



Delivery Options for Production Space for Film and TV

Report for Scottish Enterprise

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Contents

Executive Summary	i
1. Introduction	1
2. Market Context	5
3. Options	28
4. Commercial Appraisal	57
5. Management Appraisal	68
6. Economic Appraisal	74
7. Conclusions	84
8. Recommendations	90
Appendix A: Study Contributors	94
Appendix B: Location and Site Search Process	96
Appendix C: Site Options/ Appraisal	103

Executive Summary

Introduction

This report presents the findings of an option appraisal study commissioned by Scottish Enterprise (SE), in partnership with Creative Scotland (CS) and the Scottish Government (SG), into the development of a new film and TV production facility in Scotland. The study was led by EKOS, working in partnership with a design team led by JM Architects and including ARUP and Gardiner and Theobald. The study team also benefitted from technical advice on studio facilities from Cask Productions.

The study was structure into three phases:

- **Phase 1:** comprising market assessment work, development of criteria for selecting possible studio sites, national site search and development and application of a weighted scorecard to identify sites for appraisal;
- **Phase 2:** appraisal of selected sites covering initial design work and costing, commercial appraisal, management appraisal and economic appraisal; and
- **Phase 3:** more detailed appraisal of a preferred option, including economic impact assessment and recommendations for next steps.

The work comprised desk review of available market information, wide consultation with stakeholders and a selection of key industry representatives, site visits, outline designs and layouts for each of the sites selected for appraisal and close working with SE and its partners.

Main Findings

The study found evidence of a clear and present opportunity for a studio facility in Scotland, based on strong growth in internationally mobile film and TV production activity. In particular, the extension by the UK Government of tax incentives for mobile production from film into TV and video games (subject to State Aids approval) has created a surge of interest from international (mainly US) TV productions. This, combined with ongoing growth in demand for filmed content generally, is driving demand for studio space, currently scarce within the UK and many parts of Europe. The target market is therefore in high end TV production and medium to high budget film, with opportunities to also cater for productions with lower space

requirements such as lower budget TV and commercials production, as well as indigenous film.

Scotland currently has no dedicated film and TV studio, and this constrains its ability to compete in this market. A studio alone will not be sufficient. This is a highly competitive market and there is a need for the Government and its agencies to be able to offer a consistent and responsive means of supporting indigenous and incoming mobile productions more effectively than at present. This is backed up by the recent film sector review published by Creative Scotland.

Any new studio should be located near to the main transport links, crew and facilities companies. This suggests a location in the Central Belt tending towards the major concentration of skills in the Glasgow area.

The study process defined the ideal specification for the first phase of a studio as 2 soundstages of 15-20,000 square feet, the same in workshop space, plus production offices and offices for facilities and related media companies to locate on site. A second phase to accommodate increased demand would increase the capacity to 3 or 4 soundstages (with a corresponding increase in workshop and office accommodation). The site should ideally allow for further expansion.

Many studio complexes start as conversion of an existing facility. However, an extensive search failed to identify any sites that would satisfy the specification summarised above. Issues with existing premises related mainly to location, insufficient ceiling height, or the presence of internal columns (structural columns can be expensive to remove).

At the time of the study, the Sony/ Starz production of *Outlander* had just taken up space in an empty manufacturing plant in Wardpark Business Park in Cumbernauld. That has led to an existing site being retro-fitted to provide 140,000 square feet of television production space. Expansion of the facility is one of the options appraised in this study.

In the absence of sites suitable for conversion the study examined three full scale new build proposals along the lines of the above specification (at Dalmarnock, Gartcosh and Pacific Quay) as **illustrative examples only** rather than definitive statements on the optimal location. A fifth option (Foundation Studio) was also included as an example of a first phase development only – comprising two soundstages, two workshops and production offices but excluding non-essential (albeit desirable) accommodation for facilities companies and other non-core activities. Pacific Quay has been used as an illustrative site to demonstrate the

potential benefits of locating in an existing creative industries cluster but the development could be accommodated at any suitable location.

Outline design and site appraisal work identified the likely costs of a new build studio to be between £15m (for the Foundation Studio) and £74m (Gartcosh site) (including fees and VAT), but found little to differentiate between the sites, with the exception of the space constraints at Wardpark. However, while the commercial appraisal on both the full scale and first phase only options found potential to generate operating profits, these would be insufficient to repay the necessary capital investment, making the project less attractive to a commercial investor without substantial public capital support.

Mixed use facilities that include other sources of revenue such as retail, leisure and/ or hospitality may provide a stronger commercial proposition, but were beyond the brief of this study.

It is also possible that private sector interests may be willing to consider alternative options by converting existing premises at a lower cost than the development of more purpose built facilities. Industry support is limited for any options which significantly reduce the specification (ie smaller sound stages or lower ceiling height) as this would reduce the potential market as most film and high-end TV productions need the specification outlined above. However, the example of Wardpark confirms that there is a commercial opportunity for this kind of approach (depending on the commercial terms).

Financial viability of a studio is dependent on adequate charging and utilisation rates being achieved and the commercial appraisal found limited prospect for return on the capital investment even with optimistic assumptions.

At the time of the study, a number of private sector led studio proposals were being developed. Some public sector support might improve the prospects of these being realised. The public sector should establish a mechanism to evaluate known or latent developments in a robust and transparent way through a call for proposals. In the event that no suitable proposals are received from the private sector there is a case for the public sector to consider a direct provision approach.

The appraisal found that the Foundation Studio option offers the most practical case for public sector support on the grounds of economic impact and value for money. It presents a more affordable solution, could be developed in a shorter period of time and would enable

Scotland to engage in the current market opportunity on a lower risk basis but at the same time allowing for managed growth and expansion in time.

While this may be possible, there is a need to seek clear advice to ensure that any public sector participation in a studio proposal complies in full with State Aid rules.

If a public sector led approach is required it is recommended that a private sector partner be appointed to manage the studio operation, and that this should be on a shared risk basis to manage the level of risk to the public purse.

Recommendations

On the basis that there is a clear market opportunity for a studio in Scotland, we have a number of recommendations for SE, CS and SG regarding the next steps.

These outline a 'twin track' approach to minimise the time delay in bringing a studio facility to market. In particular, we recommend that the public sector partners test the market for private sector interest, while **concurrently** appraising in depth the business case for public sector investment in a Foundation Studio, such that this can be actioned in the event of no viable private sector project being identified.

Recommendation 1: SE (on behalf of the three partners) should issue a brief to the market to identify any private sector interest in a studio development that would meet the identified market opportunity for Scotland. Although the appraisal work suggests that a commercially viable business plan for the ideal specification is unlikely, a private sector led development cannot be ruled out, particularly if a more compromised solution is developed (see above). Should this exercise fail to identify a commercial project, this adds further to the rationale for a public sector led solution.

Recommendation 2: In the event that a) the market testing process does not identify a commercial project and b) the case can be made for public sector investment, the partners should proceed with detailed appraisal and business planning for a Foundation Studio. Any public sector led project should also be considered on the basis that a **shared risk** model for its operation can be developed with the private sector.

Recommendation 3: In seeking to clarify the case for public sector involvement, the partners (including SE, CS and SG) should seek detailed advice on the State Aid position to clarify what can be delivered within the State Aid envelope. In addition, should a robust

business case be made for public sector involvement, the partners should also examine the availability of capital funding, and seek the necessary approvals, making use of the evidence presented within this report.

For the avoidance of doubt, the report makes no recommendation on a preferred location for a studio development beyond the criteria identified.

1. Introduction

This report presents the findings of a detailed option appraisal for a permanent studio and related infrastructure for film and TV production in Scotland. The study was conducted on behalf of Scottish Enterprise, in partnership with Creative Scotland and the Scottish Government.

There is a long history of interest in the development of a production space, or studio, for film and TV production in Scotland. Various initiatives have been proposed at different times and in different parts of Scotland. None of these have materialised to date, however, there are reasons to consider revisiting the proposition in light of changes in the market environment in Scotland and the UK. In particular:

- changes in fiscal incentive schemes for film and high end TV production create a more favourable environment for production in the UK;
- Scotland has benefitted from recent high profile successes in the attraction of mobile TV and film production, which has at times drawn attention to the relative lack of suitable production space;
- there are anecdotal reports of overheating in the UK market, and a shortage of suitable studio space;
- the (reported) success of new studios elsewhere in the UK (e.g. the Paint Hall in Belfast, Cardiff's Drama Village and the Pie Factory in Salford) has fuelled new belief in the potential of new studio facilities, as has the recent announcement of a deal between Pinewood and the Welsh Government to develop a studio in Cardiff;
- renewed commitment to production in the UK nations on the part of the national broadcasters, the BBC in particular, has started to bring greater confidence to the production sector; and
- there is strong political interest in the development of a studio in Scotland, and evidence of broad cross party support.

The evidence suggests that even with strong industry backing and involvement, studios remain a risky business, particularly in an increasingly competitive international market for mobile production.

Aggressive incentive schemes (often tax driven) are common across competitor nations, making the job of winning internally mobile productions increasingly challenging, although there is an argument that the lack of a studio further weakens Scotland's competitive position.

If a studio is to be seriously pursued in Scotland, it will be important for all involved to consider how to effectively compete within this market.

1.1 Study Objectives

The overall objective of the current study was to produce a robust and rigorous option appraisal for the development of a production space for film and TV in Scotland. The brief outlines a number of specific elements to be covered, as follows:

- clear assessment of potential demand for a studio based on existing data and knowledge about the markets in Scotland, the UK and internationally;
- development and agreement of a set of criteria against which to assess potential sites for the studio;
- identification of potential sites through a pan-Scotland search, to include options for new build and conversions of existing premises;
- detailed appraisal of the identified options for the studio development, including assessment of:
 - likely capital and operating costs for each option
 - analysis of potential utilisation levels
 - operating and delivery models
 - commercial viability, including the need (if any) for ongoing subsidy and the likely timeframe to break even in each option
 - assessment of the potential economic impacts of each option;
- detailed appraisal of, and recommendations regarding, potential business models for the facility; and

- outline design work for the preferred options to provide more details and robust estimates of the likely capital costs to inform financial appraisal and modelling.

1.2 Study Team and Process

Study Team and Management

The study was delivered by a multi-disciplinary team bringing together expertise in economic analysis, architecture, engineering and acoustics, capital development and studio management.

The team was led by EKOS, working in partnership with:

- **JM Architects** – leading the design team, co-ordinating quantity surveying (QS) and cost input, environmental and acoustic assessments and developing outline designs for the preferred options;
- **ARUP** – responsible for specialist engineering and acoustics assessments of the different options;
- **Gardiner and Theobald** – QS and cost input; and
- **Cask Productions** – specialist technical input on studio facilities, operating models and costs and demand forecasts.

The study was overseen by a Steering Group formed by Scottish Enterprise with representation from Creative Scotland and the Scottish Government, The group met four times throughout the process to agree the findings from each of the three phases of the work (described below) and approve the workplan to follow. Individual members of the steering group are listed in **Appendix A**.

Study Process

The study was structured into three phases:

- **Phase 1:** comprising market assessment work, development of criteria for selecting possible studio sites, national site search and development and application of a weighted scorecard to identify sites for appraisal;

- **Phase 2:** appraisal of selected sites covering initial design work and costing, commercial appraisal, management appraisal and economic appraisal; and
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The work comprised desk review of available market information, wide consultation with stakeholders and a selection of key industry representatives, site visits, outline designs and layouts for each of the sites selected for appraisal and close working with SE and its partners. Further details on the study methods are provided throughout the report.

1.3 Report Structure

The report is structured as follows:

- **Chapter 2** reviews the market context for a studio facility and identifies the key drivers of demand;
- **Chapter 3** describes the location search work and the options selected for appraisal;
- **Chapter 4** reports the commercial appraisal work, including assessment of likely running costs and potential revenues;
- **Chapter 5** defines and appraises possible management and delivery models that could support a new studio facility;
- **Chapter 6** presents a detailed assessment of the potential economic impacts of a new studio facility in Scotland;
- **Chapter 7** summarises the findings of the option appraisal work and identifies a preferred option; and
- **Chapter 8** presents our recommendations.

2. Market Context

2.1 Introduction

The original study brief was clear that the primary sources of demand for a studio facility would be feature film production and high end TV production – most obviously in drama production. While additional demand may also come from entertainment production in TV (so called ‘shiny floor’ shows) and commercials, the BBC’s studio at Pacific Quay already provides facilities for these markets, and greater economic impacts will arise from film and drama production.

In this section we review the market context in which any new studio would operate, drawing on previous published research, film and TV production data provided by Creative Scotland and consultation with stakeholders and the production industry.

2.2 Global Growth

PricewaterhouseCoopers’ (PWC) Entertainment and Media Outlook 2013-2017 presents forecasts for the film and television market up to 2017. As shown in [Table 2.1](#) the market is forecast to grow by 17% between 2013 and 2017.

Table 2.1 Value of World Filmed Entertainment Market £ millions

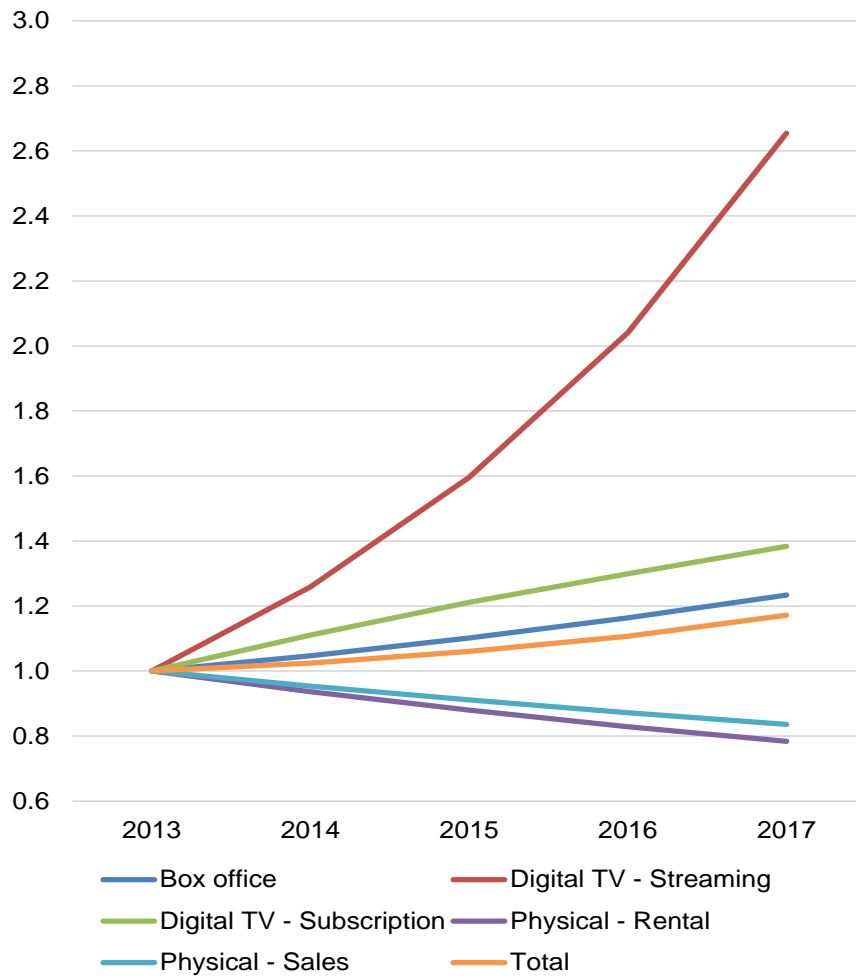
	2013	2014	2015	2016	2017
Box office	22,699	23,767	25,002	26,413	28,012
Digital TV - Streaming	4,145	5,217	6,615	8,461	11,003
Digital TV - Subscription	4,315	4,793	5,229	5,608	5,971
Physical - Rental	7,102	6,651	6,249	5,890	5,568
Physical - Sales	17,000	16,218	15,498	14,831	14,208
Total	55,261	56,646	58,593	61,203	64,762

Source: PWC Entertainment & Media Outlook 2013 – 2017

[Figure 2.1](#) shows the growth rate of the various segments of the market. The most striking aspect is the strong growth in the digital streaming of filmed entertainment which is predicted to almost triple over the next four years. Box office and

subscription TV are both predicted to rise steadily, whilst both physical sales and rental will fall.

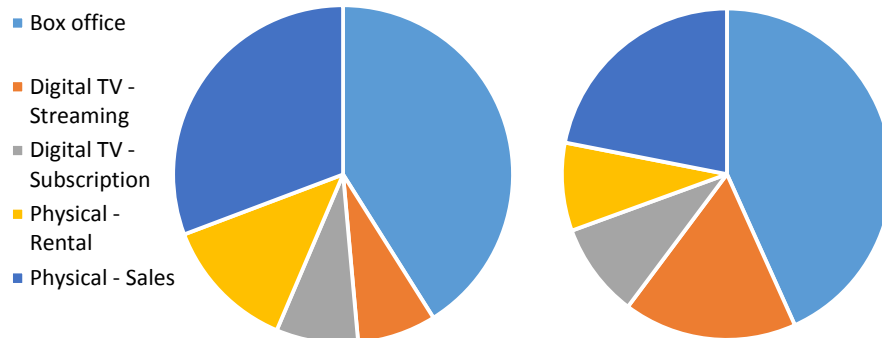
Figure 2.1 Change in Market Size 2013 - 2017 (% change)



Source: PWC Entertainment & Media Outlook 2013 – 2017

Figure 2.2 shows the market share of different segments, and highlights the dominance of box office and physical sales revenues. Box office will remain the biggest segment of the filmed entertainment market over the next few years but there is a growing trend towards digital consumption of filmed entertainment over physical consumption.

Figure 2.2 Share of the Market 2013 and 2017



Source: PWC Entertainment & Media Outlook 2013 – 2017

More detailed consideration reveals that the forecast growth in subscription (c. 7% pa) and advertising revenues (c. 6% pa) is very much driven by the ability of channels and platforms to attract and retain viewers with high quality content. This continues to fuel demand for content across the board, but has driven particularly strong growth in film and high end TV drama series, both of which are key attractors for subscription services.

PWC also undertook work for Pinewood Studios and Creative England examining trends in the film, TV and games industries and exploring the implications for studio provision in the UK¹. Their analysis highlighted a number of findings relevant to the current study:

- the demand for high quality film content is fuelling growth in big-budget features with global market appeal, which in turn is driving demand for high-end production facilities;
- in television, the main driver of demand is high end drama series, which is again creating demand for studio space, and many of these productions are space-hungry;
- the production values in many high end TV drama series are such that budgets are increasingly comparable to feature films, requiring larger and more sophisticated studio space; and

¹ *The UK Film, TV and Video Games Industries: Powering Ahead*, PricewaterhouseCoopers, January 2013.

- the UK has a competitive offer for the mobile production market based on a strong track record in production; well established facilities; skilled and experienced crew; and a competitive tax incentive structure.

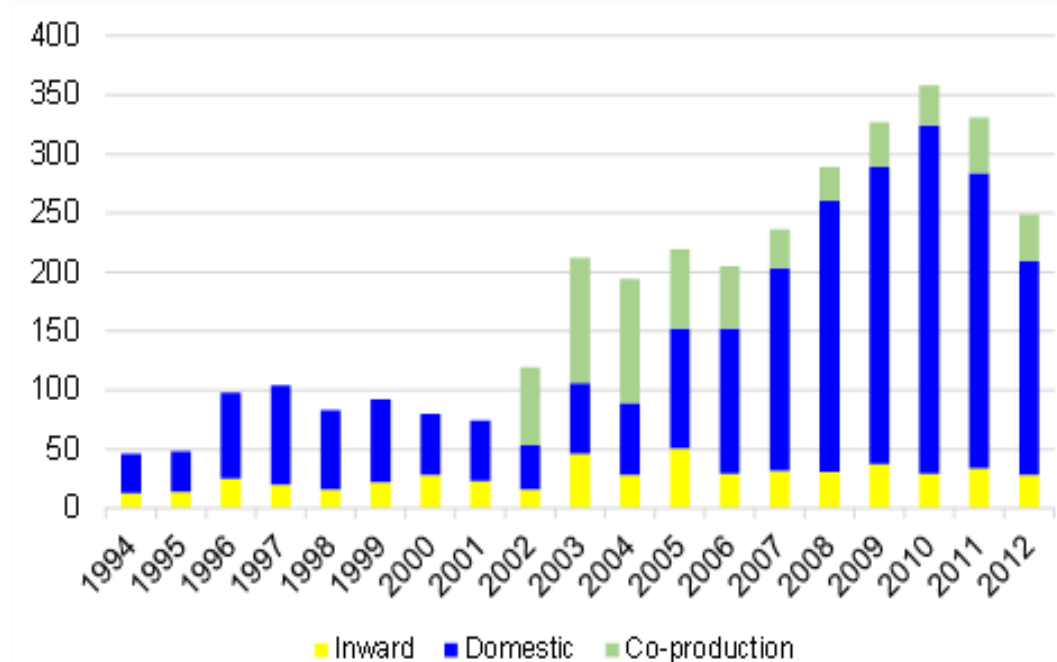
Thus, there is evidence of strong growth at global level in the markets for filmed content, and this growth is at the higher end of the production spectrum (budget-wise).

2.3 UK Production

Film Production

The numbers of films being produced and/ or shot in the UK has been on an upward trend for some time, driven mainly by growth in domestic production, as shown in **Figure 2.3** below.

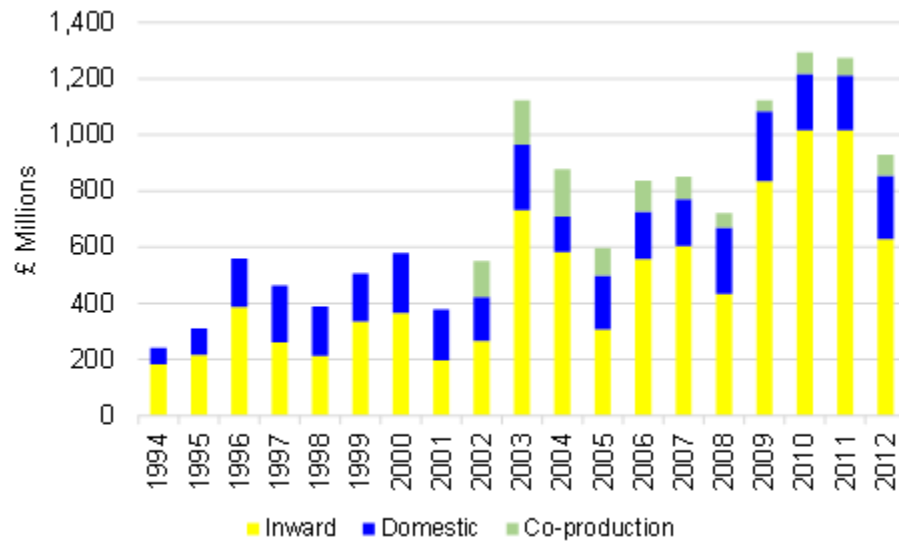
Figure 2.3: Number of film productions in the UK



Source: BFI Statistical Yearbook 2013

However, as **Figure 2.4** shows, the value of spend on film production in the UK is far more volatile, and is mainly driven by incoming foreign productions.

Figure 2.4: Film production spend in the UK



Source: BFI Statistical Yearbook 2013

More recent data have just been published by the British Film Institute (BFI)² and show an increase in UK feature film spend in 2013 (£1,075m up from £945m in 2012). This again has been driven by inward investment, for which the level of spend increased from £623m in 2012 to £868m in 2013.

TV Production

The UK broadcast industry remains highly concentrated in London, a fact that provides the essential rationale for the imposition on the main Public Service Broadcasters (PSBs) of the quotas for the proportion of network production spend to be distributed across the nations and regions (i.e. outwith London).

However, recent years have seen growing pressure on the broadcasters to increase their commitments outwith London, both in the English regions (the BBC’s move of several departments to Salford being the clearest indication of this) and to the

² *Film, high-end television and television animation production in the UK – full year 2013 report*, BFI Research and Statistic Unit, January 2014.

devolved nations (both Wales and Scotland have benefitted from recent investment at Porth Teigr and Pacific Quay respectively). At the same time, the proportion of network spending outwith London has also grown.

The BFI has begun to track spend on inward TV production more closely with the introduction of the tax credit for high end productions. Recent data published by the BFI reported £233m in spend on high end TV production in the UK in 2013. Of this, almost two thirds was inward investment (£150m), highlighting again the scale of the international market opportunity.

Consultation with the British Film Commission (BFC) also indicated a very strong pipeline of enquiries for income production, with projects being greenlit as much as a year ahead. This, according to the BFC, is unheard of, and almost all of these enquiries are for high-end TV series seeking to take advantage of the tax break incentives.

It is clear then that the UK market for film and TV production is buoyant, and that the tax credits are creating real opportunity to attract incoming productions.

2.4 Scottish market

Data on film production in Scotland was provided by Creative Scotland, but present some challenges. First, the mechanisms for collecting the data are such that many productions, particularly incoming productions, have not historically been captured. Plans are in place to address this in future however the data available to this report offers only a partial picture.

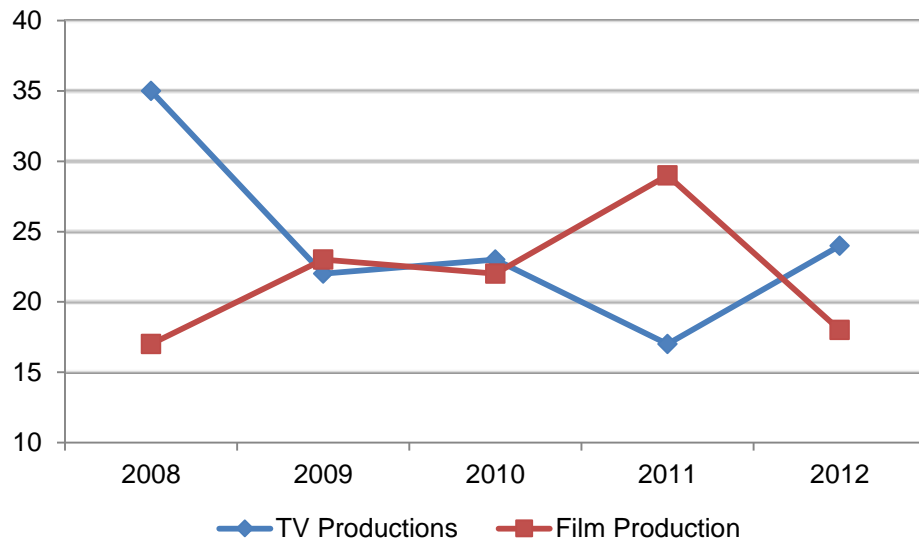
In the course of the research we also made contact with regional film offices, but again their data suffer from a similar constraint (and should in any case be captured by the national level data provided by Creative Scotland). In some cases, confidentiality regarding production budgets also meant that it was not possible to extract sufficiently detailed information.

