

CABINET

15 October 2019

Title: Delivery of 'Made in Dagenham' Film Studios	
Report of the Cabinet Member for Regeneration and Social Housing	
Open Report	For decision
Wards Affected: Eastbrook	Key Decision: Yes
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Accountable Strategic Director: Graeme Cooke, Director of Inclusive Growth	
Summary <p>Film/TV studios and associated media related activity at the former Sanofi site at Dagenham East have been progressing for a number of years with significant land holdings being acquired to facilitate the delivery of London's largest studios for 25 years.</p> <p>Last year a competitive procurement was undertaken to seek an organisation to purchase a long leasehold of the land and deliver and operate studios. US firm Pacifica Ventures were selected as preferred bidder due to their track record in delivering successful studios in the US. Unfortunately, Pacifica Ventures have not performed, and their exclusivity period has now lapsed. The evidence of demand for production companies to rent studio space remains very strong so Be First working with organisations involved in the industry have produced a Business Plan for delivery and operation of the studios to inform decision making on getting the studios built.</p> <p>The Business Plan shows a proposal which addresses the needs of the industry and would fund the borrowing costs of the land assembly and construction costs and make a further return to the Council in the medium term. The Business Plan sets out a range of delivery options from the Council fully funding the build and then running the studios (maximum intervention) through to selling the site following planning approval (minimum intervention) with a range of options between those. Appendix 1 consists of the proposed masterplan for the site.</p> <p>Whilst the Business Plan sets out the details for the full build out of the studios and its operation, at this stage the Council is not being asked to commit to a particular delivery option – that would be subject to a further report - just to commit to fund a planning application and design work recognising there is a viable business case and a range of delivery options. Industry concerns about planning are significant given high profile failures to secure planning elsewhere. Therefore, securing planning approval for the studios would be a major step forward in giving the industry confidence about Dagenham. This would encourage greater interest from potential funders/Joint Ventures partners and greater certainty of lettings potentially including an anchor tenant. During the planning process Be First will continue discussions with industry players to better inform decision making regarding the future delivery option.</p>	

The Business Plan for the proposed Film studio development is in line with the emerging vision for the wider Dagenham East area which will be produced over the coming months – key initial elements of which are presented in Appendix 3.

Recommendations

The Cabinet is recommended to:

- (i) Delegate authority to the Chief Operating Officer to appoint a design team in accordance with the Council's Contract Rules to work up and submit a full planning application along the lines of the site masterplan shown at Appendix 1 on behalf of the Council;
- (ii) Agree to allocate up to £3.4million to cover pre-development costs from the Investment and Acquisition Budget to allow the project to seek planning approval and to take Phase 1 of the scheme (shown in Appendix 2) through to RIBA Stage 4 design;
- (iii) To note that a future Cabinet report will seek approval for the delivery option with the Business Plan highlighting a range of options;
- (iv) Authorise the Chief Operating Officer in consultation with the Director of Law and Governance to negotiate and award any agreements to give effect to recommendations (i) and (ii), and
- (v) Authorise the Director of Law and Governance, or an authorised delegate on their behalf, to execute all the legal agreements, contracts and other documents on behalf of the Council in relation to recommendations (i) and (ii).

Reason(s)

- Regeneration and development of the borough through very high profile project
- Potential to generate a long term income source for the Council
- Transformation of local economy and image of the borough
- Extensive range of employment, community and social benefits delivering Borough Manifesto objectives.

1. Introduction and Background

- 1.1 Largely due to the work of the Council's Film Unit, film and television location shoots in the borough have grown substantially over the last 5 years. This established extremely good links with the industry and highlighted the challenges the sector is facing in terms of shortage of studio space in London. As a result, the Council and Greater London Authority (GLA) jointly funded a feasibility study appointing consultancy SQW working with BBP to carry out the work engaging with a very wide range of stakeholders and industry leaders as well as local stakeholders. The study also attempted to quantify the benefits achievable both locally and regionally and how these can be maximised. The studios would have a major impact on changing perceptions of Dagenham, encouraging civic pride as well as raising aspirations of people in the Borough including through ensuring local training providers align services to meet the needs of the industry. The report concluded "Dagenham East represents a rare chance to build a world-class film studio within the boundaries of Greater London."

