

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 25 February 2021

<b>TITLE</b>	<b>Development of Hawkfield Business Park</b>		
<b>Ward(s)</b>	South Bristol: Hengrove & Whitchurch Park / Hartcliffe and Withywood / Filwood		
<b>Authors:</b> Oliver Roberts	<b>Job titles:</b> Senior Project Manager		
<b>Cabinet lead:</b> Cllr Cheney	<b>Executive Director lead:</b> Stephen Peacock		
<b>Proposal origin:</b> <i>BCC Staff</i>			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b> <ol style="list-style-type: none"><li>To update on the Bottle Yard Studios and the business planning and design work covering the proposed development of additional film and TV studio provision at Hawkfield Business Park and proposed funding arrangements.</li></ol>			
<b>Evidence Base:</b> <ol style="list-style-type: none"><li>The Bottle Yard Studios (TBYS) on Whitchurch Lane is a successful and financially viable Council run screen production operation. It was estimated that in the 2019/20 financial year the Studios in combination with the Bristol Film Office contributed in excess of £17m of direct spend into the economy and generated 250 Full Time Equivalent jobs through direct, indirect and induced employment. A 2020 study into the impact of Screen Expenditure in Bristol is included in Appendix A.</li><li>In October 2016 Cabinet approved that the Council agree a market valuation with Homes and Communities Agency, now Homes England (HE) for the Bottle Yard Site to allow the Council to hold an un-restricted freehold of the site to ensure security in its continued use for Film and TV production. A valuation has consequently been agreed in Summer 2020 between HE and the Council at £475,000.</li><li>In March 2020 Covid-19 caused the temporary shut-down of screen sector activity, including at TBYS. Screen sector guidance was introduced by the British Film Commission in June 2020 allowing the initial recommencement of production, which has continued to increase over following months. The strong pre-Covid-19 demand for studio space has returned, with production companies needing to secure studio space for periods of up to five years.</li><li>Nationally the screen sector has been identified for its potential to significantly assist economic recovery from the Covid-19 pandemic. This is equally true in Bristol, where screen production fits within the important creative sector and, together with the recent arrival of Channel 4 and Netflix, there is an opportunity to make this an area of significant growth.</li><li>Screen production at TBYS is expected to be disrupted by the forthcoming Hengrove Park housing development, which is forecast to commence in 2022. The lack of soundproofing in older, unadapted buildings will render three (possibly four) of the current studios temporarily inoperable, significantly reducing the production capacity of TBYS. Without replacement provision or alternative mitigation it is estimated that the direct annual expenditure from film production into the local economy would reduce from over £17m to £10.5m annually up until the completion of disruptive works.</li><li>In December 2018 Cabinet approved the purchase of the Hawkfield Business Park site (HBP) for approx. £5.55m, with proposals for the purchase cost to be covered through a funding bid to West of England Combined Authority (WECA) Land Acquisition Fund. In addition to the circa £5.6m acquisition costs, provision for £4.5m development costs was made on the Capital Programme (P15319) under the Property Investment Portfolio for the development of new film studios at HBP, again subject to securing a WECA grant.</li></ol>			

