

## SUBMISSION FROM THE SCOTTISH GOVERNMENT

### **Inquiry into the Economic Impact of the Creative Industries**

The Scottish Government welcomes the Committee's inquiry into the economic impact of the creative industries in Scotland.

#### **1. Boosting the Economy**

The Government's Economic Strategy (2009) identified seven sectors as key to economic growth. The creative industries is one of those sectors in recognition of their direct contribution to the economy and their potential to drive sustainable growth in the long-term (through increased productivity and the potential to be successful in global markets).

The creative industries bring valuable economic benefits to individuals, communities and the country as a whole. The Scottish Government's Growth Sector Statistics Report (updated October 2014) clearly evidences the continuing significance of Scotland's creative industries in respect of scale, employment and growth within Scotland's overall economy.

The creative industries are worth more than £5 billion to Scotland, support over 60,000 jobs and overall, creative industry exports represent around 5% of Scotland's total international exports. Scottish art, film, fashion, music and literature are well represented as is design, IT and computer gaming industries. The sector has grown rapidly over the past 10 years and with appropriate support, it has potential to grow further.

GDP data in 2014 showed that output in the sector increased by 7.6 per cent in year on year terms. Employment stood at 68,600 in 2013, representing a 5.2 per cent increase from 2012 (up 3,400 jobs). In Scotland, the sector accounts for 2.8 per cent of employment. Within the creative industries, 32.4 per cent (22,200) of jobs are in Digital Industries, or software and electronic publishing. Another 29.4 per cent (20,200) of jobs are in Visual Art, which includes sectors such as advertising, architecture, design and fashion.

In March 2013, there were 12,890 registered enterprises operating in the sector, representing 8.1 per cent of all registered businesses operating in Scotland. The Scottish sector is characterised by small businesses. In 2013, 97.8 per cent of Scottish Creative Industries registered enterprises were small (0-49 employees), whilst large enterprises (250+ employees) accounted for 0.7 per cent of registered enterprises. Almost all enterprises in the sector are Scottish owned (97.5 per cent) accounting for 73.9 per cent of employment in 2013. One per cent of businesses are foreign-owned, accounting for 17.1 per cent of employment.

Scotland's creativity is recognised throughout the world and we have a strong international reputation for excellence. The sector continues to deliver economic benefits to Scotland.

## **2. Role of Government (Domestically)**

It is the role of the Scottish Government to create the conditions which enable the sector, and creative excellence, to flourish.

### **2.1 Partner Agencies**

In a time of limited resources, the Scottish Government will continue to promote and advocate a partnership approach where public, private and third sector organisations work together and work effectively with the creative industries to ensure that the sector continues to make a growing contribution to employment and economic output.

The public sector agencies that provide support to the creative industries are brought together under the Scottish Creative Industries Partnership (SCIP), which was established in 2009 by the Scottish Government and remitted to Creative Scotland to chair. SCIP is responsible for overseeing the strategic priorities for the creative industries across the public sector agencies to ensure they are aligned, to avoid duplication of effort and to maximise benefits to the industry.

Under the remit of SCIP, the Scottish Government works closely with Creative Scotland, Scottish Enterprise, Highland and Islands Enterprise, Scottish Funding Council, Skills Development Scotland, COSLA (as Business Gateway), VOCAL and the Scottish Local Authorities Economic Development Group.

The partners in SCIP are currently working on a mapping and impact study which will inform the development of a Creative Industries Strategy 2015-17. That strategy, due to be published in February 2015, will highlight immediate priorities and opportunities for the creative industries across the public sector.

Detailed below are current activities that the Scottish Government is undertaking and support that it is providing under the Scottish Creative Industries Partnership. This is not an exhaustive list but highlights some key areas of involvement.

#### **2.1.1 Creative Scotland**

The Scottish Government is providing funding of circa £52 million (for 2014/15) to enable Creative Scotland to fulfil their role as the national body that supports the development of arts, screen and creative industries across Scotland.

Creative Scotland has lead responsibility for distributing funding to individuals and organisations working in the arts, screen and creative industries. They are responsible for advocacy on behalf of these sectors (both nationally and internationally); development support for these sectors so they can continue to grow and thrive and they are also responsible for promoting the value that the arts, screen and creative industries deliver.

#### **2.1.2 Scottish Enterprise**

Although Scottish Enterprise is independent from the Scottish Government, we engage constructively and proactively in a number of ways to support the creative

industries in Scotland. For example, we work closely together as members of the Digital Media Industry Leadership Group and the Film Studio Delivery Group.

A report was commissioned by Scottish Enterprise and published in March 2014, demonstrated there was a clear opportunity for a viable and thriving screen studio in Scotland as internationally mobile film and TV production grows.

