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Call for Evidence on Economic Impact of the Creative Industries/Screen;

1. The role of public sector agencies and the effectiveness of the support they provide.

2. The role of private sector investment in supporting the video games and the TV and film sectors.

3. How the issues that hinder the growth of creative industries can be overcome and how to capitalise on opportunities.

4. How to retain in and attract to Scotland those with the necessary creative skills.

5. How to support those in the TV and film and video games industries to develop business skills.

6. Examples of successful international strategies and projects for growing these sectors.

Opening Remarks

Firstly I would like to thank the committee for their interest in the creative industries and their commitment to this call for evidence, and this opportunity to respond to the committee of the issues affecting the screen industries, although I have responded under point 3 on the wider creative industries. Due to the short timescale interrupted by the Christmas holiday season, and the potential for a limited response, I hope that following the call for evidence a meaningful dialogue with creative business leaders and practitioners will be entered into to further enhance the call for evidence, and lead to agreed action for the further support of the sector.

Secondly I would encourage the committee to consider at a near future date the other sub-sectors of the creative industries.

Questions and Comments

1. The role of public sector agencies and the effectiveness of the support they provide.

The public sector agencies support, where they can, aspects of market failure or the nurturing of creative talent and commensurate skills needs including technical, craft, creative, digital and business skills, finance to develop and produce creative content, and assistance in taking product and services to international markets, networking and collaboration.

In this regard Creative Scotland (CS) has supported a number of initiatives to support the talent development and skills needs of film, TV and gaming producers including Dare to be Digital. CS provides funding for the
creative content development and production of film, TV drama series and games (through the Innovation Fund). Plus locations support for local and incoming films and TV Dramas.

Scottish Enterprise (SE) assists with business development of the eligible businesses of scale or high growth potential. Those who qualify become account-managed clients. This status provides access to 30% part fund of training, sign posting to investment, support for business planning and strategy, and through Scottish Development International (SDI) support for exporting and international trips to make in-roads into markets around the world. SE have supported TV production and games companies, however Scottish film companies and most of the creative industries companies, with the exception of software, do not meet SE’s high growth criteria. (SDI also supports companies to locate in Scotland through Regional Selective Assistance (RSA) in the areas that are determined by EU criteria to be eligible for RSA.) SDI is keen to do more for film and TV and officers are in active discussions with the TV Working Group and have been involved in the film studio discussions.

Business Gateway (BG) provides generic start up advice and training, and also has a growth pipeline service. BG can access up to 70% of SE’s services. BG works with Cultural Enterprise Office in relation to start up and growth advice for creative industries practitioners and artists. However, I would say from my experience this tends not to be the service film makers, TV producers and gaming companies would look to, but rather SE and TRC media (funded by CS, SE and SDS plus Channel 4).

Skills Development Scotland (SDS) supports valued modern apprenticeships in the sector, and will shortly produce a Skills Investment Plan for the creative industries. This is welcome, however, the plan is remitted to develop skills for high growth. Early indications are that if investment is allocated then the largest percentage will be spent on developing digital skills. This will be of benefit to the sub-sectors the committee is exploring but the wider creative sector will have other skills needs, which may also be worthy of, and require, investment. Who will fund this?

Scottish Funding Council (SFC) supports the FE/HE courses and other initiatives such as the Creative Skillset Academy to name but one, which prepares talented individuals for a career in the industry. SFC is also very engaged with the innovation agenda.

In terms of effectiveness, I think the public agencies would get a mixed review with praise, gaps identified, and complications raised from the sector. The public agencies with regard to these screen sub-sectors are looking to see what more they can do and there is active dialogue with the gaming companies, TV Working Group and IPS (Independent Producers Scotland) regarding film. However the film industry is really the least well served of the three from the other public agencies outwith CS and SFC.
2. The role of private sector investment in supporting the video games and the TV and film sectors.