It is important to bear in mind these caveats when interpreting the data for Scotland.

According to Creative Scotland, there were 24 television productions and 18 film productions in Scotland in 2012. Both of these figures have bucked recent trends

with the number of television productions up on the previous year after declines since 2008, and film productions down on the previous year after increases since 2008, [Figure 2.5](#).

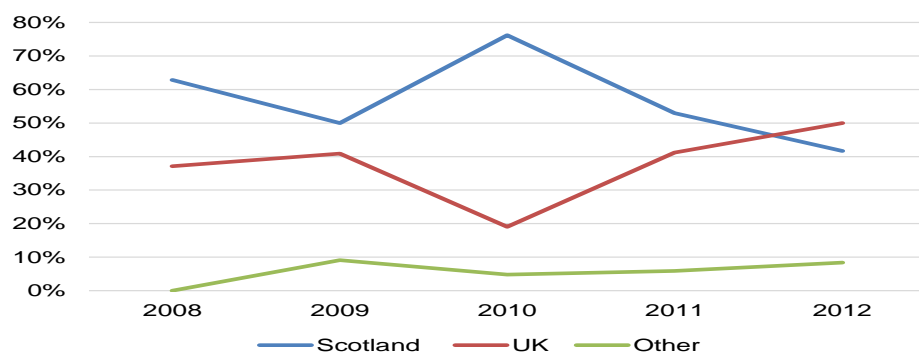
Figure 2.5: Number of Film and Television Productions - Scotland



Source: Creative Scotland

Few television productions in Scotland originate from outside the UK with under 10% doing so in each year. Domestic Scottish production has been the largest proportion of the total in every year except 2012 where other UK production was 50% of productions. The foreign TV productions originated from Germany and the U.S.A, [Figure 2.6](#).

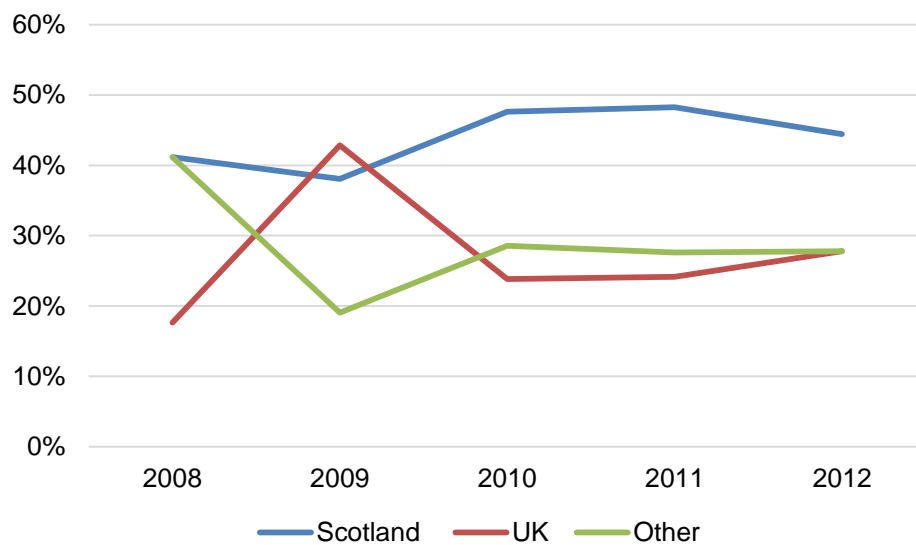
Figure 2.6: Country of Origin TV Production in Scotland



Source: Creative Scotland

Productions from outside the UK are more common in feature film production, although Scottish productions still make up the greatest proportion. Foreign productions have come from a much wider area than in TV with productions from a number of European countries, U.S.A, Canada and India, [Figure 2.7](#).

Figure 2.7: Country of Origin Film Production in Scotland



Source: Creative Scotland

In terms of value, the data are even more problematic due to partial reporting and confidentiality issues, but Creative Scotland has regularly quoted a figure of £20-£25m per annum in film production in Scotland. This is supported by data provided in the Film Sector Review commissioned by Creative Scotland.

Table 2.2: Location Spend in Scotland 2008-2012

Year	Reported Spend from Film Production	Reported Spend from All Production (Film, TV, Commercials etc.)
2012	£730,000 (estimated to date)	£24.6m (estimated to date)
2011	£12.7m	£29.3m
2010	£5.9m	£21.5m
2009	£8.3m	£24m
2008	£3.5m	£28m

Source: Creative Scotland

Relating this to the data for the UK reported earlier, in 2012 Scotland secured around 4% of total production spend for the UK – considerably short of its 9% share of the UK population (which would be £55m), but higher than its 4% share of employment in the film production industry, for example, which would equate to £16m in production spend.

Previous assessments of the production sector have also highlighted some broad characteristics of the market in Scotland that are worth highlighting:

- the TV production sector in Scotland is mainly concentrated at the medium budget end of the market and continues to have a strong focus on factual and factual entertainment genres with far less drama production. As such, there is limited demand for studio space from indigenous producers; and
- Scotland's domestic film industry is very much focused on low budget productions, and the lack of a studio currently means that the value of incoming production work is largely limited to location shooting. In some cases this can be valuable (e.g. *World War Z* in Glasgow), but in others the impact can be very limited indeed (Ridley Scott's *Prometheus* reportedly shot for a couple of days in Skye and arrived and left with very little impact).

2.5 Implications

The market review suggests a number of broad implications for the study.

First, the variability in quality and availability of production data are such that scaling potential demand is extremely problematic. While the BFI expressed confidence in a fast growing pipeline of enquiries and potential incoming productions, it was not possible to gather data to quantify the value of that demand.

Secondly, there is considerable volatility in the marketplace, and productions can come or not for a wide variety of reasons beyond the control of any of the key agencies. This both casts doubt on any forecasts of likely demand, and questions the value of relying on historical data, which is for Scotland anyway, problematic.

Finally, and perhaps most importantly, the global growth in the production industry is very much driven by medium – high budget feature films and high-end TV series (mainly drama). Although Scotland has always played host to larger films for some

of the locations work, the local spend has been limited by lack of suitable studio facilities, and until the *Outlander* production arrived in Cumbernauld, Scotland was not a player in the market for high-end TV production. As demand for studio space will be driven, in large part anyway, by these market segments, the viability of any new studio will depend on Scotland's ability to compete effectively in this (new) market. This is discussed below.

2.6 Internationally Mobile Production

There is intense competition amongst countries seeking to secure economic benefit from mobile film and TV production. International demand is strong, and while suitable studio facilities would be an important part of Scotland's competitive offer, a new studio is not all that is required to ensure that Scotland can compete. In fact, the key factors that influence decisions can be summarised as being:

- the creative demands of the production;
- financial incentives and other cost factors (e.g. wage costs);
- quality and availability of skilled crew; and
- the availability of suitable production space.

A generally supportive environment was also identified as important, and some of the consultees highlighted the proactive role played by Northern Ireland Screen in securing HBO's *Game of Thrones* production for Belfast.

It is not possible to control the creative demands of productions and there will always be instances in which Scotland is simply unsuitable for productions where the script has certain locational requirements. This is true for Scotland (and the UK) as elsewhere and can also work in the country's favour – for example the *Outlander* books are set in Scotland and this was a major influence on the decision to locate the production here.

The other factors are, however, controllable at least to some extent and it is important to review Scotland's competitive offer.

Financial incentives

In the main, international competition has taken the form of specific financial incentives, often tax-driven, made available to production companies.

In the UK, there is currently a 25% tax relief on corporation tax for films that are produced in the UK falling to 20% for productions worth over £20 million. In order to qualify for this relief films must spend at least 25% of total production costs in Britain, be intended for theatrical release and either qualify as a British co-production through existing treaties or satisfy a cultural test. The 2013 Autumn Statement announced that subject to State Aid clearance, from April 2014 relief will be made available at 25% on the first £20 million of qualifying production expenditure and 20% thereafter, for small and large budget films; that the minimum UK expenditure requirement will be reduced from 25% to 10%; and that state aid clearance will be sought to increase the rate of relief to 25% for all qualifying expenditure when renotifying film tax relief in 2015.

This is generally considered to be a competitive offer, particularly when the UK's track record and well regarded crew base are also taken into account. However, other countries are also offering highly competitive incentives, as shown below.

Table 2.2: Examples of Incentives in Sample Regions

Country	Incentive
Ireland	28% tax relief on films, animation, scripted television and creative documentaries
Hungary	20% tax relief subject to cultural test
Serbia	12% relief on labour costs and 15% on goods
France	20% tax relief on scripted television, film and animation
Italy	25% tax relief subject to cultural test on feature films
Bulgaria	No tax incentive. Proposal for 15% tax relief vetoed early 2013
Czech Republic	20% tax rebate available for television, film, animation and documentary films
Australia	40% tax relief on feature films and 20% on Scripted television and documentaries
New Zealand	15% tax relief on films and scripted television (and up to 25% in some circumstances) as well as number of grants available dependent upon the use of domestic talent.
U.S.A	Tax incentives for film and TV vary from state to state with the highest level of tax relief reaching 42% in Michigan

Source: State Film Boards

Consultation with mobile producers confirmed the importance of these fiscal incentive schemes. While creative considerations will always be an important component of production location decisions, there is growing pressure on budgets (particularly in the TV market) and the availability of tax incentives is a crucial influence.

While the UK tax credit support is crucial in bringing business to the UK, this does not confer specific advantage on Scotland. During consultations, some respondents expressed concern over the uncertainty of tax incentives in Scotland following the forthcoming referendum for an independent Scotland.

Since those consultations, the White Paper published by the Scottish Government on 26 November 2013, *Scotland's Future: Your Guide to an Independent Scotland*, stated that *"We will also encourage inward investment in film and television production in Scotland, and use our new overseas network to promote Scotland as a location for film and television production. We plan to continue the existing fiscal incentives for such production, and, within the first term of an independent Scottish parliament, we propose to look at ways to encourage further development in the sector, through incentives, infrastructural investment and support for development, skills and training."*

It is also worth noting that some of the English regions (e.g. Yorkshire) have specific funds to invest in film and TV production (often using ERDF monies). The recent announcement by the Welsh Government of a £30m film and TV fund is further indication of the level of competitive interest in this market.

Skills base

According to analysis by Creative Skillset, the film and TV industries in Scotland employ 4,000 people (excluding cinema exhibition). Of this, approximately 40% of the TV workforce and over 90% of the film production workforce is freelance. This represents a substantial 'crew base' the majority of which will be within this freelance labour pool.

Scottish production crews enjoy a good reputation for quality and diligence, although two issues arose in our consultations. First, the overall scale of the active crew base remains relatively modest and one or two large productions can easily stretch

capacity. Anecdotal feedback from the sector is that the *Outlander* production has taken up a large proportion of the crew base resulting in constraints for other productions, although it should be noted that four productions are running alongside *Outlander*.

The second issue relates to the volume and quality of opportunity available in Scotland. As noted earlier, Scotland's production sector is not currently competing at higher ends of the spectrum, with two results for the crew base:

- there has been some talent drain as crew are attracted to longer term and/or better paid opportunities elsewhere (e.g. *Game of Thrones* in Belfast reportedly has substantial numbers of Scottish crew, even if this has been reducing due to the promotion of local trainees into higher roles); and
- Scottish crew do not always get the opportunity to work on high end production, particularly as Scotland has no studio, creating gaps in the skills base – the *Outlander* team has reported some issues in sourcing suitably experienced crafts people.

Scottish crews are however highly regarded, and there is an argument that a studio would attract more and higher quality production activity, which would in turn both attract talent to Scotland and encourage crew that have left to return.

Production space

The lack of suitable production space was consistently identified in the consultation as a barrier to Scotland attracting more mobile production activity and capturing a larger share of the value of the productions that do come. Scotland studio provision is limited. The BBC's Pacific Quay studio is high quality, but is equipped for TV production, and was felt to be too expensive for many film productions. Similarly the BBC's premises in Dumbarton which are used for the *River City* productions are also considered unsuitable due to their layout and the low ceiling height.

Where incoming productions have sought production space, this has often been in empty industrial premises which productions convert to suit their purposes (often with substantial constraints). Creative Scotland produces a brochure listing such premises and actively supports productions seeking to make use of such spaces.

Of course, the highest profile example of this is the *Outlander* production's use of a manufacturing facility in Wardpark Business Park in Cumbernauld. Within a short space of time, the production team built two soundstages and a range of workshops to support a large scale and high end TV production.

Indeed, it is instructive to reflect briefly on the reasons for *Outlander* locating in Cumbernauld:

- the books on which the production is based are set in Scotland, therefore a Scottish location made sense in creative terms;
- the ability to access the UK tax credit incentive was a strong financial lever;
- the facility at Wardpark, while not perfect, was available at an attractive price, and even accounting for the costs of fit out, the overall cost to the production of hiring the space is far lower than it would be at a purpose built studio;
- the owner of the building has been supportive and willing to do business with the production; and
- the location is within easy reach of main transport links and close to the main concentration of crew and facilities in Scotland (in particular, Glasgow).

This highlights an issue that will be crucial to the appraisal process – that of pricing. TV production is very cost sensitive, and the willingness of a production such as *Outlander* to invest time, effort and money into retrofitting an empty building is testament to this.

However, despite the *Outlander* example, Scotland's offer in terms of production space that could accommodate the kinds of production activities that are driving growth is somewhat limited. That is the essential rationale for the current study.

Supportive environment

In our consultations with production managers, there was clear and consistent feedback on the importance of having supportive and responsive authorities as part of a country's overall offer to mobile productions. Nowhere is this more apparent than in Northern Ireland where the support of NI Screen and its partners (most notably Invest NI) has been a major factor in Belfast's success in attracting *Game of*

Thrones and other productions. We also heard of other countries in which government and public agencies are taking a very aggressive approach to finding ways to support mobile productions. The recent announcement by the Welsh Government of a £30m fund and deal with Pinewood is a clear example of this³.

Scotland has a small locations service at Creative Scotland and the network of regional film offices, all of which are important, but resources are limited. As a result, Scotland has relatively little in the way of direct incentives that can be made available to income large scale productions beyond the UK tax schemes.

However, support is about more than money – it is also about facilitation. The Glasgow Film Office has a long track record of effective work in this respect, co-ordinating activity across a range of Council services to make it as easy as possible for productions to shoot in the city. This has been a major part of Glasgow's success in attracting production.

More recently, the establishment of the Strategic Delivery Group, chaired by the Scottish Government, has brought a new approach to co-ordination across the public sector in this area, and this is again a positive development. However, we did receive feedback from industry that Scotland's offer in this area could be substantially improved through better co-ordination across agencies, quicker response times and more effective communications.

Summary

The table below provides a summary of Scotland's competitive position in relation to the key factors affecting the attraction of mobile production activity. It provides a summary of the issues with some comment and an assessment of Scotland's current competitive position based on a traffic light system in which green represents a competitive offer, amber requires some improvement and red denotes a lack of competitiveness.

Overall, Scotland has some advantages, but areas in which further improvements are required are:

³ <http://www.bbc.co.uk/news/uk-wales-south-east-wales-26226429>

- incentives over and above the tax breaks – many other countries have additional incentive programmes;
- co-ordination of support across relevant agencies;
- suitable training for crew; and
- improved offer in terms of production space.

Importantly, a studio will not itself solve Scotland's issues in this respect – the whole package needs to be improved, of which studio space is an important part.

Table 2.3: Scotland’s competitive position in attracting mobile production activity

Condition	Scotland’s position	Comment	Traffic Light assessment
Tax incentives	Scotland benefits from UK tax schemes, but there is no specific advantage relative to the rest of the UK	Reassurance in <i>Scotland’s Future</i> about continuation of fiscal incentives in an independent Scotland helpful	Green
Additional incentives/ support	Some support from Creative Scotland but limited and wider package not well enough co-ordinated	Needs improved – Scotland not currently competing	Red
Skilled crew base	Strong in some areas and less so in others – leakage an issue	Studio projects will bring Scottish talent back, but still training needs	Yellow
Co-operative authorities	Scotland has good track record in this respect, but national level needs work around incentives	Perceptions crucial – Scotland MUST be seen as an aggressive supporter of this industry	Yellow
Accessibility	Scotland well connected internationally and internally	No major issues	Green
Stability	Scotland is politically stable although referendum creates uncertainty	Repeating and following up <i>Scotland’s Future</i> statements would be helpful	Green
Studio	No purpose built studio (of scale) in Scotland – productions managing as best they can with empty warehouses	Will not solve the issues alone, and will depend fundamentally on incentive structures and perceptions	Red

2.7 Studio supply elsewhere

Many of the UK's studio facilities are in and around the South East of England, including Pinewood, Shepperton, Elstree, Three Mills and Leavesden studios. Elsewhere there are studio facilities in Manchester, Leeds and Belfast (amongst others) and Europe has many large scale purpose built studios.

There is enormous diversity in scale, structure, management and pricing, but some key issues for consideration include:

- all are well connected to transport networks and particularly to international air links;
- most provide soundstages of different sizes and a roughly equivalent floorspace for workshops;
- on-site facilities companies are a common feature (e.g. Pinewood) and provide ongoing revenue for studios as well as valuable services for incoming productions; and
- studios often develop in a phased manner, selecting sites with potential for expansion should business support this.

This is undoubtedly a highly competitive environment. At the time of writing, the Welsh Government announced a £30m deal with Pinewood Group to advise on a new film and TV fund and develop and operate new studio facilities in Cardiff comprising 180,000 sq ft of studio and workshop space (although the reported height of the Cardiff studio - 7m – is, lower than the minimum height requirements reported in the industry consultations). This raises the level of competition within the UK, and for any new studio in Scotland.

However, throughout the consultation work, there was a very consistent message about the current pressure on studio space across Europe (hence Pinewood's expansion drive). Growth in the market for content, combined with aggressive tax breaks in the UK and elsewhere have substantially increased the level of demand for studio space, and producers reported a real pressure on space.

Thus, while the Welsh announcement raises the stakes further, it does not necessarily follow that the UK has sufficient capacity to meet anticipated demand. The very real issue is that scaling the pipeline of demand is extremely difficult from a position external to the industry. Confidentiality is paramount and even the few organisations with privileged information on possible opportunities (e.g. BFI) are not in a position to make available any details due to the commercial sensitivity of information on possible productions. What can be said, however, is that there is unanimous support for the notion that this is a very active and fast growing market, and that demand for studio space currently outstrips supply.

Table 2.4, below, summarises the capacity of existing studio facilities in the UK. As shown, much of the UK's capacity is concentrated in the South East of England with the exceptions of two studios in Manchester, Titanic Studios in Belfast and the studio space in Wales (to which the new studio announced recently can be added, although specific details of the scale and structure of the facility are not yet available). Pinewood is, by some margin, the biggest player, and it is worth noting that the Warner Brothers' owned facility at Leavesden is dedicated to Warner Brothers' productions only and includes the Harry Potter themes visitor attraction.

Some of these facilities are catering to different markets, particularly in smaller scale TV and commercials production.

Table 2.4: UK Studio Space

Studio Name	No. of stages	Total Soundstage Capacity	Workshop Capacity	On-site facilities	Comments
Pinewood Studios	16	269,398 sq. ft	Y	Y	Close proximity to London and Heathrow Airport. Number of facilities and companies located onsite.
Shepperton Studios	14	170,204 sq. ft	Y	Y	Close proximity to London and Heathrow Airport. Number of facilities and companies located onsite – Pinewood owned
Teddington Studios	8	20,399 sq. ft	Y	Y	Pinewood owned and dedicated to TV production only (mainly entertainment)
Elstree Studios	7	60,964 sq. ft	Y	Y	Close proximity to London and excellent motorway connections. Facilities and companies onsite.
Three Mills Studios	11	79,197 sq. ft	2,605 sq.ft.	Y	Located in East End of London. Number of independent companies onsite.
Longcross Studios	4	76,228 sq. ft	Y	Y	Close to Heathrow Airport. There is a test car track onsite. Plans in progress to turn the site into mixed use residential and commercial properties.
Leavesden Studios	10	278,080 sq. ft	Y	Y	Warner Brothers owned site. Proximity to Luton Airport. Various companies and services on site. Dedicated to Warner Bros productions.
The Sharp Project	4	50,232 sq. ft	Y	Y	Close proximity to Manchester City Centre and Airport. Various facilities onsite and the building is a creative hub for businesses. Recently announced expansion will provide another 50,000 sq ft of production space. Mainly catering for TV production and commercials.
Pie Factory	3	15,300 sq. ft	Y	Y	Various facilities and onsite companies. Part of MediaCityUK in Manchester.
Dock 10	7	32,250 sq. ft	Y	Y	There are also two audio studios (one for BBC Philharmonic). Various other facilities and workshop space
Ardmore Studios (Dublin)	5	40,300 sq. ft	Y	Y	Number of companies and facilities available onsite. Within 60 minutes' drive of Dublin Airport.
Ashford Studios (Dublin)	3	57,000 sq. ft	20,000 sq. ft	Y	Within 60 minutes' drive of Dublin Airport. Limited facilities onsite.
Paint Hall Studio (Belfast)	4	64,000 sq. ft	Y	Y	Part of the Titanic Studios in Belfast's Titanic Quarter. Various facilities onsite.
Hurst & MacQuitty Studio (Belfast)	2	42,000 sq. ft	Y	Y	Part of the Titanic Studios in the Titanic Quarter. A number of facilities onsite.
Dragon Studios (Wales)	4	50,871 sq. ft	Y	Y	Mothballed. In administration since 2008.

2.8 Other considerations

Based on the consultation process there are two other issues worth highlighting.

First, it is clear that there is a degree of urgency around a studio proposal for Scotland. Many in the industry felt that the opportunity being created now by the tax incentives (particular their extension into high-end TV) is very current and demands a quick response. The general view was that Scotland needs to create a foothold in the market within the next three years if it is to benefit. This is particularly salient in light of the Welsh Government's recent announcement.

Secondly, some of the potential benefits of a studio should be considered. In particular, a studio could:

- enhance Scotland's ability to compete for higher value production work;
- create employment benefits for existing crew and attract new talent to Scotland;
- generate wider economic impacts through increased spend within the local economy;
- provide valuable training opportunities for crew, particularly through long running productions; and
- generate opportunity for a range of facilities and ancillary production services businesses in Scotland (and potentially attract more to locate here).

2.9 Summary of Main Findings

The market assessment suggests a number of broad findings:

- the global market for filmed content is growing strongly, and productions are increasingly mobile;
- the main opportunities are in medium to high budget film and high-end TV drama (mainly US) with a trend towards a small number of high value productions;

- these opportunities are being strongly driven by fiscal incentives, and the UK's offer is generally considered to be competitive, particularly when combined with its reputation and track record;
- issues with the available data and general volatility and uncertainty in the market mean it is difficult to scale pipeline of enquiries, but the very consistent message is that this is a very buoyant market;
- Scotland is currently competing at the lower budget end in both film and TV production and is not currently in the higher growth market to a significant degree (*Outlander* being the exception);
- there is pressure on studio capacity in UK (and parts of Europe), and the main purpose built studios in London are widely considered to be expensive; and
- the current lack of studio facilities is a reported constraint on higher value production in Scotland, but a range of other support issues also need to be addressed – a studio alone will not guarantee Scotland a competitive position in this market.

These findings suggest a number of initial conclusions:

- there is an opportunity for Scotland to capture more production activity and higher value production activity;
- studio facilities would be an important part of Scotland's overall offer in this market, but must also be supported by a competitive offer in terms of incentives and support;
- the primary markets for any new studio would be medium-high budget film production and high end TV, but any new facility should also be able to support growth in the indigenous industry, suggesting diversity in terms both of scale and pricing; and
- cost is an important consideration for productions, particularly in TV, and Scotland must be competitive, particularly as gaps in the skills base can add cost to productions if they need to bring talent in from elsewhere.

2.10 Studio Proposition

These conclusions, and input from the industry, suggest a number of implications for the scale and structure of a new studio in Scotland:

- any facility should be built with maximum flexibility in mind. While the production industry has consistently demonstrated its adaptability, there was a clear message from the sector that converted warehouse space would not be sufficient and that Scotland needs a purpose built production studio;
- a studio should have two main soundstages – 2 x 20-25,000 sq ft and a third but smaller (10-15,000 sq ft) – *Outlander* currently operates with two soundstages and workshop and office space that overall accounts for around 140,000 sq ft, providing some indication of the space requirements of large productions;
- soundstages should have a height of at least 10m to the eaves, more if possible, and internal columns are considered a problem;
- a water tank in one of the stages, while not essential, would be a considerable advantage;
- the studio should have the same floorspace again in workshop space plus production offices (this is the basis on which Pinewood plan studio facilities);
- there is also merit in having space for facilities companies to have a base on site – props, lighting, camera hire, visual effects, digital production etc.;
- a space for backlot shooting was considered desirable but maybe not essential, at least immediately;
- ample space should be available for parking and turning large vehicles
- any possible site should have room for further expansion in the event that the studio generates sufficient business; and
- basic site requirements are for a reliable power supply and easy access to major transport networks, including international air links.

3. Options

3.1 Introduction

In this section we define a series of options for a studio in Scotland, considering both new build and refurbishment possibilities. The option development and site appraisal process involved a number of steps as follows:

- a pan-Scotland search for possible sites (new build and refurbishment);
- agreement on a series of options for appraisal;
- development of outline designs and costs for each option; and
- environmental and acoustic appraisal of each site.

Note: It is important to be clear from the outset that the location search work was intended to identify sites for which outline designs and costs could be developed. The reality, as reported below, is that many different sites could potentially work for a studio, and there is insufficient evidence, without subjecting each to detailed site appraisal work, to differentiate between them.

