



Doncaster Council

Report

Date: 10 April, 2018

To Chair and Members of Cabinet

Sheffield City Region Business Investment Fund to support the development of new TV and film production centre

Relevant Cabinet Member(s)	Wards Affected	Key Decision
	Sprotbrough	Yes

EXECUTIVE SUMMARY

1. A TV & film production financing company detailed in Appendix A have come forward with a proposal to redevelop the High Melton College site as a major centre for film and TV production. A Regeneris Consulting study suggests that this proposal will:
 - Involve investment of £64m
 - Will create 1,040 jobs on the new studio site.
 - Potentially create a further 6,700 jobs in the local supply chain.
 - Provide a £290m p.a. boost to Doncaster's GVA (circa 6% increase)
 - VFX Academy in association with DN College will train 750 students p.a. at up to Master level
 - Construct up to 402,000 sq.ft. of new sound stages, offices, workshops and warehouse.
 - Phase 1 of 207,600 sq.ft to be completed by 2021
 - Phase 2 of 195,000 sq.ft to be completed by 2023
 - Rateable Value of new development of circa £1,678,400
 - Annual business rates available to Doncaster Council from Phase 1 of development £204,300
2. This investment has the potential to have a game-changing impact on Doncaster's creative and digital industry (CDI), the availability of quality jobs, higher level skills, local aspirations and Doncaster's overall attractiveness to skilled and talented workers, visitors and investors. An increase of 1,040 jobs in the TV & film industry in Doncaster would provide a 100% boost to the number of

people employed in this industry in the Sheffield City Region and a 25% boost to Yorkshire & Humber as a whole, positioning Doncaster and the region to be major industry players outside of London and the South East of England.

3. To support this investment and help to attract it into the Sheffield City Region the SCR and Business Doncaster team propose to support an application to the SCR Business Investment Fund. This grant will;
 - Be for £4.1 million
 - Represent 11% of their first phase costs of £36m.
 - Help deliver 3 sound stages, production offices, and VFX Academy.
 - Enable the creation of 430 jobs at the new studios.
 - Support the establishment of high level training course at a new VFX Academy.
4. The SCR Business Investment Fund requires sponsoring Local Authorities to share the cost of the grant at a later date (repayment terms and date to be agreed).
5. In supporting this investment Doncaster Council would be required to pay back to the City Region a sum of £2.05m. This sum to be paid out of new Business Rates receipts generated by the development. Appendix B contains tables detailing the accommodation to be built, rateable values and anticipated income resulting from the development.
6. The application was considered by the SCR Business and Investment Panel on the 20th March and was supported. A paper will now be presented for approval by the Combined Authority on the 30th April. It is intended to take this report for Doncaster Council Cabinet on the 10th April via Executive Board on the 27th March.

EXEMPT REPORT

7. Yes. This report includes commercially sensitive information (appendix A) which is not for publication as it refers to information which is exempt as defined within paragraph 3, (information relating to the financial and business affairs or any particular person, including the authority holding that information) of Part 1 of Schedule 12A of the Local Government Act, 1972, as amended.

RECOMMENDATIONS

8. This report is seeking approval for:-
 - The Council's support of the application for funding to the SCR Business Investment Fund by the TV & film production financing company for the sum of £4.1m
 - Committing the Council to the future re-payment, subject to Doncaster College selling the site to the TV & film production financing company, of £2.05m of the funding obtained by the TV & film production company to the SCR
 - The delegation to negotiate acceptable terms and conditions with the SCR which shall include repayment conditions which are acceptable to the Council to the Director of Environment and Regeneration, in consultation with the Chief Finance Officer and the portfolio holder for Business, Economic Development and Tourism

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. The proposal is for the site to be developed in two phases with phase one 1 2018-21 and the second phase 2021-23. Regeneris Consulting estimate that once complete the studio development will:
 - Create 1,040 jobs at the new studios
 - Average salary for these jobs is over £30,000 p.a.
 - Stimulate up to 6,700 new jobs in the local supply chain.
 - Boost Doncaster GVA by £290m p.a.

