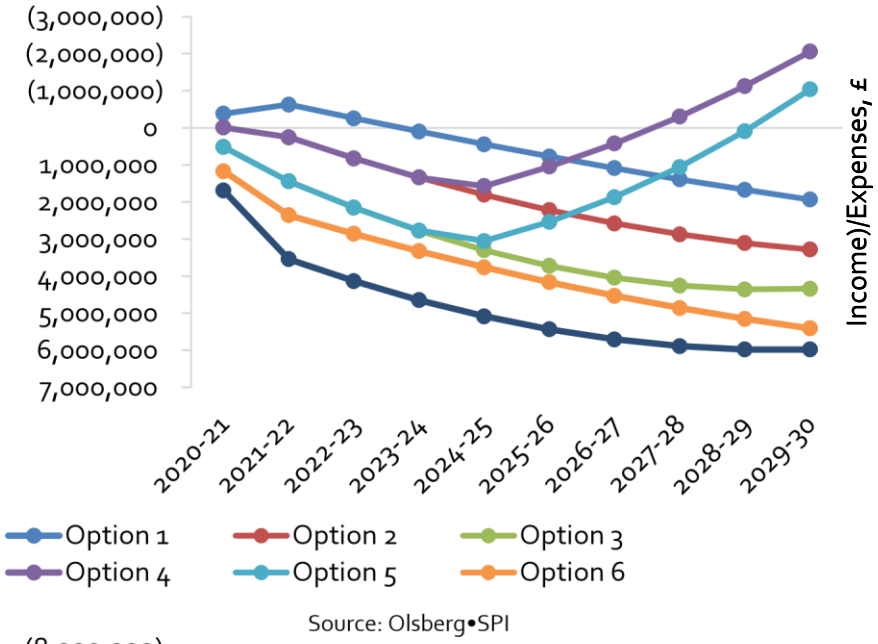


In both the middle and high base occupancy models, Option 4 ends the 10-year period in the strongest position. Note that the charts above are based on a 10-year repayment plan. Middle and high occupancy models are shown below with a 20-year repayment plan, for comparison.

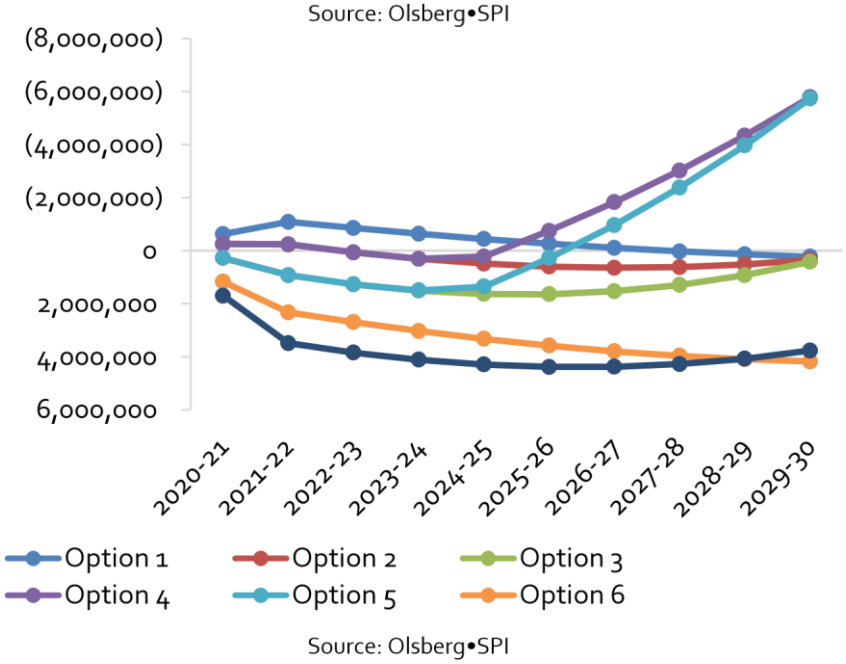
4.3.2. 20-Year Repayment Plan

Figure 43: Cumulative Annual (Surplus)/Loss Comparison – Middle Base Occupancy (70%)

Figure 44:



Source: Olsberg•SPI



Source: Olsberg•SPI

Cumulative Annual (Surplus)/Loss Comparison – High Base Occupancy (80%)

4.4. Summary of Findings

Overall, there may be a business case for investing in Hawkfield Road and developing the site as a studio facility. However, for most options there would need to be some form of additional financial support from BCC or other stakeholders to offset the purchase price and capital costs on the business, which have a significant impact on the outlook of the options modelled. Any action to reduce expansion costs to the TBYS business would improve the option models, and make TBYS more likely to turn a profit sooner and put the business in a position to reinvest, invest in a fund as outlined in Section 6, or return profits to BCC.