Similarly, it could, in theory, be possible to convert any number of existing premises into production spaces depending on the degree of compromise considered acceptable. The specification being tested in the current is outlined in **Section 2.10** and is based on the industry's expressed need for a ceiling height of at least 10m for soundstages and no internal columns. These two factors ruled out most of the existing premises identified in the search. However, we do recognise that more compromised solutions are possible, should these conditions be relaxed.

As a result of these issues, the study does not make any definitive recommendations on location beyond the identification of certain key criteria, as outlined below. Instead, sites were chosen as examples of what could be possible and for the purposes of developing more detailed guidance on likely costs.

3.2 Site and Premises Search

A more detailed account of the search for sites and premises is provided in **Appendix B**.

The web search identified *at least* five sites suitable for a new build project, but no properties suitable for development as a studio (as defined in **Section 2.10**). As noted, more sites are potentially available and, to a large extent, the industry is agnostic on the location of a studio so long as certain basic criteria are met:

- good transport links and access to international air connections (suggests Central Belt);
- proximity to concentration of crew and facilities (suggests Greater Glasgow area – see **Figure 3.7**);
- sufficient scale to meet specification (buildings and sites); and
- away from major sources of noise.

In terms of premises examined for refurbishment, the main issues and constraints related to available floorspace, eaves height and/ or internal columns. While there will be potentially many existing industrial premises that could be converted for a studio, with often substantial compromise, none were considered to meet the specification defined in **Section 2.10**.

3.3 Options

The outputs of the market assessment and location search were reported to the Study Steering Group and it was agreed that the consultant team would proceed with appraisal on two illustrative new build sites in the Greater Glasgow area:

- Dalmarnock; and
- Gartcosh.

These sites were chosen as illustrative examples only and do not indicate definitive locations for any studio.

In addition, it was considered appropriate that the study take account of two further studio projects:

- Wardpark – the site of the former Isola building, currently in use as a production space for the *Outlander* production; and
- Film City Glasgow’s plans for a studio on Pacific Quay in Glasgow.

The Wardpark site was selected as an illustrative example of what might be possible with the conversion of an existing building and is already operating as a studio for the *Outlander* production. The site was appraised in terms of the potential to expand the facility to the agreed specification (**Section 2.10**).

Film City Glasgow (FCG) has been developing plans for a studio at Pacific Quay for some time, and had submitted an initial capital application to Creative Scotland. At the time of the study, this had moved to its second stage, and FCG was in the process of developing more detailed design work and plans for the project. It was therefore judged appropriate that these plans be included in the current option appraisal. It should be noted that the initial design work and business planning have been undertaken by a team appointed by FCG and not the appraisal team.

Finally, a fifth option was also added to the process. The market assessment work, while positive, also indicates a degree of risk for any studio in such a competitive marketplace. Industry feedback was also clear on the need for a phased approach to development in order to manage such risks.

The fifth option therefore focuses only on the first phase of the development of a studio, and provides a core facility of two soundstages and two workshops, along with production offices. This would provide a foundation on which to then build in the event of success, expanding the proposition to then include the facilities village and tenant offices, along with backlot space and more sound stages.

For the purposes of appraisal, an illustrative site at Pacific Quay was selected for the Foundation Studio option. While there could be a strategic argument for locating the Foundation Studio here, in light of the proximity to existing facilities, Pacific Quay is by no means the only location on which this could be built, and the selection of this as a site for appraisal should not be taken to indicate a definitive statement on location.

Thus, the study appraised five options as follows:

- Option 1: Dalmarnock (phased new build);
- Option 2: Gartcosh (phased new build);
- Option 3: Wardpark (phased conversion);
- Option 4: Pacific Quay (phased new build); and
- Option 5: Foundation Studio (first phase new build).

At the time of the study, a number of other studio-related proposals were being developed by private sector interests. Although detailed information on these was limited, each proposition combined studio facilities with a range of other developments such as retail, leisure and housing. These developments have not been appraised for two main reasons:

- the brief for the study was focussed on production space for film and TV production in Scotland and did not propose appraisal of larger scale mixed-use developments in which studio facilities were only one element; and
- there was only limited information available on some or all of the proposed development and confidentiality issues applied. As a result there was insufficient detail to permit any appraisal.

As a result, these propositions have not been tested as part of the current study.

The remainder of this chapter outlines the options and summarises the findings of the site appraisal work. Further details are provided in **Appendix C**.

The design work was conducted by JM Architects, with environmental and acoustic assessments provided by ARUP. Outline cost estimates were developed by Gardiner and Theobald, and SE provided guidance on estimated costs for site acquisition. The site acquisition costs should be treated as **working estimates only** and the same cost per acre has been assumed across all sites (£250k per acre).

3.4 Specification

The specification for the site was developed based on the outputs of the Phase 1 work and in close consultation with SE and the Study Steering Group. The outline specification is detailed in **Table 3.1**, below.

Table 3.1: Studio Specification for Site Design and Appraisal

Element	Size	Comments
Soundstages Phase 1	1 @ 15k sqft 1 @ 20k sqft	Ceiling height minimum 15m for large studio Minimum 10m high for small studio
Offices	Production – 2,680m ² Tenant - 1,950m ²	
Workshop spaces Phase 1	1 @ 15k sqft 1 @ 20k sqft	8m @ ridge 5m @ eaves, based on Pinewood W1 workshop type
Facilities Village	30k sqft	Based on Film City brief
Backlot	Ideally 6 -8 acres (3.2 hectares)	May not be practicable on all sites
Car parking	Around 200 per phase	Considered essential
Soundstages Phase 2	1 @ 15k sqft 1 @ 20k sqft	
Workshops spaces Phase 2	1 @ 15k sqft 1 @ 20k sqft	

While this is an ideal specification based on the market assessment work and industry consultation, constraints on the Wardpark site are such that the planned development is on a smaller scale, as discussed below.

The two design teams (FCG's team and JM/ ARUP/ Gardiner and Theobold) met to ensure that the two propositions were consistent.

3.5 Option 1: Dalmarnock

The Dalmarnock site sits on the edge of the River Clyde and within the curtilage of the recent South Dalmarnock Masterplan by Clyde Gateway. The site is currently within the ownership of Clyde Gateway and covers a 22 acre area.

The site is well connected to the motorway network and to the main concentration of crew and facilities in the Greater Glasgow area. Clyde Gateway has already invested in decontaminating the site and services are in place. There has also been remedial work to mitigate any odours from the adjacent water works.

More detail on the site assessment work is provided in the appendices, but the main issues identified are as follows:

- **services:**
 - new services will be required (electricity, gas, water and telecommunications) and the recommendation is for a new energy centre on site and use of biomass boilers and photovoltaic (PV) panels
 - the cooling requirements do not lend themselves to district cooling systems and chillers at each stage will be required;
- **environmental:**
 - the environmental assessment identified few major issues with the site apart from risk of minor flooding which would require flooding mitigation
 - there are no major issues with woodland or protected species although there may be potential to disrupt local badger and otter species and further investigation may be needed; and
- **acoustics:**
 - the most likely source of noise will be from nearby developments, with traffic/ industrial noise assessed as moderate
 - while building layout may help, there is also a need for sound insulation on the noise sensitive buildings (soundstages).

An outline layout for a studio at Dalmarnock is shown in **Figure 3.1**, over.

Figure 3.1 Outline layout for Dalmarnock site

DALMARNOCK
Layout 1:2500



SOUNDSTAGES PHASE 1

1 @ 15k sq ft
1 @ 20k sq ft
Ceiling height 15m for large
10m high for small

OFFICES

Production 2680m2
Tenant 1950m2

WORKSHOP SPACES PHASE 1

1 @ 15k sq ft
1 @ 20sq ft
8m @ridge 5m @ eaves, based on
pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6-8 acres, 3.2 hectares
Not practicable on all sites

CAR PARKING

Around 200 car parks per phase 1 +2

PHASE 2 EXPANSION

SOUNDSTAGES

1 @ 15k sqft
1 @ 15 sqft

WORKSHOPS

1 @ 15k sqft
1 @ 20k sqft

BIODIVERSE LANDSCAPE

- Prominent site with 'gateway' presence where bridge crosses river.
- If sheds handled well could add positively to townscape.
- Pattern of development to be sympathetic to masterplan.
- Need to clarify intent for north east of site. Ideally should be master planned as a whole. Especially with substation location.
- Accommodation for phase 1 and 2 fit but only approx. 1 hectare for backlot. Obviously bigger if phase 2 not built.
- Side wide issues to be dealt with : Traffic noise from roads , noise from train line. Environmental issues- investment has already been carried out to mitigate smells from sewerage works (more planting of appropriate species will assist). proximity of river and a sustainable urban drainage strategy require to be recognised.

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jmarchitects

Costs

The design work is at an early stage and a number of assumptions have been made. As a result these costs should be treated as a guide only and are subject to a range of exclusions⁴.

Table 3.2: Dalmarnock – Estimate of Costs

Phase 1		Unit cost	Total cost
Soundstages (x2)	3,252 m2	£3,000	£9,754,738
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x2)	3,252 m2	£699.66	£2,275,000
Facilities village	2,787 m2	£850	£2,369,008
Back lot	32,000 m2	£100	£3,200,000
Car parking	5,000 m2	£100	£500,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping	18,962 m2	£20	£379,235
Allowance for Sustainable Urban Drainage System (SUDS) (est. 10% of site remainder)	1,896 m2	£150	£284,427
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Preliminaries			£3,578,209
Contingencies (10%)			£3,339,662
Sub Total			£35,786,279
Phase 2			
Soundstages (x2)	2,787 m2	£3,000	£8,361,204

⁴ VAT; professional fees; increased costs beyond Q4 2013; site acquisition costs; legal fees; cost of finance; site surveys, investigations etc.; removal of contamination from site; costs of services diversions; cost of abnormal foundations including piling; planning gain works including PU upgrades; local authority planning or building warrant fees; and water tank being underground.

Workshops (x2)	3,525 m2	£699.66	£2,275,000
Preliminaries			£1,276,344
Contingencies (10%)			£1,191,255
Sub Total			£13,103,803
TOTAL			£48,890,082

In order to generate a clearer assessment of the likely costs, it is necessary to make some additions, including:

- site acquisition costs: have assumed £5,735m (based on acquisition of 22 acre site, including stamp duty and legal work);
- professional and legal fees: have assumed 10% (£4.9m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £71.4m.

3.6 Option 2: Gartcosh

This site is adjacent to the village of Gartcosh and is known as Gartcosh Business Interchange. It is the largest of the sites appraised and gives the greatest level of flexibility in terms of potential layout. It is well connected to motorway networks, has easy airport access and good public transport and power supply and basic infrastructure is in place. There are no known contamination issues.

The main findings of the site assessment work are that new services will be required (electricity, gas, water and telecommunications) and a Central Energy Centre – biomass boilers and PV would be recommended. Chillers at each stage will again be required. There were no major environmental issues although some potential flooding issues at the southern end of the site need further examination. The major noise source is on the west of the site (M73) requiring screening (by layout) and a high building envelope sound insulation performance for the noise sensitive buildings

The outline layout is shown in **Figure 3.2**, over.

Figure 3.2: Outline Layout for Gartcosh site

GARTCOSH
Layout 1:2500



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Costs

Estimated costs for the development of a studio on the Gartcosh site were prepared by Gardiner and Theobald, and are subject to the same caveats and exclusion outlined for the Dalmarnock site costs.

Table 3.3: Gartcosh – Estimate of Costs

Phase 1		Unit cost	Total cost
Soundstages (x2)	3,252 m2	£3,000	£9,754,738
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x2)	3,252 m2	£699.66	£2,275,000
Facilities village	2,787 m2	£850	£2,369,008
Back lot	32,000 m2	£100	£3,200,000
Car parking	5,000 m2	£100	£500,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping	86,763 m2	£20	£1,733,455
Allowance for SUDS (est. 10% of site remainder)	8,667 m2	£150	£1,300,092
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Preliminaries			£3,862,595
Contingencies (10%)			£3,605,089
Sub Total			£38,705,977
Phase 2			
Soundstages (x2)	2,787 m2	£3,000	£8,361,204
Workshops (x2)	3,525 m2	£699.66	£2,275,000
Preliminaries			£1,276,344
Contingencies (10%)			£1,191,255
Sub Total			£13,103,803
TOTAL			£51,809,780

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £4.96m (based on acquisition of 19 acre plot);
- professional and legal fees: have assumed 10% (£5.2m); and
- VAT: 20%.

This brings the total estimated costs for this option to £74.3m.

3.7 Wardpark Studios

This site is an existing factory building with offices located in Wardpark Business Park on the outskirts of Cumbernauld. It has car parking to the North with opportunities for access and car parking distributed around the building.

The site is already occupied by a high end TV production (*Outlander*), and the production team converted the existing space for use as a studio. There are currently two soundstages on site along with production offices and workshops. In addition to the space occupied by the *Outlander* production, there is an additional 65,000 sq ft currently unoccupied and in need of some refurbishment. It is the owners' intention to develop this area for use as a production space and the *Outlander* team has first refusal.

This site is highly constrained and with 140,000 sq ft of the premises already in use, there is limited scope for substantial expansion. As a result, we considered the inclusion of adjacent and nearby land and/ or premises.

To maximise and make this site comparable with the new build sites it appears that an adjacent site to the North West of the Isola Building would require to be brought on board. This adjacent site currently has a number of light industrial units, many of which are occupied.

Thomson Pettie, the owner of the Isola Building, also owns a large shed in a neighbouring plot across the road. This could potentially be adapted to contain a facilities village to support the main studio buildings.

The shed areas to the south are currently unoccupied and in need of refurbishment, and there are limitations with headroom. In an ideal scenario, these areas could be removed and a purpose built Studio and work shop erected.

Given the site constraints, two design options were developed. The first concentrates on the site as it is, incorporating the Thomson Pettie building across the road as the site for a facilities village.

The second option extends the site by adding the adjacent land to the North West, although it is important to note that many of the units currently on this site are occupied.

As shown, Option 1 allows for only one soundstage and workshop in addition to the existing facilities developed for *Outlander* (with the latter considered a phase 1 of the overall development). The soundstage and accompanying workshop and office space would be built following demolition of the existing sheds to the south of the site. The space for facilities companies (facilities village) would be across the road in the Thomson Pettie building – a solution that is not ideal, but remains possible.

In Option 2, the scope of the site is expanded with the inclusion of the adjacent plot, allowing the construction of another soundstage, workshop and production offices, together with car parking. As this is more consistent with the agreed studio specification, albeit with some constraints, we have focussed the appraisal on Option 2, but recognise that with a degree of compromise, other (and lower cost) options will be possible on this site (including, but not limited to cleaning up the existing vacant space and/ or building new stages on the car park site to the north). One of the challenges here is to balance the need for car parking and vehicular access with space for development. There is little potential (in either option) to develop a substantial backlot.

The two design layouts are shown in **Figures 3.3** and **3.4**, over.

It should be noted that the site owners may have alternative views on how additional studio capacity might be provided; however, these may not meet the stated ideal specification highlighted above.

Figure 3.3: Outline layout for Wardpark – Option 1

ISOLA
Layout 1:2500 - Option 1

SITE APPRAISAL AND OPTIONS STUDY 15



SOUNDSTAGES PHASE 1

1 @ 20k sq ft
Ceiling height 15m for large

OFFICES

Production 2680m2
Tenant 1890m2

WORKSHOP SPACES PHASE 1

1 @ 20sq ft
8m @ridge 5m @ eaves, based on
pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6 -8 acres, 3.2 hectares
Not practicable on all sites

CAR PARKING

Around 200 car parks per phase

- Any new build development on site needs to balance need for car parking and access.
- The preferred option would be to remove the shed to the south (currently vacant) and build a new 20k sqft studio and workshop.
- Potential to make a new presence to the road.
- Retain the car park to the north, this will be required to get a reasonable number of cars on site for crew and staff.
- Facilities village to be distributed in local vacant units or be situated in current owners adjacent site if they decide to move out.
- If area of workshops to North west can be acquired then more options are offered as to the location of the new studios.
- Site wide issues : Noise from local flight path (light aircraft) Noise from M80.
- This option is viewed as current 2 studios on site being phase 1 and new build being phase 2.
- Little room for back lot unless adjacent site acquired.

jmarchitects

Figure 3.4: Outline layout for Wardpark – Option 2

ISOLA
Layout 1:2500 - Option 2

If area of workshops to North west can be acquired then more options are offered as to the location of the new studios.



SOUNDSTAGES PHASE 1

1 @ 20k sq ft
Ceiling height 15m for large
10m high for small

OFFICES

Production 2650m²
Tenant 1850m²

WORKSHOP SPACES PHASE 1

1 @ 20sq ft
8m @ridge 5m @ eaves, based on
pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6-8 acres, 3.2 hectares
Not practicable on all sites

CAR PARKING

Around 200 car parks per phase

PHASE 2 EXPANSION

SOUNDSTAGES

1 @ 20 sqft

WORKSHOPS

1 @ 20k sqft

BIODIVERSE LANDSCAPE

- Any new build development on site needs to balance need for car parking and access.
- The preferred option would be to remove the shed to the south (currently vacant) and build a new 20k sqft studio and workshop.
- Potential to make a new presence to the road.
- Retain the car park to the north this will be required to get a reasonable number of cars on site for crew and staff.
- Facilities village to be distributed in local vacant units or be situated in current owners adjacent site if they decide to move out.
- Site wide issues : Noise from local flight path (light aircraft) Noise from M80.
- Little room for back lot unless adjacent site acquired.

The main findings of the site assessment work are as follows:

- **services:**
 - Phase 1 could hopefully be serviced from the existing infrastructure within the Isola building. Further investigations will be required
 - Phase 2 would be provided with dedicated connections most likely existing to the facilities. Again further investigation will be required
 - heat would be generated within the dedicated boiler rooms within each phase of the development. Again the recommendation would for costing purposes would be for provision of Biomass Boilers and PVs
 - chillers at each stage will be required;
- **environmental:**
 - the environmental assessment identified no major issues with the site; and
- **acoustics:**
 - the major noise source is traffic noise from the M80, which is likely to be reasonably loud and constant
 - this site is more constrained and therefore will be more restrictive in terms of positioning buildings favourably. This may result in the need for buildings with a higher sound insulation performance, which will add cost
 - the existing Isola Studios indicate that a functioning Studio facility is possible in this location. However the adjacency with another Studio may result in the need for buildings with a high sound insulation performance.

Costs

Estimated costs for the development of a studio on the Wardpark site were prepared by Gardner and Theobald, and are subject to the same caveats and exclusions outlined for the Dalmarnock site costs.

Table 3.4: Wardpark – Estimate of Costs (Option 2)

Phase 1		Unit cost	Total cost
Soundstages (x1)	1,858 m2	£3,000	£5,574,136
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x1)	1,858 m2	£699.66	£1,300,000
Facilities village	2,787 m2	£850	£2,369,008

Back lot (assume reconfiguration only)	32,000 m2	£20	£640,000
Car parking (assume reconfiguration only)	5,000 m2	£20	£100,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping (assume not required)	0 m2		
Allowance for SUDS (est. 10% of site remainder)	- m2	£150	
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Allowance for demolition	1 item	£200,000	£200,000
Preliminaries			£2,548,697
Contingencies (10%)			£2,378,784
Sub Total			£25,216,625
Phase 2			
Soundstages (x1)	1,858 m2	£3,000	£5,574,136
Workshops (x1)	1,300 m2	£699.66	£1,300,000
Preliminaries			£824,896
Contingencies (10%)			£769,903
Sub Total			£8,468,936
TOTAL			£33,685,561

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £1.3m (based on purchase of 5 acres). This is likely to be an underestimate as the Phase 2 option would require the acquisition of buildings in multiple occupancy and it is not possible to estimate the costs of this without more detailed valuation work. It is, however, likely to be considerable higher than the £1.3m quoted above;
- professional and legal fees: have assumed 10% (£3.37m); and
- VAT: 20%.

This brings the total estimated costs for this option to £46m.

3.8 Option 4: Pacific Quay

The Pacific Quay option was initially a smaller proposal for a facilities village and small studio located in disused premises near the Pacific Quay site. Following industry feedback and consultation, FCG evolved the initial proposal into a larger proposition with a specification similar to that identified in the current study, again using a phased approach.

It is important to note that FCG's plans are still developing, and the information presented here was provided in October 2013. At that stage, the site appraisal and design work was still in draft form and the business planning work which will support funding applications and the development of an investment prospectus was ongoing.

The site identified for the development is that opposite BBC Scotland on which Festival Park is also located. This is shown in **Figure 4.9**, below, with the proposed studio site in dark red.

Apart from the Festival Park site (which is owned by Glasgow City Council), the land is owned by SE. SE is also investing in services on the site and a hotel development is underway, leaving more than 21 acres free for development.

As shown, the proposal also includes development of existing premises adjacent to the site as a facilities village consisting of tenanted workshops, a flexible warehouse space and production offices. This would constitute Phase 0 of the planned studio development, and FCG's proposal was to seek Business Premises Renovation Allowance (BPRA), a tax incentive scheme providing tax relief on investment to bring derelict industrial premises back into economic use. This would bring additional investment into the capital costs.

The development of soundstages, large workshops and production offices would then be split across two phases.

Figure 3.5 Pacific Quay site



MAP 2
PROPOSED SITES WITH ZONES & AREA IN ACRES

As noted earlier, the site assessments were not conducted by ARUP, but instead by the design team appointed by Film City Glasgow (Gareth Hoskins Architects/AECOM)⁵.

Site Conditions, Utilities and Planning

The site appraisal identifies some risks relating to possible settlement and contamination depending on the materials used for backfilling the site, and a need for piling foundations and upgrade to drainage systems.

In relation to utilities, the report recommends network reinforcement for electrical supply, but notes that gas supply should be available. It also identifies no issues with water supply but notes the limited access to high speed broadband on site at present, although this is to be addressed by 2015 as part of the area's Enterprise Area status.

⁵ Ref Gareth Hoskins Site Appraisal document October 2013

The acoustic appraisal considered external noise and vibration conditions as well as noise sensitive developments and concluded that there were no major risks, although there is a moderate to high requirement for external sound insulation.

In terms of planning, the site is within the Creative Clyde (Glasgow) Growth Sectors Enterprise Area. In addition to financial incentives, the Scottish Government and local government have also put in place a non-statutory framework to facilitate a swift planning process across Enterprise Areas.

The southern portion of the site consists of the existing Festival Park, which is within City Plan Policy ENV 1, stating a strong presumption in favour of the retention of all public and private green/ open space. While this is a planning risk, FCG has received a letter of support from Glasgow City Council (GCC) and mitigating strategies are possible (if potentially costly).

Costs

Costs for the FCG project were prepared by AECOM and include the costs of the conversion of the existing premises close to the site. These should again be treated as estimates and it is worth noting the discrepancy between these and the cost prepared for the current study, particularly regarding unit costs for the soundstages, workshops and offices. They are also subject to a range of exclusions⁶.

Table 3.5: Pacific Quay – Estimate of Costs (AECOM)

Phase 0 (conversion)		Unit cost	Total cost
Conversion of premises into workshops		£2,250,000	£2,250,000
Hard/ soft landscaping, infrastructure and utilities		£500,000	£500,000
Contingencies	included		
Sub Total			£2,750,000

⁶ VAT; professional fees; legal fees; inflation beyond current prices; land acquisition costs; local and statutory authority fees; finance costs; client/ project contingency; site investigation costs; abnormal ground conditions/ remediation measures; any off site reinforcement of services infrastructure; highway alterations/ improvements; Section 75 works/ local authority planning requirements; works to waterfront/ mooring; fit out costs to sound stages/ studios beyond shell structure; fit-out to offices beyond shell structure; fit-out to offices beyond Cat A; specialist equipment; loose furniture and fit-out.

Phase 1			
Soundstages (x2)	35,000 ft2	£125	£4,380,000
Workshops (x2)	36,000 ft2	£70	£2,520,000
Office/ multi-purpose space	28,000 ft2	£125	£3,500,000
Hard landscaping	8,000 m2	£325	£2,600,000
Soft landscaping	7,000 m2	£100	£700,000
Utilities/ infrastructure	99,000 ft2 GIA	17	£1,680,000
Site preparation/ enabling works	1 item		£1,250,000
Sustainability/ renewables strategy	1 item		£300,000
Allowance for water tank	1 item	£750,000	£750,000
Construction contingencies (5%)			£880,000
		Sub Total	£18,560,000
Phase 2			
Soundstages (x2)	35,000 ft2	£125	£4,380,000
Workshops (x2)	18,000 ft2	£70	£1,260,000
Office/ multi-purpose space	26,000 ft2	£125	£3,250,000
Hard landscaping	7,500 m2	£325	£2,440,000
Soft landscaping	2,800 m2	£100	£280,000
Utilities/ infrastructure	79,000 ft2 GIA	12	£950,000
Site preparation/ enabling works	1 item		£1,000,000
Sustainability/ renewables strategy	79,000 ft2 GIA	3	£240,000
Construction contingencies (5%)			£690,000
		Sub Total	£14,490,000
		TOTAL	£35,800,000

To ensure comparability with the other options, we have again added the following to the cost estimates:

- site acquisition costs: have assumed £5.485m (based on purchase of 21 acre site, and including stamp duty and legals);
- professional and legal fees: have assumed 10% (£3.85m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £53.8m.

3.9 Option 5: Foundation Studio

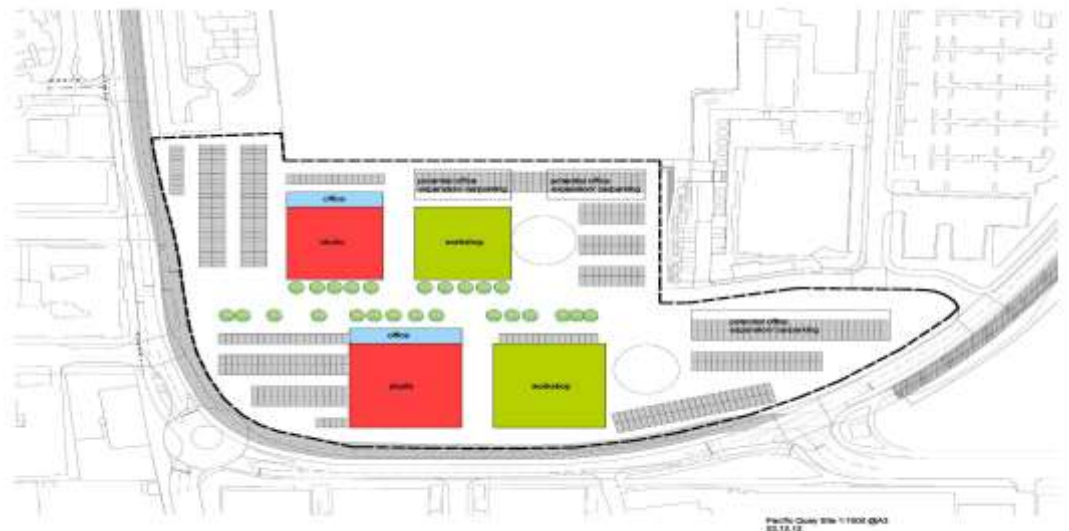
The Foundation Studio can be considered a first phase studio development, with the potential to expand at some future time. The basic concept is to develop a number of 'sheds' as follows:

- two sound stages: 1 @ 20k sq ft and 1 @ 15k sq ft; and
- two workshops: 1 @ 20k sq ft and 1 @ 15k sq ft.