10. The first element of the project to be delivered will be establishment of a VFX Academy Hub in conjunction with Doncaster College delivering;
 - The company's intention is that whilst the Film, TV and VFX Academy Hub building is receiving planning permission and being built, they will operate VFX training courses (a mix of lower end HND as well as MA's in specific VFX software) from the existing College buildings on the site. The aim would be to run courses as follows:
 - January 2019 – MA course in VFX (40 students)
 - (July 2020 – Film, TV and VFX Academy building is completed and operational for the start of the educational year.)
 - September 2020 – HND, Degree and MA courses in VFX (150 students p.a.)
Film and TV training courses commence across a range of disciplines (250 p.a.)
 - September 2021 – The number being trained will rise to 600 p.a.
 - September 2022 – The number being trained will rise to 750 p.a.
 - Indicative remuneration levels once qualified are provided as;
 - VFX junior starting rate £25k
 - Rising to £35- 40k after 3 years
 - After 5 years rising to £50k plus
 - High demand and low levels of supply are driving salary levels upwards

11. This investment has the potential to have a game-changing impact on Doncaster's creative and digital industry (CDI), the availability of quality jobs, higher level skills, local aspirations and Doncaster's overall attractiveness to skilled and talented workers, visitors and investors.

BACKGROUND

12. The film and TV production sector is one of the UK's most vibrant and rapidly growing business sectors and is well supported at Government level with what was described as being the most advantageous tax regime for film/TV content production globally.

13. During 2017 £1.69b was spent on UKTV and film projects (up 23% on the previous year) with a 13% increase in the previous year.

14. With a regional lack of production facilities Doncaster and the Sheffield City Region have not to date benefited from the growth in this sector. Doncaster has 3,000 jobs in the creative and digital industry, which is a low proportion compared to Great Britain as a whole – and the same applies to the Sheffield City Region and the Yorkshire and Humber:

Place	CDI jobs as % of all jobs
Doncaster	2.5%
Sheffield City Region	4.3%
Yorkshire & Humber	4.9%
Great Britain	7.0%

15. Of the 3,000 CDI jobs in Doncaster, less than 50 are within the TV & film industry. Across the Sheffield City Region there are 1,000 jobs and across Yorkshire and Humber there are 4,300. An increase of 1,040 jobs would therefore provide a 100% boost to the number of people employed in the TV & film industry in the Sheffield City Region and a 25% boost to Yorkshire & Humber as a whole. This would position Doncaster and the region to become major industry players outside of London and the South East of England. With 5,340 jobs, the Y&H region would have the potential to overtake the North West (6,300 jobs) and Scotland (6,500 jobs) to become the largest employing region outside of London and the South East. To put the Doncaster development in context, Channel 4's plans to establish a second HQ outside of London, which has attracted significant national publicity, involves 300 staff relocating and the potential creation of 3,000 new jobs in the creative industries outside London.
16. The Doncaster Growing Together (DGT) Plan includes the ambitions to:
 - Ensure all Doncaster's people and places can participate in a growing, productive economy and feel the benefit of doing so - making Doncaster a thriving place to learn, work, live and care
 - Become a University City that grows the opportunities our young people and adults have to gain higher level education and skills
17. There is an increasing recognition within DGT that creativity and culture have a significant role to play in achieving these ambitions – as reflected in the strategic aims of the Partnership Creative and Culture Strategy (2016 – 2021):
 - To raise the profile of Doncaster through arts, creativity, heritage and culture.
 - To see all children and young people and their families take part in and enjoy great cultural experiences across Doncaster.
 - To encourage people from all sections of the communities across Doncaster to access and take part in creative and cultural activities.
 - To use culture, creatives and creativity to drive inclusive growth in Doncaster, reflecting the diversity of its people.
18. The Regeneris Consulting forecast for 6,700 jobs in the local supply chain for this project is based on the assumption that this project brings up the employment rate within the anticipated supply chain companies to the national average.
19. The proposal would be to build out the development in 2 phases with the first phase delivering;
 - 4 sound stage,
 - 2 workshops,
 - 4 warehouses and a
 - VFX Academy
 - totalling 207,700 sq.ft

