



The Scottish Parliament
Pàrlamaid na h-Alba

ECONOMY, ENERGY AND TOURISM COMMITTEE

MEETING DETAILS

8th Meeting, 2016

Wednesday 9 March 2016

The James Clerk Maxwell Room (CR4)

Meeting starts at **10:00 am**

COMMITTEE PAPERS

Agenda

Creative Industries – SPICe Briefing

Submission from Scottish Enterprise

ADDITIONAL INFORMATION

Previous Meetings

[Previous Meeting Papers and Official Reports](#)

NOTICES



The Scottish Parliament
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ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

8th Meeting, 2016 (Session 4)

Wednesday 9 March 2016

The Committee will meet at 10.00 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take item 3 in private.
2. **Economic Impact of the Creative Industries :** The Committee will take evidence from—

Fiona Hyslop, Cabinet Secretary for Culture, Europe and External Affairs,
and Laura Turney, Head of Culture and Historic Environment Policy,
Scottish Government;

David Jack, Film Studio Project Manager, Scottish Enterprise.

3. **Economic Impact of the Creative Industries :** The Committee will consider evidence heard at today's meeting.
4. **Legacy paper (in private):** The Committee will consider a draft legacy paper.

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The papers for this meeting are as follows—

Agenda Item 2

SPICe briefing

EET/S4/16/8/1

PRIVATE PAPER

EET/S4/16/8/2 (P)

Submission

EET/S4/16/8/3

Agenda Item 4

PRIVATE PAPER

EET/S4/16/8/4 (P)



ECONOMIC IMPACT OF THE CREATIVE INDUSTRIES IN SCOTLAND

The Economy, Energy and Tourism Committee held an inquiry into the creative industries in Scotland in 2015, publishing its report, [The economic impact of the film, TV and video games industries](#), on 31 March 2015.

This paper was prepared ahead of the Committee's follow-up evidence session, with Creative Scotland (CS), Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE), on 10 February 2016.

COMMITTEE RECOMMENDATIONS

In its report the Economy, Energy and Tourism (EET) Committee made 26 recommendations, including eleven key recommendations. The recommendations included:

Film industry:

- Scottish Enterprise and the Scottish Government urged to reach a decision on the current private sector proposal for the development of a film and TV studio as soon as possible;
- Scottish Government and its agencies asked to consider what help could be provided to ensure that the necessary infrastructure was in place to maximise the economic, cultural and heritage benefits for the indigenous film industry of a studio once developed;
- that the Scottish Government provide direction to Scottish Enterprise and Creative Scotland to work in partnership in order to support the economic and cultural needs of the film industry, and to review their performance annually against a specific performance indicator; and
- a film industry leadership group be established to facilitate engagement with the film industry and to enable the public bodies to understand better and respond to the industry's needs.

Animation industry:

- Creative Scotland to undertake a review of the animation industry, to gain an understanding of the support it requires to grow, and to include representatives from the industry in the membership of the Digital Media Leadership Group, and any film industry leadership group, once established.

TV industry:

- Creative Scotland to work with the industry to develop a clear financial and business strategy to grow Scotland's independent TV sector; and
- both Creative Scotland and Scottish Enterprise should work with the industry to clarify their respective and complementary roles and the support available to the TV sector.

Video games industry:

- Creative Scotland to lead co-ordination of the industry, academia and public bodies to establish a national strategy which will deliver a sustainable Scottish video games industry, this should be done as a matter of priority, with regular updates in collaboration with the video games industry;
- Creative Scotland should lead in working with the video games industry to identify skills gaps, promote job opportunities to young people, and link education courses more closely with the industry; and
- Creative Scotland to commission research into digital media innovation which encourages enhanced collaborative working across the creative industries sector.

SCOTTISH GOVERNMENT

Direction to Creative Scotland and Scottish Enterprise

In December 2015, the Scottish Government (SG) [wrote](#) to the EET Committee to provide an update on its [original response](#) to the Committee's report in May 2015.

The Cabinet Secretary reported that, on her direction, Scottish Enterprise and Creative Scotland had developed a simple Memorandum of Understanding which had subsequently been replaced by a fuller [Partnership Agreement](#). The Agreement sets out the respective roles of the two organisations and the nature of their partnership.

The Agreement, which was signed in December 2015, is structured around 4 joint aims, based on the 4 themes in the Scottish Government's March 2015 publication [Scotland's Economic Strategy](#), namely:

- International
- Innovation
- Investment
- Inclusive growth

The two organisations also identified 4 areas for joint working over the next 12 months:

- Access to support services and finance;
- Digital;

- Regional and cross-region support; and
- Impact evaluation.

Page 3 of the Partnership Agreement mentions an addendum to the Agreement, which is supposed to provide further detail and which would be updated and refined over time. This addendum has not yet been published.