The specification also makes allowance for production offices (465 sq m – 5,005 sq ft), but no provision at this time for a facilities village, back lot, water tank or other flexible space.

Figure 3.6, below, shows an outline layout for the Foundation Studio option.

Figure 3.6: Foundation Studio Layout



As shown, the site has sufficient space to accommodate the buildings along with room for car parking and good vehicle access. The site is already within an existing masterplan and further work would be needed to ensure consistency with the aims of the masterplan, but our initial view is that this should not be a major issue.

Initial cost estimates are subject to the same exclusions.

Table 3.6: Foundation Studio – Estimate of Costs

Base Build		Unit cost	Total cost
Soundstages (2)	3,252 m2	£606	£1,970,457
Production offices	465 m2	£1,200	£557,414
Workshops (2)	3,252 m2	£550	£1,788,369
Preliminaries			Included
Contingencies			Included
Sub Total			£4,316,239
Tenant Fit Out			
Acoustic insulation (soundstages)	3,480 m2	£120	£417,600
Increase in structure capacity for gantry	1 item		£52,000
Ventilation	3,252,m2	£60	£195,120
Sub Total			£804,311
External works			
Car parking	16,650 m2	£100	£1,665,000
Landscaping	7,050 m2	£20	£141,000
Electrical supply	1 item		£179,000
Gas, water and telecoms connections	1 item		£50,000
Preliminaries			£244,200
Contingencies (10%)			£227,920
Sub Total			£2,507,120
Abnormal costs			
Piling to sound stages	3,252 m2	£200	£650,316
Piling to workshops	3,252 m2	£200	£650,316
Site levelling	1 item		£255,000
Preliminaries			£155,563
Contingencies (10%)			£171,119
Sub Total			£1,882,314
TOTAL			£9,509,984

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £2.235m (based on purchase of the whole site of 8 acres at £250,000 per acre not including VAT);

- professional and legal fees: have assumed 10% (£0.95m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £15.2m.

3.10 Commentary

Sites

Options 1 and 2 (Dalmarnock and Gartcosh respectively) are similar. The studio specification is the same and both sites can comfortably accommodate all of the capital works. The site assessment work identified little in the way of major issues with either site and although there are some issues with noise, these are not considered insurmountable.

Gartcosh is further from the city centre, and therefore further from the concentration of facilities companies that might support production activity at the studio. Part of the overall proposition involves attracting facilities companies to locate on site to generate ongoing revenue for the project, and some felt that this would be more challenging in Gartcosh than in Dalmarnock. Of course, this is anecdotal only.

The capital cost estimates for both sites are similar, although the larger scale of the Gartcosh site results in higher costs. Both are substantial capital projects.

Option 3: Wardpark is less expensive, but is more constrained, and the option that has been costed (Wardpark Option 2) also depends on the availability of the adjacent plot in the business park – a major uncertainty and potential risk.

There is also uncertainty regarding the *Outlander* production. If re-commissioned, the production could remain at Wardpark for a few more years, but if not, the production could have completed by late summer 2014. This creates uncertainty about availability and capacity at Wardpark. It is also worth noting that the *Outlander* studio has been created specifically for that production, and may be less appealing to others, at least when compared to studios purpose built for flexibility.

Option 4: Pacific Quay has the scale and, to some extent, the flexibility to accommodate the full specification. There is also a strategic argument for locating the studio in this area for two main reasons:

- the Creative Clyde initiative is seeking to build a stronger cluster of creative activity at Pacific Quay (and elsewhere in Glasgow) and this could play a strong role in developing that cluster; and
- a studio on this site could catalyse further development at Pacific Quay.

The consultations identified some pockets of industry resistance to a studio in the centre of Glasgow on two grounds:

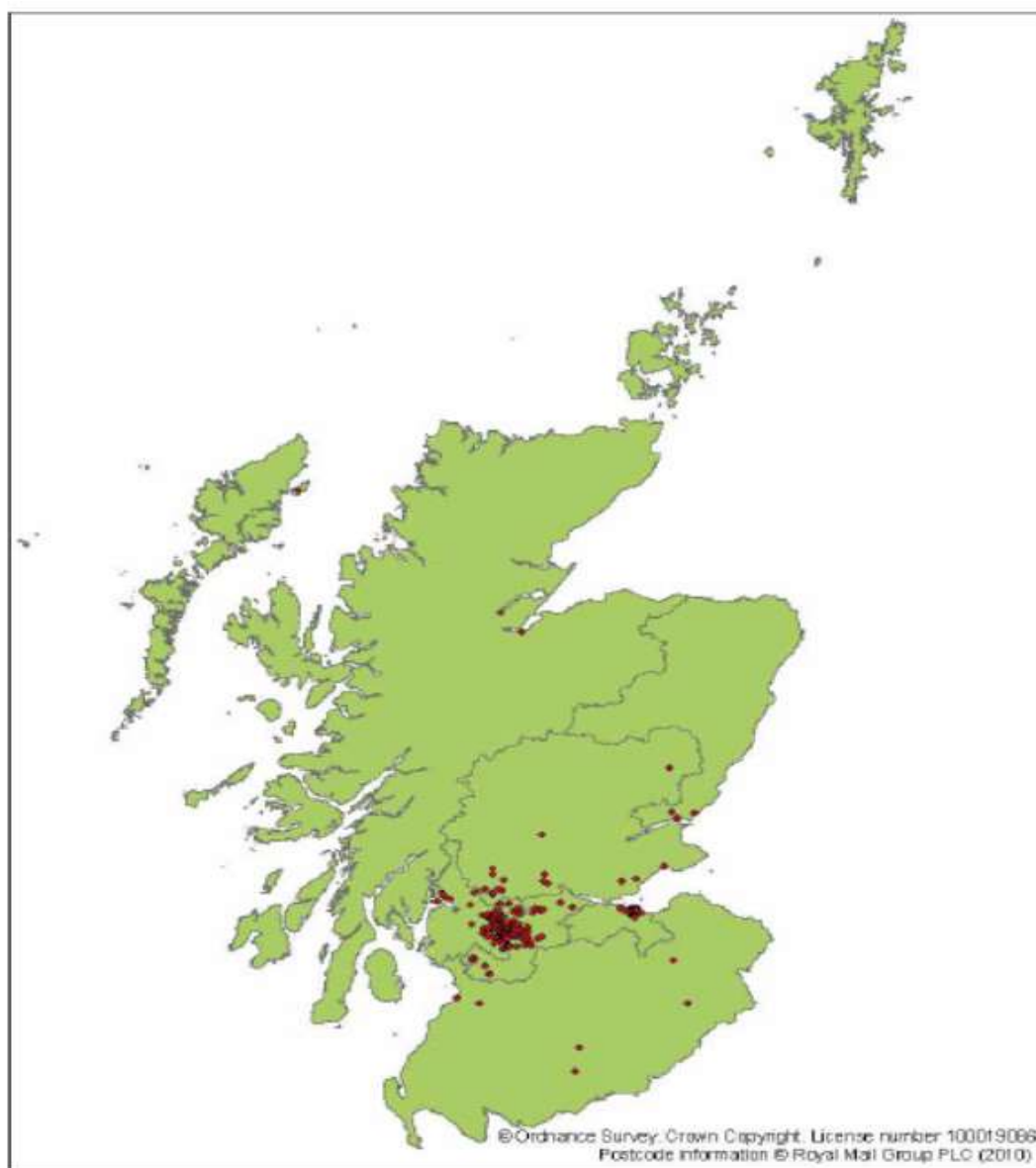
- that an urban location would be too noisy; and
- that a location to the east of Glasgow would better serve the needs of the whole of the Central Belt production community.

The acoustics assessment conducted by FCG's design team would argue against the first of these. The second is perhaps more difficult, and although this was not a majority view in our consultations, it remains a consideration even if Glasgow city centre remains an accessible location.

However, previous research by SQW into the feasibility of converting existing premises into a production space for film and TV provides an analysis of the location of the crew base⁷. As shown in **Figure 3.7**, overall, the crew base is highly concentrated in and around the Glasgow area.

⁷ *Feasibility Study of Television and Film Production Space in Scotland*, SQW, September 2010

Figure 3.7: Distribution of crew in Scotland (SQW analysis of Film Bang data)



Source: *Feasibility study of television and film production space in Scotland*, SQW Limited, 2010

The planning risks attached to the development of Festival Park may be a more substantial issue. While FCG has received a supportive letter from Glasgow City Council, this is not specific to the Festival Park site and instead supports the development of a studio at Pacific Quay. In that respect, it does not remove the planning risks attached to the site.

Option 5: Foundation Studio is obviously a different and smaller scale proposition, representing as it does the first phase of a possible studio project. The site can comfortably accommodate the development as proposed, and the nearby SE-owned site opposite the BBC could still be available for further development in future. This proposal obviously does not benefit from the (arguably) non-core elements of the facilities village and tenant offices that feature in other options, and has a lower overall design specification.

Capital costs

The initial estimates for the costs of the capital works appear at first glance to be high, and a number of issues can be identified here:

- the costs for construction of the soundstages used by Gardner and Theobald (G&T) for Dalmarnock, Gartcosh and Wardpark are based on costs used for previous BBC studio projects. These can be argued to be higher than those for film studios due to the higher technical specification required of television studios;
- back lot provision was identified as 'nice to have' but perhaps not essential, and the acoustics may make this challenging on any of the sites;
- land acquisition costs are **estimates only** at this stage; and
- VAT represents a substantial additional cost, and some of this may be recoverable.

The costs for the Pacific Quay projects as produced by AECOM have been developed using alternative cost conventions, with the soundstage costs substantially lower per area than those used by G&T. However, costs per area for offices and workshops are lower in the G&T cost model. In fact, the discrepancies in soundstage costs only account for around 5% of the total costs of the least expensive option.

The range of potential costs (bearing in mind the exclusions) for the five options identified is therefore from £15m (Foundation Studio) to £74m (Gartcosh). It is also worth noting that despite the different approaches taken to the costs, AECOM's costs for Pacific Quay are within a similar range to those developed by G&T.

Table 3.7, over provides a summary of the initial appraisal issues as they relate to each of the five options.

Table 3.7: Summary of Options

Model	Layout	Acoustics	Cap Ex	Other
Dalmarnock	Good, but potentially constrained backlot	Fair, but need for high sound insulation performance	£71.4m	Water treatment plant nearby although less an issue than first thought. Clyde Gateway (site owner) supportive. Possible flooding issues to address.
Gartcosh	Good – large site with flexibility	Fair, and layout flexibility good but need for high sound insulation performance	£74.3m	Supportive local authority. Furthest from Glasgow – issues with attracting tenant businesses? Some possible flooding risks requiring mitigation.
Wardpark	Poor – constrained site resulting in smaller overall build proposition	Poor-fair. Layout solutions not possible and two noise sources - motorway and existing studio	£46m	Already operating as a studio with supportive owner. Council also supportive. Business planning more difficult due to uncertainties about capacity and availability. Highly bespoke facility.
Pacific Quay	Good – full spec with scope for expansion	Probably the least affected, but still needs for insulation via box in a box construction	£53.8m	Strategic argument for location as part of creative cluster. Possible planning issues with Festival Park site. Probably the most appealing site for new tenants due to urban location.
Foundation Studio	Good for more limited spec – potential for expansion on nearby site	New issues, but need for insulation on soundstages	£15.2m	More limited offer by reducing to core requirement, but by far the most affordable. Offers potential for future expansion in the event of business success.

4. Commercial Appraisal

4.1 Introduction

In this section we present an appraisal of the commercial potential of the studio as defined in the options. Information on issues such as staffing requirements, operating costs and potential pricing strategies have been drawn from consultation with industry professionals, including input from Cask Productions. We have also compared our own commercial estimates with those produced for the FCG proposal and offer some initial comments on this comparison.

4.2 Key Assumptions

In order to develop a transparent and realistic income and expenditure model for the project, it is necessary to make a series of assumptions about:

- potential usage at the facility – utilisation rates for studio and workshop space and potential occupancy rates for tenant office and the facilities village;
- pricing – rental rates for studio and workshop space and rentals for office space;
- the level of staffing required to operate the facility and any associated management fees to be paid to an operator;
- business rates to be paid; and
- other operating costs such as utilities, insurance and security.

It is also important within the income and expenditure model to clarify the likely phasing of the capital works.

As the commercial appraisal work is so central to the study, it is also important that some sensitivity analysis is built into the model. For that reasons we have developed three scenarios, each over a 15 year time horizon - a base case, a negative scenario and a positive scenario. The method and assumptions are described below.

While one model can cover the commercial potential of Options 1-4 (the specification is essentially the same), Option 5: Foundation Studio is different in three main respects:

- the available soundstage and workshop space is equivalent only to Phase 1 of the other developments;
- there are no tenant offices and no facilities village; and
- the smaller overall scale will require a lower staff complement.

As a result, our assumptions for the commercial appraisal of Option 5 are different to those used for the other options.

Finally, it is important to note that we have taken a deliberately cautious and conservative approach to estimating both the level of likely utilisation, and the average rental prices that can be achieved. This is based on our view of the market, the extent and nature of the competition and direct feedback from industry.

Utilisation

Advice from industry is that an annual utilisation rate of around 65% on studio and workshop space is about right for a successful facility. While some are known to estimate higher utilisation, direct experience of a television studio in Scotland would suggest that utilisation rates in excess of 70% may be optimistic.

It is also prudent to assume some run-in time for a studio to reach its optimum level of operation, even in a buoyant market.

Therefore our assumption for the base case scenario is that utilisation would start low for the first two years at 40%, rising to 50% in years three and four and up to 60% from year seven. This is a prudent approach that recognises the volatility in production activity and the issues with Scotland's competitive position in this global market (see **Chapter 2**).

Pricing

We gathered feedback from production managers on what they would expect to pay for studio facilities, and from this calculated an average rate per square foot for soundstages, workshop space and production offices. In so doing, we had to take account of:

- the cost-sensitive nature of parts of the production market, particularly in TV production;
- the need for Scotland to be competitive, particularly in relation to other studios in the UK; and
- the requirement for a flexible pricing policy that can accommodate relatively well resourced productions as well as catering for the lower budget indigenous market – too high a price would exclude local producers and diminish the value of the project to the local industry.

However, for the sake of simplicity of presentation and analysis, we have developed an **average price per square foot**, and would expect this to vary according to the needs of individual productions in line with the way that studios generally operate.

There is also the tricky issue of **business rates** to consider. Any studio would be required to pay business rates, and could be hired on the basis of rates being included in the rental price, or without, leaving productions to meet their own rates liabilities. The latter is often the model where productions make use of existing premises.

In the case of a studio aiming to attract both long running TV productions as well as shorter term film productions, it makes more sense to include rates within the rental costs, as film companies shooting for a period of weeks will not wish to spend time and effort negotiating with the local authority on rates. Therefore our prices are inclusive of rates.

The average rental prices for tenant offices (not included in Option 5) are based on our own experience of working in the property markets in Scotland and within the creative industries, a sector known to be cost-sensitive, even when the benefits of co-location with a studio should be attractive to facilities and other companies. While

in practice, long term tenants would make their own arrangements for rates, we have developed a rates-inclusive cost for simplicity of analysis.

Finally, the facilities village will include tenant offices and multi-purpose space at a lower specification than the tenant offices. It is therefore prudent to price these lower with more flexible lease options.

The pricing structure used for the modelling is as follows:

- 'dry hire' of soundstages including rental and rates (not utilities) - £15 per square foot;
- 'dry hire' of workshop space including rental and rates (not utilities) - £9 per square foot;
- production offices (rental and rates but not utilities) - £10 per square foot;
- tenant offices rental of £20 per square foot, including rates but not utilities; and
- facilities village space rental of £10 per square foot, including rates but not utilities.

Some of these costs could be argued to be low. For example, £15 per square foot for soundstage space is a very competitive price (major UK studios can charge as much as £50). However, these estimates are based on feedback from production managers and the broad level of costs incurred by *Outlander* in Cumbernauld. This price point may also be out of the reach of all but a very small number of indigenous production companies thus flexibility will be required – in both directions.

There may, of course, be scope to increase prices, particularly once the studio establishes its market position. This will have implications for rates, as discussed below.

We have also assumed that utilities costs would be metered and recharged to tenants and productions and as such these are not included in the rental.

Staffing

Regardless of the management model for the studio, it will require some dedicated staff. Based on industry advice, we have kept the staffing lean, and have made allowance for the following for Options 1-4:

- one Operations Director;
- one Marketing Manager;
- one Site Foreman;
- one electrician;
- two riggers; and
- one administrator.

We have also assumed that incoming productions would be required to make use of the site foreman, electrician and riggers, and that over the course of a year the costs of these posts would be recovered through recharging to productions. The costs of the other posts are included as operating costs to the studio.

Salary costs for these posts have been developed on the basis of industry information and judgement about what would attract candidates of suitable calibre and experience.

For Option 5 we have assumed a smaller staff requirement, and have allowed for a Site Manager on the assumption that public sector resources would be used to market the studio both through Creative Scotland's Locations Service and the network of local film offices (perhaps restructured in some way to achieve a national approach).

The alternative would be to contract out the management of the studio to the private sector via competitive tender. This would almost certainly incur an ongoing management fee and potentially some form of profit sharing arrangement. For the purposes of examining income and expenditure, we have not made allowance for this at this time.

Marketing costs are lower for Option 5 in line with the smaller scale and the proposed use of existing public sector resources. Security and utilities remain cash neutral in the commercial model as they are recharged to productions, and costs for maintenance, services and insurance have been estimated at this time and reduced in line with the overall reduction in scale from the larger options.

Rates

Business rates represent a very significant cost for any studio, and estimating likely rates costs is problematic when considering the potential for rates relief on unused premises.

We have estimated the potential rates liabilities for the studio by making an estimate of the rateable value of the studio based on potential rental income, and then assuming that rates relief would be available on empty premises. These are both substantial assumptions that would require further testing, but for now they do provide at least some initial guidance on the likely rates costs.

For example the rates on the studio space have been estimated at £5 per square foot. This is probably a low estimate based on (net) rental income of £10 per square foot (£15 including rates). While there would be scope to increase the rental price, perhaps after the studios has established itself, this would result in increased rates liabilities, with the impact on net profit marginal at best.

Other operating costs

The other areas of cost to the studio relate to:

- utilities;
- security
- insurance; and
- management fee.

For each of these we have simply made a high level estimate, and have assumed that utilities and security would be recharged (with a small margin on security). Insurance would be a cost to the studio and we have estimated this at £75,000

during Phase 1, rising to £100,000 with the completion of Phase 2 of the development.

We have also made allowance for a management fee for the studio operator in Option 1-4. Of course, under an owner/ operator model this may not apply, and the level of at which any fee is set is somewhat arbitrary as this would be a matter for commercial negotiation. For the purposes of illustration, we have assumed an annual management fee of £100,000, although we would expect that in practice some form of performance related reward would be appropriate. As noted earlier, this has not been included for Option 5.

Phasing of the Development

We have taken a deliberately cautious approach to the phasing of the capital works for Options 1-4, taking the view that the studio should take time to establish itself and build market position before making further investment in additional facilities. This has obvious implications for the income and expenditure model, and we have assumed that Phase 2 in these options would be completed by Year 5. This, again, is an assumption, and development could be accelerated in the event of the studio achieving success more quickly.

For Option 5, we have not appraised any further development, focussing instead on the Phase 1 specification to provide a contrast with the other options. This does not indicate that further development is not possible.

Sensitivity

As noted, there is a need to consider some form of sensitivity analysis on the income and expenditure model to take account of the implications of over or under performance. The underlying business model for the studio is essentially a simple one – it is hiring space. Therefore, there are two key variables that influence the level of rental income that can be achieved – price and utilisation.

We have therefore developed a positive and a negative scenario by adjusting the level of utilisation (and office occupancy) achieved by the studio by 10% in each direction.

This is summarised in **Table 4.1**, below.

Table 4.1: Sensitivity analysis scenarios

	Yrs 1-2	Yrs 3-4	Yrs 5-7	Yr 8 onwards
Base case				
Studio utilisation	40%	50%	50%-60%	60%
Office occupancy	40%	50%	60%-70%	80%
Negative scenario (-10%)				
Studio utilisation	30%	40%	40%-50%	50%
Office occupancy	30%	40%	50%-60%	70%
Positive scenario (+10%)				
Studio utilisation	50%	60%	60%-70%	70%
Office occupancy	50%	60%	60%-80%	90%

4.3 Commercial Assessment

We have included detailed income and expenditure tables as part of the Appendix, but here have presented summarised results for each of the three scenarios outlined above. All scenarios assume a starting cash balance of zero and are in current (2013) prices.

Table 4.2: Income and Expenditure Summary Table - Options 1-4 (full spec)

	Yrs 1-5	Yrs 6-10	Yrs 11-15	Average annual profit
Base case				
Income	£6,393,661	£10,496,810	£10,637,770	
Expenditure	£6,024,545	£8,280,904	£8,360,740	
Closing cash balance	£369,116	£2,582,022	£4,859,052	£323,936
Negative scenario (-10%)				
Income	£5,393,026	£9,187,175	£9,331,135	
Expenditure	£6,024,545	£8,280,904	£8,360,740	
Closing cash balance	-£631,519	£274,752	£1,245,147	£83,009
Positive scenario (+10%)				
Income	£7,394,296	£11,944,405	£11,944,405	
Expenditure	£6,024,545	£8,280,904	£8,360,740	
Closing cash balance	£1,396,751	£5,033,252	£8,616,917	£574,461

In each scenario, the studio is capable of running at an annual profit ranging, on average, from £575k in the most positive scenario to £83k in the most negative.

Table 4.3 presents the income and expenditure summary for Option 5: Foundation Studio. Again, the commercial model suggests that the studio would be able to generate an annual operating profit, but at a relatively modest level.

Table 4.3: Income and Expenditure Model - Foundation Studio

	Yrs 1-5	Yrs 6-10	Yrs 11-15	Average annual profit
Base case				
Income	£2,472,000	£3,095,000	£3,095,000	
Expenditure	£2,038,600	£2,283,600	£2,283,600	
Closing cash balance	£433,400	£1,244,800	£2,056,200	£137,080
Negative scenario (-10%)				
Income	£2,027,000	£2,650,000	£2,739,000	
Expenditure	£1,863,600	£2,108,600	£2,143,600	
Closing cash balance	£163,400	£704,800	£1,300,200	£86,680
Positive scenario (+10%)				
Income	£2,917,000	£3,540,000	£3,540,000	
Expenditure	£2,213,600	£2,458,600	£2,458,600	
Closing cash balance	£703,400	£1,784,800	£2,866,200	£191,080

Before discussing the implications of the commercial assessment, it is worth restating the implications of the various assumptions that have been used:

- prices for hire of studio and related space are relatively low, but in line with industry feedback. They are also competitive;
- we have been cautious on utilisation levels and run-in time to reach optimum operating levels;
- rates costs are probably underestimated and there is uncertainty around the potential for full relief on premises when not in use;
- staffing levels are modest and salaries competitive but not excessive; and
- other costs such as insurance may be underestimated.

The implications of the various assumptions are that arguments could be made for increased income but also for increased costs.

Implications

The most significant exclusion from the model is that it makes no allowance for repaying the capital investment. For the purposes of illustration we considered the costs of repaying a standard commercial mortgage at a rate of 6.5%, a return that would be lower than most private investors would expect to receive from this kind of project. For loans of differing amounts, the annual repayment costs would be as follows:

- £20m - £1.8m;
- £15m - £1.3m;
- £10m - £0.9m; and
- £5m - c£0.5m.

Even for the smallest amount of loan (£5m) the repayment costs alone would be greater than the surplus generated in all but the most positive scenario for any of the options, and even on that scenario the margin for error is small.

On this basis, it is difficult to escape the conclusion that the studio does not present a compelling commercial investment case. While repayment holidays, interest only loans and other deals may be possible, they do not address the fundamental challenge of repaying the capital investment. Similarly, while tax efficient investment schemes can offset investor risk, there will still be a need to generate a return. For example, an Enterprise Investment Scheme (EIS) might be useful, but would require investors to take an equity share in a business. The exit strategy in this scenario would therefore be unclear.

Finally, as the re-use value of the buildings is likely to be relatively low, the commercial appeal of the project must be questioned, even on a relatively small level of private sector participation with modest returns.

While the data can be manipulated to improve income and even reduce cost (to some extent) there are limits to how far this can be taken while remaining credible and realistic.

In fact, this finding should not be surprising. Numerous previous attempts to develop commercial business plans for studios in Scotland have failed, including formal market testing exercises undertaken by SE which did not identify a commercial model. In addition, while large UK studios such as Pinewood generate profit, they do not typically invest in the capital development of studio facilities.

This then argues for a delivery model that is supported, at least in large part, by public finance. This is discussed in more detail in the following Chapter.

It should be noted that this assessment does not preclude the development of commercially successful propositions that introduce new income streams beyond the studio facilities, for example through related leisure, retail and/ or housing development. These broader models have not been tested.

Finally, we would also note that it may still be possible to develop a commercially viable alternative if a more compromised specification is accepted. The development of the Wardpark facility is an example of this in practice, and we return to this issue later in the report.

5. Management Appraisal

5.1 Introduction

The commercial appraisal summarised in **Chapter 4** makes clear the scale of the commercial challenge for studio investment.

