

CABINET

20 October 2020

Title: Dagenham Film Studios Delivery Route	
Report of the Cabinet Members for Finance, Performance and Core Services and for Regeneration and Social Housing	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended)	For Decision
Wards Affected: Eastbrook and Thames	Key Decision: Yes
Report Author: David Harley and Stephen Hursthouse, Be First	Contact Details: E-mail: david.harley@befirst.london
Accountable Director: Ed Skeates, Development Director, Be First	
Accountable Strategic Leadership 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>In October 2019, Cabinet agreed to fund the costs of submitting a full planning application and taking the design of the studios to RIBA stage 4. This has progressed to schedule and LBBD's Planning Committee gave unanimous approval in July followed by a positive Stage 2 decision from the Mayor of London in August. The October 2019 Cabinet report noted that a further Cabinet report will seek approval for the means by which the studios would be delivered recognising there were various options but that additional information was needed to inform decision making. After securing planning approval Be First sought bids from the interested parties to understand private sector offers whilst further updating the business plan if the Council was to build the studios itself. Seven bids were received. Using this information, this report sets out an analysis of the delivery route options so Cabinet can make a decision on the optimal means of delivering film studios in Dagenham.</p> <p>Given strong private sector interest by parties with extensive experience of building and running studios, the report recommends the Council facilitate the delivery of the studios through a long leasehold sale of the land and recommends delegating approval to the Chief Operating Officer, in consultation with relevant Cabinet Members and officers, to conclude and enter into land sale agreements based on the parameters and values set out in Appendix 1 (the information in Appendix 1 is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information).</p>	

Over the last few months, work has also taken place on how to maximise the local impact of the studios in terms of employment, training and engagement. It is recognised the studios could have a transformational impact on the local economy but it is critical this is planned properly. The Film industry generates a very wide range of jobs but there is a recognition many are freelance and it is important to ensure local residents have the necessary skills hence a programme of outreach is needed. The report sets out the results of work by Screenskills engaging with local providers to establish what is required to unlock the full potential of the studios.

Recommendation(s)

The Cabinet is recommended to:

- (i) Agree that a long leasehold sale of land represents the best route to deliver Film studios in Dagenham;
- (ii) Agree to a 250 year leasehold sale of the land shown edged red in the plan at Appendix 2 to the report and delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, the Cabinet Member for Regeneration and Social Housing and the Director of Law and Governance, to conclude sale agreements and a lease and any related documents for disposal to the preferred bidder in line with the terms set out in section C1 of Appendix 1 to the report;
- (iii) Agree to a 250 year leasehold sale of the land shown edged red in the plan at Appendix 3 to the report and delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, the Cabinet Member for Regeneration and Social Housing and the Director of Law and Governance, to conclude sale agreements and a lease and any related documents for disposal to the preferred bidder in line with the terms set out in section C2 of Appendix 1 to the report; and
- (iv) Agree to acquire part of the LEUK site as shown edged red in the plan at Appendix 4 to the report from LEUK (which is in turn owned by Barking & Dagenham Trading Partnership) and delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, the Cabinet Member for Regeneration and Social Housing and the Director of Law and Governance, to conclude the transfer and any related documents on the terms set out in paragraph 1.1 of Appendix 1 to the report.
- (v) Agree to a 10+10 year lease and pre-emption agreement of the land known as Welbeck Wharf, as shown edged red in the plan at Appendix 5 to the report, and delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Performance and Core Services, the Cabinet Member for Regeneration and Social Housing and the Director of Law and Governance, to conclude the lease and any related documents to the preferred bidder in line with terms set out in Section D of Appendix 1 to the report.

Reasons

- Regeneration and development of the borough through a very high profile project
- Transformation of local economy and image of the borough

- Extensive range of employment, community and social benefits delivering Borough Manifesto objectives.
- Generate a capital receipt and future significant business rates income.

