

## SUBMISSION FROM HIGHLANDS AND ISLANDS ENTERPRISE

### **1 INTRODUCTION**

Highlands and Islands Enterprise (HIE) is delighted to have this opportunity to contribute to the Economy, Energy and Tourism Committee's inquiry into the economic impact of the creative industries. In noting that it is film, TV and video games that are considered at this time, HIE would be pleased to contribute further should the Committee consider other sub sectors of the Creative Industries.

### **2 VALUE OF THE CREATIVE INDUSTRIES SECTOR**

A baseline study of Creative Industries in the Highlands and Islands was carried out in 2011, revealing that the entire supply chain in the region employed more than 16,000 people (7.9% of all jobs) and a turnover of £739m. New baseline research will be carried out by HIE in 2015 to provide more up to date figures. The same study showed 1,358 people working in Broadcast, Film, Video and Photography and a further 1,034 working in interactive software and related areas. This research was carried out prior to the Scottish Government definition of the Creative Industries.

### **3 SECTOR OVERVIEW – FILM, TV AND VIDEO GAMES**

The sector is almost exclusively made up of SMEs and individual creative entrepreneurs. These businesses tend to work across several creative sub-sectors and elements of the supply chain. Together they create scale, knowledge and access to new markets through networks and collaborative working, and have a skills base that allows them to work across other industry sectors as well.

The region has strength in terms of TV production, particularly because of the presence of MG Alba. HIE activity has helped identify a number of young people and young businesses involved in apps and video games. In HIE we anticipate future growth in this area, increasing the number of established businesses which include Hunted Cow in Moray.

TV Production is spread throughout the region, with companies such as Move on Up (Katie Morag) based in Cromarty, and Young Films (Inbetweeners, Bannan) based in Skye. There is however, a notable cluster in the Western Isles based around the MG Alba studios and the Gaelic Media centre in Stornoway.

The region has other businesses providing support to film, TV and video games. For example, Sound of Jura have established the region's first music library specifically aimed at synchronisation and licensing. Businesses such as Obh Obh in Stornoway carry out Gaelic translation services for programmes bought in for broadcast in Scotland (A' Bhriogais Cheàrr/Wallace & Gromit in the Wrong Trousers, An Sionnach Sgianach 's na Seòid/Wolverine).

In terms of infrastructure, the region continues to develop rapidly with facilities available such as the MG Alba studio in Stornoway, Sabhal Mor Ostaig on Skye, and perhaps most importantly of all, the roll out of high speed broadband across the region, vastly increasing connectivity.

The University of the Highlands (UHI) and Islands has specific media training through the medium of Gaelic at Sabhal Mor Ostaig in Skye as well as Creative Industries (including screen) based courses at Inverness College, screenwriting in Orkney as part of their outreach course delivery at Moray College, Elgin, and West Highland College (Fort William) developing a documentary development course. Currently North Highland College UHI is developing new film degree and also creative writing degree courses that will include Script Writing. Moray College also offer courses in video games development and programming which are well subscribed and supported by industry.

#### **4 THE ROLE OF PUBLIC SECTOR AGENCIES AND THE EFFECTIVENESS OF THE SUPPORT THEY PROVIDE**

HIE has a dual remit – economic as well as community development, which puts the agency in an ideal position to support the creative industries from a commercial, cultural and community viewpoint.

HIE has invested significantly in the sector, and will continue to do so. As well as supporting individual businesses, HIE has funded a range of infrastructure projects including £750,000 investment on the development of the Gaelic Media Centre and studio facilities in Stornoway; and £1.05m over the next three years for the newly awarded contracts for delivery of the Screen and Broadcast Network support programme and the Business to Business event XPONORTH.

As part of a collaboration with the Glasgow School of Art (GSA), HIE and GSA announced this month expansion plans with anticipated investment of up to £10 million over the next four years to strengthen the region's growing reputation for creativity, innovation and expanding use of digital technology; crucial factors that HIE believes will underpin sustainable economic and community development over the coming years.