The role of the private sector is absolutely crucial in these industries. The model is essentially a commercial one. Therefore the private sector is the major funder of games, film projects, and of TV programmes, and CS makes investments on commercial terms, pari passu with other investors. But the model absolutely needs public support as part of the mix.

With regards to TV, the BBC is publicly funded but it operates commercially in the way TV and film deals are put together. It is a significant customer for independent TV production and films. BBC is a major employer in Scotland and is a committed supporter of skills and career development initiatives. Channel 4 (C4) is also a very important customer for indies in Scotland and commissions TV series and single programmes and is committed to developing the sector in Scotland. It also houses and supports TRC media. C4 Films has a good working relationship with Scottish film producers. C4 has played a significant role in developing the gaming sector in Scotland. Although STV commissions less independent TV production companies, as it produces as an indie itself supplying to the other broadcasters, it does support Scottish talent in every aspect of its business from crew, writers, directors, on screen talent etc. and is an employer of a wide range of people with creative and business skills.

3. How the issues that hinder the growth of creative industries can be overcome and how to capitalise on opportunities.

(a) Financial Support

Affecting the whole creative industries sector, not just Film, TV and Games, there is one considerable gap in support and that is business start-up and micro growth funding. There are many loans available, and even grants if you are under a certain youthful age, but no source of public funding support to start a business or grow a business in years 2 or 3 – crucial years in realising the potential of the company. Any scheme should embrace different levels of finance with varying degree of conditions for different entry points.

I would suggest that an annual fund be created to award levels of support up to £25,000 for start up/growing micro businesses in the creative sector. However I understand how difficult this may be to fund and to do so year on year. In the first instance the Scottish Government could develop a pilot fund of £2m for three years to test this. Northern Ireland has already had a similar fund, the Creative Industries Innovation Fund (CIIF) of £5m and have a complete three year evaluation to demonstrate its results. This fund should be administered by the Cultural Enterprise Office as an enterprise agency dedicated to start up and micro businesses in the creative and artistic sector.

(b) Business Growth Advice and Support
Artists and creative practitioners have tended to seek the bespoke advice of the Cultural Enterprise Office (CEO), which provides many services including detailed intelligence regarding the individual markets in which the individual wishes to practice, pricing, suppliers, manufacturers, exhibition and galleries, mentoring, and assisting with developing a working model. The general business start up/growth advice of the Business Gateway is also valuable to creative businesses with regards to business planning, advertising and marketing, tax and VAT issues etc. CEO is funded by the Scottish Government and Creative Scotland, with smaller contributions from some local authorities. However as it is an enterprise development agency, one wonders why the lion’s share of funding has fallen to Creative Scotland which does not have a remit for business development, rather creative content and talent development, and has the lesser budget compared to the enterprise agencies.

I suggest the potential for CEO being funded through the enterprise agencies or that department of Scottish Government be explored, whilst retaining the close working relationship with the national arts, screen and creative industries body. Or a Creative Industries budget is given to CS to fully fund and manage the CEO.

The main concern with regards to your question of hindrances relates to the high growth potential criteria of SE and skills for high growth agenda of SDS, as very few creative companies actually meet this criteria. The turnover and employee targets are such that most creative businesses growth projections are not sufficiently high enough to meet the criteria. Especially in a three year window. A film, an animation, a game being developed can take years to get into production.

Those I know of who have received account managed services have advised me that they found the advice and service to be excellent and of significant value. The sector’s concern is that very few businesses benefit from this, and the same may prove to be true of SDS when the Skills Investment Plan is unveiled. Interestingly from the creative industries definition and in regard to the committee’s area of interest it is mainly TV, digital and games (and software development) companies that have benefitted from SE account managed status.