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 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 (appendix 4) which is agreed would form part of the film development.. The parcel of land was identified as being required for the film studio within the LEUK purchase and as such there is already contractual provision for this sale to take place at an agreed price (shown in Appendix 1, paragraph 1.1). These acquisitions complete the necessary land assembly to deliver the film studios and associated facilities required.
- 1.3 The demand for film studios remains strong and the impact of Covid-19 is not seen as a long term problem, indeed demand for content has risen. It was recognised the film industry had 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. As such in October 2019 Cabinet approved the funding for Be First to design and submit a planning application for the studios to remove that critical point of uncertainty. Planning has now been secured and private sector interest has increased with a number of strong bids put forward.
- 1.4 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.

2. Proposal and Issues

- 2.1 To submit the planning application, Be First established an experienced team who know the industry well. The scheme which has now secured planning permission meets the needs of the industry and delivers a viable development. Alongside the planning application work, Be First have further updated the business plan. As the design detail has developed a more robust construction cost has been secured from one of Be First's framework contractors. Section 2 of Appendix A sets out the headline summary of the Business Plan should the Council wish to fund and deliver the studios itself.
- 2.2 Following securing planning permission, Be First sought bids from private sector organisations with experience of building and running studios. Seven bids were received. The bids have been assessed and Appendix 1 sets out the terms of the highest bidder.
- 2.3 Section 3 of this report sets out an analysis of the different options open to the Council to deliver film studios at Dagenham.

Employment/skills and other local benefits

- 2.4 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 biggest single Be First project with the potential for transformational 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 asked Screenskills¹ to carry out a specific piece of work in this area to ensure the opportunities from the proposal are fully maximised. If Cabinet choose to sell the land to a private sector company to develop the site then the Council intends to work closely with the partner to develop the offer.
- 2.5 The Council can secure socio-economic outcomes through the S106 agreement under delivery route options B and C set out in Section 3. However Option C (long leasehold sale) also offers socio-economic proposals from the bidders which would go over and above S106 obligations. A high level assessment of these is set out in Appendix 1 (part 2).
- 2.6 Barking and Dagenham College are currently finalising the construction of their Institute of Technology (IoT). This will be a superb addition to the borough including their own film studio. Jason Turton, the Director of Advanced Technologies at the

¹ <https://www.screenskills.com>

IoT had experience at a Manchester college linking students to the job opportunities at Salford studios.

- 2.7 In August 2020 a £5.0m grant was awarded by the government to support the infrastructure costs around the Dagenham film studios. The grant was allocated as part of the Getting Building Fund designed to create jobs and support the country's economic recovery. This will further support the development of the film studio. This funding will be used by Be First to deliver road/drainage infrastructure and utility connections to the site which will speed up the delivery of the studios.
- 2.8 By Minute 67 (11 December 2018), the Council purchased the Welbeck Wharf site, 8 River Road, Barking. Separately the preferred bidder has requested the ability to rent the site (shown in appendix 5) which consists of two large warehouses for additional studios. Their offer is set out in Section D of appendix 1. Be First confirm that the Council has satisfied its duty to secure best consideration pursuant to section Section 123 of the Local Government Act 1972.

3. Options Appraisal

- 3.1 This section assesses the different options the Council has for delivering film studios on the site - together with the alternative option of just selling the land without any requirements to deliver studios. The table below sets out a high level summary of advantages and disadvantages of the options with further detail below. The recommended option is the long leasehold land sale.

Option	Advantages	Disadvantages
A) Sell land no restrictions ie. Not for film studios	Capital receipt	Full socio-economic and inward investment/profile raising nature of film studios not delivered. Likely more traffic from industrial and less jobs.
B) Self Delivery	Highest level of control	Highest risk Need for further borrowing Returns
C) Recommended: Long leasehold land sale with film studio user clause	Capital receipt – confirmed price. Objective of securing very experienced buyer with a commitment to delivery through the creation of commercial incentives	No direct long term income.

A) Sell land without restrictions

The Council could simply sell the assembled land with no restrictions on use. This would clearly not deliver the film studios and the associated socio-economic and inward investment benefits. There is a restrictive covenant imposed by Sanofi on the site meaning no residential use (traditionally the highest land value). The existing planning use for the site is industrial. An independent Section 123 Local Government Act 1972 valuation has been carried out by Strutt and Parker with the

headline figure included in Section A of Appendix 1. It is highly likely that any industrial development on site would generate significantly more HGV vehicle movements and less employment than the film studios development.