The Scottish Government, in partnership with Scottish Enterprise and Creative Scotland, is committed to taking whatever action is possible to provide support to Scotland's screen sector. This includes a rigorous and detailed approach to exploring any options that help to improve and enhance Scotland's offer in terms of studio facilities. The process involves assessing what private sector opportunities are available on a case by case basis and what if any public support might be required. Creative Scotland and Scottish Enterprise will make recommendations to Scottish Ministers; any investment of public funding to support studio infrastructure developments must meet EU state Aid rules.

More widely, the creative industries have also been significant beneficiaries of the Scottish Edge Fund - an initiative which supports and encourages entrepreneurial activity in Scotland. Funding is awarded to ambitious entrepreneurs who wish to grow their business. Companies that demonstrate the most potential can win awards of up to £100,000 and access additional support for their business. Of the 69 awards made across the first four funding rounds, 13 have gone to creative industries companies including QuipuTV, Tsumanga Studios and Thurso Cinema. The Scottish Government contributes financially to the Scottish Edge Fund with Scottish Enterprise as a delivery partner.

#### 2.1.3 Highlands and Islands Enterprise

In December 2014, Highlands and Islands Enterprise launched their new five year Creative Industries Strategy from 2014-2019. The Scottish Government, through a consultation process on the content, were involved in the development of the strategy which aims to build dynamic, innovative, competitive and sustainable creative businesses while prioritising four subsectors for pro-active support:

- Screen and broadcast
- Music
- Writing / publishing
- Crafts, designer fashion and textiles

However, the strategy will prioritise two additional subsectors for support - design services and digital industries.

#### 2.1.4 Skills Development Scotland

The Scottish Government also works in partnership with Skills Development Scotland (an NDPB) to increase the skills and talent base of the creative industries. We have tasked Skills Development Scotland to publish Skills Investment Plans for

all the key economic growth sectors and the Skills Investment Plan for the Creative Industries will be published in Spring 2015.

#### 2.1.5 Scottish Funding Council

Also as an NDPB, the Scottish Government supports the Scottish Funding Council and we work together under the Scottish Creative Industries Partnership. The Scottish Funding Council is playing a central role in funding and influencing the pattern of subject provision feeding into the creative industries. They fund and support a wide range of networks of colleges and universities to enable them to respond collectively to the skills and innovation challenges that this diverse industry has. Specifically, they fund the Skillset Academy Network and Creative Loop to ensure the quality of provision meets the needs of students and employers.

Increasingly, the Scottish Funding Council target their support for entrepreneurial skills towards subjects related to the creative industries. This will allow students to have the right business skills to run their own businesses and to learn what it means to be successful. They also invested some of the additional postgraduate places in creative media subject.

The Scottish Funding Council has had a key role in the development of the Skills Investment Plan for the sector, which Skills Development Scotland is leading on, and will continue to be involved in its subsequent implementation.

#### 2.2 British-Irish Council

The Scottish Government is a member of the British-Irish Council (BIC) which brings together eight administrations (UK Government, Irish Government, Northern Ireland Executive, Welsh Government, Scottish Government, Jersey, Guernsey and Isle of Man) to work together on areas of mutual cooperation.

The British-Irish Council Creative Industries work sector was established at the twentieth Ministerial Summit meeting of the Council held in Derry-Londonderry on 21 June 2013. The remit of the work sector will concentrate on the following three key themes where common barriers are faced by the BIC member administrations and relevant examples of best practice can be identified:

- Developing the skills capacity for creative industries;
- Creative collaboration; and
- Impact of the creative sector on the wider economy.

Running through each theme is the impact of creative industries on youth employment; how best to measure the impact of creative industries and how best to increase the GDP growth from creative industries. The work sector will produce three reports (one for each theme) to be considered at a Ministerial meeting to be held in Jersey (who are the lead administration) in Autumn 2015. The reports will highlight best practice across BIC member administrations which will allow administrations to consider adopting and/or adapting existing practice.

Based on the above, the Scottish Government is developing a strategic and coherent narrative around the public sector support for the creative industries which will be informed by the mapping and impact study, the Creative Industries Strategy, the Skills Investment Plan and the outcome of this inquiry.

### **3. Role of Government (Internationally)**

In discussing the economic benefits of the creative industries, an important role for the Scottish Government is to create international links and promote Scotland's creativity overseas in order to attract other nationals to live, work, study and do business in Scotland - all of which contributes to growth.

#### **3.1 International Memorandums of Understanding**

In October 2009, the Scottish Government signed a Memorandum of Understanding (MoU) between the Association of Indian Universities (AIU) and its Scottish equivalent, Universities Scotland, to promote cooperation between Indian and Scottish higher education institutions.