- 1.2 As a result of this work initially the Council and now Be First have progressed land assembly which resulted in the decision for the Council to purchase c.9 acres of land in November 2016 (completed) and a further c.11 acres in January 2018 (which completed in January 2019). Subsequently, the Council made the decision to purchase the entire LEUK site (completion January 2019) through a company purchase by Barking Dagenham Trading Partnership (BDTP). Part of the LEUK site includes c.3 acres of undeveloped land (Plot 3 on page 9 of Business Plan) which is agreed would form part of the film development. These acquisitions complete the necessary land assembly to deliver the film studios and associated facilities required.
- 1.3 Cabinet in January 2018 agreed to Be First commencing a process to select a partner to deliver the studios – through the selling of a long lease for the whole site for film studio development. This involved national and international promotion. The film studio operators' market is extremely limited with many studios in the UK run/owned by Local/regional Authorities including Bristol and Manchester. There is a small pool of organisations that fund, build and operate studios. As such the response was limited – US firm Pacifica Ventures were selected as preferred bidder based on their track record of building successful studios in the US. Be First entered into a time limited exclusivity agreement with Pacifica Ventures but unfortunately, they did not progress matters sufficiently and their exclusivity has now lapsed.
- 1.4 The demand for film studios remains strong; however, it is recognised the industry has concerns over planning issues given high profile planning battles and that further de-risking by securing planning approval would generate significantly more confidence and greater opportunities.
- 1.5 Rather than securing a one-off capital receipt (which would be likely to be in excess of the land assembly expenditure made), there is the opportunity for the Council to gain a long term rental income from the studios if delivery is not via a land sale. To inform decision making on the way forward, Be First has led on the production of a Business plan for the studios. To ensure the robustness of the Business plan the following experienced companies/organisations have contributed:
- 1) Lambert Smith Hampton (LSH) - One of the leading consultancies for film/TV studio property issues. They produce a regular, well respected, research report on studio demand¹ and have advised studio development and expansion across the U.K.
 - 2) PRP architects - Worked extensively on the designs for the new film studios in Manchester (Space Project) and clearly know the industry's requirements.
 - 3) Knight Frank - Operate the 3 Mills Studios for the London Legacy Development Corporation and therefore have detailed and first hand knowledge of operating costs and revenues as well as occupiers' requirements.
 - 4) Film London - The Capital's screen industries agency to sustain, promote and develop London as a global content production hub.
 - 5) LBBB Film Unit - The film unit has attracted significant locational filming in the borough and established good and candid relations with key industry players.

¹ https://www.lsh.co.uk/-/media/files/lsh/research/2018/2018_06_10392_film-studios-research-report-print.ashx

- 1.5 The Film Studios form one element of the wider former Sanofi site and a Dagenham East vision document is being produced setting out how Dagenham East is the focus for repositioning the local economy away from traditional manufacturing towards growth sectors where we can become known regionally, if not nationally, as a centre where the fusion of film/media, science, data, research and learning supports economic growth, delivers thousands of new jobs and training pathways for local people as well as providing associated facilities which support the centre's growth and benefit residents. Emerging extracts are attached as Appendix 3.
- 1.6 It is proposed to exclude the c.3 acre frontage plot (shown in Appendix 3) for future development which presents an opportunity for a strong public frontage to the site recognising that the dotted red line shown on the plan around the film studios will be a secure boundary with limited public access. Leaving this site for the last phase of development makes sense it as gives the Council the chance to maximise the benefits and returns following the successful delivery of the studios and other developments on the rest of the Dagenham East site. However, Be First are currently exploring the opportunities for temporary/meanwhile uses which present a 'public face' to the site and provide facilities of benefit to Dagenham East occupiers as well as local residents.