7. The business case for investment in growth of screen production in South Bristol goes beyond safeguarding existing production capacity at TBYS; investment at HBP can create the much-needed ripple effect into the local economy, with local crew, suppliers and contractors employed and engaged on high-end drama productions, light entertainment and children's shows. A workforce development plan will be developed to deliver dedicated skills and training programmes at the TBYS and HBP sites, which can create local jobs and benefits for the people of South Bristol - an area of significant deprivation.
8. Olsberg•SPI, a TV and film industry sector specialist, was commissioned to develop a business plan for TBYS. A summary is provided below with supporting detail in Appendix A. The Business Plan considered how TBYS can be positioned as a catalyst for sector growth within the city, assisting in growing the number of jobs in the sector as well as the promotion of inclusive growth.
9. The Business Plan was developed alongside design feasibility work for the HBP site and considered several different development scenarios for TBYS, including variations of the number of studios retained at the existing TBYS site, the refurbishment of the existing warehouse building at the HBP site and options for additional new build studios at the HBP site. It was assumed that all capital investment, including acquisition costs would need to be on a fully repayable basis through income generated by TBYS.
10. The Business Plan identified that five of the seven options identified would require some level of long-term financial support to the TBYS to offset the purchase price and capital costs. The most advantageous without the requirement for support was the 'option 4', recommended for approval in this report, for the creation of three large new studios at the HBP site through conversion of the existing warehouse building, alongside maintaining eight studios at the existing site, with temporary closures of those studios affected by house building at Hengrove Park for the duration of those works. The option of additional new build studio space at HBP was identified as sub-optimal due to the higher capital investment costs associated with new build, which were significantly greater than the estimates forecast in December 2018 Cabinet papers.
11. The Business Plan was developed on early RIBA Stage 1 assumptions of capital investment costs required for refurbishment and the business plan financial model has been updated based on Stage 2 designs and cost plan submitted in the WECA Outline Business Case.
12. The estimated costs of the Hawkfield Project at RIBA Stage 2 for the core operational requirements for three new film and TV studios are circa £11.86m, comprising £5.55m site acquisition costs, £4.26m conversion costs, £1.7m (40%) optimism bias / contingency and £0.35m fees.
13. An Outline Business Case for the £11.86m Hawkfield Business Park project was approved by WECA Joint Committee of 29th January, awarding £135k of project development costs to develop the Full Business Case and an allocation of a further £11.73m. The project is targeting the submission of a Full Business Case to the June 2021 Joint Committee.
14. In response to the 'One City Climate Strategy' (2020) the project has investigated measures by which the project can support Bristol becoming carbon neutral and climate resilient by 2030 both at HBP and the existing TBYS site. This includes achieving better energy performance, carbon free energy generation and cutting heating demand. The core HBP proposals include carbon savings through replacing lighting with low energy LED alternatives and use of natural ventilation to studios. It is proposed to fund the installation of solar panels (PVs) as a renewable energy investment through existing provision within the Council's Energy Services Capital Programme.
15. Additional decarbonisation measures available at both HBP and TBYS sites, roof insulation and low carbon heating and cooling and potential for additional PVs. The cost of these measures exceeds the ability of TBYS to repay loans or borrowing, so have not been included in the core proposals. These measures have potential to be funded through grants, such as the present public sector decarbonisation fund, and in order to ensure that the project can quickly respond to availability of funding, delegated approval is being sought from Cabinet for submission of future decarbonisation bids, with a value of up to £3m across the two sites and for expenditure of those funds, if the bid(s) is/are successful.
16. The selected option in the 10 Year Business Plan includes the retention of all eight existing studios on the existing TBYS site to maximise the income generation achieved for the repayment of the investment at Hawkfield Business Park, alongside achieving growth in the jobs and direct expenditure generated by screen production activities between the two sites. In order to maintain and grow screen production at the existing Bottle Yard site it will be necessary to undertake an estimated £1.6m of capital works to ensure that these existing buildings / studios are fit for purpose and fully weather tight over the duration of the 10 year Business Plan. There is an existing £430k provision within a TBYS dilapidations budget, the remaining £1.17m

shall need to be met directly by the Council through a property renewal / repair capital budget. These cost estimates contain a contingency of 40%.

**Officer Recommendations:**

That Cabinet:

1. Approve option 4 of the ten-year Bottle Yard Studios business plan of developing three new studios at the Hawkfield Business Park site alongside maintaining eight studios at the existing Bottle Yard Studios site at a cost of £11.86m for the purchase and development of Hawkfield Business Park and £1.6m for essential renewal and improvement works at the Bottle Yard Studios site.
2. Note the approval of the Outline Business Case for the purchase and development of the Hawkfield Business Park site by the West of England Combined Authority (WECA) Joint Committee of 29<sup>th</sup> January 2021
3. Approve the submission of a Full Business Case to WECA for the £11.86m of external funding.
4. Authorise, on successful grant award, the Executive Director, Growth & Regeneration in consultation with the Council's s.151 Officer and Deputy Mayor with responsibility for Finance, Governance and Performance, to enter into a grant agreement and procure and award contracts for expenditure of the WECA grant funding for the development of the Hawkfield Business Park site.
5. Authorise the Executive Director, Growth & Regeneration in consultation with the Council's s.151 Officer and Deputy Mayor with responsibility for Finance, Governance and Performance to bid for and, if successful, to enter into up to £3m of external grant agreements and procure and award contracts for additional decarbonisation measures at Hawkfield Business Park and The Bottle Yard Studios, as grant funding opportunities become available.
6. Approve the investment of capital funding of £1.6m on the Capital Programme for essential renewal and improvements at the Bottle Yard Studio site to allow continued operation of existing studios over the term of the ten-year business plan.
7. Authorise the Executive Director, Growth & Regeneration in consultation with the Council's s.151 Officer and Deputy Mayor with responsibility for Finance, Governance and Performance to procure and award contracts of up to £1.6m for essential renewal and improvements.