In June 2010, the Scottish Government signed a Memorandum of Understanding with China which sets out that the participants wish to encourage greater collaboration and exchange between their respective national cultural organisations and bodies, festivals, artists and practitioners.

In December 2013, the Scottish Government signed a cultural statement of intent with France to promote cultural activities on each party's territory, aimed at highlighting the other party's creativity and heritage including emerging expressions;

supporting collaboration between artists and promote structuring partnerships between French and Scottish cultural institutions; providing opportunities for the cultural sector to meet their counterparts and develop exchanges and co-operating in the sector of creative industries.

#### **3.2 Edinburgh Festivals Expo Fund**

The Edinburgh Festivals Expo Fund was established in 2007 to help maintain the global competitive edge of the festivals, to increase funding available to Scottish-based artists and practitioners and to encourage creative collaborations. The Fund started in 2008-9 and since then has provided a total of £2 million per year in support to the main 12 Edinburgh festivals including the Edinburgh International Film Festival. It is aimed at supporting: touring within or out-with Scotland of works premiered at the festivals; work by Scottish-based artists and arts companies and collaborative work with international artists. The funding enables ambitious and innovative projects for audiences in Scotland and overseas, including collaborations between the festivals, international artists and creators. The assessment process and funding is administered by Creative Scotland.

### **4. Challenges**

There are certain obstacles to growth for the creative industries (which are often more acute for small and medium-sized enterprises) and tailored responses are

required to ensure that the industries have the opportunity to maximise their potential.

#### 4.1 Private Sector Investment

The Scottish Government acknowledges that the private sector has an important role to play in developing the creative industries along with public sector support. Last year, Scotland attracted its largest ever inward investment from Sony/Starz for the television drama - *Outlander* - shot in a studio in Wardpark, Cumbernauld and in locations across Scotland.

The nature of private sector investment varies significantly across those sectors which reflects the breadth and depth of employers. Although identifying and generating private investment continues to be a challenge, Highlands and Islands Enterprise have successfully used industry networks and the goNORTH festival (now XpoNorth) to develop a range of partnerships which have delivered access to finance and market knowledge to inform new models of support being considered for creative businesses in the region.

#### 4.2 Financial Incentives

The extension of tax incentives for mobile production from film into TV has created a surge of interest from international TV productions. The Scottish Government has a role to play in facilitating such opportunities and will therefore continue to lobby the UK Government for further tax incentives for the creative industries.

#### 4.3 Creative Skills Development and Retention

Talent development and talent retention are essential to the creative industries and there is considerable activity across the public sector which aims to:

- work with schools and other educational institutions to provide young people with careers information and guidance in relation to the creative industries;
- increase the number and quality of work experience places, internships and apprenticeships;
- undertake research to better understand graduate destinations and graduate employment in the creative industries;
- improve gender equality and breaking down barriers to ensure that women are better represented in the sector.

There are also specific skills challenges for the creative industries, for which digital skills are most critical. This is a well-recognised issue that goes beyond the creative industries and affects not only Scotland but the rest of the UK. A Skills Investment Plan (SIP) for Scotland's ICT and Digital Technologies sector was published by Skills Development Scotland (SDS) in March 2014 and its recommendations are now being implemented. The plan covers a broad range of industries but is critical for the development of the creative industries since growth prospects are dependent on how the sector exploits intellectual property through digital opportunities.

#### 4.4 Developing Business Skills

The Scottish Government recognises the need to do more to support business development skills to enable the creative industries to increase the quality of their commercial practice, alongside their creative practice, enabling better access to markets in Scotland, the UK and internationally. This work is delivered primarily through the Scottish Government's partner agencies.

A key theme of the SIP for the Creative Industries being produced by SDS, is development of leadership and business skills. This aspect of the plan will look to strengthen leadership, management and business skills to create, protect, exploit and sustain platforms and routes to global markets. In addition, SDS offer a number of other initiatives which support access to training.

A wide range of business development services are also available through Scottish Enterprise and the other enterprise agencies, offering leadership development skills; business mentoring and business development workshops which are available to any company in Scotland.

There are also two business support activities particularly relevant to the creative industries, beyond the generic business support mentioned above. Cooperative Development Scotland supports company growth in Scotland through collaborative and employee ownership business models whilst Interactive Scotland provides expert help and support for SMEs across the digital media sector in Scotland.

#### **5. Conclusion**

The Scottish Government believes that Scotland's creative industries must continue to be at the heart of our continued economic development and growth. Scotland is increasingly recognised for its modern, creative and innovative industries and the recognition that this is a creative nation, strengthens both our society and our economy. Scottish Ministers look forward to seeing the outcome of the Committee's inquiry.

January 2015