2. Proposal and Issues

- 2.1 One of the key objectives for the development is maximising local job opportunities and inspiring people to take up employment in a growth sector which over time will change the nature of the Dagenham economy. As such this is probably the Be First project with the potential for the biggest impact on the Borough. Local residents can be encouraged to seek the skills required to secure creative industry employment seeing that there are local employment opportunities available. The screen industries are superb for a wide range of employment opportunities from construction works (building stage sets, electrical, carpentry), textile industries, hair and beauty through to film specific roles. It will be important to maximise the full range of opportunities and build links with the wide range of organisations involved in creative industries skills development. Officers at Be First and the Council are engaging with existing and potential training providers in the borough and getting Screenskills² to carry out a specific piece of work in this area to ensure the opportunities from the proposal are fully maximised.
- 2.2 A detailed business plan and masterplan have been produced based on the extensive experience of the team and considerable engagement with organisations in the industry. The Business Case sets out how and why the proposed layout meets the industry's requirements. The masterplan is shown as Appendix 1.

The case for action includes achieving the following:

Place making/Perception Changing

- Dagenham becomes identified clearly and positively for the screen industries with the studios becoming a nationally recognised facility.
- Delivering the planning permission shows a clear intent and commitment by the Council to the studios and generates more confidence in both the industry and potential investors/partners.

² <https://www.screenskills.com>

- Productions companies need to see a derisked pathway to the delivery of the studios which essentially shows a delivery date for them becoming operational before they will commit to utilising them. Securing planning consent is a significant step in being able to demonstrate that to these end users.
- There could be potential to brand the studios as the most sustainable film studios in the UK given the increasing focus on this area in the industry and the chance to establish a clear unique selling point.

Financial/Commercial

- A commercial long term return for the Council reflecting the investment made.
- Generate new income for the Council through increased business rates received estimated to be over £500,000 per annum.

Employment, Skills and Business

- Delivering significant on-site employment across a range of skills levels as well as in-direct employment/supply chain employment
- Maximising scope for local employment and training opportunities during construction but most importantly in establishing a long term vision for permanent employment where local residents are inspired to seek employment in the industry and secure the skills required at local facilities. The Council will facilitate local providers to address skills requirements.
- The studios play a key role in the local economy and community becoming actively involved in local partnerships.

- 2.3 The Business Plan sets out a phasing option whereby a first phase could be delivered consisting of 3 high end sound stages, a standalone office/gatehouse reception and the provision of the necessary ancillary workshops including the conversion of the existing Unit C for workshops. A second phase would deliver a further 3 sound stages, the conversion of the existing Unit A to workshops and additional workshop space. The phasing plan is shown as appendix 2.
- 2.4 Funding is sought to develop and submit a planning application for the site. This would cost £1.8m. Be First would appoint architects through its DPS framework in line with Be First's scheme of delegation.
- 2.5 In addition a further £1.6m is sought to progress the detailed design of Phase 1 to sufficient detail for a building contract (RIBA stage 4). This would enable much firmer construction price. This would give the market much greater confidence of delivery and speed up the timetable regardless of which delivery option is chosen.
- 2.6 Secret Cinema are currently utilising Unit A for the current 'Casino Royale' show which has attracted c.1500 people per night to Dagenham further raising the site's media profile. So far, their presence has brought over 115,000 people to the site. Secret Cinema are discussing an extension to their tenancy which would work with the proposed two phase development set out in the Business plan.
- 2.7 Section 10 of the Business Plan sets out the planning issues for the film studios in significant detail. In order for productions to win a Bafta award, the studios used need to achieve a specific environmental accreditation³. The design will look to

³ <https://wearealbert.org>

address these requirements with the new studios likely to be one of the most sustainable in the country.