**Corporate Strategy alignment:**

1. The project ensures the retention and development of the HBP as an employment site and supports the growth of a successful Council run TV and film studio within a highly disadvantaged and weaker economic area of the city contributing to improved economic and social well-being, which underpins many of the themes of the Corporate Strategy, particularly 'Fair and Inclusive' and 'Well Connected'.
2. The development of local supply chain, training and work experience opportunities at TBYS is an example of how BCC has, and is continuing to deliver inclusive growth and improved city resilience core principles, for instance the Media Production Diploma course run in conjunction with Boomsatsuma has had a strong focus on South Bristol students.
3. Bristol's Economic Recovery Strategy identifies 'Film and TV production over the last 10 years has become the jewel in the crown of Bristol's creative economy. Providing tens of millions of inward investment and hundreds of high paying direct and indirect jobs each year this is a key sector in Bristol's economy.' As a priority for response and recovery it identifies: 'secure funds for initiatives that connect Bristol with our international UNESCO Creative City partners and provide opportunities for film-based education, research, international collaborations and sustainable industry development. SDG: 4' and 'Targeted national and international marketing to promote film, TV and digital production facilities in South Bristol. SDG: 8.3'

**City Benefits:**

1. The investment in TBYS will help retain employment space in South Bristol, create additional employment on site, and increase the economic impact of film and TV production in the City.
2. The investment will help TBYS build on the international reputation as a centre for film, through continuing to develop strong partnerships across the sector and by providing new and improved studio facilities, which can be linked to developing sought after skills and attracting a diverse talent pool to suit the needs of productions large and small. The City's reputation for film and Creative Industries has been reflected in securing the city's status as a UNESCO City of Film and attracting Channel 4 to select the city as a location for its creative hub.

**Consultation Details:**

**Internal:** Culture, Strategic Property, Economic Regeneration, Finance, Housing Delivery and Major Projects

**External:** Consultation with Film and TV industry as part of business planning process

**Background Documents**

- December 2018 Cabinet Report

<b>Revenue Cost</b>	£-	<b>Source of Revenue Funding</b>	<i>Operational revenue costs will be covered by leases to production companies, alongside repayment of the Capital Grant</i>
<b>Capital Cost</b>	£13.26m	<b>Source of Capital Funding</b>	<i>Up to £11.86m WECA Grant and £1.6m BCC Capital and dilapidation reserves.</i>
<b>One off cost</b> <input checked="" type="checkbox"/>		<b>Ongoing cost</b> <input type="checkbox"/>	
<b>Saving Proposal</b> <input type="checkbox"/>		<b>Income generation proposal</b> <input checked="" type="checkbox"/>	

**Required information to be completed by Financial/Legal/ICT/ HR partners:****2. Finance Advice:**

The Olsberg report & findings, including the financial projections, have been reviewed and assessed in some detail, with full analysis carried out and tested against varying scenarios / potential outcomes. These have been reviewed and agreed with the team & S151 officer and support the Outline Business Case submitted to WECA for grant funding.

**Overview**

Olsberg produced their final report in April 2020, which was commissioned to provide BCC with an overview of the UK's trajectory in film & TV production over the next 10 years, TBYS position in this market, the impact on the studios whilst the development at Hengrove took place, and options to incorporate the new space at the Hawkfield site.

Overall the report was encouraging, and concluded that:

- 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 sector remains of strategic importance to the UK growing 5 times faster than the rest of the UK economy.
- The UK studio sector is seeing unprecedented demand from productions, outstripping the supply of stage space.
- TBYS is an established option for UK and international producers offering basic production facilities at a lower cost than purpose-built space.
- TBYS is the only studio in the South West, and has serviced some major UK and US projects largely in the series market.
- 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.

- The Business Case for developing the Hawkfield Site would add to TBYS Offer, but obviously dependent on the funding requirements and period of any repayment, though noting this would not be lost expenditure as it would increase the asset value beyond the 10 year period modelled.

### Financial Outputs – Olsberg Report

As part of their report, Olsberg produced a ten-year financial model, looking at a number of options addressing both the disruption caused by the development at Hengrove and developing the Hawkfield Site.

The key operational drivers underpinning the financial outputs (P&L) were;

- Space utilised per year, taking account of disruption
- Revenue by sq.ft. (Indexed by 4% pa)
- Cost base (provided by BCC) and flexed for the Hawkfield site. (Indexed by 2% pa)

### BCC Assessment

The Financial Modelling carried out by Olsberg was tested and a further review was undertaken and adjustments made on Space, Revenue generation (Rates) and Costs. Based on the revised data, a sensitivity analysis was carried out which tested various rates, selling rates and Capex requirements.

### Outline Business Case & Grant Application

The base case used for the Outline Business case (OBC), forming part of the submission to WECA, was based on the current reasonably buoyant market conditions, reflected in the Olsberg report and expectation of high demand and occupancy of developed studio space.