The Agreement commits the bodies to formally meet each quarter to review their progress and to produce an annual publication which should set out the areas of joint working.

FILM INDUSTRY

Film Studio

In its [Programme for Government 2015-16](#), released in September 2015, the Scottish Government stated that it was:

“[...] working with our partners at Scottish Enterprise and Creative Scotland (who together form the Film Studio Delivery Group) to develop additional screen studio infrastructure in Scotland. In order to support the sector further, we are also considering the case for additional funding and incentives to increase film and TV production in Scotland and have announced the creation of a Film Industry Leadership Group in May 2015.”

In the [written evidence](#) to the Education and Culture Committee in November 2015, Creative Scotland confirmed that:

“A proposal from a private sector developer is at an advanced stage of consideration by Scottish Enterprise, on behalf of the Film Studio Delivery Group (comprising Scottish Government, Creative Scotland and Scottish Enterprise).

The need for commercial confidentiality means we are currently unable to provide any more detail. We remain committed to developing suitable studio facilities in Scotland that fall within EC State Aid rules.

Concurrently, Creative Scotland continues to work energetically pursuing potential operators to provide large-scale production build spaces throughout Scotland.

Scotland offers production and build space for all budgets and provides professional facilities in locations including Stornoway and Skye, as well as a portfolio of successful and established companies in the main population bases of Glasgow and Edinburgh.”

Screen Industry Leadership Group

The SG’s update to the EET Committee also mentioned the film studio negotiations and the establishment of a [Screen Industry Leadership Group](#), which was due to meet for the first time on 15 December 2015, under the chairmanship of John McCormick.

Production Growth Fund

In September 2015, the SG [announced](#) a record film production spend in Scotland, with £45.2 million shooting on location in Scotland in 2014. Figures were provided, an accumulation of those supplied by the Scottish Locations Network plus information from Creative Scotland's production enquiries database:

Scottish Production Spend figures by year since 2007:

2007 - £23.0 million

2008 - £28.0 million

2009 - £24.0 million

2010 - £21.5 million

2011 - £29.3 million

2012 - £27.0 million

2013 - £33.6 million

2014 - £45.2 million.

In September 2015, the SG and CS [announced](#) a £1.75m Production Growth Fund which aims to give film and TV producers a new incentive to base their productions in Scotland. Sourced from existing Scottish Government and Creative Scotland budgets, the Fund, which went live for applications on 29 October 2015, will run over two years.

ANIMATION INDUSTRY

In its update to the Committee the SG stated that CS was in the process of commissioning research to present an overview of animation in Scotland. The research would identify strengths and gaps in provision, in order to make recommendations on CS's approach to the animation industry in its four roles as funder, development agency, influencer and advocate.

TV INDUSTRY

In its update to the Committee the SG reported that, in response to the Committee's call for a clarification of the roles of SE and CS with regard to the TV sector, and of the support available to the sector, a SE project team had been tasked with working with other key public sector partners, including CS, to map the business development support currently available for the screen sector.

The mapping work had been shared with Independent Producers Scotland on 30 October and a publication date was under discussion. This work should inform the development of a web-based resource later in 2016 which could be accessed by companies seeking support.

The Government also reported that CS had worked with the TV Working Group (which is led by CS and includes representatives from SE, MG ALBA and Screen HI) to produce

revised Terms of Reference for the Group. The Terms of Reference were in the process of being ratified by members. The Terms include the development of a clear business and financial strategy for growth and an internationalisation strategy for the sector. A meeting of the TV Working Group took place on 16 December 2015.

VIDEO GAMES INDUSTRY

In its update to the Committee the SG reported that CS was in the process of analysing the size, shape and variation over time of the creative businesses that produce digital games in Scotland. The analysis will support the Scottish Government's work to define the economic impact of the sector, it should improve the intelligence and data that is used to assess the appropriate support mechanisms for the sector.

The SG also reported that, following a series of meetings between Clive Gillman (Director of Creative Industries at Creative Scotland, appointed in June 2015) and David Hartley (Scottish Enterprise), it was important to avoid repetition and confusion and that the Committee's recommendations relating to the video games sector could be best integrated into two main bodies of work, namely:

- developing intelligence and understanding of the sector and its needs; and
- enhancing collaborative working.

The leadership of work would be divided between Creative Scotland (intelligence gathering) and Scottish Enterprise (collaborative working), but would be delivered in partnership.

Creative Scotland would take the lead on a programme of review and engagement to further develop the knowledge and awareness of the computer games sector in Scotland, using a simple survey. The survey will go live in January 2016 and will be repeated 5 times over the next 24 months. This process would be undertaken in consultation with the Scottish Games Network and the two UK national sector bodies: TIGA and UKIE.