It should be noted that if TBYS does take on the whole cost of the purchase price and capital costs for conversions and newbuild studios, these would not be "lost" expenses – they would

add permanent assets to the TBYS business, and these assets would hold their value into the future beyond the 10-year period in question.

The financial model used to generate these projections is biased towards larger studios with more lettable space (this is particularly visible in Figure 44), but our qualitative research has shown that the larger options likely require additional work to build crew capacity. This represents a risk in adding several major stages to the Bristol market at one time and a phased approach is therefore recommended, which would also enable future reassessment of strategy.

Additionally, if new studios are built at Hawkfield Road, a higher rate of £25 sq ft/year should be charged for stage space, and a repayment model of more than 10 years would be preferable. Adding two new stages at Hawkfield Road would add to TBYS' offer, particularly in terms of the quality of the space, but would require more than double the combined investment required to purchase the site and convert the existing building into a studio.

5. TBYS AS A CATALYST FOR SECTOR GROWTH

In addition to delivering economic impacts for Bristol and the South West, an expanded TBYS would offer strong strategic potential to provide drive sectoral growth, and provide a focal point for the film and television sector in the region – including in crucial areas such as job creation and inclusion. This section provides an overview of this opportunity.

5.1. Context

In the UK, there is an increased realisation that the film and television sector as a critical economic driver. Latest UK Government data show that the creative industries are growing five times faster than the UK's national economy – contributing almost $13 million to the UK economy every hour.[40] Film and television is a major element of this. Indeed, strong levels of film and television production helped the UK economy avoid recession in 2019.[41]

In Gross Value Added (GVA) terms, the screen sectors supported by UK tax reliefs delivered a total of £7.91 billion for the UK economy in 2016.[42]

At the regional level, the film and television sector has very strong potential. As outlined in Section 6, several regions in the UK are investing in infrastructure or production funding in order to ensure the flow of valuable film and television projects. While the UK feature film production sector has traditionally been based around London, the flow of drama series to the UK's nations and regions is pronounced in some areas. This includes the multi-year production of *Game of Thrones* in Belfast, *Outlander* in Cumbernauld, Scotland, and *Victoria* outside of Leeds. Manchester has also seen pronounced growth in television production.

Bristol, as a unique and world-renowned centre of creativity and diversity, is primed for further growth. TBYS has already delivered the production of some major projects in the city, while Channel 4's establishment of a commissioning hub in Bristol underlines the city's credibility within the sector.

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[40] *UK's Creative Industries contributes almost £13 million to the UK economy every hour.* Department for Digital, Culture, Media & Sport. 6th February 2020

[41] *Recession fears fall as economy boosted by film and TV industries.* Ibid.

[42] *Screen Business*. Olsberg•SPI with Nordicity, October 2018. These sectors are film, HETV, animation, video games, and children's television [43] *End of year figures*. Bristol Film Office

Film and television is already a significant economic contributor in Bristol. According to data from the Bristol Film Office, in 2017/18 total inward investment to the city from production using services provided by the office totalled £15.2 million. While the volume of production was down year-on-year – the office assisted 383 productions in 2017-18, down from 484 – the number of filming days actually increased by 9% year-on-year, to 1,141.[43] The level of investment in 2018-19 remained at a similar level of £16 million, according to the Bristol Film Office.

Beyond delivering economic impact, the film and a television sector align closely with elements of both city and region-level strategies. These include:

- BCC's *Business Plan.* This focuses on four themes, including empowering and caring, fair and inclusive, well connected, and wellbeing. Related to the third theme is the intention to "work with cultural partners to involve citizens in the Bristol story, giving everyone in the city a stake in our long-term strategies and a sense of connection". Another action point is to create a plan of action to use the assets of the film office, TBYS and Bristol's City of Film status to maximise the opportunities provided by the opening of the Channel 4 creative hub. There is also a commitment to work with local partners on a Bristol adult skills plan. Meanwhile, the importance of culture is underlined by the wellbeing theme.