However, arguably it is our investment of £146m in superfast broadband across the region, which will represent the single most significant investment in support of the sector. Additional investment has also been made available through Community Broadband Scotland (CBS), the national programme co-ordinated by HIE to deliver a Scotland wide service to support community broadband solutions and to build community capacity.

HIE launched a new 5-year HIE Creative Industries Strategy in December 2014. At its core are three key goals:

- Making HIE and the region international leaders in terms of supporting and developing creative industries,
- Supporting dynamic and ambitious creative businesses to grow and work internationally,
- Getting more from the creative assets in the region.

As well as investment, to achieve these goals HIE needs to work in a similar way to the sector itself, flexibly and collaboratively, to deliver a range of general (e.g. innovation and R&D grants) and specialist support services (e.g. Industry Networks). A good example of partnership support is the secondment of an HIE member of staff to Scottish Development

International, an arrangement which has supported more than 25 creative businesses in the first 6 months in post, and is part of the strategic partnership working with MG Alba to develop the Gaelic Media sector.

HIE has a range of services and support programmes that are valued by businesses in the Creative Industries. In summary these are:

### **Creative industries networks**

The Industry Networks are a model developed by HIE to give the agency a greater reach into creative sector. They serve several functions - encouraging networking and collaboration at a local, national and international level, giving industry a voice on the support required and also a role in its delivery, provision of advice and support to businesses and account managers, and create new business opportunities at home and abroad. There are currently four well established industry networks, in screen (all forms of screen, including video games) and broadcast, music, crafts/fashion/textiles and writing/publishing.

The current contracts for the Industry Networks were awarded at the end of 2014 for a three year period. Screen HI, led by Amanda Millen, won the contract to deliver support to screen and broadcast businesses. She led the team providing this support over the 2010 to 2014 contract period, so continuity has been possible. Over four years Screen HI has worked with more than 200 unique individuals and businesses, with a further 300 either in pipeline or receiving 'light touch' support.

Examples of activity undertaken by Screen and Broadcast Network:

- Developing strong local networks allowing peer support at a local level.
- Workshops and training programme – business and craft skills. Partners include BECTU, University of West of Scotland, Skillset, Scottish Documentary Institute.
- Placements - have included working on the Scottish Digital Shorts films and strictly Come Dancing. And working with Shed Media, Warner Brothers, TalkBack and the BBC supporting new writers into the MA TV Fiction Writing.
- Internationalisation – trade events and showcasing, partnership with SDI.
- Develop national and international partnerships: film festivals, screen organisations, trade events, BAFTA, Regional Screen Scotland, Scottish Games Network
- Games Jam - launched, March 2014 produced nine games. US-based game developer Victory Point will provide 2015 mentoring and masterclass.

### **XPONORTH**

From 2015 XPONORTH is the successor to goNORTH, Scotland's leading creative industries business to business conference and showcase held annually in Inverness. The event is designed to bring UK and international industry leaders to Scotland to engage

with entrepreneurs and talented practitioners based here. This event is both financially and managerially supported by HIE.

2014 saw 1,300 delegates come to Inverness for the event, from around the UK, Europe and North America. XPONORTH hosts more than 50 film screenings, games previews and boasts an eclectic range of speakers companies such as Fox Broadcasting, MTV, BT, and Sony. The platform created by the event has enabled a range of international partnerships, including with events such as Muxexpo in Los Angeles, which focuses on licensing across all audio visual platforms.

### **HIE account management**

Account management offers the opportunity for HIE to develop a close relationship with individual businesses which show growth potential, and allows the most effective use of the wide portfolio of HIE support to help achieve this growth.