5.2 Management and Delivery Options

There are four **high level** options for the management and delivery of a studio:

- financed, owned and managed by the private sector;
- financed, owned and managed by the public sector;
- public/ private partnership; and
- public ownership/ private management (most likely via competitive tender).

While these are the 'high level' options, there is the potential for a very wide range of variations within these broad structures, and appraising the different possibilities will depend on:

- the commercial opportunity that the studio offers;
- the level of public finance, and the terms on which it might be made available;
- consideration of any public funding constraints as a result of State Aid Rules; and
- the level of private sector interest.

The findings of the commercial appraisal casts doubt on the viability of a wholly private sector model, at least for the studio as defined and appraised. As noted in the previous chapter, a private sector project could be viable with significant compromise as evidenced by Wardpark, and indeed further low cost development on that site could also be feasible. However, on the basis of the studio proposition as defined by industry and outlined in **Chapter 2**, a private sector model looks unlikely.

This leaves three possible options:

- public sector model;
- public private partnership; and
- public ownership/ private management.

Public Sector Model

Under this option, the public sector would raise the finance to build the studio and would then manage the facility. The most likely vehicle for this would be for some combination of Scottish Government, SE and Creative Scotland funding to be used and for Creative Scotland as the national agency with responsibility for film to lead the studio management.

While this is, in theory, possible, there are three main issues to consider:

- the level of expertise and resources within the public sector to manage a studio effectively;
- the availability of public sector finance and the terms attached to that finance (e.g. grant, loan, investment); and
- potential issues regarding State Aid rules.

In theory at least, the first of these should be solvable, at least with additional resources made available to the project and/ or the organisations responsible for its delivery. However, we found some concerns among parts of the industry about the level of resources and expertise currently available within the public sector in Scotland to manage a studio.

In terms of the availability of public finance, this is very much a question for the relevant public sector parties. These are constrained times for public finance, and a clear case will need to be made. Given that the commercial viability of a studio (at least on this scale) is questionable, this case must be made on the basis of the likely economic impacts, an issue addressed in the next chapter.

The final issue is that of **State Aid**. State Aid is a complex area of European competition law, and requires specialist legal advice. However, some basic principles should be noted, as discussed below.

State Aid rules are set by the European Commission and are intended to regulate the involvement of the public sector in commercial activity. In essence, the purpose of State Aid regulation is to ensure that the state does not distort competition by conferring advantage. Further details can be found on the Scottish Government website⁸.

State Aid is an issue on which the partners should seek qualified legal advice. This is outwith the brief for the current study. However, any proposal for delivering and operating a studio with public sector involvement would need to be considered in detail to establish the level of State Aid risk and how that risk would be managed.

It is worth noting the example of Ciudad de la Luz, a major studio development in Alicante in Spain. The studio was developed with government finance, and the Spanish government invoked the market economy investor principle. However, a legal challenge by private sector interests successfully argued that State Aid rules had been breached and the Spanish government was instructed to repay EUR 250m to the EC. The studio is now closed.

Public/ Private Partnership

Under this model, the studio would be developed and managed via some form of joint venture between the public and private sector. The role of the public sector in this model would be to provide a degree of confidence to the private sector and encourage investment as well as sharing the risk.

However, two major issues arise with this model:

- there will still be State Aid issues to consider (see above), even if a private sector lead can be found, and specialist advice will be required; and
- uncertainty about the commercial viability will limit the appeal of the project to private investors, at least in terms of the capital investment required.

⁸ <http://www.scotland.gov.uk/Topics/Government/State-Aid>

Public Investment/ Private Management

The final option is essentially an adaptation of the public sector model based on the following principles and findings:

- the commercial appraisal does not support a private sector model thus public investment will be required;
- the public sector is not best placed to manage a studio and in any case would encounter issues with State Aid compliance; and
- there is interest from private sector studio operators in running a studio in Scotland.

The need to comply with State Aid rules is such that this may need to fall within the guidelines for direct provision. In other words, the public sector finances the construction and then rents the facility to the private sector at market rate.

As noted above, this may be challenging. However, there are good reasons to argue for the participation of the private sector in the studio operation, and for this participation to be on the basis of **shared risk**.

First, there is expertise within the private sector to run a studio on a commercially successful basis, and in the course of the study we found interest from a number of potential operators. Secondly, the participation of the private sector can offset a degree of public sector risk, both in relation to the commercial operation of the facility and any ongoing liabilities. Assuming any such arrangement was procured through open tender, this could also mitigate risks of the public sector being seen as distorting the market.

The nature of the shared risk model that might apply would be for the public sector to negotiate with potential private sector partners, and any tender would specify the broad terms that would apply. However, possibilities could include negotiating a head lease for the facility to a studio operator (potentially incentivised), or structuring some form of profit sharing model in which both parties share in the upside.

We return to this issue later in the report.

5.3 Summary and implications

The appraisal of possible management and delivery models is strongly influenced by the findings of the commercial appraisal work and the pros and cons of each possible model are highlighted in **Table 5.1**, over.

While a private sector led project would be the ideal solution, the commercial appraisal strongly suggests that this is unlikely in practice due to the level of uncertainty over the potential to generate sufficient return on the capital investment, even with public sector participation.

Therefore, if a studio is to be developed in Scotland, it will require substantial levels of public sector support for the capital costs. Issues with State Aid then arise and further guidance and advice will be required to negotiate these should a viable case be established for public sector intervention. This case will need to be made on the grounds of the economic benefits to Scotland, as discussed in the next chapter.

However, a fully public sector led model (direct provision) in which the public sector both pays for the capital development and manages the facility places all of the risk on the public purse, and as such should be seen as an option of last resort.

Assuming that public sector investment will be required on the capital elements, the most effective means of managing operational risk (i.e. that the project will be commercially viable after the capital costs) will be to a private sector partnership around the management of the studio in a way that brings commercial expertise to the running of the project and shares some of that risk.

Table 5.1: Summary of Delivery Options

Model	Summary	Advantages	Disadvantages	Comment
Private sector project	Capital investment and operation led by private sector with some level of public sector support, most likely for a share of capital costs	Lowest level of cost and risk to public sector Works with the market	Few – ‘ideal’ model	Capital project unlikely to be commercially viable therefore feasibility of this model is highly doubtful
Public sector project (direct provision)	Capital investment and operation led by public sector – private sector participation marginal	Few – option of last resort, but in line with commercial appraisal findings	Risk of distorting the market State Aid questions High level of public sector risk	Risks lie wholly with public sector and questions about level of expertise to manage studio
Public/ private partnership (capital)	Capital investment through public/ private JV and management tendered	Manage risk to public sector Advantages of private sector commercial expertise	State aid questions Still level of public sector risk	Capital project unlikely to be commercially viable, even with public sector participation, therefore feasibility of this model is highly doubtful
Public/ private partnership (operation)	Public sector funds capital works and negotiates shared risk model for studio operation	Manages public sector risk on operation	State aid questions Public sector capital risks still considerable	Accepts doubt over private sector investment in capital costs, but manages risks compared to direct provision model

6. Economic Appraisal

6.1 Introduction

Assessing the potential economic impacts of a studio in Scotland is challenging. It requires both clear thinking about the routes through which the studio could create economic impacts and necessitates a number of assumptions to be made in order to quantify the likely scale of impact. This is discussed in some detail below, before presenting the results of the economic impact assessment (EIA).

6.2 Routes to Impact

The basic argument for a studio in Scotland is firmly based on the potential it can offer for economic benefit through the attraction of additional production activity to Scotland. Currently, most of the international production activity in Scotland is location based, and the argument is that a studio would attract more studio-based productions, thereby retaining a larger proportion of production spend and employment within Scotland.

However, there are other potential benefits to consider. A studio could also have positive impacts on the local production sector by providing facilities not currently available and enabling a shift towards higher value productions. It would also create business opportunities for local facilities companies as well as potentially attracting inward investment. Finally, it would also be expected to have significant training benefits for the crew base, providing opportunities to work on higher budget productions and creating a more consistent flow of work, helping with the retention and attraction of production talent.

Then there are also the multiplier effects of the additional spend created by the productions themselves within the local economy (the supplier linkages) and additional local spend through the wages of employees (income multipliers).

The primary engine of economic impacts at the studio will therefore be the productions that take place. This must therefore be the starting points for the EIA.

6.3 EIA Method and Assumptions

The primary challenge for the EIA is the limited relevant data that inform the necessary assumptions. As noted in **Chapter 2**, it is not possible to provide a robust forecast of the number of productions that might make use of the studio on an annual basis. There is also no such thing as an ‘average’ production budget therefore even if it was possible to estimate the number of productions, this would provide only a vague guide to the likely value of production spend.

Instead, in projects of this nature it is good practice to link the potential economic impacts to the likely income at the facility. Therefore, the total income from studio rentals each year is the base figure from which to estimate production spend.

We commissioned a mock production budget for a high end TV drama from Cask Productions. This provided an estimate of the proportion of the total production budget that would be accounted for by studio rental costs. In the mock budget this equated to 8% of the production budget. If then the studio rental accounts for 8% of total production budgets, we can make the assumption that the total rental income for the studio each year accounts for 8% of the total budgets of productions using the facility. This then provides a method for estimating **total production budget** figure for each year of operation.

However, the mock budget had some significant exclusions, notably on screen talent and visual effects, both of which can be substantial costs in high end TV drama and film productions. As a result, the 8% figure can be considered a rough guide only. For this reason, we developed **four impact scenarios** that calculated the total value of production budgets on the basis that studio rental accounted for 3.5%, 5%, 7.5% and 10% of total budgets respectively⁹.

Once the total production budget figure is calculated, the next step is to estimate the proportion of the budget which is likely to be spent locally (i.e. in Scotland). To do so, we referred to data published by NI Screen about the local impacts of the first

⁹ It should be noted that the lower the figure for the proportion of spend accounted for by studio rental accosts, the higher the eventual impacts, as this allows for a larger value to be calculated for local production spend.

season of the *Game of Thrones* production in Belfast¹⁰. Independently audited figures show that £18.1m of the total budget of £44.5m was spent in Northern Ireland, equating to just over 40%. We have therefore assumed that local spend will be equivalent to 40% of total production budgets. However, it is also reasonable to expect that this proportion might increase over time as the capacity and skills within local crew and facilities improves. As a result, we have increased this figure to 50% over the first eight years of the studio's operations.

Once the local spend figure is calculated, it is then necessary to take account of deadweight, displacement, leakage and substitution effects to arrive at a **net** spend figure. These are defined as follows:

- **deadweight:** the proportion of total impacts that would have occurred anyway i.e. without the studio;
- **displacement:** the number or proportion of impacts that reduce value elsewhere in the target area. These effects can occur in product markets (e.g. amongst non-assisted business competing in the same market) or in factor markets (e.g. in the labour market);
- **leakage:** the number or proportion of impacts that benefit economies outside the target area; and
- **substitution:** a negative effect arising when a firm substitutes one activity for another to take advantage of public sector support.

We assessed the **deadweight** to be low at 20%. The rationale for this is that Scotland's market for incoming production is almost entirely for location shooting. While productions at the studio will often have some location work (sometimes a substantial element), the feedback from industry is that Scotland is consistently failing to attract productions as a result of not having a studio. Therefore, we have assumed that the majority of productions that come to the studio would not otherwise have come to Scotland at all. Location only business already comes to Scotland and is not the primary market for the studio.

Displacement is also assessed at a relatively low level of 30%. There is no directly comparable facility in Scotland therefore the studio is not displacing much in the way

¹⁰ NI Screen ref

of business from elsewhere. The complicating exception to this is Wardpark where the *Outlander* production is currently shooting. At some point, *Outlander* will finish and leave, and it is not yet known when this will be. However, once it does, it is possible that Wardpark could continue to operate as a studio at which point it would be in competition with the new studio.

Wardpark has also been developed specifically for the *Outlander* production and would not have the flexibility and adaptability of the new studio. As a result its appeal would be weaker.

There is also some potential for displacement in relation to the crew base. The studio will attract a large proportion of the local crew base when in active production. This could create a tight labour market for local producers (as well as potentially increasing wage costs).

Taking all of these issues into account, and the uncertainty around Wardpark, it is prudent to assume at least some displacement, but there is a reasonable argument for this being relatively low.

Leakage is already accounted for in the calculation from total production budget to local spend with the non-local spend being the leakage. **Substitution** is not considered to be a relevant issue for a project of this nature.

Once these factors have been accounted for, the next step is to calculate the employment impacts arising from the net production spend, and here again we have made use of the *Game of Thrones* data.

The audited data estimates that the local spend of £18.1m accounted for a total of 188 job years (each equating to 225 working days). This is equivalent to £95,000 per job year. Job years can be considered a relevant measure in the context of a largely freelance labour market (as opposed to 10 or 5 year full time equivalents). This cost per job year figure is likely to be high given the particularly high cost per hour of *Game of Thrones*, but is nonetheless a useful guide.

In addition to the direct employment impacts, there will be **multiplier effects** to consider. A recent study by Oxford Economics on the economic impacts of the UK film industry found that every direct job in the industry supported another job through indirect and induced multiplier effects – a multiplier of 2.

In order to calculate the total **gross value added** (GVA) of the project, we converted the net employment impacts into GVA using a GVA per employee figure estimated from existing Scottish Government data on the creative industries. Accurate data for GVA in parts of the creative industries are not available, and film falls into this category. GVA per employee for radio and TV is £89,000. However, GVA per employee in film is likely to be lower given the volume of construction work, therefore we have used the figure for GVA per employee for the audio-visual industries, which is £57,000¹¹.

Finally, the economic impacts have been calculated over a 15 year period, in line with the income and expenditure model. They have then been discounted to calculate the **Net Present Value** (NPV). NPV is the total quantified value of the net additional GVA impact over a 10-year period taking account of the date at which the development will be completed and occupied, and the time value of money i.e. £1 today is worth more than £1 next year. We have used the HM Treasury Social Time Preference Rate (3.5%) to discount the estimated impacts.

It should be noted that as the employment impacts are expressed as job years, they are not cumulative over the 15 years. However, the GVA impact is cumulative.

6.4 Findings

Table 6.1, over, presents the economic impacts in each of the four scenarios for one year of peak operation at the facility (taken as Year 8). This is taken from the income in the base case scenario for income and expenditure (see **Chapter 4**).

Again, we have presented the findings for Option 5: Foundation Studio separately as the impacts will be lower based on the smaller scale of the facility (hence lower levels of production activity) and the different income levels.

The assumptions used for the impact calculations are the same in all options.

¹¹ *Scottish Government Growth Sector Statistics*, January 2014.

Table 6.1: Estimated Economic Impacts (Year 8) and Cumulative NPV (15 years) – Options 1-4 (full spec studio)

	3.5% scenario	5% scenario	7.5% scenario	10% scenario
Studio rentals (income)	£1,136,082	£1,136,082	£1,136,082	£1,136,082
Production budgets	£32,459,486	£22,721,640	£15,147,760	£11,360,820
Local spend (50%)	£16,229,743	£11,360,820	£7,573,880	£5,680,410
Less deadweight (10%)	£12,983,794	£9,088,656	£6,059,104	£4,544,328
Less displacement	£9,088,656	£6,362,059	£4,241,373	£3,181,030
Direct job years	96	67	45	33
Plus indirect/ induced job years	191	134	89	67
GVA per employee	£57,000	£57,000	£57,000	£57,000
Total GVA (year 8)	£10,906,387.20	£7,634,471.04	£5,089,647.36	£3,817,235.52
15 years GVA impact (3.5% discount)	£99,888,809.49	£69,922,166.64	£46,614,777.76	£34,961,083.32

Table 6.2: Estimated Economic Impacts (Year 8) and Cumulative NPV (15 years) – Option 5: Foundation Studio

	3.5% scenario	5% scenario	7.5% scenario	10% scenario
Studio rentals (income)	£534,000	£534,000	£534,000	£534,000
Production budgets	£15,257,143	£10,680,000	£7,120,000	£5,340,000
Local spend (50%)	£7,628,571	£5,340,000	£3,560,000	£2,670,000
Less deadweight (20%)	£6,102,857	£4,272,000	£2,848,000	£2,136,000
Less displacement (30%)	£4,272,000	£2,990,400	£1,993,600	£1,495,200
Direct job years	45	31	21	16
Plus indirect/ induced job years	90	63	42	31
GVA per employee	£57,000	£57,000	£57,000	£57,000
Total GVA (year 8)	£5,126,400.00	£3,588,480.00	£2,392,320.00	£1,794,240.00
15 years GVA impact (3.5% discount)	£51,719,903.18	£36,203,932.23	£24,135,954.82	£18,101,966.11

A number of important caveats apply to the EIA.

First, referring back to the *Game of Thrones* data, and the first year local spend figure of £18.1m for a single production suggests that the local spend figures derived in the 7.5% and 10% scenarios look low, given that the studio facility being appraised in the current study is larger than that initially used by *Game of Thrones*. As a result, our view is that the 3.5% and 5% scenarios are more plausible.

Secondly, the EIA method is heavily reliant on the assumptions set out in **Section 6.3. While these are transparent, and based on the little data that are available, they are still assumptions, and should be treated with an appropriate degree of caution.**

Thirdly, the model makes no allowance for other impacts that might arise through:

- direct employment at the studio (the staffing complement to operate the facility);
- any uplift in business for local facilities companies (in particular expert business);
- impacts arising from inward investment as a result of the studio (e.g. facilities companies); and
- any increase in location only businesses as a result of the improved skills and reputation of the Scottish production sector.

It is not possible to quantify these impacts, but it is important to note that these can all contribute to the overall benefit to the Scottish economy.

There may also be agglomeration effects, but these have been excluded from the model in compliance with SE guidance for EIA.

Finally, there is a case to be made for film production having an impact on the attractiveness of a country to overseas tourists (the New Zealand visitor economy benefitting from the *Lord of the Rings* productions is an oft-quoted example). Again, it is not possible to quantify these impacts within the model, but important to note that they are at least possible. There are already *Outlander* themed tours of Scotland, prompted by the novels, even prior to television.

6.5 Value for Money

Assessing the value for money for the studio in terms of the economic impact benefits is problematic in the absence of clear guidance on the level of likely public sector investment required. However, we have examined some potential scenarios for return on investment (RoI) for each of the five options appraised at the level of:

- public sector investment of 100% of the capital costs;
- public sector investment of 75% of the capital costs;
- public sector investment of 50% of the capital costs; and
- public sector investment of 25% of the capital costs.

Table 6.3: Value for Money

	Dalmarnock	Gartcosh	Wardpark	Pacific Quay	Foundation Studio
Cap Ex (est)	£71.4m	£74.3m	£46m	£53.8m	£15.2m
NPV (15 years – 5% scenario)	£70m	£70m	£70m	£70m	£36.2m
RoI					
100% public	1:0.98	1:0.94	1:1.5	1:1.3	1:2.4
75% public	1:1.3	1:2.6	1:2	1:1.7	1:3
50% public	1:1.96	1:1.9	1:3	1:2.6	1:4.8
25% public	1:3.9	1:3.8	1:6	1:5	1:9.5

Note: the Pacific Quay capital costs are as provided by AECOM for Film City Glasgow

This analysis has a number of important implications. The RoI for the higher levels of public sector participation (100% and 75%) are poor for all options, apart from Option 5: Foundation Studio. This is particularly the case when one considers that the NPV has been calculated over a 15 year period. Options 3 and 4 (Wardpark and Pacific Quay) start to offer better RoI with lower levels of public sector participation, but it is really only at the 25% level that Dalmarnock and Gartcosh start to look reasonable. Option 5: Foundation Studio offers stronger returns at all levels of public sector participation, but particularly at 50% and below.

What this suggests is that Option 5: Foundation Studio offers the best value for money for the public sector. The other options can only be considered to offer value for money to the public sector when the private sector is investing at 50% or more of the capital costs, a condition that the commercial appraisal suggests will be difficult to achieve.

7. Conclusions

7.1 Introduction

The market assessment and appraisal work suggests a number of important conclusions:

- there is a clear opportunity for a studio in high end TV and medium budget film production, supplemented by local production and commercials;
- this opportunity is largely in internationally mobile production in a highly competitive market, and there is a need for a co-ordinated package of incentives (including the UK tax schemes) and support to ensure a consistent flow of business. A studio alone may not be sufficient, however it is currently a barrier to Scotland competing more effectively in this market;
- the nature of the market opportunity and feedback from the industry helped to define the 'ideal' requirements for a studio facility, as follows:
 - 3-4 sound stages (15,000-20,000 sq ft) plus the same floorspace in workshop space plus production offices – this should be developed over **two phases** to manage risk
 - facilities village and company offices to attract facilities companies to locate on site and facilitate the development of a production cluster
 - scope for future expansion
 - a site for backlot shooting was considered desirable, but not essential, at least initially
 - one of the sound stages should have a water tank for maximum flexibility and appeal to a wide range of productions;
- key criteria for the location of a studio were driven by the concentration of crew and facilities in the Central Belt (in particular around Greater Glasgow) and the need to have easy access to major transport links;
- the site search was extensive and identified a number of potential new build sites, but no realistic refurbishment options due to issues with the height of eaves and internal columns;
- it was agreed with the Steering Group to work on two new build sites as **illustrative examples** of what could be possible, and to examine the Isola Building site in Wardpark Business Park (current hosting the *Outlander*

production) along with Film City Glasgow's developing proposals for the Pacific Quay area and a fifth option based around the core elements as a first phase of what could become a larger proposition over time– Foundation Studio;

- the site appraisal and design work demonstrated what would be possible on each of the sites and provided initial estimated costs ranging from £15.2m - £74m. Each of the sites/ projects face certain constraints, but the most significantly constrained is Wardpark. The Pacific Quay project also faces some planning risks with the proposal to use the Festival Park site. The Foundation Studio proposition is obviously smaller in scale (being only phase 1 of the full studio specification) and loses 'non-core' elements such as the facilities village and offices for tenant companies on site;
- commercial appraisal of the project highlighted the difficulty of developing a commercial model that would permit repayments of the capital investment at a level expected by private investors. It is therefore difficult to demonstrate a commercially viable project, even on the basis of the first phase of the development (Foundation Studio);
- the involvement of the public sector as the lead or sole partner raises issues with State Aids and with the level of financial risk. It also requires strong justification in terms of the likely economic impacts;
- the economic impact assessment found that public sector intervention on the full specification projects (Options 1-4) would be justified only at a low level of participation (25% or less of the total capital costs). In light of the identified challenges in attracting commercial investment, this casts doubt on the viability of a studio at this scale – the capital costs are too high; and
- there is a stronger case for public sector involvement at a higher level in the Foundation Studio project.

7.2 Foundation Studio

The Foundation Studio proposal offers a more affordable model than the larger options, and also presents a reasonable case for public sector involvement. It delivers a studio facility with two soundstages, associated workshop space and production offices, and would provide an opportunity for Scotland to gain a stronger foothold in the international marketplace, potentially within a fairly short timeframe. It is also a **first phase** of what could in time become a larger studio complex, even attracting future private sector investment should it prove successful.

As such, it is the strongest of the all of the options appraised. However, it is not without constraints and issues.

The smaller scale of the studio (35,000 sq ft of soundstage space and the same in workshops) could limit its market appeal (*Outlander*, for example, currently occupies 140,000 sq ft), and the lack of supporting space for facilities companies does weaken the cluster building arguments unless it is located near existing facilities. Depending on the funding and operating model, the public sector risks and potential liabilities are significant.

We have also not tackled the issue of the competitiveness of Scotland's incentive and support structure for the attraction of internationally mobile productions.

Nevertheless, the Foundation Studio is worth further exploration as the first phase of a potentially larger development.

Management Options

The appraisal suggests a case for public sector intervention to develop the Foundation Studio, based on the potential for the studio to create economic impact for Scotland. However, it also suggests that it is unlikely to happen as a commercial project led by private sector interests. Indeed, attracting private investment into the project at any substantial level is likely to be a major challenge. A significant level of public sector involvement would seem to be essential.

This then leaves three possible high level options for the management and delivery of the project:

- **direct provision** – in which the public sector partners finance the studio development and manage its operation;
- **public led with private management** – in which the public sector partners finance the development and contract its management to the private sector (recognising that this may add cost); and
- **public/ private sector joint venture** – in which a partnership between the public and private sector is formed to finance and/ or manage the studio, recognising that there may be a need to incentivise the private sector participation in some way.

All of these present challenges, particularly in relation to:

- the level of risk to the public sector, particularly in the first two options;
- the relatively modest levels of RoI based on likely economic impacts;
- the resources available to the public sector to manage the project (first option);
- potential state aid issues (in all options); and
- attracting private sector finance in the third option.

These issues are summarised in **Table 7.1**, over.

Our view is that a wholly direct provision route is sub-optimal, given the level of expertise in the private sector to manage studios on a commercial basis. It is also unlikely that the private sector would enter into a commercial joint venture on the capital side given the level of risk associated with the capital costs.

Therefore, the most likely of these options would be for the public sector to finance all or most of the capital costs, and then enter into an arrangement with a studio operator to manage the studio. This arrangement should aim to achieve some form of risk sharing to mitigate the level of risk to the public purse, and demonstrate effective stewardship of taxpayers' money. Options here could include some form of incentivised head lease arrangement or a profit sharing model, but the detail of this would more appropriately be addressed through a procurement and subsequent negotiation process.

Table 7.1: Management and Delivery Options for the Foundation Studio

	Direct provision	Public led – private management	Public/ private JV
Cap Investment	Public (e.g. SE/ CS/ SG/ local authorities)	Public (e.g. SE/ CS/ SG/ local authorities)	Public/ private (incentivised)
Ownership structure	Publicly owned vehicle	Publicly owned vehicle	New Limited Co.
Management	Public sector	Contracted	Contracted
Marketing	Public – existing mechanisms	Private sector operator	Private sector operator
Issues	State aids (see Chapter 4)	State aids (see Chapter 4)	Availability of suitable investment incentives
	Public sector capacity/ expertise	Cost of procurement and management fees	Challenging commercial proposition
	Risk to public sector	Risk to public sector	State aids
Assessment	Challenging for public sector – availability of finance/ expertise	Challenging for public sector – availability of finance Possibility of shared risk approach to management	Difficult to build commercial case
	Economic development gains	Economic development gains	Economic development gains

If the second of these options is most likely, then a number of issues must be considered and addressed:

- the availability of sufficient levels of public finance to meet the capital costs, and the conditions attached to that finance;
- the degree of uncertainty regarding economic returns, and the willingness of the public sector partners to accept a relatively modest return on investment;
- the potential state aid related constraints;
- the possible structure of a shared risk arrangement with a studio operator; and
- the possibility that there is still private sector interest in a studio proposition (in which case the justification for public sector intervention could be undermined).