- BCC's *Corporate Strategy 2018*-2023. This emphasises the need for economic and social equality, as well as creating a stronger workforce and building up infrastructure. It also focuses on reducing the proportion of young people who are not in education, employment or training and developing a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.

- The *Bristol One City Plan,* which underlines the city's commitment to sustainability and inclusivity, with six priority themes: connectivity, economy, environment, health and wellbeing, homes and communities, learning and skills. One key goal is for Bristol to be widely recognised as the most creative city in the UK by 2047.

- The West of England Combined Authority (WECA) study *West of England Cultural Strategy Phase 1: Regional Evidence Base.* This pointed to the West of England's film and television sector as the third most significant in the UK. Strengths of the region are noted as including recognised existing creative clusters with high levels of productivity, and exceptionally strong film, television and tech sector ecology. WECA's February 2019 study *Local Industrial Strategy – Evidence base report* notes that Bristol is one of only two cities outside London which feature in the top 10 for both Creative and High-Tech clusters, according to Nesta

There is a clear opportunity for TBYS to take a more strategic role in tying together and helping deliver on these various strands. As outlined below, this includes areas such as workforce development, training, job creation, and inclusion. Taking a proactive, strategic role in these areas would also ensure that TBYS can strengthen the facility's workforce foundations and mitigate to some degree risks posed by a competitive UK studio pipeline.

5.2. Training, Skills Development and Inclusion

This area is of critical importance to Bristol, and a key area of opportunity for TBYS – particularly given its location in South Bristol. According to the Ministry of Housing, Communities and Local Government's Indices of Deprivation for England, reported in a BCC

document, Bristol contains deprivation hot spots that are among some of the most deprived areas in the country. The 10 most deprived neighbourhoods in Bristol are all in South Bristol.[43]

Against this backdrop, an expanded TBYS would offer significant opportunities to expand workforce in the city and region, as well as providing pathways for workers new to the sector.

TBYS has already provided a degree of strategic impact into the growth of the sector in Bristol, as well as opportunities for residents in South Bristol. This includes the delivery of training for post-16-year-olds in partnership with BoomSatsuma, as well as providing space for 23 small or medium enterprises.

With workforce expansion a core challenge for TBYS in considering expansion, there is scope to widen and deepen activity in this area. The Bristol One City Plan, for example, underlines the need to improve the availability of work experience and post-16 pathway support in the cultural and creative industries, reflecting the future skills needs of the city. As one of Bristol's key industry hubs, ensuring provision here aligns closely with this need.

Inclusion and diversity is a major priority for the UK film and television sector generally, and skills campaigns – such as Screen Skills' recent cinema advertising – have focused on informing young people about the diverse range of roles available in the film and television sector.

5.3. Challenges

While there are clear opportunities for TBYS to drive sectoral growth, there are also some challenges. These include resources: taking a more strategic and proactive role in skills development and inclusion will require more resource, particularly at an expanded site.

Aligning strategy with the wide range of city and regional stakeholders will also be a challenge – although it is noted that TBYS management is skilled in this regard.

[43] *Deprivation in Bristol 2019.* Summary findings of the 2019 English Indices of Deprivation within Bristol Local Authority Area. October 2019

6. POSSIBLE INTERVENTIONS FOR INCREASED INDIGENOUS DRAMA OUTPUT

6.1. Overview

A number of UK nations and regions are exploring production funding as a means to attract projects and producers and create employment, and economic and social opportunities. Regional production funds are currently available in Liverpool, Yorkshire, Scotland, Northern Ireland, and Wales.

While notably strong in natural history, Bristol is currently lacking in local drama production. There are presently no indigenous drama production companies or producers based in the city, and only two small independent film companies are active – Ignition Films and Hummingbird Films. [44] As a result, while the increase in drama production through TBYS offers new opportunities for technical crew, producers and directors often lack pathways into the industry as many of these productions are made by companies from outside the region. Comparatively, the strong foundation for factual and natural history content in Bristol offers more training pathways to new and emerging creative practitioners in Bristol and the surrounding areas.[45]

Many of the regional funds currently in operation focus on production attraction. To this end, the creation of a production fund in Bristol would help stimulate demand. A content fund could be used to encourage drama projects into Bristol, while also support the development of more robust local drama content.