- New RV of approx. £851,265.
20. This will immediately be followed by a slightly smaller second phase of 195,000 sq.ft including a further 4 sound stages, 2 workshops, 4 warehouses and large office with a further R.V. increase of £827,167.
 21. The Sheffield City Region Business Investment Fund was created to help attract major new investment to the region and requires the host local authority to pay back 50% of the grant and to do so over a period of 5 years to 10 years after the award of the grant and start of development. The intention is that the liability will be repaid from an expected increase in Business Rates resulting from the investment. This sum must be repaid regardless of whether Doncaster experiences any new growth in Business Rates.
 22. This grant application process requires Doncaster to cover a sum of £2.05M from Business Rates. Repaying this figure over a period to be agreed, Current forecast indicate that the Phase 1 build should generate sufficient funds to repay the City Region.
 1. Business Rates income of £2.05M over 10 years equates to £205,000 p.a.
 2. DMBC share of any new Business Rates is currently 49%*
 3. There has recently been a proposal that from 20-21 financial year Local Authorities will retain 75% of Business Rates collected.
 4. Assume an average multiplier of 0.48 (17/18 is 0.479 and 18/19 is provisionally 0.493)
 5. The rateable value required to yield an average annual Business Rates charge of 408,163 with a 0.48 multiplier would be **£850,340**
 6. The company proposes a First Phase build of 207,673 sq.ft with a likely R.V. of circa £851,265 with a second phase of 195,045 sq.ft with a R.V. increase of circa £827,167 as detailed in the table below. In addition to the R.V. to be retained from the existing buildings.
 23. New/additional Business Rates from the studio site will represent only part of the benefits resulting from the investment. If only 20% of the 6,700 new jobs potentially created in the local supply chain require new build property then that equates to 1,340 jobs, which at 80sqf per person would require new office space of 107,200sqf. Such space would equate to a combined Rateable Value in excess of £1m and an annual payment figure of over £0.5m with DMBC receiving over £0.25m p.a.
 24. Caveats and variables that would need bearing in mind;
 - There are likely to be at least 2 revaluations over the next 10 years. One in 2022 and then moving to 3 year revaluations in 2025 (see financial Imps)
 - There could be appeals which may lead to fluctuations in RV.
 - The multiplier will rise each year in line with CPI but will normally reduce at revaluation time to make any revaluation cost neutral.
 - Statements have been made by Ministers suggesting changes to the retention rates that Councils are allowed to retain from the Business Rates pool. The suggestion is that a 75% retention might be in place by 2020 and possible 100% at a later date. It should be noted that this forms part of the Government's wider financial settlement to the Council, therefore any growth from increased Business Rates would not last indefinitely

OPTIONS CONSIDERED

25. Support the company's grant application to the Sheffield City Region and prepare to repay half of the grant in 10 years' time and anticipate to benefit from; the creation of 1,040 jobs, 6,700 jobs in the local supply chain, 750 high level education course places and £290m of new GVA p.a. for Doncaster
26. Don't support the grant application and hope that the company can secure sufficient commercial funding to bring this significant new startup operation to fruition. With such significant levels of investment (£36m) and lead time before such a facility becomes operational this would be unlikely without an element of public sector pump priming.

REASONS FOR RECOMMENDED OPTION

27. Supporting the development of new TV and Film production facilities in the manner described has the potential to create nearly 8,000 new jobs in a relatively short space of time, increasing Doncaster's GVA by 6% (£290m p.a.) and expanding the Higher education course offer significantly. This proposal is the type and scale of inward investment project that arises very infrequently and presents an opportunity that needs to be exploited.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

28.

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>Potential for 1,040 jobs to be created on site at the new studios with a further 6,700 created in the local supply chain.</p> <p>£64m of investment generating an increase to Doncaster's GVA of £290m p.a.</p>
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>Development of 7 sound stages and the attraction of film and TV productions and the use of local settings and assets in films programmes increase the town's profile and attracts visitors to the town.</p>

	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	<p>Up to 750 new course places to be created in high paying media related courses in a sector that currently struggles to recruit personnel</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	

RISKS AND ASSUMPTIONS

29. Planning Consent. This is a redevelopment of a large site in open countryside around a listed building with challenging topography. However, the site fluctuation in levels potentially works to the advantage of this use and the Council's Planning team have had regular meeting with the company and both sides have a very good understanding of the key issues.
30. New business rates uplift. The proposed first phase of development should deliver sufficient new buildings to generate enough new business rates receipts to cover the level of repayments to SCR. Appendix B details the scale of the

proposed two phases of development and the expectation that they could generate in excess of £3m of new Business Rates receipts to Doncaster in the first 10 years of the first new studios opening. If legislation changes to allow Local Authorities to retain a higher percentage of business rates (75% has been suggested) then this figure increases to £5.1m across both phases of development. There are a number of variables that will need to be reviewed before agreeing to the grant conditions. In addition there should be additional new business rates generated in the local supply chain for this development result in new builds in line with the new Town Centre Masterplan then this figure will be achievable.

31. Project viability. The company behind this proposal are not themselves TV & Film producers in this instance but will be enablers providing the accommodation and environment in which others will create employment opportunities and media content. The principals of the company as detailed in Appendix A have a proven track record and excellent industry contacts to attract production companies. The operating environment and Tax system in the UK means that there is great demand from the industry which outstrips its current capacity. Should the project not develop as anticipated, fall short of its growth aspirations or fail entirely then the council will still be responsible to repay half of the grant received by the company up to that point and possibly up to £2.05m irrespective of whether Doncaster benefited from any Business rates growth.