There are currently ten businesses in account management working in film, TV and video games. These include Gaelic TV producers such as Mac TV in Stornoway and Young Films in Skye. At the end of January 2015, Chris Young from Young Films will take up a HIE sponsored place at the Massachusetts Institute of Technology's (MIT) Entrepreneurs Development Programme in Boston – a week long intensive residency for growth focused entrepreneurs. HIE is currently developing greater expertise in specific sectors such as Film and TV, to ensure deep sectoral knowledge sits with a small number of account managers. HIE account management is supported by each Industry Network.

### **Infrastructure development**

Alongside capital investment in the Gaelic Media Centre in Stornoway, which houses MG Alba as well as film and TV production companies, we have also supported Fas at Sabhal Mor Ostaig in Skye, which provides studio facilities. HIE is working with venues such as Mareel in Shetland and the Ironworks in Inverness to increase their business offering in support of digital media industries.

### **New developments**

HIE is proposing new support programmes in 2015, including:

- Gaelic Innovation Fund which can support Gaelic TV production,
- Focus on developing new transmedia content, new business models and new revenue streams, and introducing businesses to potential collaborators, commissioners and investors.

### **Results of HIE activity**

In 2013, external consultancy EKOS carried out an evaluation of HIE support for the Creative industries. This highlighted the work of the industry networks and HIE's approach to account management as delivering a substantial return on investment, providing excellent value for money. The results of both networks and account management in just three years gave a return on investment of over £6 for every £1 invested. Because of the developmental nature of the networks activity, this was predicted to achieve 10:1 by 2015,

even with no further activity. Combined, HIE support directly resulted in 270 new jobs, with an anticipated additional 250 by 2015, and an increase in GVA of £9.5m, predicted to increase by an additional £7.6m by 2015.

## **5 THE ROLE OF PRIVATE SECTOR INVESTMENT IN SUPPORTING THE VIDEO GAMES AND THE TV AND FILM SECTORS**

We believe that the private sector has an important role to play in developing these sectors. This works very effectively in the development of our Industry Network model, which uses industry practitioners to develop the networks and services, but relies on industry to engage in the process of identifying support requirements and also in putting back into the network in terms of peer support.

Private Investment through angels etc., still remains a challenge, however, by working like any other business, and raising brand awareness, and looking at brand alignment opportunities, HIE has been able to use the industry networks and goNORTH to develop a range of partnerships which have delivered access to finance, market knowledge and other networks. This has meant that new models of support can be looked at, as well as generating finance to either increase support being offered, or directly put money into creative businesses. A good example of this has been in the BBC network commissions won by the Industry Network, and using trainees to develop the content. This funds higher level training as well as giving trainees broadcast credits.

## **6 HOW THE ISSUES THAT HINDER THE GROWTH OF CREATIVE INDUSTRIES CAN BE OVERCOME AND HOW TO CAPITALISE ON OPPORTUNITIES**

The biggest challenges that creative industries businesses face in the Highlands and Islands include:

- **Access to finance:** HIE have taken steps to address this, by trying to find flexible new ways of providing funding. Examples include generating income through projects, e.g. commercial commission covers the costs of training, partnerships with international organisations allowing exchanges and in-kind support, plus generating commercial opportunities for businesses. HIE have also worked on brand alignment opportunities to generate income through industry events, and by operating collaboratively to generate high levels of online profile that is attractive to commercial sponsors.
- **Access to new markets and networks:** This area is central to our work in creative industries. We have also been able to support international showcasing and access to new markets for businesses both financially and through the partnerships we have established.
- **Skills gaps:** We directly address skills issues, either by directly delivering training or advice, or by providing access to industry specialists who can help. Where required we can provide direct hand's on assistance by placing a specialist in a business for a period of time, whilst training is being undertaken.
- **Scale and critical mass:** We have been able to overcome this by developing wider networks to address these issues, and also by having achieved a critical mass, we have started to see more young people choosing to remain or return to the region.