B) Self Delivery

The Council has the option of building the studios itself and running them - with sub options of appointing staff direct or procuring an organisation to run the studios. A detailed business plan has been produced showing how this would work and the income and expenditure figures. The headline figures are shown in Appendix 1 section B. Whilst this option would give the Council the highest level of control and the full returns, it would require significant additional borrowing and the highest level of risk. Whilst demand remains strong, this option is now not recommended due to the quality and experience of the private sector bids and the belief that the objectives of quick delivery and the socio-economic outcomes can be achieved through the long leasehold land sale option, with strong links maintained with the developer and operator.

C) Long Leasehold Sale

Appendix 1 section C sets out the price offered by the highest scoring bidder. This bidder has a very strong track record of building, owning and managing studios with strong financial backing and the capacity and desire to establish studios in London. The sale would take place within weeks meaning there is a commercial incentive on the purchaser to deliver studios quickly to make a return on their significant expenditure.

Selling a long lease rather than freehold gives the Council some element of retaining control. It is proposed to have a land use restriction in that it shall be used for film studios for 10 years. Any change of use will require the consent of the Council. There is a restrictive covenant on the site preventing residential development which can only be removed by former landowner Sanofi.

These are subject to further discussion with the preferred bidder to determine the best governance mechanism. Although we have not secured this through the section 106 obligations, and it is not part of the proposed land sale, we are talking to the preferred bidders about an ongoing role for the council in the governance of the film studios in the long term.

4. Consultation

- 4.1 Proposals for film studios at Dagenham East have formed part of a number of public consultation activities in recent years. The specific pre-planning public consultation event saw over 60 visitors attendees with almost unanimous public support for the proposal. There were no objections to the planning application.
- 4.2 The Dagenham East Regeneration Steering Group has been kept informed of progress.

5. Commissioning Implications

Implications completed by: Darren Mackin, Head of Commissioning and Programmes, Inclusive Growth

- 5.1 The delivery of a film studio in Dagenham is an opportunity to change the nature of the economy, not only in Dagenham but also for the rest of the borough. While the studios themselves will bring some direct employment and training opportunities; having them in the borough will help to raise the aspirations of our residents in terms of finding careers in this growth sector.
- 5.2 In addition to this the arrival of the studio will increase demand within the local area for services which will both support the operation of the studios and improve local amenity and employment opportunities for residents. The film studio will form a key part of our wider vision for Dagenham East, and sit alongside one of Europe's largest data centres and the UCL PEARL institution as part of this cluster of future facing industries.
- 5.3 Discussions have already begun with the bidder to agree how they will contribute to the delivery of a range of social and economic initiatives which will ensure that our residents are able to benefit from the opportunities created. This includes how the bidder will work as a partner with the local training and further education sector.

6. Commercial Implications

Implications completed by: Hilary Morris, Commercial Director

- 6.1 This paper proposes a long leasehold sale of the designated Film Studio site to a preferred bidder with a 10 year film studio designation in return for a capital receipt.
- 6.2 The development of a film studio on the Dagenham East site has been a flagship element of Be First's Business Plan since its inception and the report outlines that the proposed long leasehold sale offers the best possible opportunity to ensure the development and long term sustainability of the film studio with the least risk to the Council.
- 6.3 The proposal includes the acquisition of a parcel of land (appendix 4) included within the demise of London East UK – a separate company owned by the Barking and Dagenham Trading Company which is a subsidiary of the Council. The parcel of land was identified as being required for the film studio within the LEUK purchase and as such there is already contractual provision for this sale to take place at an agreed price. The sale will require the Council to buy the land from BDTP which will need to be funded as well as any Stamp Duty, Land Tax payable on that transfer. A variation will therefore be needed to be made to the BDTP loan agreement to reflect the sale of this part of the site.

7. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

- 7.1 This report follows on from a Cabinet report in October 2019, where Cabinet agreed to fund the planning and design costs to RIBA stage 4 of the film studio site. In July

2020 planning was agreed. The October 2019 report required a further report (this report) to be taken to Cabinet containing options and a recommended approach for delivering the film studio.

- 7.2 The report recommends the Council facilitate the delivery of the studios through a long leasehold sale of the land to a suitable film studio operator. Other options included self-delivery or the freehold sale for industrial use. Appendix 1 outlines the options and provides details from the highest bidder, of the agreements that would be required should Members agree to the long leasehold sale.
- 7.3 The Council has spent a number of years progressing the film studio site, with money spent on land assembly, hold costs (interest), on obtaining planning permission and on design. Given the level of interest from the film industry, with a number of strong bids for the site, the option of a long leasehold sale is supported.
- 7.4 A long leasehold sale will provide the Council with a capital receipt (cash) that will be used to repay money already spent during land assembly.
- 7.5 In August 2020 a £5.0m grant was awarded by the government to support the infrastructure costs around the Dagenham film studios. The grant was allocated as part of the Getting Building Fund designed to create jobs and support the country's economic recovery. This will further support the development of the film studio.

8. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 8.1 As set out in the body of this report the site is set on the former Sanofi factory at Dagenham East. Following the closure the owners were not able to dispose the site as a single entity and a number of parties took interest. The Council determined that the site offered unique regeneration opportunities and determined to set about land assembly as described in paragraph 1.9 above.
- 8.2 The Council has the power to promote the delivery of the Film Studios utilising the the general power of competence in section 1 of the Localism Act 2011 which 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.
- 8.3 The legal process that has been identified in progressing the objective is by the Council making use of granting an interest by a long leasehold, which is proposed to be for 250 years. The use of a leasehold enables the Council as a landlord to govern more precisely over a period of time the use of the land by which the tenant of the land and other occupiers will be bound. This is because a lease enables a landlord to set both positive and negative requirements that is to say things that must be done, things which require the landlords consent and things that are not permitted.

8.4 As observed in para 6.3 of Commercial Implications there will be some land parcel re-arrangements that need to be effected together with a variation to the BDTP loan agreement, this is already accounted for.

8.5 **Best Consideration:** Strutt and Parker has been appointed to value the Dagenham East sites which are recommended to be disposed of by way of the grant of a long lease. Strutt and Parker will confirm that the Council has satisfied its duty to secure best consideration pursuant to section Section 123 of the Local Government Act 1972.

9. Other Implications

9.1 **Risk Management** - This is one of the Borough's highest profile projects and therefore has substantial reputational risk. Securing planning permission has substantially reduced delivery risk and means if Cabinet agreed to the land sale option it could move ahead swiftly. Due diligence work has been undertaken on the preferred bidder and their ability and capacity to build and run the studios. Significant work is underway to ensure that socio-economic benefits are realised.

The proposed option compared to self delivery has substantially reduced risks for the Council.

9.2 **Contractual Issues** – Long leasehold sales of land will require a range of documents to be completed.

9.3 **Staffing Issues** – To date work has been carried out by Be First as part of their remit. Be First would conclude the transaction whilst Film LBB and the Inclusive Growth team will be more heavily involved long term particularly on maximising socio-economic outcomes.

9.4 **Safeguarding Adults and Children** – The operation of the studios would require the operators to have policies and procedures in place to address any potential risks.

9.5 **Health Issues** – There are no specific health issues however the scheme will deliver a range of socio-economic benefits for the area and raise aspirations which are acknowledged as important determinants of health.

9.6 **Crime and Disorder Issues** – These issues were considered as part of the planning application for the site and one of the planning conditions is that the scheme will follow the SABRE security rating scheme including liason with the Met Police.

9.7 **Property / Asset Issues** – The recommendation proposes a long leasehold sale of land acquired by the Council in recent years. The Council will retain the freehold interest. The Council has the ability to sell land

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1:** Financial details (exempt document)
- **Appendix 2:** Film Studio land
- **Appendix 3:** Front site land
- **Appendix 4:** LEUK site to be acquired
- **Appendix 5:** Welbeck Wharf site