The first two are decisions for the public sector stakeholders, and state aid is an issue on which expert advice is now required.

In terms of a shared risk arrangement, different models would be possible. The specific terms of such a deal would be for the relevant parties to negotiate, and any tender process would make explicit the public sector partners' wish to seek a shared risk arrangement. It would then be for potential bidders to propose terms. For the purposes of this report, we would recommend that this is the basis on which the operation of the studio should be contracted.

8. Recommendations

8.1 Introduction

The appraisal work has identified the Foundation Studio as the most likely first phase option, consisting of:

- two sound stages: 1 @ 20k sq ft and 1 @ 15k sq ft; and
- two workshops: 1 @ 20k sq ft and 1 @ 15k sq ft.

The specification also made allowance for production offices (465 m² or 5,005 sq ft), but no provision, at least initially, for a facilities village, tenant offices or back lot. It can be considered to be a first phase of what could become a larger project in time.

The site used for appraisal purposes is an **illustrative example** only at this stage and although this location does benefit from proximity to existing facilities companies, the use of this site for appraisal does not constitute a firm recommendation on location. In fact, the costs of building the Foundation Studio would be similar regardless of location.

The conclusions and issues for consideration are:

1. The Foundation Studio could be developed for c£15m and offers an opportunity for Scotland to gain a foothold in a fast growing market. As a first phase, it is a more limited initial offer, and lacks the cluster building potential of the larger propositions, but is lower risk and more deliverable.
2. Commercial appraisal identified issues with the viability of the Foundation Studio project as a private sector led initiative, and points to the need for public sector involvement.
3. The potential economic impacts of the Foundation Studio are within a more acceptable, if modest, range for public sector investment, even at 100% of the capital costs, a case that is made stronger by consideration of the range of wider impacts that would be realised.
4. If the majority of the capital investment is provided by the public sector, and the asset owned by some form of public sector owned vehicle, the management

should be contracted out on a **shared risk** basis to a private sector studio operator. This model **must** however be subject to detailed testing on the basis of State Aid compliance.

5. While the appraisal work strongly suggests the need for substantial public sector involvement, two private sector led models remain possible. The study team is aware of proposals at various stages of development, most of which rely on a wider range of activities to generate income (e.g. retail, leisure, housing). The lack of detailed information is such that these have not been subject to any appraisal. It is also possible that private sector interests could proceed with a reduced specification but less expensive solution (refurbishing an existing building) such as the example of Wardpark.
6. It is incumbent upon the public sector to take every opportunity to encourage private sector investment in the development of flexible production space in Scotland. Given the degree of uncertainty around some of these proposals, there is a need to test the market to 'flush out' any private sector interest before proceeding with an alternative, public sector led studio venture. This is reflected in our recommendations.

8.2 Recommendations

On the basis that there is a clear market opportunity for a studio in Scotland, we have a number of recommendations for SE and its partners regarding the next steps.

These outline a 'twin track' approach to minimise the time delay in bringing a studio facility to market. In particular, we recommend that the public sector partners test the market for private sector interest, while **concurrently** appraising in depth the business case for public sector investment in a Foundation Studio, such that this can be actioned in the event of no viable private sector project being identified.

Recommendation 1: SE should issue a brief to the market to identify any private sector interest in a studio development that would meet the identified market opportunity for Scotland. Although the appraisal work suggests that a commercially viable business plan for the ideal specification is unlikely, a private sector led development cannot be ruled out, particularly if a more compromised solution is developed (see above). Should this exercise fail to identify a commercial project, this adds further to the rationale for a public sector led solution.

Recommendation 2: In the event that a) the market testing process does not identify a commercial project and b) the case can be made for public sector investment, the partners should proceed with more detailed design work, site appraisal and business planning for the Foundation Studio. Any public sector led project should also be considered on the basis that a **shared risk** model for its operation can be developed with the private sector.

Recommendation 3: In seeking to clarify the case for public sector involvement, the partners (including SE, Creative Scotland and the Scottish Government) should seek detailed advice on the State Aid position to clarify what can be delivered within the State Aid envelope. In addition, should a robust business case be made for public sector involvement, the partners should also examine the availability of capital funding, and seek the necessary approvals, making use of the evidence presented within this report.

For the avoidance of doubt, the report makes no recommendation on a preferred location for a studio development beyond the criteria identified.

Appendix A: Study Contributors

The Steering Group for the study comprised:

David Jack	Scottish Enterprise
David Smith	Scottish Enterprise
Michael Wright	Scottish Enterprise
Simon Parsons	Scottish Enterprise
Corrine Stewart	Scottish Enterprise
David Hartley	Scottish Enterprise
George Falconer	Scottish Enterprise
Caroline Parkinson	Creative Scotland
Brodie Pringle	Creative Scotland
Mark Thomas	Creative Scotland
Samantha Groessler	Scottish Government
Peter Willman	Scottish Government

Contributors

In addition to the Steering Group, the following individuals contributed views and information to the study.

Caroline Parkinson	Creative Scotland
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Willy Wands	Production Manager
Stephen Burt	Production Manager

Andy Harris	Production Designer
Samantha Perahia	British Film Commission (BFC)
Iain Smith	Film Producer and Chair, BFC
Nick Smith	Pinewood Group
David Brown	UK Producer, Outlander
Tiernan Kelly	Film City Glasgow
Suzanne Reid	Line Producer
Robbie Allen	Creative Scotland
Mike Kelt	Artem
Neil Mac	BBC Scotland
John Brennan	Procam TV
Ron Burgess	BiP Solutions
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Appendix B: Location and Site Search Process

Site and Premises Search

In order to assess potential sites and premises for the location of the proposed Scottish film studio we undertook a pan-Scotland search that was informed by two key research streams:

- review of available industrial property¹² and land through the commercial property search engine NovaLoca (www.novaloca.com); and
- input from land owners, investors, developers, public sector (for example local authorities and URC), etc.

Given the early stage in the research programme, the site search considered both greenfield/brownfield sites for a new build development, and refurbishment/conversion of an existing building. The original objective was to identify two sites suitable for a new build development and two existing properties that would be suitable for conversion/refurbishment.

As highlighted in the report, consultation with both Scottish Enterprise and the wider film and TV sector identified a number of desirable/essential requirements for the development of a studio to be successful – this has directly informed our approach to scoring the options.

Review of NovaLoca

NovaLoca is a commercial property search engine that provides listings of available property (broken by classification) and land across Scotland. Users can search for premises based on a number of key criteria including, type, floorspace, geographic area and type of availability (e.g. sale or lease). The website is updated through property agent's listings and is a key resource for property agents, investors and landowners and landlords.

¹² Given the size of premises that would be required (both in terms of floorplates and the height of eave's, the property search focused on industrial premises as the most appropriate to meet the size requirements.

In order to narrow down the site search into a more manageable process, the starting point for the web-based search was to establish an 'essential criteria' that would determine whether sites/properties would be taken forward to appraise in further detail.

The initial 'essential criteria' was based on the need for any development to be easily accessible, thereafter defined as proximity/journey time to an international airport and motorway (maximum drive time of 30 – 45 minutes).

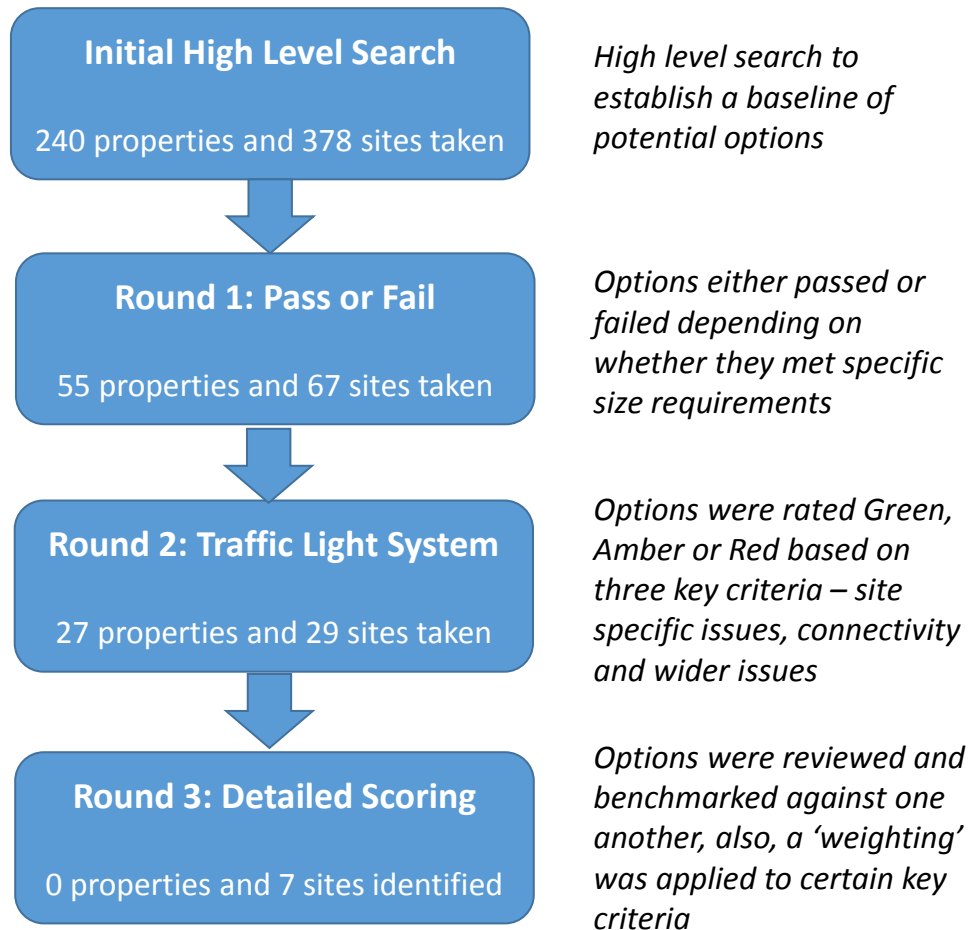
From this we were able to define specific geographic areas that met the initial 'essential criteria'. The search was taken forward on the basis of a five region approach, as detailed below¹³:

- **North and North East:** Aberdeen, Aberdeenshire, Moray, and Inverness;
- **East:** Dundee, Perth, Angus;
- **Central:** Stirling, Fife, Clackmannanshire, and Falkirk;
- **Edinburgh and Lothians:** Edinburgh, West Lothian, East Lothian, Midlothian; and
- **Greater Glasgow:** Glasgow, Renfrewshire, East Renfrewshire, West Dunbartonshire, East Dunbartonshire, Inverclyde, North Lanarkshire, South Lanarkshire, North Ayrshire, East Ayrshire, South Ayrshire.

As identified above, the sector identified a number of essential/desirable elements that would be important for the development of the film studio. This feedback was used to design a detailed scoring system and approach as outlined in **Figure 3.1**, please note, the detail of the approach to scoring is provided below.

¹³ The region definitions are based on local authority boundaries with the exception of North and North East, which includes Inverness.

Figure B.1: Approach to Site Search and Scoring



Detailed Method and Approach to Scoring

An initial web search was undertaken based on the following high level criteria across the five regions in order to get a feel for the scale and scope of potential options:

- site search:
 - 5+ acres (which, although lower than the required size was used as a low threshold or including possible sites); and
- Property search:
 - industrial premises
 - floorspace of 60,000+ sqft

- eaves height of minimum 10m.

The web search generated an initial list of 240 premises and 378 sites that met the criteria listed above to take forward into the scoring process – set the baseline. The number of properties and sites is broken down by geographic region below:

- North & North East (19 properties, 76 sites);
- East (9 properties, 50 sites);
- Central (27 properties, 59 sites);
- Edinburgh and Lothians (58 properties, 55 sites); and
- Greater Glasgow (127 properties, 138 sites).

Please note that NovaLoca is updated by property agents listings, however, there were a number of sites and properties that had missing information (i.e. it was unclear whether they met the required specifications - this significantly over-estimated the number of options that met the initial criteria).

This list of potential options were then taken through detailed scoring stages as outlined below.

Round 1 – Pass or Fail:

- Greenfield/ brownfield sites
 - 5+ acres
 - proximity to heavy industrial activity or flight path
- Existing buildings:
 - industrial premises
 - floorspace of 60,000+ sqft
 - eaves height of minimum 10m
 - proximity to heavy industrial activity or flight path.

Round 1 was a straightforward pass or fail i.e. if the options did not meet any of the above criteria they were discounted from our assessment.

The 1st round of scoring reduced the number of potential sites and properties considerably. However, as outlined above many of the options taken forward into Round 1 had incomplete information/details, therefore this over-estimated the number of options that met the initial criteria.

At the end of Round 1 the web-search had identified 55 properties and 67 sites that could potentially be suitable for the development of a studio.

Round 2: - Traffic Light System

Round 2 of the scoring process used a 'traffic light system' to assess the options further:

- Red – does not meet the criteria;
- Amber – meets some of the criteria; and
- Green – meets the criteria in full.

The approach to scoring in Round 2 was the same for both properties and sites and was based on three key criteria:

- Site specific issues:
 - clear span within the premises i.e. no internal or structurally supporting internal columns
 - accessibility of site for a large number of vehicles and Heavy Goods Vehicles
 - proximity to residential developments which could restrict filming during certain hours
 - room for expansion in the existing building or within the wider site for facilities companies and backlot filming;
- Connectivity:
 - distance to motorway/airport
 - public transport access; and

- Wider issues:
 - proximity to crew/skills base (see Appendix X for a schematic of the crew base locations)
 - potential for RSA funding – assisted area status.

From this review only properties and sites that were categorised/scored 'Green' across all three criteria were taken forward. At the end of Round 2 the web search had identified 27 premises and 29 sites that could potentially be suitable for the development.

Round 3 – Detailed Appraisal

The final round of scoring involved a detailed review of schedules, site infrastructure, drawings, and specifications available through the property agent's listings and other online resources. From this we were also able to consider wider development issues, for example, the readiness of the site for development, potential capital costs, availability of on-site services/utilities, etc.

In order to identify a short list, the potential options were reviewed in comparison to one another. This differs from the previous rounds where options had been scored on their own merit. This allowed the study team to undertake a robust subjective critique of the positive and negative specifics of each option. It also allowed for a 'weighting' to be applied certain criteria, for example, access to the crew and skills base was a key consideration.

From this, the scoring process identified seven sites as meeting all the key criteria. There were five within the Greater Glasgow region and two within the Edinburgh and Lothians region.

The search of premises did not identify any properties that met all the key criteria for conversion/refurbishment, however, there were a few that broadly met the requirements and would potentially be suitable.

The original objective of the web search was to identify two properties and two sites that met all the key criteria and could be taken forward for further detailed analysis and review within the options appraisal.

However, the web search identified five sites and no properties, therefore, two of the shortlisted sites within the Greater Glasgow area was taken forward into the options appraisal as generic examples of potential development sites in order to inform the appraisal process. It was assumed that this site was broadly representative of all of the other short listed options in terms of the capital development costs, on-site infrastructure and services, etc.

Review of Input from Others

The site search process was also informed by a number of organisations, bodies and individuals that put forward sites or properties that met the outline criteria and felt should be considered within the appraisal. It should be noted that a number of these options were already considered within the web based search.

In total we received site/ premises information for:

- 35 sites; and
- 33 properties.

The properties and sites put forward by wider stakeholders were taken through the same scoring process as outlined above. Whilst some of the properties and sites put forward by wider stakeholders broadly met the key criteria, none of these scored as highly when considered against the short list identified through the web search of NovaLoca.

Appendix C: Site Options/ Appraisal

This Appendix provides more detail on the options and presents initial layout options and site assessments. The design work was conducted by JM Architects, with environmental and acoustic assessments provided by ARUP.

Outline cost estimates were developed by Gardiner and Theobald, and SE provided guidance on estimated costs for site acquisition. The site acquisition costs should be treated as **working estimates only** and the same cost per acre has been assumed across all sites (£250k per acre).

Option 1: Dalmarnock

Location

The Dalmarnock site sits on the edge of the River Clyde and within the curtilage of the recent South Dalmarnock Masterplan by Clyde Gateway. The site is currently within the ownership of Clyde Gateway and covers a 22 acre area.

The site is well connected to the motorway network and to the main concentration of crew and facilities in the Greater Glasgow area. Clyde Gateway has already invested in decontaminating the site and services are in place. There has also been remedial work to mitigate any odours from the adjacent water works.

The site sits within an existing masterplan and the approach to the initial design work was to propose a plan for the site based on a grid that could make relationships back to the intentions of the masterplan. The proposals will seek to continue the drainage strategy and landscape strategy as proposed in the masterplan document.

Figure C.1 Aerial view of Dalmarnock site



Design and Layout

In developing the outline design for the Dalmarnock site, a number of issues were taken into account:

- the site's position is prominent and the relationship to the river walkway and surrounding street pattern needs to be carefully considered;
- mass, scale and the materiality of the workshop and studio sheds will require to be appraised;
- the site has been planned on the principles of the grid and creating a shared surface and landscaping between the studio blocks which acts as an organising principle. Office, studio and workshop all relate in that sequence; and
- it is proposed that a landscape zone with retention ponds be constructed to the western boundary. This would have the dual function of supporting the retention strategy of the master plan as well as providing a bio-diverse buffer to the sewerage works.

The site offers the opportunity for a new campus of buildings that will form a significant gateway presence into the newly masterplanned Dalmarnock neighbourhood.

The outline layout is shown in **Figure C.2**, over.

Figure C.2 Outline layout for Dalmarnock site

DALMARNOCK
Layout 1:2500



SOUNDSTAGES PHASE 1

1 @ 15k sq ft
1 @ 20k sq ft
Ceiling height 15m for large
10m high for small

OFFICES

Production 2680m2
Tenant 1950m2

WORKSHOP SPACES PHASE 1

1 @ 15k sq ft
1 @ 20sq ft
8m @ridge 5m @ eaves, based on
pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6 - 8 acres, 3.2 hectares
Not practicable on all sites

CAR PARKING

Around 200 car parks per phase 1 + 2

PHASE 2 EXPANSION

SOUNDSTAGES

1 @ 15k sqft
1 @ 15 sqft

WORKSHOPS

1 @ 15k sqft
1 @ 20k sqft

BIODIVERSE LANDSCAPE

- Prominent site with 'gateway' presence where bridge crosses river.
- If sheds handled well could add positively to townscape.
- Pattern of development to be sympathetic to masterplan.
- Need to clarify intent for north east of site. Ideally should be master planned as a whole. Especially with substation location.
- Accommodation for phase 1 and 2 fit but only approx. 1 hectare for backlot. Obviously bigger if phase 2 not built.
- Side wide issues to be dealt with : Traffic noise from roads , noise from train line. Environmental issues - investment has already been carried out to mitigate smells from sewerage works (more planting of appropriate species will assist). proximity of river and a sustainable urban drainage strategy require to be recognised.

DRAFT

Site Services

There are currently no existing services record drawings available confirming existing services within the site.

The nature of the development would lend itself to site wide district heating and power distribution from a Central Energy Centre.

Servicing strategy

New services will be required for the Dalmarnock site.

This will include electricity, gas, water and telecommunications connections.

We have been advised that the electrical demand for each studio and support accommodation is approx. 1.5MVA. This would result in an estimated maximum demand for the site of approx. 6MVA.

The site would require to be served at HV to cater for the demand. This would terminate into an HV substation located within the energy centre for the site. From the central energy centre we would propose to run an HV ring main around the site to serve individual substations located within each studio block. This substation would serve the studio, workshop and office accommodation at LV.

The estimated heating demand for the Dalmarnock site will be approximately 8-10MW.

The heat would be generated within the central energy centre and distributed to each studio complex via insulated pipe installed underground.

The following renewable and low carbon technologies would be considered for the Dalmarnock site:

- Biomass boilers;
- River Source Heat Pumps;
- Ground Source Heat Pumps;
- Solar Water Heating;

- River Water Cooling;
- Marine Turbines; and
- Photovoltaics.

For costing purposes we would recommend that though our recent experience the provision of Biomass Boilers and the use of Photovoltaics provides the most cost effective solution for passing the current building regulations.

The estimated cooling demand for the Dalmarnock site will be approximately 2-4MW. This does not lend itself to district cooling. Chillers should be considered for each studio building at roof level or located in an external compound.

Offices and workshops should be naturally ventilated where practical.

A water main would be provided around the site to serve each of the studio complexes with local water storage facilities at each studio complex.

A separate Fire Main will be required around the site to serve all buildings.

Designated Areas

There are no designated areas for nature conservation interest within 2km of the Dalmarnock site.

Ancient Woodland

There are no areas of ancient woodland within 2km of the Dalmarnock site.

Protected Species

The NBN Gateway site was used to gather data on biodiversity. Desk study records were only sourced from 1990 until present as it is considered that records older than this would not accurately reflect the current distribution of protected, notable or rare species within the study area. A number of species were listed within the 10km grid square of NS66 including bat (*Chiroptera*), Common Pipistrelle (*Pipistrellus pipistrellus sensu stricto*), Daubenton's Bat (*Myotis daubentonii*), [Badger \(*Meles meles*\)](#), [Otter \(*Lutra lutra*\)](#), Nathusius's Pipistrelle (*Pipistrellus nathusii*), Pipistrelle bat (*Pipistrellus pipistrellus sensu lato*) and Soprano Pipistrelle (*Pipistrellus*

pygmaeus). None of the above species are listed within 1km or 100m of the site. The absence of data specifically for the site or immediately adjacent areas does not necessarily reflect the absence of those species, but is likely to reflect a lack of targeted protected species surveys undertaken.

Cultural Heritage

A search on PastMap¹, an interactive map which provides a single point of reference for information in relation to archaeological, architectural and landscapes sites in Scotland was undertaken. Three listed buildings are found within 500m of the site (Table 1). A large number of National Monument Records for Scotland (NMR) are also found within 500m but do not hold any official designation or perceived value and therefore do not pose any risk to the proposed development.

Summary of cultural heritage sites within 500m of the proposed site.

Feature	Name	Description	Distance from site
Grade B Listed Building (Grid reference: NS 61721 62655)	Dalmarnock Bridge (Ref: 33551)	Roadbridge decorated with gothic detailing, 5 almost flat spans over River Clyde, each span with 6 steel girders concealed by decorative cast-iron facing pierced with quatrefoils, arcaded parapets also cast-iron; bull-faced ashlar piers with cutwaters, stonework carried up to parapets and bearing decorative cast-iron lamp brackets, terminals also with paired columns with foliated capitals; curved quadrants at N bank, steps down to riverside walkway at W. Wide roadway. Designated on 17/02/1992.	<250m
Grade B Listed Building (Grid reference: NS 61048 62914)	101 Carstairs Street (Ref: 49924)	4-storey and basement, 27-bay by 12-bay with single storey and basement 5-bay outshoot to S. Large rectangular fireproof former cotton spinning mill. Brick with predominantly ashlar dressings. Segmental-arched windows, continuous cill course and keystones to top floor. Corbelled parapets. Angle pilasters topped by dies. Designated on 03/08/2004.	< 450m
Grade C Listed Building (Grid reference: NS 60960 62905)	120 Carstairs Street (Ref: 33822)	Edwardian baroque red ashlar board school; long symmetrical 3-storey front with 2-storey giant aedicular frames at either end, their pediments breaking through eaves; windows original sashes with horizontal 3-pane glazing pattern; deep main cornice; piended slate roofs probably with ventilators originally. Large rear wing with round-arched window in centre gable. Playground walls with modern iron railings; gatepiers with curved caps. Designated on 16/03/1993.	< 500m

Due to the nature of the urban surroundings and the distance between each listed building and the potential site, it is not anticipated that there could be any impacts on these features or their settings.

Water Resources

The Water Environment and Water Services (Scotland) Act 2003 implements the requirements of the Water Framework Directive (WFD). The WFD was introduced in 2007 and aims to monitor and classify water bodies and water courses across Scotland. The WFD aims to ensure that water bodies do not deteriorate in status and that all water bodies achieve at least good status by 2015. The WFD has identified the various levels of risk for water bodies not achieving their target and have defined “at risk” to mean water bodies at risk of failing to meet the objectives of the WFD.

The WFD classification of water bodies is determined by using five quality classes:

- Biological quality elements (phytobenthos, macrophytes, benthic invertebrates, fish);
- Measurements of chemistry;
- Hydrology (changes to water levels and flows);
- Morphology (changes to the bed, banks and shore of water bodies); and
- Invasive non-native species.

By assessing a water body under each of the five water quality classes above, a water body status is determined as either:

- High;
- Good;
- Moderate;
- Poor; and
- Bad

The status describes how much the condition of the water body differs from that of near natural conditions, with ‘High’ quality class being water bodies in near natural conditions. The classification results are used to set objectives for each water body.

The River Clyde (North Calder to Tidal Weir) flows directly to the south of the site and could thus be impacted by the construction works. The responsible body is

SEPA. The environmental objectives for this water body over future river basin planning cycles are set out below.

River Clyde (North Calder to Tidal Weir) WFD objective 2008-2027

Year	2008	2015	2021	2027
Status	Bad ecological potential	Bad	Moderate	Good

A number of pressures exist on the River Clyde which has led to the failure to meet good ecological status. Such pressures are outlined in Table 3 below.