6.2. Potential Models

While the majority of regional content funds have been designed to attract production, some are structured with a degree of flexibility so that the fund can both deliver production attraction and offer support to local producers. For example, funding for the BBC series from Leopard Pictures *The Snow Spider* came from the Liverpool City Region Production Fund and included the hiring of 6 local trainees to work on the production. While the fund does not have a specific requirement for workforce training, this was negotiated as part of the funding and fulfils the funds aim to deliver positive social impacts and create high-quality jobs.

As part of any funding offer, Bristol could include stipulations tying funding to local creativity and workforce. For example, the Welsh Investment Budget requires that productions allocate a minimum of 40% of the below-the-line production budget to be spent on goods and services supplied by Welsh businesses and freelancers. A requirement such as this would allow for the local industry to develop in parallel with any non-Bristol productions, building opportunities for skills development and work experience and supporting the local economy.

In a 2017 study, members of the film and television industries in Bristol noted how difficult many of them found it to break into the industry. The inclusion of training and education provisions into the content fund would be a potential avenue to alleviate this area of difficulty and ensure pathways into the sector.[47]

As there are currently no indigenous drama production companies based in Bristol, another potential model would follow the relationship between the Welsh Government and Bad Wolf. In this case, the model focused on attracting established producers to set up in the jurisdiction.

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[44] *Go West! Bristol's Film and Television Industries*. UWE Bristol, November 2017

[45] This is underlined by the 2019 announcement of a multi-year overall deal between Netflix and Bristol-based producer James Honeyborne. While not drama, it underlines that attracting global interest in Bristol producers is possible. *Netflix announces multi-year overall deal with James Honeyborne.* Netflix Media Centre, 30th January 2019

[47] *Go West! Bristol's Film and Television Industries*. UWE Bristol, November 2017

As addressed in Section 3.2.1, Bad Wolf received a £9 million funding package from the Welsh Government. The investment from the Welsh Government is conditional on certain milestones, including the profit of the company and the potential for a 12:1 return on spend.

In addition to operating Wolf Studios Wales, Bad Wolf has also committed to supporting the development of the Welsh film and television industry, and has committed to dedicating at least 55% of all production spend on skills and services in Wales, ensuring a degree of local economic and workforce development. At least £95,000 of every production using the facilities is to be spent on training and apprenticeships, which are delivered through Screen Alliance Wales.[46]

Through partnerships with the University of South Wales, the Welsh Government and other training schemes such as 'It's My Shout', Screen Alliance Wales now offer a range of training and education programmes through Wolf Studios Wales, including work shadowing placements, traineeships, a training network and educational tours for students from the ages of nine and older. During the first year of the partnership between the University of South Wales and Screen Alliance Wales, 49 students received work shadowing placements and 30 students have been employed in paid trainee positions on productions such as *Industry, A Discovery of Witches* and *His Dark Materials.* Over 3,000 school students have engaged with the film and television industry through their education programmes.[47,48]

6.3. Examples of Regional Funding in the UK

6.3.1. Liverpool City Region Production Fund

The Liverpool City Region Production Fund is a discretionary fund developed to "help drive the further growth of the region's film and television sector by investing in a diverse portfolio of high-quality content". Managed by the Liverpool Film Office, it is funded by the Liverpool City Region Combined Authority through its Strategic Investment Fund with an initial allocation of £2 million.

The Liverpool City Region Production Fund prioritises productions that fulfil the following characteristics:

- Deliver high multiples of local economic benefit relative to investment;
- Demonstrate strong creative and commercial elements;
- Have a realistic prospect of generating a financial return on investment; and
- Increase the cultural visibility of the Liverpool City Region to audiences in the UK and internationally.[49]

Funding is available for production companies at local, national and international levels and can be used to support feature film, television drama, animation and scripted comedy series productions. To be eligible, projects are required to fulfil the relevant British Cultural Test or qualify via one of the UK's bilateral co-production agreements. The project must be able to demonstrate a credible route to market and also have at least 50% of its total funding already in place. The fund allows investments of up to £500,000 per project, however, is unlikely to invest more than 20% of the total production budget.