CS held an open forum with the sector, on 15 October 2015. This event outlined the survey process, provided further information about CS funding opportunities and gathered feedback on the needs of the sector.

SE as the lead agency for the Digital Media Industry Leadership Group (DMILG) will consider the findings of these surveys and, in discussion with CS, will consider the needs of the sector within the context of the Creative Industries Strategy which is due to be published in February 2016. In addition, the Director of Creative Industries from Creative Scotland will attend future DMILG meetings.

In response to the Committee's recommendation, that CS work with the video games industry to identify skills gaps, the SG reported that the draft Creative Industries Strategy includes actions to work closely with Skills Development Scotland (SDS).

SDS's role would be to lead the implementation of the June 2015 [Skills Investment Plan for the creative industries](#), in partnership with the sector, the skills supply system, the public agencies and other key stakeholders. SDS will also support and promote take-up of its products and services by creative businesses

CREATIVE SCOTLAND

On 16 October 2015, Creative Scotland (CS) published its draft Creative Industries Strategy 2015-17 (which is no longer available on its website), calling for feedback by 16 November 2015. The final version of the strategy is now expected to be published at the end of February 2016.

The draft set out a number of aims, priorities and actions to help ensure the continued growth and impact of the creative industries across Scotland.

Drawing on discussions with people working in the creative industries – including its partners in Scotland’s Creative Industry Partnership (SCIP) – the draft Strategy defined three development and support roles for Creative Scotland as advocate, broker and investor.

CS’s aim for the strategy is to provide a clear and action-led plan for the sector, set in the context of the ambitions laid out in its [10-year Strategic Plan: *Unlocking Potential, Embracing Ambition*](#) and in the Scottish Government’s [Scotland’s Economic Strategy](#).

The draft Creative Industries Strategy was based on four cornerstones:

- Investing together to grow sustainable creative businesses;
- Innovating for the wider economy;
- Inclusivity through people and place; and
- International positioning.

The draft Strategy stated that CS wants Scotland to be a country where:

- excellence and experimentation across the arts, screen and creative industries is recognised and valued;
- everyone can access and enjoy artistic and creative experiences;
- places and quality of life are transformed through imagination, ambition and an understanding of the potential of creativity;
- ideas are brought to life by a diverse, skilled and connected leadership and workforce; and
- Scotland is a distinctive creative nation connected to the world.

SCOTTISH ENTERPRISE

In response to the Scottish Government’s publication, [Scotland’s Economic Strategy](#), Scottish Enterprise (SE) published its own [2015 – 2018 Business Plan: Building Scotland’s International Competitiveness](#). The only mention of the creative industries was in the section headed Opportunities in Scotland’s sectors:

“We’ll also help attract new companies as investors to Scotland, as well as seeking out and delivering global opportunities in key markets, for example:

- [...] Opportunities for creative industries in the creation, distribution and commercial exploitation of digital content “

In its [Key Scottish facts](#), published in October 2015, SE noted that its key focus in the creative industries sector is on high growth digital media:

“SE works with a Digital Media Industry Leadership Group and in partnership with industry, government and the wider public sector. SE maintains close relationships with many key partners and stakeholders; the [Technology Strategy Board](#), the [Creative Industries Knowledge Transfer Network](#), [Creative Scotland](#), trade bodies such as [PACT](#), TIGA and Scottish Music Industry Association, the broadcasters BBC/STV/Channel 4, and management and leadership development organisation, TRC Media. SE also works with a number of academic institutions including Abertay University and Edinburgh’s School of Informatics. Major projects include the ambitious [Creative Clyde](#) project which presents a unique opportunity to build on the achievements of the Pacific Quay, Clyde Waterfront and Digital Media Quarter projects to create a hub for one of the fastest growing sectors in the economy. [District 10](#) is an infrastructure project at Seabraes yard in Dundee that uses shipping containers to build affordable office accommodation aimed at early stage creative industry companies. [Interactive Scotland](#) has been developed by Scottish Enterprise to drive growth in the sector and support the industry strategy across Scotland.”

HIGHLANDS AND ISLANDS ENTERPRISE

Highlands and Islands Enterprise (HIE) is not a signatory to the Partnership Agreement between SE and CS and it has a separate [Creative Industries Strategy 2014 – 2019](#), which was published in December 2014.

The strategy sets out a vision:

“To establish a vibrant, competitive and sustainable creative economy in Scotland’s Highlands and Islands, which builds upon the energy and traditions of its remote, rural communities and its global connectedness.”

The vision has three aims and 17 objectives for each aim. The aims are to:

- build the region’s profile and reputation as an exemplar for the successful development of the creative economy in remote, rural regions;
- support emerging and established creative entrepreneurs with the aptitude, flexibility, tenacity to build dynamic, innovative, sustainable and competitive (DISC) creative businesses within the region; and
- leverage more from existing assets and activities, to ensure the most appropriate support for creative businesses is provided across the region and to ensure that HIE sees an appropriate return on its investment.