3. Options Appraisal

- 3.1 The regeneration case for film studios at Dagenham East was set out in the LBBD/GLA funded feasibility study by SQW and has been the basis of the Council's land assembly to date. The Business Plan takes this much further setting out in considerable detail the capital and operating costs and revenues for studios designed with industry input.
- 3.2 The Business Plan focusses solely on delivery of film studios and related activities – it does not set out options for alternative land uses. The site has a restrictive covenant against residential uses. Clearly the site has planning approval and existing warehouse buildings and could be progressed as a logistics park. There would be a lower capital cost for completion of and it would generate reasonable rents with strong demand - however it would not achieve the benefits set out in paragraph 2.2 above.
- 3.3 Whilst the Business Plan sets out a single masterplan for the site (shown in appendix 1), this has been developed following over 20 iterations gaining feedback from the industry to come up with a layout that works for the widest range of potential occupiers and addresses lessons learnt from a number of other studios. Significant consideration was given to whether to reuse the two existing warehouse units on site (Units A and C – shown in dotted black lines in appendix 1) and the conclusion was that it was uneconomical to bring them into use as soundstages which meet industry requirements but they were suitable for lower cost conversion to workshops which are an essential part of the studio facilities. This reduces the overall capital requirement compared to a complete new build and then sets further parameters on the site layout.
- 3.4 The 'Do Nothing' option means the studios proposals would not progress having a very negative political and perceptual impact with the Council still having the associated borrowing costs from land assembly.
- 3.5 A future Cabinet report will seek to secure approval for a specific delivery option addressing procurement requirements. The Business plan sets out the range of options available which can be further defined as discussions continue with industry players.
- 3.6 Separately the project team are also exploring options as to whether it makes economic sense to deliver temporary soundstages within the site boundary or as a meanwhile use for the frontage plot.
- 3.7 A sensitivity analysis forms part of the Business Plan assessing the impact of increases/decreases in construction costs and operating costs.

4. Consultation

- 4.1 The proposals for film studios have been widely publicised including stories in the national press. There is strong support for the project, and it has been referenced in Borough Manifesto and other more general public consultations.

- 4.2 The Business Plan work involved intensive consultation with the Film/media industry to seek to ensure the design/layout/facilities achieve as many of the industry's requirements as possible which can be viably delivered. These discussions will continue throughout the detailed design process.
- 4.3 As part of the planning process it would be proposed to have public consultation prior to the planning application being submitted as well as the usual planning consultation processes.
- 4.4 The Dagenham East Regeneration Steering Group (DERSG) has been paused for the last 18 months but it has been reconvened with a meeting held on 23 September. The DERSG involves all key stakeholders at Dagenham East (Be First, BDTP, NTT, Travelodge/Costa, Unite, Secret Cinema, Elutec, M&B Sports Club, The Pipe Major etc) along with Eastbrook Ward Councillors and the Cabinet Member for Regeneration and Social Housing. This gave the opportunity to discuss the proposals in this report which were supported.

5. Equalities

- 5.1. The Equality Act 2010 provides protection from discrimination in respect of certain protected characteristics namely: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Section 149 of the Equality Act 2010 places the Council, as a public authority, under a legal duty ("the public sector equality duty"), in the exercise of all its functions, to have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act;
 - Advance equality of opportunity between persons who share a "relevant protected characteristic" (i.e. The characteristics referred to above other than marriage and civil partnership) and persons who do not share it; and
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 5.2. An equalities impact assessment has previously been undertaken as part of setting the planning policy framework for the Borough. The planning application for the development will assess the potential impact on equalities and social cohesion.

6. Financial Implications

Implications completed by David Dickinson, Finance & Investment Manager

- 6.1 The paper requests £3.4million to cover pre-development costs to allow the project to secure planning approval and to take Phase 1 of the scheme through to RIBA Stage 4.
- 6.2 Of the £3.4m requested, £1.8m is required to develop and submit a planning application for the site, with an additional £1.6m sought to progress the detailed design of Phase 1 to sufficient detail for a building contract (RIBA stage 4).

- 6.3 Obtaining planning and a phase 1 detailed design for the site will give the market much greater confidence of delivery and speed up the timetable regardless of which delivery option is chosen.
- 6.4 Financing of the £3.4m will be through borrowing and this will be added to the total cost of the site assembly and holding costs, which is currently £43.5m (excluding interest costs).