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[46] *Bad Wolf Studios.* National Assembly for Wales

[47] *Students working on the latest TV productions in South Wales. U*niversity of South Wales, 19th August 2019

[48] RTS Cymru annual lecture 2019: Jane Tranter. Royal Television Society, 5th March 2019

[49] *Liverpool City Region Production Fund: Overview*. Liverpool Film Office, 2019

In November 2019 it was announced that the BBC family adventure series *The Snow Spider* would be the first production to receive support from the fund. The five-part series is from Leopard Pictures, a Merseyside and London based film company. As part of the funding, Leopard Pictures took on six trainees to assist in camera and lighting, make-up and the production departments for the production of the five-part series. The Liverpool Film Office has stated that it has received 40 formal expressions of interest since its launch in early 2019.[50]

6.3.2. Welsh Sector Support

In 2014, as part of a collaborative agreement with Pinewood Shepperton, the Welsh Government developed the Media Investment Budget (MIB), a £30 million fund for investing in film and television productions to be managed by Pinewood, which would also source suitable productions for Welsh government investment. In 2018, the Welsh Government took over the running of the MIB from Pinewood.

Decisions for investments were to be made on a case-by-case basis, dependent on budget availability and a requirement that productions shoot at least 50% in Wales, with 40% of the below-the-line production budget spent on goods and services supplied by businesses and freelancers either located in or operating from Wales.[51]

The original budget plan expected to generate £90 million of expenditure for the Welsh economy, based on a 1:3 ratio of public to private spending. The MIB has underperformed, both in terms of government investing and Welsh spend. In 2018, it was revealed that only £15 million had been spent, which had triggered £18 million in spending, or 20% of the target. Furthermore, of approximately £15 million in funding, there had only been approximately £5 million returned to the Welsh Government.[52]

Of the 15 productions which received MIB funding, only *Their Finest* recouped the £2 million investment and made an additional £50,000. The film *Take Down* was the first film to receive funding through the MIB, receiving £3 million but ultimately only recouped £1.1 million. Other projects funded included *Journey's End,* which received £0.85 million in funding and recouped £0.6 million; *Eternal Beauty* which recouped £0.77 million on an investment of £1.05 million; and *The Collection* which had a total investment of £1.75 million but only recouped £0.25 million.[53]

The Welsh government has been criticised for its handling of the programme, and a National Assembly of Wales report from February 2019 concluded it was "disappointed with the underperformance, to date, of the Media Investment Fund, but acknowledge the speculative nature of the film industry and that the investment portfolio is still in its relative infancy. We are reticent to make a judgement on whether value for money has been achieved at this stage".[54]

Production company Bad Wolf has also received a £9 million funding package from the Welsh Government, structured as an initial £4.5 million repayable loan that can be converted into non-

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[50] *Leopard Pictures BBC series 'The Snow Spider' first to receive Liverpool City Region Production Fund cash boost.* Business Live, 5th November 2019

[51] *Welsh Government Media Investment Budget*. We Are UK Film

[52] th *Welsh Government £30m film fund to miss spending target*. BBC, 5 November 2018

[53] th *All the film and TV projects the Welsh Government has invested in which have lost money.* Wales Online, 27 January 2020

[54] *The Welsh Government's relationship with Pinewood.* National Assembly for Wales, February 2019

repayable grant funding in relation to Welsh production spend milestones. The remaining £4.5 million will be released by the government as grant payments if additional production spend targets are met.[55]

Where Pinewood Wales was connected to the MIB, Bad Wolf instead has a focus on developing training opportunities to advance the local Welsh screen industry. Bad Wolf has committed to passing on 55% of profits of Wolf Studios Wales, delivered through Screen Alliance Wales, a stand-alone philanthropic company created by Bad Wolf. Per a report out of the National Assembly for Wales, over the course of three years Bad Wolf created 245 jobs, secured £13 million in private investment into Wales and secured future production budget worth £134 million. Furthermore, in 2018 Bad Wolf invested £300,000 in cash and in kind to Screen Alliance Wales.[56]

6.3.3. Northern Ireland Screen Production Funding

Northern Ireland Screen offers production funding in the form of a recoupable loan with profit participation or in limited circumstances as a grant. The funding is aimed at productions which contribute to building a sustainable screen industry in Northern Ireland and which can show a direct economic benefit to the regions.[57]

Funding is available towards the production of feature films, television drama, animation, factual and entertainment television and interactive content. The fund is intended only to assist in completing budgets on productions that are almost fully financed. They will not consider a production with less than 65% of its funding already in place.

