Meeting Details

28th Meeting, Session 4, 2014
Wed 19 November 2014 – 10:00am
The James Clerk Maxwell Room (CR4)

Committee Papers

Agenda
SPICe briefing on economic impact of the creative industries
Written submissions – creative industries
Land Registrations Act SSIs cover note

Additional Information

Notices

Next meeting is Wednesday 26 November.

www.scottish.parliament.uk/economy
1. **Decision on taking business in private:** The Committee will decide whether to take items 5, 6 and 7 in private.

2. **Creative Industries:** The Committee will take evidence, in roundtable format, from—

   - Fiona Logue, CEO and Director, Craft Scotland;
   - Professor Georgina Follett, Deputy Principal for Knowledge Exchange, University of Dundee;
   - Gillian Berrie, Film Producer and Co-Founder of Sigma Films, Sigma Films;
   - Dr David Archibald, Lecturer in Theatre, Film and Television Studies, Glasgow University;
   - Professor Gregor White, Professor in Applied Creativity / Director, School of Arts, Media and Computer Games, Abertay University;
   - Brian Baglow, Founder of the Scottish Games Network, Scottish Games Network.

3. **Draft instruments subject to approval:** The Committee will take evidence on:

   - Land Register of Scotland (Automated Registration) etc. Regulations 2014 [draft];
   - The Land Registration etc. (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft]

   from—
Fergus Ewing, Minister for Energy, Enterprise and Tourism;

Hugh Welsh, Head of Data, Registers of Scotland;

Grant Hall, Head of 2012 Act Implementation, Registers of Scotland;

Kirsten Simonnet-Lefevre, Solicitor, Registers of Scotland.

4. **Subordinate legislation:** Fergus Ewing (Minister for Energy, Enterprise and Tourism) to move—

   S4M-11510—That the Economy, Energy and Tourism Committee recommends that the Land Register of Scotland (Automated Registration) etc. Regulations 2014 [draft] be approved.

   S4M-11511—That the Economy, Energy and Tourism Committee recommends that the Land Registration etc. (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft] be approved.

5. **Renewable Energy in the Outer Hebrides** The Committee will consider correspondence received from Comhairle Nan Eilean Siar.

6. **Internationalising Scottish Business:** The Committee will consider a list of candidates for the post of adviser in connection with its forthcoming Internationalising Scottish Business inquiry.

7. **Review of evidence heard:** The Committee will review the evidence heard at the meeting.

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The papers for this meeting are as follows—

**Agenda item 2**

SPICE briefing - Economic impact of the creative industries EET/S4/14/28/1

PRIVATE PAPER EET/S4/14/28/2 (P)

Written submissions - creative industries EET/S4/14/28/3

**Agenda item 3**

Land Registration Act SSIs Cover Note - Affirmative EET/S4/14/28/4

**Agenda item 5**

PRIVATE PAPER EET/S4/14/28/5 (P)

**Agenda item 6**

PRIVATE PAPER EET/S4/14/28/6 (P)
ECONOMIC IMPACT OF THE CREATIVE INDUSTRIES

This paper was written for the Economy, Energy and Tourism Committee ahead of its roundtable session and future inquiry on the economic impact of the creative industry with witnesses from television and film production, the games industry and the craft sector.

CREATIVE INDUSTRIES

The creative industries are defined as those which have their origin in individual creativity, skill and talent. They also include industries which have the potential to create wealth and jobs through the development, production or exploitation of intellectual property. In the UK the sector is generally regarded as comprising about twelve distinct industries, including: advertising, architecture, crafts, design, film, interactive leisure software, music, performing arts, publishing and television (TV).

ECONOMIC IMPACT OF THE CREATIVE INDUSTRIES IN SCOTLAND

In 2012, a report, commissioned by Creative Scotland and Scottish Enterprise – on an approach to measuring the economic contribution of the arts and creative industries in Scotland – was published. The report established a list of sixteen creative industries which are active in Scotland.

In the following table, reproduced from the 2012 report, the authors used the over-arching arts and creative industries categories (cultural domains) used by the Department of Culture, Media and Sport (DCMS) and their own new expanded list of the creative industries active in Scotland, including the craft sector.