The Government Economic Strategy (GES) is focused on growth – growth companies, growth sectors and growth markets. But surely growth is relative? If the responsibility is for the public agencies to serve the priority sectors, which includes the creative industries, then surely the growth aim should be relative to their nature, their pattern of growth and their starting point? And growth measures can also be specific. It’s not necessarily about numbers employed by one company, it is about the numbers in the sector as a whole. The individual companies are growing their market share (in the UK and internationally), the value and exploitation of their creative product and intellectual property, and the volume of work/product demand enhancing the total value of their business. This is actually a formula
for most profit – low core overhead, high value. This growth then feeds a supply chain of other businesses and hiring of talent and skills from the freelance community during the delivery phase. The sector grows through more micro and small businesses entering the fold and creating value. The sector has been growing this way for 20 odd years. Why is the growth support entrance criteria based on employee numbers of an individual business? And turnover depends on the cost of the product to produce and its sale value and volume of sales. Surely each sub-sector’s unit costs and values in this regard would be different? So how does overly high turnover targets get set for this sector? Why aren’t these adapted to the sector? Surely we want growth from any starting point. SE states on its website under the Creative Industries that its help and support is just for the digital media and broadcasting sectors – why just these?

I suggest that Business Gateway and Scottish Enterprise, working with the Cultural Enterprise Office, develop a service that focuses on growing creative companies from any starting point (for those who wish to grow), the creative sector as a whole through development initiatives for the sector, and growing their relationship to their markets. In this way the creative businesses have ongoing active support to start up, to develop, and to grow and thereby meet the growth ambitions of the GES.

(c) Film activity support

Another hindrance or limitation is that CS is the only public agency that funds film significantly (and all film content development and production is through the National Lottery). Highlands & Islands Enterprise supports the screen sector through its trade network, Screen Hi, including modest funds for film production. CS funds cover film project development, film production, film talent development, film exhibition, film education, capital requirements of film theatres, Regional Screen Scotland and its mobile cinema, film festivals, support for various film related bodies and provides the national film locations service. CS is committed to assisting in the funding of the capital requirements of a film studio. But film-making is business as well as artistry. It is a global (show) business. Therefore as CS does not have the remit for business development, and film companies do not tend to qualify for SE support, the film production companies in Scotland receive no business advice beyond start up/early-stage growth. Independent film theatres and exhibition is a business as well as entertainment and social responsibility. Recently the Centre for the Moving Image did achieve account-managed status and found it very helpful, but they are the only exhibition entity that has hit the turnover/employee criteria. Film education is a lifelong learning activity. Film talent development beyond graduation is a skills issue.

I suggest a shared responsibility for film activities through investment from the various agencies to support the relevant activity in their remit, which is delegated to CS to distribute. The sector needs overall
development support, this is particularly true for animation, with longer development periods and longer production times requiring a range of skills. New models need to be devised by public agencies in conjunction with practitioners to allow the industry to develop.

(d) Film Industry Growth

This has been well documented recently, through the debate raised by IPS and the Film Sector Review by CS. If Scotland wishes to retain its film talent and strengthen and grow the industry, the nation's agencies need to invest more funds into the sector. As I’ve mentioned above at (c) a shared responsibility would ease funds to be diverted into production, although I estimate this would not release enough to make a sufficient enough difference. The funding needs to be commensurate with the scale of the ambition of the sector and that can help Scotland compete with other nations. As Northern Ireland has a £70m fund and studios, and Wales a £30m fund and a studio (as well as a crucial production relationship with Pinewood), Scotland as the largest nation of the three has conversely a £4m production fund (from lottery funds) predominantly for indigenous production and no studio.

If you combine that with the points made earlier – there is no business start up finance, no year 2 and 3 finance for growth and no access to SE support and advice, small pot of funding, and no studios - it isn’t hard to understand why the sector is not flourishing in Scotland. Highlands & Islands Enterprise is the only enterprise agency, which supports the value chain in screen, from individual talent and start-ups through to micro companies and incoming films. Added to this, the international film community who would locate to Scotland for film shoots and TV series to benefit from the UK Tax Credit find themselves tempted away to consider an attractive set of locations in NI and Wales by the added benefit of their generous funds and studio facilities. This affects inward investment, co-production opportunities and reduces ability to retain crew here as they have to go elsewhere to find work.