7. Commercial Implications:

Implications completed by Hilary Morris, Commercial Lead

- 7.1 This paper requests approval for funding of £3.4 to develop the Film Studio proposal through to planning permission and notes that a decision on the optimum delivery and operating model for the Film Studio will be the subject of a future paper.
- 7.2 In tandem with the proposal to develop the scheme to planning permission Be First are also proposing to tender the development of Phase 1 of the scheme to secure firm prices for this stage. These prices will help inform the decision around future delivery and operating options.
- 7.3 As a contracting authority Be First are required to comply with the requirements of the Public Contracts Regulations 2015 (“the Regulations”) and as such any tender will be required to be carried out via a competitive process and demonstrate best value. Be First have indicated that they will tender the opportunity via a mini competition/direct award off of the DPS framework which if approved in accordance with the Council’s Contract Rules will be a compliant route to market however the current timeline is considered challenging.
- 7.4 As Be First are proposing to tender the opportunity it will important for the Council to clarify its requirements in a commissioning document.

8. Legal Implications

Implications completed by Dr. Paul Feild Senior Lawyer

- 8.1 Whilst the general power of competence in section 1 of the Localism Act 2011 provides sufficient power for the Council to participate in the transaction and enter into the various proposed agreements, further support is available under Section 111 of the Local Government Act 1972 which enables the Council to do anything which is calculated to facilitate, or is conducive to or incidental to, the discharge of any of its functions, whether or not involving expenditure, borrowing or lending money, or the acquisition or disposal of any rights or property.
- 8.2 The report envisages the Council participating in the venture and as local government is an emanation of the state, the Council must comply with European Law regarding State Aid. This means that local authorities cannot subsidise commercial undertakings or confer upon them an unfair economic advantage. This report does not identify any specific aspect of the proposed development, which is other than as a commercial transaction, thus this arrangement satisfies the requirement it is on market terms.

- 8.3 The working up of the business plan into realisation will require the commissioning of expertise and professional services. This will be conducted in accordance with the Council's contract rules and the Public Contract Regulations 2015.

Other Implications

- 9.1 **Risk Management** - The scheme is crucial to delivering the regeneration aspirations being pursued by Be First on behalf of Barking and Dagenham Council. Section 15 of the Business Plan is a risk assessment.
- 9.2. **Staffing Issues** - External Consultant expertise has and will be appointed as appropriate. However, the process will be cliented by current Be First staff.
- 9.3 **Corporate Policy and Customer Impact** – Film studios are specifically referred to in the Borough Manifesto and can deliver a wide range of policy outcomes.
- 9.4 **Safeguarding Children** - Design development undertaken on all new projects by Be First will take into account the needs of local communities including children, with a focus on creating high-quality, accessible spaces that allow for freedom of movement and social cohesion. The film studios will be a secure site however we are keen to maximise the amount of school visits, placements and apprenticeships. Clear processes and procedures will be established and agreed before this becomes operational.
- 9.5 **Health Issues** - One of the overriding objectives of the project is to change the life chances of young people in the Borough - raising aspirations, encouraging life choices and pathways to training and employment. It is recognised the importance of this in improving health and well being.
- 9.6 **Crime and Disorder Issues** - Section 17 of the Crime and Disorder Act 1998 places a responsibility on councils to consider the crime and disorder implications of any proposals. The proposals set out in this report will help make the areas safer by improving the quality of the environment, creating safer more natural surveillance for public areas and pedestrian routes. All new developments will fully meet the requirements for Secured By Design accreditation.
- 9.7 **Property / Asset Issues** - The proposals will add value to the Council's existing land holdings.

Public Background Papers Used in the Preparation of the Report:

'Made in Dagenham: a proposed Film studio for Dagenham East' SQW October 2017

'Business Plan for proposed film studio development at Dagenham East' September 2019

Cabinet reports: 15 November 2016, 23 January 2018, 19 June 2018 which was superseded by 13 November 2018.

List of Appendices:

Appendix 1: Site Masterplan

Appendix 2: Phasing Plan

Appendix 3: Extracts from emerging Dagenham East vision