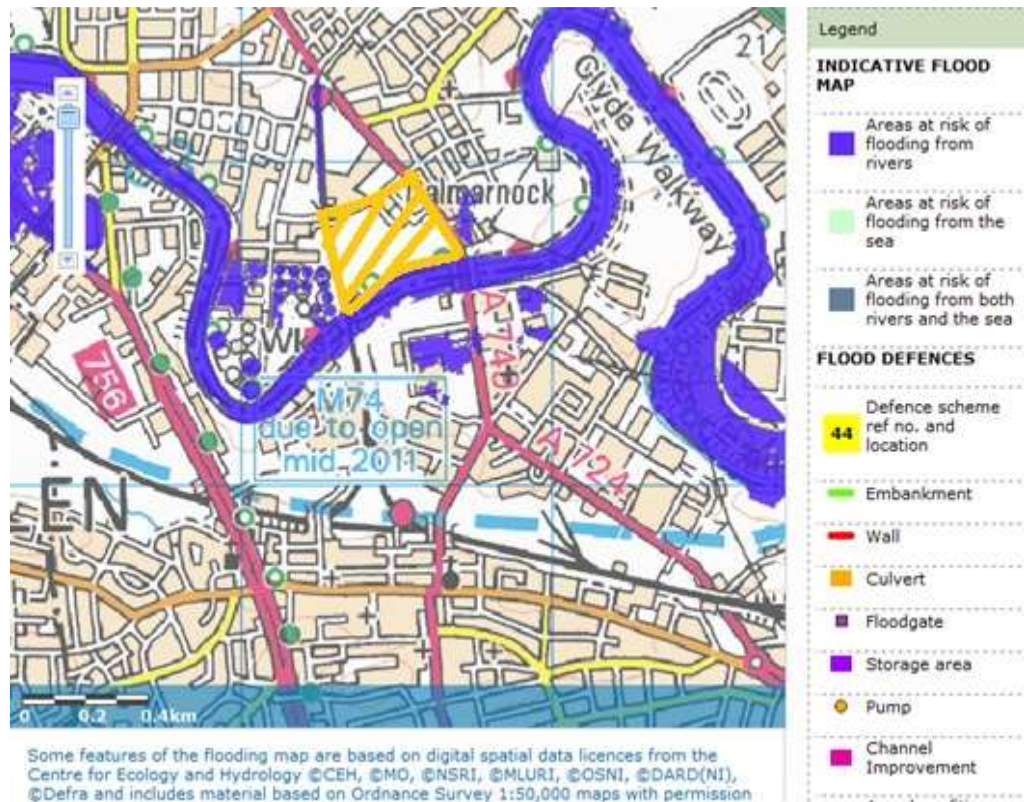
List of pressure sources on the River Clyde (North Calder to Tidal Weir)

Pressure	As a result of	Assessment parameter	Objectives	Reasons for failure
Point source pollution	Sewage disposal	Phosphorus	Moderate by 2015	Implementation of the measure by an earlier deadline would impose disproportionate burdens.
Point source pollution	Sewage disposal	Ammonia	Moderate by 2015	Implementation of the measure by an earlier deadline would impose disproportionate burdens
Point source pollution	Sewage disposal	Dissolved Oxygen	Bad by 2015	Implementation of the measure by an earlier deadline would impose disproportionate burdens

The very southern edge of the Dalmarnock site is within an area at risk of minor flooding from the River Clyde as outlined in **Figure C.3** below.

Relevant mitigation may be required to ensure the River Clyde is not negatively impacted by the proposed work (e.g. by pollution in run-off during construction).

Figure C.3: River Clyde (North Calder to Tidal Weir) indicative flood map



Water Environment (Controlled Activities) Scotland Regulations 2011 (CAR)

The implementation of the WFD is also implemented through the Controlled Activity Regulations (CAR) 2011. The CAR regulations ensure that previously unregulated activities within or near watercourses now require regulation.

The (CAR) details which activities are regulated by SEPA, and came into force in 2011. Under the CAR 2011 regulations, General Binding Rules (GBR) outline the specific low risk activities which do not require formal consent. Activities complying with the rules do not require an application to be made to SEPA, as compliance with a GBR is considered to be compliance with an authorisation under CAR.

The potential works at the Dalmarnock site fall under general binding rule (GBR) 10: Discharge of surface water run-off from a surface water drainage system to the

water environment from construction sites, buildings, roads, yards and any other built-up areas¹⁴. The rules of GBR10 are as follows:

- If the surface water run-off is from areas constructed after 1 April 2007, the site must be drained by a Sustainable Urban Drainage System (SUDS). If the surface water run-off is from a construction site operated after 1 April 2007, the site must be drained by a SUD system or equivalent. The only exceptions are if the run-off is from a single dwelling and its curtilage, or if the discharge is to coastal water.
- All reasonable steps must be taken to ensure that the discharge will not result in pollution of the water environment.
- The discharge must not contain any trade effluent and must not result in visible discolouration, iridescence, foaming or sewage fungus in the water environment.
- The discharge must not result in the destabilisation of the banks or bed of the receiving surface water.
- The discharge must not contain any water run-off from any of the following areas constructed after 1 April 2007:
 - fuel delivery areas and areas where vehicles, plant and equipment are refuelled;
 - vehicle loading or unloading bays where potentially polluting matter is handled;
 - oil and chemical storage, handling and delivery areas.
- All treatment systems (including oil interceptors, silt traps and SUDS) must be maintained in a good state of repair.
- All reasonable steps must be taken to ensure that any matter liable to block, obstruct, or otherwise impair the ability of the SUDS is prevented from entering the system.
- The construction and maintenance of the outfall must not result in pollution of the water environment¹⁵.
- The implications of GBR10 on the site are that SUDS must be included in the development. The developer does not need to apply to SEPA for

¹⁴ SEPA (2011) The Water Environment (Controlled Activities) (Scotland) Regulations 2011 – A Practical Guide

¹⁵ SEPA (2011) The Water Environment (Controlled Activities) (Scotland) Regulations 2011 – A Practical Guide, p.

authorisation but must ensure the development complies with the rules of GBR10.

Air Quality

The site falls just within the Glasgow City Council Citywide Air Quality Management Area (AQMA) which was declared for pollutant particles (PM₁₀). The Glasgow City Council Air Quality and Planning Guidance report states:

“Development proposals within or adjacent to an AQMA will be controlled so as to prevent further deteriorations in air quality within the AQMA, and to protect the occupiers of development proposals from the potential adverse effects of poor air quality.”¹⁶

It is possible that the proposed development could require an air quality assessment as part of the overall planning application due to emissions of air pollutants during construction, if the plans stipulate 100 car parking places or more or if the final development will include biomass boilers or biomass-fuelled CHP plant.¹⁷

The air quality assessment should provide information on “the existing air quality and a prediction of the future air quality, both with and without the development.”¹⁸ This will demonstrate the impact of the development on local air quality. It is then the developers’ responsibility to implement suitable mitigation measures.

Glasgow City Council does not have an official air quality assessment methodology but advise the use of the Environmental Protection UK guidance document entitled Development Control: Planning for Air Quality (2010 Update) and in the Defra Technical Guidance LAQM.TG (09).¹⁹

If air quality is determined to be a likely issue, developers are advised to “enter into early pre-application discussions with the Council to seek to agree the approach to be taken”²⁰ If data monitoring is required then this is most likely to be acquired over a

¹⁶ Glasgow City Council Air Quality and Planning Guidance (2011), p.9

¹⁷ Glasgow City Council Air Quality and Planning Guidance (2011), p.12

¹⁸ Glasgow City Council Air Quality and Planning Guidance (2011), p. 14

¹⁹ Glasgow City Council Air Quality and Planning Guidance (2011), p. 14

²⁰ Glasgow City Council Air Quality and Planning Guidance (2011), p. 14

number of months and ample time should be given for this. The air quality assessment should be complete before passed to the City Council.²¹

Rights of Way

A public Right of Way is the found to run along the bank of the River Clyde to the south of the site (between the site and the river). If possible, works should aim to avoid causing a negative impact or temporary closure of this Right of Way.

Consultations

Consultation with SEPA and SNH may be required due to the close proximity of the works to the River Clyde.

Planning Policy and Business Receptors

A number of policies from the Local Development Plan for Glasgow²² apply to the Dalmarnock site. These are outlined below:

Policy ENV17 – Protecting the Water Environment states:

“There is a strong presumption against development likely to have an adverse effect on the water environment. Developers are required to ensure that the physical characteristics of watercourses, water bodies and groundwater, as well as water quality are protected and, where possible, enhanced to achieve at least the classification of 'Good' status. Proposed measures to mitigate development impacts upon the water environment must be approved by the Council as advised by the Scottish Environment Protection Agency (SEPA) and Scottish Natural Heritage (SNH).”

Due to the close proximity of the site to the River Clyde, ENV17 will apply to the development and relevant mitigations would be required to ensure water pollution does not occur both during construction and operation of the site.

ENV4 – Sustainable Urban Drainage Systems (SUDS) states:

²¹ Glasgow City Council Air Quality and Planning Guidance (2011), p. 15

²² Local Development Plan for Glasgow (2013), <http://www.glasgow.gov.uk/index.aspx?articleid=3011>

“To ensure satisfactory sustainable measures are provided for the management and safe disposal of surface water run-off. All development proposals are required to make satisfactory provision for Sustainable Drainage Systems.”

SUDS will therefore need to be included in the development plans for the site.

ENV5 – Flood Prevention and Land Drainage states:

“Proposals should demonstrate that they:

- contribute to minimising flood risk;*
- avoid any increased risk of flooding which would affect people and properties from any source... either within the development site, or outwith the site as a consequence of the development giving due attention to access and egress routes; and*
- address the cumulative impact on infrastructure capacity of incremental growth of impermeable surfaces by not increasing the quantity and rate of surface water run-off from any site.”*

Relevant flooding mitigation would therefore be required within the development plans.

The site also falls within a district heating zone (DHZ) and has been identified as a potential wind turbine site under the Local Development Plan for Glasgow. The inclusion within a DHZ could have heating infrastructure implications for the development.

Other Issues

Previous email correspondence with JM Architects confirms that investment has already been made to mitigate smells from the sewage works located directly the west of the site. However, it is noted that further planting of appropriate species will further assist.

Arup's Understanding of the Area

Arup ecologist, Fraser Maxwell, undertook a habitat survey in November 2012 at a nearby site in the Dalmarnock area. Further site surveys have also been conducted dating as far back as 2004.

These surveys show that invasive species including Japanese knotweed (*Fallopia japonica*), Himalayan balsam (*Impatiens glandulifera*) and giant hogweed (*Heracleum mantegazzianum*) were identified as well as evidence of badger and otter activity. Otter activity in particular was significant in this area.

This nearby site (Figure 2) was considered to be of high ecological sensitivity and of quite significant local value by key stakeholders such as SNH and South Lanarkshire Council.

Figure C.4 – Site previously surveyed by Arup (shown in red) in relation to the Dalmarnock site (shown in orange)



Costs

Estimated costs for the development of a studio on the Dalmarnock site were prepared by Gardner and Theobald. As the design work is at an early stage (outline layouts only) a number of assumptions have been made. As a result these costs should be treated as a guide only at this stage and are subject to the following exclusions:

VAT; professional fees; increased costs beyond Q4 2013; site acquisition costs; legal fees; cost of finance; site surveys, investigations etc.; removal of contamination from site; costs of services diversions; cost of abnormal foundations including piling; planning gain works including PU upgrades; local authority planning or building warrant fees; and water tank being underground.

Table C.1: Dalmarnock – Estimate of Costs

Phase 1		Unit cost	Total cost
Soundstages (x2)	3,252 m2	£3,000	£9,754,738
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x2)	3,252 m2	£699.66	£2,275,000
Facilities village	2,787 m2	£850	£2,369,008
Back lot	32,000 m2	£100	£3,200,000
Car parking	5,000 m2	£100	£500,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping	18,962 m2	£20	£379,235
Allowance for Sustainable Urban Drainage System (SUDS) (est. 10% of site remainder)	1,896 m2	£150	£284,427
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Preliminaries			£3,578,209
Contingencies (10%)			£3,339,662
Sub Total			£35,786,279

Phase 2			
Soundstages (x2)	2,787 m2	£3,000	£8,361,204
Workshops (x2)	3,525 m2	£699.66	£2,275,000
Preliminaries			£1,276,344
Contingencies (10%)			£1,191,255
		Sub Total	£13,103,803
		TOTAL	£48,890,082

In order to generate a clearer assessment of the likely costs, it is necessary to make some additions, including:

- site acquisition costs: have assumed £5,735m (based on acquisition of 22 acre site, including stamp duty and legal work);
- professional and legal fees: have assumed 10% (£4.9m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £71.4m.

Option 2: Gartcosh

This site is adjacent to the village of Gartcosh and is known as Gartcosh Business Interchange. It is the largest of the sites appraised and naturally gives the greatest level of flexibility in terms of potential layout.

The potential areas of development are divided into three plots with plots 1 and 2 having potential further subdivisions. Plot 1 is currently levelled and serviced and it is expected that site 3 will be levelled and serviced by July 2014. The plots are 19 acres; 41 acres; and 34 acres.

The site offers the scope for layout options and phasing options due to the flexibility of the site. It is well connected to motorway networks, has easy airport access and good public transport and power supply and basic infrastructure is in place. There are no known contamination issues.

Figure C.5 Aerial view of Gartcosh site



In terms of planning the site offers the opportunity for a formal layout where the space between the sheds can be designed as one large shared surface with landscaping. This would bring a degree of architectural control to a campus of buildings that are essentially sheds. The shared surface would also cater for practical considerations such as the turning of vehicles.

The design of the shed cladding, lighting, signage and surrounding landscape will have a significant impact on the local landscape. Handled well this could have a positive impact.

The site here is free from the requirements of existing buildings and adjacent master plans although with it being a significant development it would be good to create a sense of master planning harmony with the adjacent sites from the point of view of overall massing, site access and landscaping.

The presence of the adjacent nature reserve in certainly something that could point to the creation of a new bio-diverse landscape being woven through the new developments. The site could become an exemplar of environmental management and a healthy environment in which to work. The outline layout is shown in **Figure C.6**, over.

Figure C.6: Outline Layout for Gartcosh site

GARTCOSH
Layout 1:2500



DRAFT

jmarchitects

Site services

There are currently no existing services record drawings available confirming existing services within the site.

We have been advised by SE that the proposed site is undergoing works to clear the site of existing services, level out the site and clear it of contamination. This would have to be verified with Scottish Enterprise.

We have also been advised that the site will be provided with service connection to the site boundary for future development. We do not know at this time what capacity has been catered for.

The nature of the development would lend itself to site wide district heating and power distribution from a Central Energy Centre.

Servicing strategy

New services will be required for the Gartcosh site. We understand that services connections are being provided to the site boundary.

This will include electricity, gas, water and telecommunications connections.

We have been advised that the electrical demand for each studio and support accommodation is approx. 1.5MVA. This would result in an estimated maximum demand for the site of approx. 6MVA.

The site would require to be served at HV to cater for the demand. This would terminate into an HV substation located within the energy centre for the site. From the central energy centre we would propose to run an HV ring main around the site to serve individual substations located within each studio block. This substation would serve the studio, workshop and office accommodation at LV.

The estimated heating demand for the Gartcosh site will be approximately 8-10MW.

The heat would be generated within the central energy centre and distributed to each studio complex via insulated pipe installed underground.

The following renewable and low carbon technologies would be considered for the Gartcosh site and are described in more detail above:

- Biomass boilers;
- Ground Source Heat Pumps;
- Solar Water Heating; and
- Photovoltaics.

For costing purposes we would recommend that though our recent experience the provision of Biomass Boilers and the use of Photovoltaics provides the most cost effective solution for passing the current building regulations.

The estimated cooling demand for the Gartcosh site will be approximately 2-4MW. This does not lend itself to district cooling. Chillers should be considered for each studio building at roof level or located in an external compound.

Offices and workshops should be naturally ventilated where practical.

A water main would be provided around the site to serve each of the studio complexes with local water storage facilities at each studio complex.

A separate Fire Main will be required around the site to serve all buildings.

Designated Areas

Two Sites of Special Scientific Interest (SSSI) are found within 1km of the site. Woodend Loch SSSI is designated for its standing open water and canals and is found within 900m to the south of the site. Bishop Loch SSSI is also designated for standing open water and canals as well as fern, marsh and swamp (wetland) and is located approximately 1km to the south west.²³

Gartcosh Local Nature Reserve (LNR) falls within 1km of the site to the NE and Commonhead Moss LNR is approximately 1.3km to the south. Drumpellier Country Park is also found approximately 900m to the south of the proposed site.²⁴

²³ SNHi interactive map

²⁴ SNHi interactive map

Given the separation distance between these designated areas and the Dalmarnock sites and as they are not ecologically or hydrologically connected, they do not need to be considered further.

Ancient Woodland

Four sites of ancient woodland are found within 2.5km of the proposed site, the nearest of which is approximately 1.4km to the south of the proposed development. It is not anticipated there could be any negative impact on the ancient woodland areas due to their distances to the site.

Protected Species

The NBN Gateway site was used to gather data on biodiversity. Desk study records were only sourced from 1990 until present as it is considered that records older than this would not accurately reflect the current distribution of protected, notable or rare species within the study area. A number of species were listed within the 10km grid square of NS76 including Bat (*Chiroptera*), Common Pipistrelle (*Pipistrellus sensu stricto*), Daubenton's Bat (*Myotis daubentonii*), [Badger \(*Meles meles*\)](#), [Otter \(*Lutra lutra*\)](#), Nathusius's Pipistrelle (*Pipistrellus nathusii*), Pipistrelle bat (*Pipistrellus sensu lato*) and Soprano Pipistrelle (*Pipistrellus pygmaeus*). None of the above species are listed within 1km or 100m of the site. The absence of data specifically for the site or immediately adjacent areas does not necessarily reflect the absence of those species, but is likely to reflect a lack of targeted protected species surveys undertaken.

Cultural Heritage

One Grade C Listed Building, War Memorial Cottage (Ref: 43027), is located approximately 200m to the west of the site and was designated on the 27th March 1996. The building is described as:

“Single storey, irregular-plan cottage with gatepiers and inscribed panels built as war memorial nurses home. Harl with ashlar dressings, piended slate roof with swept eaves. Timber sash and case windows, coped stacks.”

As the listed building is located on the opposite side of the M73 in a built up area, it is unlikely that the proposed works could have any negative impact on the building or its settings.

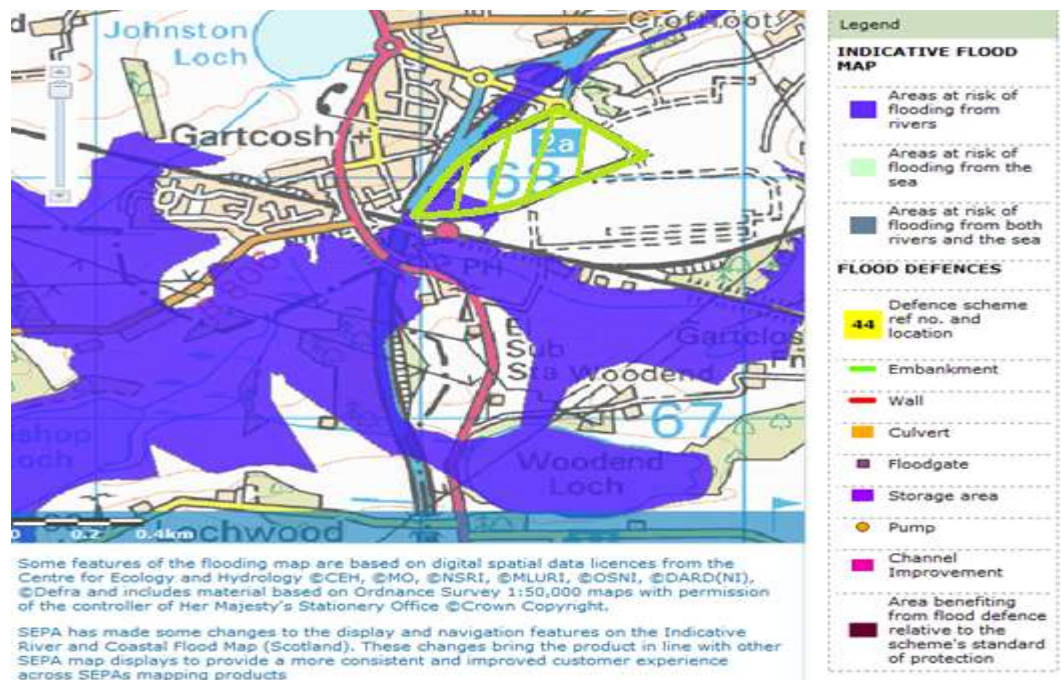
A large number of NMRs are also found within 500m but do not hold any official designation or perceived value and therefore do not pose any risk to the proposed development

Water Resources

There are no designated water bodies found within close proximity of the site. However, Woodend and Bishop Lochs found to the south could be hydrologically connected to the site.

The southern section of the proposed site is within an area of flooding from rivers (Figure C.7) and it is anticipated that this would require further assessment.

Figure C.7 – Indicative flood map of site.



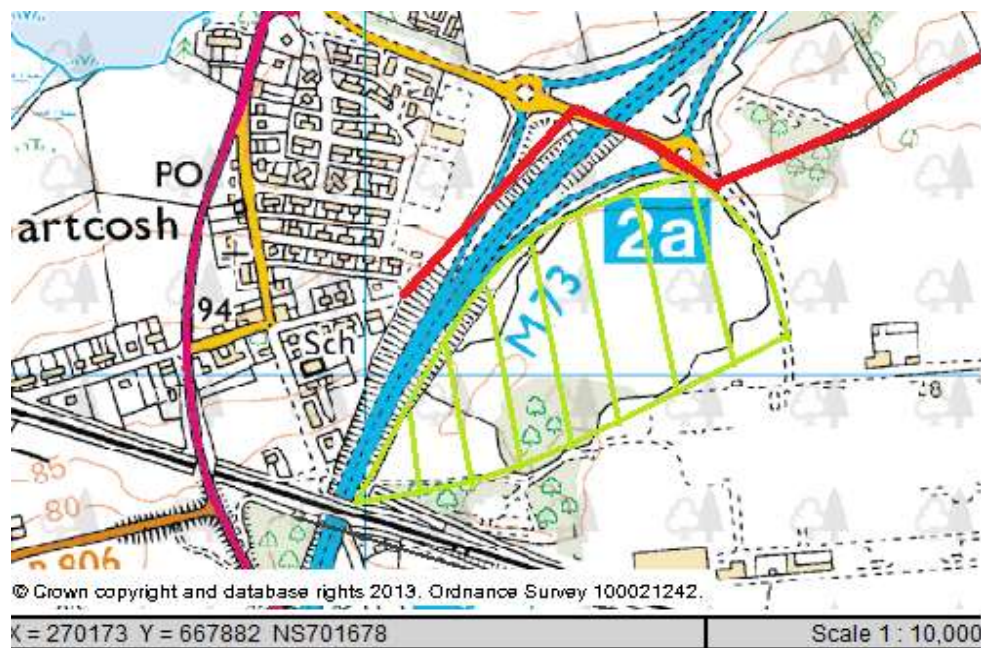
Air Quality

The proposed site does not fall within a local air quality management area²⁵. However, the M73 and a residential area are found directly to the west of the site. These may be susceptible to construction dust, and appropriate mitigation should be implemented.

Rights of Way

One public right of way is found within close proximity to the site (**Figure C.8**). If possible, works should aim to avoid causing a negative impact or temporary closure of this Right of Way.

Figure C.8 Public Right of Way (shown in red).²⁶



Planning Policy

Gartcosh is identified as a Strategic Industrial and Business Location (SIBL) within the North Lanarkshire Local Plan (NLLP) and is thus protected from non-industrial

²⁵ North Lanarkshire Council

²⁶ Forestry Commission Land Information Search (GLADE)

uses.²⁷ This suggests that the potential development at Gartcosh would not face any planning policy restrictions in terms of location.

Policy NBE1A: Natural Environment of the NLLP also applies and states:

“Development that significantly affects a species protected by law will only be permitted where an appraisal has demonstrated that the protected species would not be compromised; or any significant adverse effects on the protected species are mitigated through planning conditions or use of planning agreements to:

- *facilitate the survival of individual members of the species;*
- *reduce disturbance to a minimum; and*
- *provide adequate alternative habitats to sustain at least the current levels of the species locally.”²⁸*

It is therefore anticipated that a site visit and relevant surveys would be required to ensure none of the protected species identified above could be adversely affected by the potential development.

Costs

Estimated costs for the development of a studio on the Gartcosh site were prepared by Gardiner and Theobald, and are subject to the same caveats outlined for the Dalmarnock site costs, including the following exclusions:

VAT; professional fees; increased costs beyond Q4 2013; site acquisition costs; legal fees; cost of finance; site surveys, investigations tec.; removal of contamination from site; costs of services diversions; cost of abnormal foundations including piling; planning gain works including PU upgrades; local authority planning or building warrant fees; and water tank being underground.

²⁷ North Lanarkshire Local Plan (2012)

²⁸ North Lanarkshire Local Plan (2012), p.62

Table C.3: Gartcosh – Estimate of Costs

Phase 1		Unit cost	Total cost
Soundstages (x2)	3,252 m2	£3,000	£9,754,738
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x2)	3,252 m2	£699.66	£2,275,000
Facilities village	2,787 m2	£850	£2,369,008
Back lot	32,000 m2	£100	£3,200,000
Car parking	5,000 m2	£100	£500,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping	86, 763 m2	£20	£1,733,455
Allowance for SUDS (est. 10% of site remainder)	8,667 m2	£150	£1,300,092
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Preliminaries			£3,862,595
Contingencies (10%)			£3,605,089
Sub Total			£38,705,977
Phase 2			
Soundstages (x2)	2,787 m2	£3,000	£8,361,204
Workshops (x2)	3,525 m2	£699.66	£2,275,000
Preliminaries			£1,276,344
Contingencies (10%)			£1,191,255
Sub Total			£13,103,803
TOTAL			£51,809,780

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £4.96m (based on acquisition of 19 acre plot);
- professional and legal fees: have assumed 10% (£5.2m); and
- VAT: 20%.