- **Telling the story:** We have worked hard to raise the profile of the region as a creative centre, and also to increase the awareness of the real value of the creative industries. Again, events such as goNORTH have done a lot to raise profile, with many influential industry figures having knowledge of Scotland from the perspective of the Highlands and Islands.
- **Connectivity:** High speed broadband is currently being delivered across the region, but 4G is still an issue.

## **7 HOW TO RETAIN IN SCOTLAND THOSE WITH THE NECESSARY CREATIVE SKILLS**

There are several issues here, which are in some ways more acute in a rural region like the Highlands and Islands – retaining young people, keeping successful creative in the region and creating sufficient scale in business to hold on to successful product/artists etc.

If we consider the reasons people have for leaving:

- Proximity to bigger/new markets and infrastructure.
- Attraction of industry centres such as London.
- Critical mass of peer group.
- Access to additional skills.
- Business scale.

Whilst technology has removed the requirement to be based in a major urban creative centre, there is still a requirement to access people - commissioners etc. or the multinationals that small businesses have traditionally worked with, all located in these international centre. Bringing wider industry north to meet the industry here, rather than always having to travel south or further afield also helps make the point that Scotland does have something special to offer.

New business models and technological change has meant that many businesses are finding their own new routes to market and also looking to retain and exploit their own rights. This approach can be aided by providing clear and flexible support, and access to networks that bring in new skills knowledge and market access. Peer support/networks are also extremely valuable in ensuring the creative entrepreneur is not isolated, and emphasises the importance that place can have in the development of a unique feel, sound, colour etc. of the creative product.

Investment is required to enable more opportunities to develop new content and new direct to market (business and consumer) channels. Further investment is needed in the supply chain, and in supporting the increased and better usage of social media etc. to develop and engage more effectively with consumers. Cross media platforms offer significant opportunities for new business models, new partnerships, the development of new product, engagement of consumers in the development process, all leading to greater monetisation.

As we see digital streaming increasing in importance, and we recognise that the costs of subscription models will continue to come down, reducing income to the content producers, it is even more essential to increase secondary rights usage. However if we are going to encourage businesses to take risks and try new business models, we also need to be prepared to take the same risks and invest in these companies, allowing them to try out new ways of working.

## **8 HOW TO SUPPORT THOSE IN THE TV AND FILM AND VIDEO GAMES INDUSTRIES TO DEVELOP BUSINESS SKILLS**

One of the biggest issues for any small business is freeing up sufficient time to undergo training and development of any sort. For this reason, it is important that training is flexible and delivered in manageable chunks. The business development skills support provided by HIE to entrepreneurs is always market relevant, industry led and flexible in delivery. In the areas of technology and business modelling, it is not unusual to find training in the market generally that is out of date because of the speed of market development in the creative industries. For this reason, in HIE we work with current industry practitioners with international experience, who are working at the forefront of the sector to deliver training, ensuring that it is valid and also adds to the business' network of contacts.

Again peer mentoring and industry network support can help to provide "just in time" advice and training in a flexible manner.

## **9 EXAMPLES OF SUCCESSFUL INTERNATIONAL STRATEGIES FOR GROWING THESE SECTORS**

Ireland and Wales have to varying degrees been successful in exploiting Creative Industries content, particularly for TV and film. Minority language has not been a barrier to sales – appropriate quality content is more important. Language in fact is probably more of an issue selling into the UK than to many European countries, which for example, already use dubbing or subtitling. There are opportunities to develop minority language sales the use of cross media activity and also by working with other minority language content producers internationally. The Basque Government for example is setting up a working group to look at how minority language producers can work together to access new markets.

Many of the Scandinavian countries have built up an impressive reputation for the export of their content – with countries such as Denmark producing notable international film sales, and now Sweden and Denmark financing relatively limited numbers of high quality dramas that are selling well internationally. In Sweden has also been home to very successful digital businesses, with Minecraft and Spotify for example being developed there.

Countries such as Ireland offer tax incentives, and in recent years, Canada has developed a very effective combination of tax incentives, training and business support.

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