LEGAL IMPLICATIONS (NJD 12/03/18)

32. Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government Act 1972 gives the Council the power to purchase goods and services.
33. Although the Council will not be expected to enter into the funding agreement with Sheffield City Region (SCR) Business Investment Fund nor receive the grant of £4.0m from SCR, the Council will be expected to enter into an agreement with SCR for the repayment of £2.0m. The terms and conditions of this agreement have not yet been prepared by SCR and will need to be agreed between the parties at a later date.
34. Further legal advice and assistance will be required once the Council has a better understanding of the funding arrangement between the SCR and the TV and Film production financing company, what obligations will be placed on the Council for the repayments of £2.05m.

FINANCIAL IMPLICATIONS (DR 13/03/18)

35. The £4.10m Sheffield City Region (SCR) Business Investment Fund support for the development of new TV and Film production studios is currently expected to require the Council to pay £2.05m to the SCR over the period 5 years to 10 years after the award of the grant and start of development, so c. £0.41m per year during that time. The exact terms and conditions of this arrangement have yet to be determined and the report requests a delegation for the conclusion of that to the Director of Regeneration & Environment, in consultation with the Chief Finance Officer and the portfolio holder for Regeneration. The Council's ability to make a provision for this payment is predicated on the assumption that the Council will have benefitted from sufficient uplift in Business Rates resulting from

the development of the site in the intervening period

36. Under the proposals outlined above the net increase in Business Rates generated by the development of these new studios and facilities should cover DMBC commitment to the repayment of the SCR grant. However, the valuation of specialist new developments such as this is a very difficult area to estimate. While using existing valuations of other established properties is the only logical way to estimate a rateable value and therefore a level of Business Rates yield, it is wise to be prudent on valuations for long term projects.
37. The uncertainty around Business Rate retention and it's importance to local Government finances remains unclear. The current 50% retention scheme was expected to be replaced with a 100% scheme by 2020 as part of the Local Government Finance Bill, however, this bill was dropped following the recent General Election. However, it appears the Government still intends to increase this share with the Minister for Housing, Communities and Local Government announcing an increase to 75% from 2020/21 in December 2017.
38. However, the uncertainty around the future of Business Rates remains, only this week the Chancellor has announced a change to how often businesses' rateable values will be revalued, bringing forward the next revaluation to 2021 and then making them 3 yearly rather than 5 yearly after that.
39. The proposal is at a formative stage and there are a number of risks and issues behind this assumption that require clarification before the Council should make a formal commitment. Including but not limited to: -
 - Forecast and actual business rates may not provide sufficient uplift to cover the provision. Further work will be required to make a proper assessment, though this may be difficult as the actual figure is likely to be subject to a specialist valuation. However, the Council may still wish to make the provision, given the other benefits of the development.
 - What happens should the company go out of business during the 10 year period and/or the development is not delivered as envisaged? If this occurs there is potential for the Council to have to pay earlier than in 10 years or cover some element of claw back. The company is currently dormant with no assets and minimal equity and dependent on new financing for the project. The viability of the company as a going concern seems to be solely dependent on the business case for this development. Further due diligence on the company and more information regarding claw back requirements will be required.
 - Financing arrangements may be dependent on the relationship between the parties involved and the how the payment itself is defined. This could dictate that the liability has to be recognised immediately rather than in 10 years and whether it could be funded from a capital or revenue resource. Full details of how the scheme is set to work have yet to be received from SCR for this to be properly assessed.

HUMAN RESOURCES IMPLICATIONS (CR 08/03/18)

40. There are no HR related implications in connection to this Cabinet report to support the proposed Sheffield City Region business grant application made by a film/tv production company to buy and develop this film studio.

TECHNOLOGY IMPLICATIONS (PW 06/02/18)

41. There are no direct technology implications in relation to this report

HEALTH IMPLICATIONS (CEH 13/03/18)

42. There is the potential for positive health implications in relation to support the grant application for the redevelopment of this site. There is a strong evidence base showing that work is generally good for physical and mental health and well-being. The provisos are that account must be taken of the nature and quality of work and its social context; jobs should be safe and accommodating.

It is recommended that the health impacts of the redevelopment of the site are considered within in the planning process to consider the potential effects on green space/countryside, transport links and the local residents.

EQUALITY IMPLICATIONS (TPH 05/02/18)

43. The industry supported by this application operates in a vary equal opportunities manner both in terms of the film/TV production and the post production activities associated with the VFX Academy

CONSULTATION

44. This project has been worked on jointly with the Inward Investment Team at the Sheffield City Region and the senior management team at Doncaster College

BACKGROUND PAPERS

45. None

REPORT AUTHOR & CONTRIBUTORS

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