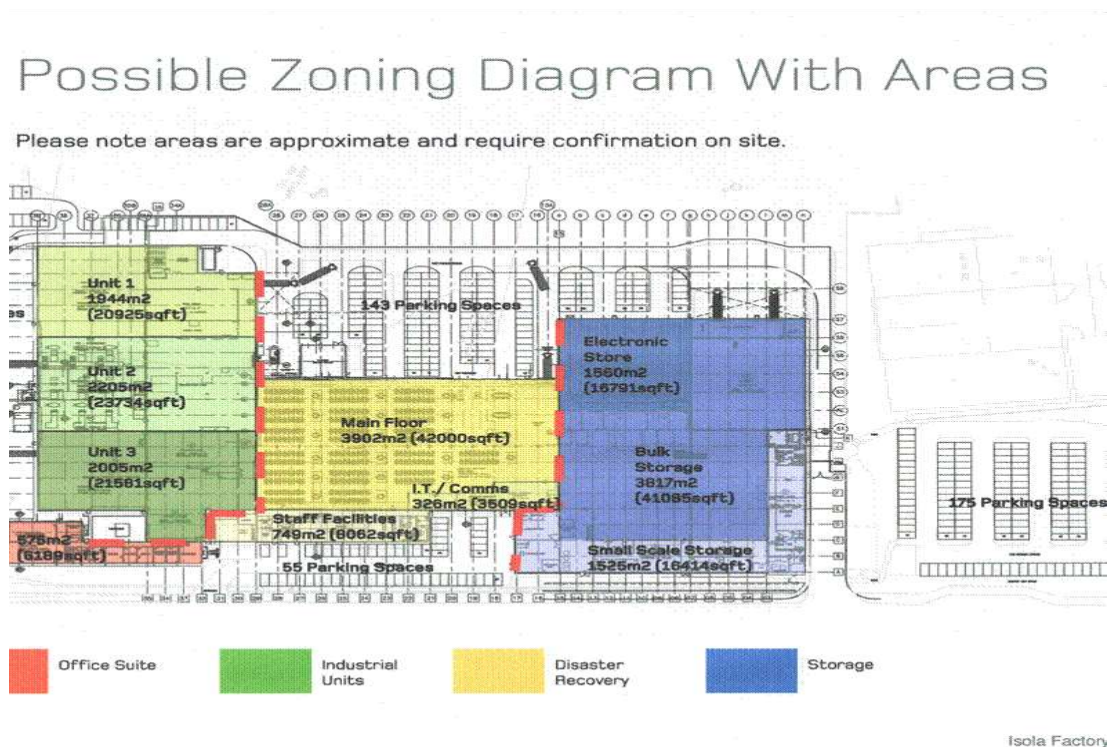
This brings the total estimated costs for this option to £74.3m.

Wardpark Studios

This site is an existing factory building with offices located in Wardpark Business Park on the outskirts of Cumbernauld. It has car parking to the North with opportunities for access and car parking distributed around the building.

The site is already occupied by a high end TV production (*Outlander*), and the production team converted the existing space for use as a studio. There are currently two soundstages on site along with production offices and workshops. In addition to the space occupied by the *Outlander* production, there is an additional 65,000 sq ft currently unoccupied and in need of some refurbishment. It is the owners' intention to develop this area for use as a production space and the *Outlander* team has first refusal.

Figure C.9 Schematic view of Wardpark site (Isola Building)



This site is highly constrained and with 140,000 sq ft of the premises already in use, there is limited scope for substantial expansion. As a result, we considered the inclusion of adjacent and nearby land and/ or premises.

To maximise and make this site comparable with the new build sites it appears that an adjacent site to the North West of the Isola Building would require to be brought on board. This adjacent site currently has a number of light industrial units, many of which are occupied.

Thomson Pettie, the owners of the Isola Building, also own a large shed in a neighbouring plot across the road. This could potentially be adapted to contain a facilities village to support the main studio buildings.

The shed areas to the south are currently unoccupied and in need of refurbishment, and there are limitations with headroom. In an ideal scenario, these areas could be removed and a purpose built Studio and work shop erected.

The sheds are visible from the road and there would be an opportunity to signal the sheds to the wider environment through the design of the skin and massing.

From a planning point of view it would be desirable to compose the new and existing elements into a cohesive built form.

Elements such as landscaping and the surfaces around the building would help to integrate the new proposals into their location but also improve access and use of space around the existing buildings.

Roads and an air strip that serves Cumbernauld airport are adjacent to the site but acoustic treatment to the sheds and new structures can deal with external noise issues.

The location of the site is well served by its proximity to the M80.

Given the site constraints, two design options were developed. The first concentrates on the site as it is, incorporating the Thomson Pettie building across the road as the site for a facilities village.

The second option extends the site by adding the adjacent land to the North West, although it is important to note that many of the units currently on this site are occupied.

The two design layout are shown in **Figures C.10** and **C.11**, over.

Figure C.10: Outline layout for Wardpark – Option 1

ISOLA
Layout 1:2500 - Option 1



SOUNDSTAGES PHASE 1

1 @ 20k sq ft
Ceiling height 15m for large

OFFICES

Production 2680m²
Tenant 1850m²

WORKSHOP SPACES PHASE 1

1 @ 20sq ft
8m @ridge 5m @ eaves, based on
pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6 -8 acres, 3.2 hectares
Not practicable on all sites

CAR PARKING

Around 200 car parks per phase

- Any new build development on site needs to balance need for car parking and access.
- The preferred option would be to remove the shed to the south (currently vacant) and build a new 20k sqft studio and workshop.
- Potential to make a new presence to the road.
- Retain the car park to the north, this will be required to get a reasonable number of cars on site for crew and staff.
- Facilities village to be distributed in local vacant units or be situated in current owners adjacent site if they decide to move out.
- If area of workshops to North west can be acquired then more options are offered as to the location of the new studios.
- Site wide issues : Noise from local flight path (light aircraft) Noise from M80.
- This option is viewed as current 2 studios on site being phase 1 and new build being phase 2.
- Little room for back lot unless adjacent site acquired.

Figure C.11: Outline layout for Wardpark – Option 2

ISOLA
Layout 1:2500 - Option 2

If area of workshops to North west can be acquired then more options are offered as to the location of the new studios.



SOUNDSTAGES PHASE 1

1 @ 20k sq ft
 Ceiling height 15m for large
 10m high for small

OFFICES

Production 2650m²
 Tenant 1850m²

WORKSHOP SPACES PHASE 1

1 @ 20sq ft
 8m @ ridge 5m @ eaves, based on
 pinewood W1 workshop type

FACILITIES VILLAGE

30k sq ft (based on film city brief)

BACKLOT

Ideally 6-8 acres, 3.2 hectares
 Not practicable on all sites

CAR PARKING

Around 200 car parks per phase

PHASE 2 EXPANSION

SOUNDSTAGES

1 @ 20 sqft

WORKSHOPS

1 @ 20k sqft

BIODIVERSE LANDSCAPE

- Any new build development on site needs to balance need for car parking and access.
- The preferred option would be to remove the shed to the south (currently vacant) and build a new 20k sqft studio and workshop.
- Potential to make a new presence to the road.
- Retain the car park to the north this will be required to get a reasonable number of cars on site for crew and staff.
- Facilities village to be distributed in local vacant units or be situated in current owners adjacent site if they decide to move out.
- Site wide issues : Noise from local flight path (light aircraft) Noise from M80.
- Little room for back lot unless adjacent site acquired.

As shown, Option 1 allows for only one soundstage and workshop in addition to the existing facilities developed for *Outlander* (with the latter considered a phase 1 of the overall development). The soundstage and accompanying workshop and office space would be built following demolition of the existing sheds to the south of the site. The space for facilities companies (facilities village) would be across the road in the Thomson Pettie building – a solution that is not ideal, but remains possible.

In Option 2, the scope of the site is expanded with the inclusion of the adjacent plot, allowing the construction of another soundstage, workshop and production offices, together with car parking.

There are two options regarding phasing. The first is to develop the first phase as the rebuilding of the sheds to the south of the site. However if these become occupied by the existing tenants then phase 1 could become the new build to the North leaving phase 2 to happen at a time that suits the pattern of use of the complex.

The main design issues are that:

- any new build development on site needs to balance need for car parking and access;
- the preferred option would be to remove the shed to the south (currently vacant) and build a new 20k sq ft studio and workshop;
- there is potential to make a new presence to the road;
- it may be necessary to retain the car park to the north. This will be required to get a reasonable number of cars on site for crew and staff;
- the facilities village will need to be distributed in local vacant units or be situated in current owner's adjacent site if they decide to move out;
- if the area of workshops to North West can be acquired then more options are offered as to the location of the new studios; and
- there is little room for a back lot unless the adjacent site can be acquired.

Site services

There are currently no existing services record drawings available confirming existing services within the site.

Given the nature of the site and the previous use of the Isola building, there is likely to be utility services capacity available for the proposed development. The nature of the development within this site does not really lend itself to district heating and power distribution. Each site is likely to be serviced with utility connections. We would recommend each phase of the development be fitted out independently.

Servicing strategy

New services will be required for each phase of the development.

Phase 1 could hopefully be serviced from the existing infrastructure within the Isola building. Further investigations on available capacity will be required.

Phase 2 would be provided with dedicated connections most likely existing to the existing facilities. Again further investigation of this will be required.

This will include electricity, gas, water and telecommunications connections.

Both phase 1 and phase 2 would require to be served at HV to cater for the maximum demand of approx. 1.5MVA for each phase.

This would terminate into an HV substation comprising HV switch, transformer and LV switchboard located within each phase of the development.

The estimated heating demand for the Isola site will be approximately 2-3 MW per phase.

The heat would be generated within the dedicated boiler rooms within each phase of the development.

The following renewable and low carbon technologies would be considered for the Isola site:

- Biomass boilers;

- Ground Source Heat Pumps;
- Solar Water Heating; and
- Photovoltaics.

For costing purposes we would recommend that though our recent experience the provision of Biomass Boilers and the use of Photovoltaics provides the most cost effective solution for passing the current building regulations.

The estimated cooling demand for the Isola development will be approximately 1-2MW. This does not lend itself to district cooling. Chillers should be considered for each studio building at roof level or located in an external compound.

Offices and workshops should be naturally ventilated where practical.

A water main would be provided around the site to serve each of the studio complexes with local water storage facilities at each studio complex.

It is likely that there will be an existing fire main or firefighting services within the site. Further investigation will be required.

Designated Areas

Two SSSIs and one Special Protected Area (SPA) are found within 3km of the proposed site. Dullatur Marsh SSSI is designated for its fern, marsh and swamp (wetland) features and is found approximately 1.7km to the North West. The Slamannan Plateau SSSI and SPA is found just within 3km of the proposed site to the south east and is designated for the aggregation of non-breeding birds. Palacerigg Country Park is also found within 5km to the south of the site. Due to the distances between the designated areas and proposed site – which is already developed – it is not anticipated the development could cause any negative impact.

Ancient Woodland

Twelve sites of ancient woodland fall within 3km of the proposed site. The nearest ancient woodland area is approximately 200m south of the proposed site, on the opposite side of the M80. It is not anticipated the proposed works could have a negative impact on any of the ancient woodland sites.

Protected Species

The NBN Gateway site was used to gather data on biodiversity. Desk study records were only sourced from 1990 until present as it is considered that records older than this would not accurately reflect the current distribution of protected, notable or rare species within the study area. A number of species were listed within the 10km grid square of NS77 including Bat (*Chiroptera*), [Brown Long-eared Bat \(*Plecotus auritus*\)](#), Common Pipistrelle (*Pipistrellus sensu stricto*), Daubenton's Bat (*Myotis daubentonii*), Eurasian Badger (*Meles meles*), European Otter (*Lutra lutra*), Nathusius's Pipistrelle (*Pipistrellus nathusii*), [Natterer's Bat \(*Myotis nattereri*\)](#), Pipistrelle bat (*Pipistrellus sensu lato*) and Soprano Pipistrelle (*Pipistrellus pygmaeus*). None of the above species are listed within 1km or 100m of the site. The absence of data specifically for the site or immediately adjacent areas does not necessarily reflect the absence of those species, but is likely to reflect a lack of targeted protected species surveys undertaken.

As the site is already developed, the key protected species that are likely to be present are bats in existing buildings and trees.

Cultural Heritage

A Grade A Listed Building, Castlecary (Ref: 10519) lies approximately 750m east of the proposed site. However, as this is on the opposite side of the M80 it is not anticipated the proposed works could have any negative impact on the building or its settings. A number of other listed buildings are found within 2km of the site but again, due to their distance from the site it is not anticipated that they will be negatively impacted.

The Antonine Wall (Wyndford Road to Castlecary) Scheduled Monument is within 300m of the site to the north but this is also not expected to have implications for the proposed works as the Isola site has already been developed.

A large number of NMRs are also found within 500m but do not hold any official designation or perceived value and therefore do not pose any risk to the proposed development.

Water Resources

Three water bodies are found within 2km of the site. The Bonny Water/Red Burn is the closest at approximately 700m to the south east. This river was classified as having an overall status of Moderate with High confidence in 2008 with overall ecological status of Moderate and overall chemical status of Pass.

Due to the separation distance between the water bodies and the Isola site, there are no anticipated impacts or issues.

The proposed site is not within an area prone to flooding.

Air Quality

The proposed site does not fall within a local air quality management area²⁹. However, the M80 is found directly to the south of the site and other buildings within the Wardpark Industrial Estate surround the proposed development. These may be susceptible to construction dust, and appropriate mitigation should be implemented.

Rights of Way

There are no public Rights of Way in close proximity to the proposed site that could be impacted by the development.

Planning Policy and Business Receptors

The Isola site is identified as an existing industrial and business area within the North Lanarkshire Local Plan (NLLP). As such, policy EDI 1A1 applies. It is stated under EDI 1A1:

“The Council will support the continuing industrial and business character of existing industrial and business areas, where appropriate, including existing waste management facilities by considering:

- *ancillary development and changes of use in all existing industrial and business areas against the terms of Supplementary Planning Guidance EDI1 A criteria, including:*

²⁹ North Lanarkshire Council

- *extent to which there is a surplus in the land supply for industry and business*
- *potential undermining of the attractiveness as a location for industry and business*
- *specific locational requirement for the proposal*
- *whether the proposal would result in significant economic benefit to the Plan area*
- *existence of suitable alternative sites*
- *impact on travel patterns and accessibility by public transport*
- *whether the development would re-use vacant or under-utilised industrial land*³⁰

It is not anticipated that the above plan would have any negative impact on the potential development.

Policy NBE1A: Natural Environment of the NLLP also applies and states:

“Development that significantly affects a species protected by law will only be permitted where an appraisal has demonstrated that the protected species would not be compromised; or any significant adverse effects on the protected species are mitigated through planning conditions or use of planning agreements to:

- *facilitate the survival of individual members of the species;*
- *reduce disturbance to a minimum; and*
- *provide adequate alternative habitats to sustain at least the current levels of the species locally.”*

It is therefore anticipated that a site visit and relevant surveys would be required to ensure none of the protected species identified above could be adversely affected by the potential development.

Costs

Estimated costs for the development of a studio on the Wardpark site were prepared by Gardner and Theobald, and are subject to the same caveats outlined for the Dalmarnock site costs, including the following exclusions:

VAT; professional fees; increased costs beyond Q4 2013; site acquisition costs; legal fees; cost of finance; site surveys, investigations tec.; removal of contamination from site; costs of services diversions; cost of abnormal foundations including piling;

³⁰ North Lanarkshire Local Plan (2012), p. 36

planning gain works including PU upgrades; local authority planning or building warrant fees; and water tank being underground.

Table C.4: Wardpark – Estimate of Costs (Option 2)

Phase 1		Unit cost	Total cost
Soundstages (x1)	1,858 m2	£3,000	£5,574,136
Production offices	2,680 m2	£1,200	£3,216,000
Tenant offices	1,950 m2	£1,100	£2,340,000
Workshops (x1)	1,858 m2	£699.66	£1,300,000
Facilities village	2,787 m2	£850	£2,369,008
Back lot (assume reconfiguration only)	32,000 m2	£20	£640,000
Car parking (assume reconfiguration only)	5,000 m2	£20	£100,000
Energy centre	1 item	£3,750,000	£3,750,000
Landscaping (assume not required)	0 m2		
Allowance for SUDS (est. 10% of site remainder)	- m2	£150	
Allowance for water tank	1 item	£50,000	£50,000
Allowance for PV panels	1 item	£750,000	£750,000
Allowance for demolition	1 item	£200,000	£200,000
Preliminaries			£2,548,697
Contingencies (10%)			£2,378,784
Sub Total			£25,216,625
Phase 2			
Soundstages (x1)	1,858 m2	£3,000	£5,574,136
Workshops (x1)	1,300 m2	£699.66	£1,300,000
Preliminaries			£824,896
Contingencies (10%)			£769,903
Sub Total			£8,468,936
TOTAL			£33,685,561

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £1.3m (based on purchase of 5 acres). This is likely to be an underestimate as the Phase 2 option would require the acquisition of buildings in multiple occupancy and it is not possible to estimate the costs of this without more detailed valuation work. It is, however, likely to be considerable higher than the £1.3m quoted above;
- professional and legal fees: have assumed 10% (£3.37m); and
- VAT: 20%.

This brings the total estimated costs for this option to £46m.

Option 4: Pacific Quay

The Pacific Quay option was initially a smaller proposal for a facilities village and small studio located in disused premises near the Pacific Quay site. Following industry feedback and consultation, FCG evolved the initial proposal into a larger proposition with a specification similar to that identified in the current study, again using a phased approach.

It is important to note that FCG's plans are still developing, and the information presented here was provided in October 2013. At that stage, the site appraisal and design work was still in draft form and the business planning work which will support funding applications and the development of an investment prospectus was still ongoing.

The site identified for the development is that opposite BBC Scotland on which Festival Park is also located. This is shown in **Figure C.12**, below, with the proposed studio site in dark red.

Figure C.11 Pacific Quay site



MAP 2
PROPOSED SITES WITH ZONES & AREA IN ACRES

Apart from the Festival Park site (which is owned by Glasgow City Council), the land is owned by SE. SE is also investing in services on the site and a hotel development is underway, leaving more than 21 acres free for development.

As shown, the proposal also includes development of existing premises adjacent to the site as a facilities village consisting of tenanted workshops, a flexible warehouse space and production offices. This would constitute Phase 0 of the planned studio development, and FCG's proposal was to seek Business Premises Renovation Allowance (BPRA), a tax incentive scheme providing tax relief on investment to bring derelict industrial premises back into economic use. This would bring additional investment into the capital costs.

The development of soundstages, large workshops and production offices would then be split across two phases.

As noted earlier, the site assessments were not conducted by ARUP, but instead by the design team appointed by Film City Glasgow (Gareth Hoskins Architects/AECOM)³¹.

Site Conditions, Utilities and Planning

The site is on land reclaimed through the infilling of the Princes Docks on the Clyde. The site appraisal therefore identifies some risks relating to possible settlement and contamination depending on the materials used for backfilling the site.

In relation to ground levels and flood risk, the appraisal notes that the existing foul water drains to a pumping station that would be insufficient for the development, therefore an upgrade or additional pumping station would be required.

As there are some ground constraints, the report recommends assuming the need of piling foundations.

In relation to utilities, the report recommends network reinforcement for electrical supply, but notes that gas supply should be available. It also identifies no issues with water supply but notes the limited access to high speed broadband on site at present, although this is to be addressed by 2015 as part of the area's Enterprise Area status.

The acoustic appraisal considered external noise and vibration conditions as well as noise sensitive developments. The main areas of noise risk for the site were identified as being:

- helicopters using the helipad being relocated from the SECC to a site next to the Clyde Tunnel;
- moderate traffic noise from Pacific Drive; and
- construction noise from nearby development.

None of these were considered to be major risks, although there is a moderate to high requirement for external sound insulation.

³¹ Ref Gareth Hoskins Site Appraisal document October 2013

In terms of planning, the site is within the Creative Clyde (Glasgow) Growth Sectors Enterprise Area. In addition to financial incentives, the Scottish Government and local government have also put in place a non-statutory framework to facilitate a swift planning process across Enterprise Areas. There is also some rates relief available but our understanding is that this is capped at the level of State Aid de minimus (EUR 200,000 over three years).

The southern portion of the site consists of the existing Festival Park, which is within City Plan Policy ENV 1, stating a strong presumption in favour of the retention of all public and private green/ open space. While this is a planning risk, FCG has received a letter of support from Glasgow City Council (GCC) and mitigating strategies are possible (if potentially costly).

Costs

Costs for the FCG project were prepared by AECOM and include the costs of the conversion of the existing premises close to the site. These should again be treated as estimates and it is worth noting the discrepancy between these and the cost prepared for the current study, particularly regarding unit costs for the soundstages, workshops and offices.

Table C.5: Pacific Quay – Estimate of Costs (AECOM)

Phase 0 (conversion)		Unit cost	Total cost
Conversion of premises into workshops		£2,250,000	£2,250,000
Hard/ soft landscaping, infrastructure and utilities		£500,000	£500,000
Contingencies	included		
Sub Total			£2,750,000
Phase 1			
Soundstages (x2)	35,000 ft2	£125	£4,380,000
Workshops (x2)	36,000 ft2	£70	£2,520,000
Office/ multi-purpose space	28,000 ft2	£125	£3,500,000
Hard landscaping	8,000 m2	£325	£2,600,000
Soft landscaping	7,000 m2	£100	£700,000
Utilities/ infrastructure	99,000 ft2 GIA	17	£1,680,000

Site preparation/ enabling works	1 item		£1,250,000
Sustainability/ renewables strategy	1 item		£300,000
Allowance for water tank	1 item	£750,000	£750,000
Construction contingencies (5%)			£880,000
Sub Total			£18,560,000
Phase 2			
Soundstages (x2)	35,000 ft2	£125	£4,380,000
Workshops (x2)	18,000 ft2	£70	£1,260,000
Office/ multi-purpose space	26,000 ft2	£125	£3,250,000
Hard landscaping	7,500 m2	£325	£2,440,000
Soft landscaping	2,800 m2	£100	£280,000
Utilities/ infrastructure	79,000 ft2 GIA	12	£950,000
Site preparation/ enabling works	1 item		£1,000,000
Sustainability/ renewables strategy	79,000 ft2 GIA	3	£240,000
Construction contingencies (5%)			£690,000
Sub Total			£14,490,000
TOTAL			£35,800,000

It is important to note that these costs do not include: VAT; professional fees; legal fees; inflation beyond current prices; land acquisition costs; local and statutory authority fees; finance costs; client/ project contingency; site investigation costs; abnormal ground conditions/ remediation measures; any off site reinforcement of services infrastructure; highway alterations/ improvements; Section 75 works/ local authority planning requirements; works to waterfront/ mooring; fit out costs to sound stages/ studios beyond shell structure; fit-out to offices beyond shell structure; fit-out to offices beyond Cat A; specialist equipment; loose furniture and fit-out.

To ensure comparability with the other options, we have added the following:

- site acquisition costs: have assumed £5.485m;
- professional and legal fees: have assumed 10% (£3.85m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £53.8m.

Option 5: Foundation Studio

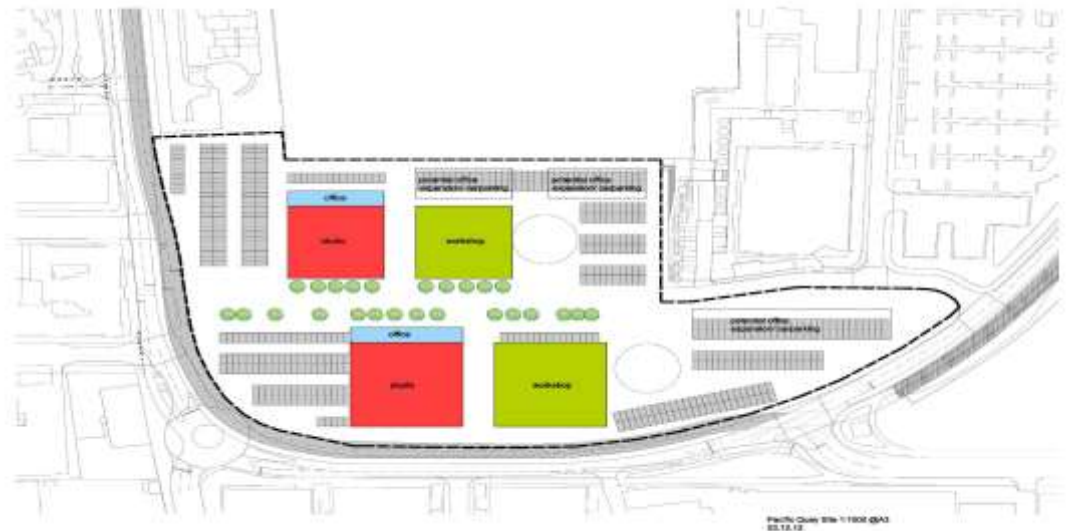
The Foundation Studio can be considered a first phase studio development, with the potential to expand at some future time. The basic concept is to develop a number of 'sheds' as follows:

- two sound stages: 1 @ 20k sq ft and 1 @ 15k sq ft; and
- two workshops: 1 @ 20k sq ft and 1 @ 15k sq ft.

The specification also makes allowance for production offices (465 sq m – 5,005 sq ft), but no provision at this time for a facilities village, back lot, water tank or other flexible space.

Figure C.12, below, shows the outline layout for the Foundation Studio option, located on the Canting Basin area at Pacific Quay.

Figure C.12: Foundation Studio Layout



As shown, the site has sufficient space to accommodate the buildings along with room for car parking and good vehicle access. The site is already within an existing masterplan and further work would be needed to ensure consistency with the aims of the masterplan, but our initial view is that this should not be a major issue.

Initial cost estimates are subject to the same exclusions.

Table C.6: Foundation Studio – Estimate of Costs

Base Build		Unit cost	Total cost
Soundstages (2)	3,252 m2	£606	£1,970,457
Production offices	465 m2	£1,200	£557,414
Workshops (2)	3,252 m2	£550	£1,788,369
Preliminaries			Included
Contingencies			Included
Sub Total			£4,316,239
Tenant Fit Out			
Acoustic insulation (soundstages)	3,480 m2	£120	£417,600
Increase in structure capacity for gantry	1 item		£52,000
Ventilation	3,252,m2	£60	£195,120
Sub Total			£804,311
External works			
Car parking	16,650 m2	£100	£1,665,000
Landscaping	7,050 m2	£20	£141,000
Electrical supply	1 item		£179,000
Gas, water and telecoms connections	1 item		£50,000
Preliminaries			£244,200
Contingencies (10%)			£227,920
Sub Total			£2,507,120
Abnormal costs			
Piling to sound stages	3,252 m2	£200	£650,316
Piling to workshops	3,252 m2	£200	£650,316
Site levelling	1 item		£255,000
Preliminaries			£155,563
Contingencies (10%)			£171,119
Sub Total			£1,882,314
TOTAL			£9,509,984

We have again added the following to the cost estimates:

- site acquisition costs: have assumed £2.235m (based on purchase of the whole site of 8 acres at £250,000 per acre not including VAT);
- professional and legal fees: have assumed 10% (£0.95m); and
- VAT: 20% (although some of this may be recoverable).

This brings the total estimated costs for this option to £15.2m.