In determining the optimum Grant Funding strategy, 3 options were considered:

- Option 1 – 50% Partial Repayment underwritten by Bristol City Council.
- Option 2 – Profit Share over a 10-year term
- Option 3 – Best Endeavours for full repayment over a 15-year term

Capital costs for the Hawkfield site included a 40% contingency in the absence of detailed quotes & final specification.

Rental Income from the current tenant at TBYS (Matthew Clarke) was excluded.

Whole Life Costs for Buildings were not assessed, though the grant funding & expected profit generation should be sufficient to allow for appropriate reserves to be built up.

The preferred option put forward and supported at WECA's 29<sup>th</sup> January Committee was Option 1, which showed an overall cash positive position, though with peak funding requirement of £1m, to be managed by further and ongoing assessment of income generation and costs incurred.

<b>Option 1</b>										
<b>TBYS &amp; Hawkfield - Indicative Ten Year Cash Flow (Tax &amp; Working Capital ignored) - £m</b>										
<b>Cash Flow</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>	<b>FY 26-27</b>	<b>FY 27-28</b>	<b>FY 28-29</b>	<b>FY 29-30</b>
Revenue	2.09	2.28	2.75	2.93	3.11	3.27	3.34	3.70	3.78	3.85
Costs	1.50	1.66	2.23	2.27	2.32	2.40	2.44	2.49	2.54	2.59
EBITDA	0.59	0.62	0.52	0.66	0.80	0.88	0.90	1.21	1.23	1.26
50% Loan over 5 Years	-	(0.30)	(1.19)	(1.19)	(1.19)	(1.19)	(0.89)			
<b>Net Cash Flow</b>	<b>0.59</b>	<b>0.32</b>	<b>(0.66)</b>	<b>(0.53)</b>	<b>(0.39)</b>	<b>(0.31)</b>	<b>0.01</b>	<b>1.21</b>	<b>1.23</b>	<b>1.26</b>
	0.59	0.91	0.24	(0.29)	(0.68)	(0.99)	(0.98)	0.23	1.46	2.72

Repairs to the Bottleyard roof are estimated at a cost of £1.6m, including a 40% contingency of the quoted value (£1.135m). The cost of repair should be funded through utilisation of dilapidations contributions charged to previous tenants of the Bottleyard (c. £430k). The balance of funding (£1.2m) can be met through the element of the funds that will be received from WECA in relation to the purchase of the Hawkfield site for £5.5m. BCC bought the site through funds from Prudential borrowing, which will be reimbursed from the WECA funds. The transfer to Prudential borrowing should therefore be £4.3m, being WECA's contribution to the purchase (£5.5m) minus the cost of roof repairs not covered by the dilapidations contribution (£1.2m).

The funding of the roof repairs at TBYS are contingent on the successful grant application to WECA, with the earliest outcome anticipated in June 2021. If the grant application is unsuccessful then there will not be a funding source for the repairs, which will threaten the viability of the existing Bottleyard site. However, the OBC has been accepted by WECA, and the risk of an unsuccessful application is considered low

Additional exempt elements of financial advice containing commercial information relating to the business affairs of the authority are provided in Appendix I.

**Finance Business Partner:** Paul Keegan, Interim Finance Business Partner and George Palmer – Finance Business Partner - 10 February 2021

**2. Legal Advice:** The Bottle Yard Studios is a facility owned by the Council and which is intended to operate on a commercial (ie self-financing) basis. Further and ongoing legal input will be required in order to ensure that any legal risks associated with the proposed revised business plan (and any associated Council support) are identified and mitigated. The contracts for the works outlined in this report will need to be awarded in accordance with any conditions attached to the grant, the council's procurement rules and the Public Contracts Regulations 2015.

The authority being sought involves the procurement of contracts, the value of which is likely to exceed the key decision threshold, without further reference back to Cabinet.

**Legal Team Leader:** Eric Andrews, Solicitor – 18<sup>th</sup> December 2020

**3. Implications on IT:**

No anticipated impact on IT Services

**IT Team Leader:** Simon Oliver – Director, Digital Transformation, 30.10.2020

**4. HR Advice:**

The project is managed and resourced by existing BCC staff whose time is recharged to the capital project, therefore there are no current HR implications. Once operational there will be an increased staffing requirement for Bottle Yard Studios to support the expansion of the site.

**HR Partner:** Celia Williams, HR Business Partner, 25.01.2020

<b>EDM Sign-off</b>	Stephen Peacock	16 December 2020
<b>Cabinet Member sign-off</b>	Cllr Cheney	11 January 2021
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	27 January 2021

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>YES</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>YES</b>

<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>YES</b>
<b>Appendix G – Financial Advice</b>	<b>YES</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b> Supporting Financial Assessment - Exempt and not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information))	<b>YES</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>