But the opportunity is vast. Film is labour intensive and requires 100s of highly skilled people, the budgets range from £1m for indie films to tens of millions for incoming films and TV series, from which the spend in Scotland is significant. In 2011/12 the ROI on CS film investment was estimated at £10 to £1 invested based on locations spend reports from film production companies. Scotland is now struggling to compete as our near neighbours have recently made aggressive progress by securing ERDF funding for film production, regenerating disused areas that include a film studio through regeneration funds, increased their funding pots significantly and developed non-recoupment clauses and decreased or removed spend ratios to make their funding more attractive.

It would come as no surprise therefore for me to suggest that increased funding be urgently injected into the film production funds for indigenous and incoming productions, preferably from a source that
means that more attractive conditions can be applied. If the status quo remains, the film industry that has a long and renowned heritage in Scotland will die in a year or two.

(e) Incubation

With regard to the wider creative industries, business incubation is a vital first step for new creative businesses especially new businesses stemming from students on graduation. However incubation was not being supported in Scotland until Creative Scotland took up the mantle in 2010. Incubators in the technology space can be fully commercial as demonstrated most ably by CodeBase, Edinburgh in the gaming and online business industry.

It is true that creative industry incubators will always need public funding support, this will be minimised over time as the incubators’ commercial routes or income generation develops. Importantly, the businesses within the incubators should be able to exit in up to three years’ time and become sustainable. Thus, if Scotland wants a thriving artistic sector and creative industry then an investment in the potential of new artists and creative talent and their businesses at the crucial first stages is an investment the public purse should consider very seriously through incubation.

But this activity should not be left just to Creative Scotland to fund, but be supported by enterprise agencies. Incubators need business advice embedded in their model.

I suggest the territory in Scotland is ripe for the creative people in incubators and in networks such as Creative Edinburgh, Creative Stirling, and Creative Dundee to be working closely with the integrated business support service proposed earlier through the Cultural Enterprise Office, and with colleges and universities. This could be further enhanced with support from SDS and SDI. In fact Highlands & Islands Enterprise has a trade network model that is integrated and could be emulated across Scotland.

4. How to retain in and attract to Scotland those with the necessary creative skills.

All of the above plays a part in talent retention/attraction. When a service is not provided or funding or support seems a dead end or there are no workshops or studio spaces at affordable rents or there is not enough market demand, or they can’t get a job in a creative company or cultural organization, then any one of these things can tip the balance of an individual’s decisions to leave Scotland. When enough factors that are not working in their favour tot up, the decision becomes all too easy.

At present in Scotland we are the least easy place in the UK to be a film maker, or an animator, and I would argue it is not as bad for TV indies (apart from drama) but they’d be a close second. In terms of gauging clement
conditions to enable the flourishing of these sectors, Scotland is inclement. Northern Ireland and North East of England outplay Scotland in film and in some instances in TV too. The public agency support for design in businesses and driving up demand for the services of design agencies is higher in Northern Ireland than Scotland. Why is the smallest UK nation outgunning the second largest nation of the UK? It’s all about the policy decisions.

If question 4 is more about skills than clement conditions then I would have to say that Scotland produces the most amazing talent, which is developed in all sorts of ways, through informal and formal routes, with excellent creative courses in FE and HE, although business skills still need to be added to these courses more holistically. Leadership and management are the main business related areas of skill development that are required beyond start up phase. There is a range of skills initiatives provided by industry bodies and CPD on offer too. I would not say skills is the issue although there is always room to add to the skills offer. For example, there are gaps in digital skills in design, and where design links to mobile technology. However conversely if there were no skills and talent development opportunities then that would become a factor in talent retention/attraction.

Talent retention/attraction is more often about having enough business knowledge and confidence to start up; if seeking employment then enough existing businesses who have capacity to hire employees or provide apprenticeship places; supportive process for business creation; a buoyant market for gainful self employment; workshop and studio space; and, a recognised or projected new market for the innovation, product or service.