To be eligible, projects must be commercially viable and able to demonstrate clear possibilities for commercial exploitation. They must also pass the relevant cultural test. For films, an attachment of an experienced sales agent is an asset, whereas for television an expression of interest from an international distributor or national broadcaster is preferred.

The fund is able to invest a maximum of £800,000 for feature film and television production funding, and a maximum of £500,000 for interactive content production. There is a ceiling of 25% of the overall project budget. It is worth noting that very few projects are awarded the maximum amount.

6.3.4. The Yorkshire Content Fund

Established in 2012, the Yorkshire Content Fund is available for producers based in the Yorkshire and Humber region, or for either national or international production companies who wish to film or establish a base in the region. It is open to the film, television, video games and digital sectors.

The fund was initially created with £15 million in available funds. £7.5 million came from European Regional Development funding which was then matched by private investors.[58] However, the fund receives no additional top-up funding and relies on the projects it invests in to succeed and add any returns back into the fund for future investments.

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[55] *The Welsh Government's relationship with Pinewood*. Auditor General for Wales, June 2018

[56] *Film and major television production in Wales: Evidence from Bad Wolf*. National Assembly of Wales, 2018

[57] *Production Funding*. Northern Ireland Screen

[58] *Screen Yorkshire unveils £15m production fund*. Screen Daily, 6th February 2012

The fund is run by Screen Yorkshire as a co-investment fund, offering potential investments of up to £500,000 per project, provided that the investment is matched on identical terms by private sector investment.[59]

Over the past seven years, the Yorkshire Content Fund has invested in over 40 projects, including the films *Official Secrets, Yardie* and *Ghost Stories* and the television series *Peaky Blinders* and *Ackley Bridge.* Niall Shamma, the COO of Warp Films, has received Yorkshire Content funding for *Yardie* and *Ghost Stories.* He has stated that "Screen Yorkshire doesn't just offer financial support, it's also about the support they give productions, too, to help us make the best film we could." The Yorkshire Content Fund provided the final 10% of the required budget for *Ghost Stories* which went on to gross approximately $4.1 million globally at the box office.[60]

6.3.5. Film City Glasgow – FOCUS

Running as a pilot program between 2017 and 2019, FOCUS was an initiative set up by Film City Futures, in partnership with the Scottish Documentary Institute and supported by Creative Scotland and Scottish Enterprise.

FOCUS was created after a sector review found that screen businesses in Scotland were not always able to access the business development expertise that they needed in order to achieve significant growth. To change this, for the pilot FOCUS partnered with 20 participating companies to provide comprehensive business development training, primarily through a one-to-one relationship with a business development consultant.

Through FOCUS, participating companies were able to gain access to sector-specific expertise as needed, such as law, HR and sales and distribution. The pilot was co-funded by Creative Scotland and Scottish Enterprise, with each allocating £250,000 towards the project's delivery. The participating companies were required to contribute a further £250,000 in funding, resulting in a cumulative funding amount of £750,000 for the two-year pilot.

A report from EKOS found that the pilot had a 'significant impact' on the 20 companies that took part. According to the study, it contributed to an increase of approximately 19 full-time equivalent roles and £1.5 million in additional turnover. In addition to the 20 companies participating in the pilot, more than 100 companies benefited from free workshops, events and briefings provided alongside the programme. A further 10 companies took part in a bootcamp course delivered in January 2020, while 4 companies are receiving business mentorship through a partnership between FOCUS and MG ALBA. As participants, companies become members of the FOCUS alumni community and gain access to an online portal and are eligible to apply for further FOCUS funding support.[61]

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[59] *Funding: The Yorkshire Content Fund*. Screen Yorkshire

[60] *Ghost Stories (2017*). Box Office Mojo

[61] *FOCUS launches business bootcamp for Scottish screen companies*. Screen Scotland, 6th December 2019