The strategy set out a two phrase approach to implement the strategy. Phase 1 (April 2014 to March 2016) would involve on-going delivery, research and piloting of new approaches. This would prepare HIE for carrying forward its strategy by:

- building capacity and understanding within the HIE network to provide more effective and better targeted support to creative businesses; and
- testing the viability of new approaches. During the initial ‘preparatory’ phase, HIE would work with its partners, notably University of the Highlands and Islands (UHI) and local authorities, to align their activities with the Strategy, and to build their capacity to deliver the Vision together.

The Strategy sets out a number of proposed interventions which the HIE hope which advance the Strategy. These include:

- “[...] supporting the development of DISC creative businesses in the screen (animation, film, television etc.) sub-sector.”

The aim of this intervention would be to:

“Diversify the market for original screen content from the region by creating a commissioning fund that will respond to new partnerships with broadcasters and platforms, and new cross-sector collaborations locally, nationally and internationally.”

Other relevant interventions include:

- building local skills and capacity, which would: grow the skills base and capacity in the region, thereby providing creative businesses with an environment within which they can develop and grow;
- creative business investment support, which would: setup a new creative business investment fund to provide advice and support and appropriate funding. This would include specific initiatives to target local investors and the use of social media to leverage crowd funding;
- develop HIE’s capacity, which would: further develop HIE’s understanding of and capacity to work with creative businesses and develop the region’s creative industries, thereby ensuring that it contributes to regional economic growth; and
- develop new metrics, which would: develop a more effective set of metrics for measuring the contribution of the creative industries to the economy of a remote, rural region, providing a basis for on-going measurement of the impact of interventions and the identification of potential areas for future investment.

SCOTTISH AFFAIRS COMMITTEE

The House of Commons Scottish Affairs Select Committee held a short inquiry in 2015, which led to the publication of its report [Creative industries in Scotland](#), in January 2016.

The Select Committee made twelve recommendations, including that:

- the UK and Scottish governments work together to establish how a robust assessment of the creative industries in Scotland can be achieved, and then carry this work out with a view to publishing the assessment by December 2016;

- the UK Government work with the Scottish Government to clarify what level of public funding is provided to the creative industries in Scotland, and include this information in its response to this report. This assessment should cover the various Scottish and UK-wide funds that support these industries in Scotland;
- the UK Government work with representatives of the creative industries in Scotland to assess how the creative tax reliefs could be adapted so as to be of greater benefit to Scotland. Options should include variable rates of tax relief for different parts of the UK, creating a tax relief for the music industry and piloting a tax relief for SMEs working in the creative sector;
- the UK Government work with the Scottish Government, Creative Scotland and Scottish Enterprise to promote the availability of these tax reliefs and enable Scottish creative enterprises to benefit from them;
- the UK Government clearly set out how proceeds from the apprenticeships levy will be distributed to Scotland, where skills policy—including apprenticeships—is a devolved matter; and
- the membership of the Creative Industries Council be expanded to include Creative Scotland as a full member of the council, so that the interests of creative enterprises in Scotland can be represented on reserved matters such as intellectual property and creative tax reliefs. Further, given the Council's consideration of a number of reserved policy areas, we also recommend that the Government reconsider the "England-only" remit of the Council to reflect the interests of other parts of the UK in these policy areas.

Francesca McGrath
Senior Researcher
26 January 2016

Economy, Energy and Tourism Committee - Inquiry into Creative Industries

Scottish Enterprise Post Evidence Session Follow-Up Information

Project Plan

It is important to recognise that Scottish Enterprise is not procuring a film studio, nor are we delivering a public infrastructure development. What we have been discussing is business support to assist the private sector lead on the design and delivery of additional studio infrastructure for Scotland, based on a sustainable business plan.

We are seeking to support proposals for studio facilities to be owned and operated by the private sector, that meet the needs of industry and that we consider to be financially viable. Any financial support SE is able to provide must comply with EC rules on State Aid and provide an appropriate return on investment. No company has been granted exclusivity and we remain open to new proposals, subject to them meeting the same criteria regarding financial viability and State Aid compliance.

Given that this is a private sector project, the timescales are fluid and highly dependent on the private sector developer's wider commercial and financial considerations. The business plan and associated project plans are owned and controlled by the private sector entity.

Cost

Spend on the current film studio project has been £80,142 which includes costs for financial and other diligence related to the proposal.

We previously conducted extensive feasibility analyses around the wider opportunity for a film studio in Scotland, costing a total of £73,190.

Account Managed Companies

The screen companies included in our account managed portfolio have achieved combined growth in the past three years of 21% worth £10m additional turnover.

26th February 2016