Certain geographies of Scotland struggle with local talent retention and this is a microcosm of the issues discussed here in relation to Scotland as a whole.

I suggest that there are already many elements in place to retain talent in Scotland, but it’s a hard fight to stay, and I have made suggestions at points 1-3 that would enhance this. There is an opportunity to gain a more up to date assessment of this through the creative industries study being undertaken by Creative Scotland, which could provide some feedback on the elements that need to be in place to provide clement conditions that would further enhance talent retention.

5. How to support those in the TV and film and video games industries to, develop business skills.

Film makers, TV indies and gaming companies are best placed to advise on the business skills they need and the best means by which they feel they could be gained. However as previously mentioned it can only help to teach general business skills alongside the creative, technical and craft skills in FE and HE courses.

But that is just a foundation. To really do business these leaders need to get under the skin of the particulars of doing business in games, or TV or film. How it works, the contracts, the budgets, how IP and publishing and distribution rights work, what relationships you need to foster, how to price
your product, skills needed to have competitive edge, knowing what innovative ideas to pursue by gauging the market, keeping abreast of sector trends and developments, what business benefits are there for this sector, what funding support, tax credits, where you need to be showing up internationally to be taken seriously, and running a business with motivated employees on top of all that and a myriad of other business issues. That takes bespoke advice. That needs mentors who have gone before. This further illustrates how valuable CEO is to start up businesses, and CEO could do more if their budget allowed an expansion of their remit and expert advisor base.

6. Examples of successful international strategies for growing these sectors.

Actually some of the things Scotland has make it an international leader. Creative Scotland itself is a constant source of interest in other nations and it is now being emulated in a range of countries. I have discussed SCIP in European policy fora and again is a model that others would very much like to have in their nation. The Cultural Enterprise Office is unique and the envy of those in industry and policy circles in other areas of the UK and internationally that I have discussed it with. However we do need to maximise the effectiveness of the models we have innovated in Scotland, otherwise they are just shells or pale shadows of what could have been - CS requires increased funding, SCIP could do more and share the creative industries investment and make a real substantial difference than in its first phase where CS did most of the investing in new initiatives, and CEO could be remitted to do more from start up to development and growth, but with the commensurate funding and recruitment of expertise. And licence its work internationally too.

But in film and TV drama Scotland is one of the least favourable places to create and sustain a business in Europe. Close to home, Northern Ireland has a model we should consider replicating. In terms of international strategies for growth – Ireland has some points in its system for film funding Creative Scotland could review and consider, including local co-producers required by incoming productions; Canada has a range of tax credits for film and TV varying across its provinces, and many studios; New Zealand has a production fund, has studio facilities and tax credits; the Nordic countries in film and gaming also have dedicated investment to encourage and develop talent and sustainable production. Ontario has 40% tax credit for employment in gaming sector (http://www.omdc.on.ca/interactive/Tax_Credits/OIDMTC.htm), and the Canada Media Fund which invests in convergent media (http://www.cmf-fmc.ca/funding-programs/convergent-stream/northern-production-incentive/) – this is an interesting model.

In TV production, growth in Scotland requires more returnable series commissioned by UK broadcasters from Scottish indies for the UK network, as well as Scottish indies gaining international broadcast commissions. The UK broadcasters are working on the former in a new initiative.

However often international TV commissioners expect to see some support from the home nation agency and CS funds are lottery funds for film, which
has close relationship with TV drama, but cannot support factual or entertainment TV programming. It would be helpful if CS had Grant In Aid funds available to invest in Scottish indies' factual and entertainment projects for UK and international series development and production.

The American TV series commissioning system relies heavily on pilots and has a pilot season. Financial support to add to the resources of the indie or that awarded for development (if this happens) by the commissioner, for generating these pilots could be one way to help Scottish TV companies to make a competitive stance in this market.

Again CS would need GIA funds to add to its lottery film funds to invest in a wider range of genres, for development, pilots, and production in the UK and international market.

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