In summary the table shows the direct employment and the Gross Value Added figures for the seven cultural domains: Visual Arts (including crafts) contributed 24,500 direct employment, £1,030 million GVA and £1,030 million Adjusted Gross Value Added; the performing arts contributed 4,700 direct employment, £90 million GVA and £90 million Adjusted Gross Value Added; the audio visual sector (including film, television and computer games) contributed 8,500 direct employment, £210 million GVA and £560 million Adjusted Gross Value Added; Books and press contributed 16,400 direct employment, £810 million GVA and £810 million Adjusted Gross Value Added; Heritage contributed 10,700 direct employment, £120 million GVA and £250 million Adjusted Gross Value Added; Digital industries contributed 19,100 direct employment, £940 million GVA and £940 million Adjusted Gross Value Added; and Cultural education contributed 400 direct employment, £10 million GVA and £10 million Adjusted Gross Value Added:
Unfortunately, due to the rounding of the Gross Value Added (GVA) results, the Computer games industry is recorded as zero in the table, as the industry reported a GVA of less than £10m in 2010.

GVA is the standard measurement by which contributions to economic growth and development are gauged. Indirect impacts are supply chain effects and induced effects is the spending by those employed directly or indirectly in the industries.

According to the report the direct, indirect and induced impacts of the Arts and Creative Industry in Scotland amounted to almost 130,000 jobs, £6.3 billion GVA and £12.48 billion in turnover, which is illustrated in the table below:

<table>
<thead>
<tr>
<th>Cultural Domain</th>
<th>Scottish Arts &amp; Creative Industries</th>
<th>Direct Employment (rounded)</th>
<th>Gross Value Added (£ million)</th>
<th>Adjusted Gross Value Added (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visual Art</td>
<td>Advertising</td>
<td>3,600</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td></td>
<td>Architecture</td>
<td>6,100</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>Visual art</td>
<td>800</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Crafts</td>
<td>2,300</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Fashion &amp; textiles</td>
<td>7,080</td>
<td>280</td>
<td>280</td>
</tr>
<tr>
<td></td>
<td>Design</td>
<td>4,780</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Performance</td>
<td>Performing Arts</td>
<td>4,780</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Audio-Visual</td>
<td>Music</td>
<td>480</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Photograpy</td>
<td>900</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Film &amp; video</td>
<td>3,500</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Computer games</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Radio &amp; TV</td>
<td>3,500</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Book &amp; Press</td>
<td>Writing &amp; Publishing</td>
<td>16,400</td>
<td>910</td>
<td>910</td>
</tr>
<tr>
<td>Heritage</td>
<td>Heritage</td>
<td>14,700</td>
<td>910</td>
<td>910</td>
</tr>
<tr>
<td>Digital Industries</td>
<td>Software/Electronic Publishing</td>
<td>19,100</td>
<td>940</td>
<td>940</td>
</tr>
<tr>
<td>Cultural Education</td>
<td>Cultural Education</td>
<td>400</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL FOR ARTS &amp; CREATIVE INDUSTRIES IN SCOTLAND</td>
<td>84,400</td>
<td>£2,220</td>
<td>£3,600</td>
<td></td>
</tr>
</tbody>
</table>

The report also provided comparative data on the number of people employed in the creative industries in Scotland and the UK. The comparison used the UK Government’s list of creative industries, namely: Radio and TV; Digital and electronic publishing; Software and electronic publishing; Publishing; Music and visual and performing arts; Designer fashion; Design; Crafts; Arts and antiques; Architecture; and Advertising.
In addition to the national contribution study a specific case study on the Outer Hebrides (Eilean Sair) was also commissioned by Creative Scotland in partnership with Highlands & Islands Enterprise, Comhairle nan Eilean Siar and Skills Development Scotland.

This research study set out the contribution of the Arts and Creative Industries to the economy of the Outer Hebrides in terms of employment, business turnover and GVA. The table below shows that the total effects were 489 jobs, £66.9 million in turnover and a GVA of £33.3 million:

The case study also examined the local cultural economy from the perspective of practitioners, exploring themes including the drivers for establishing a creative enterprise and the skills and infrastructure base in Eilean Siar.

**CREATIVE INDUSTRIES ECONOMIC ESTIMATES FOR THE UK**

DCMS produces the Creative Industries Economic Estimates, the Official Statistics used to measure the direct economic contribution of the Creative Industries to the UK economy. The latest version was published in January 2014.

The following table, taken from the latest publication, shows the GVA for the creative industries for 2008-2012, which are divided into nine groups. The GVA, calculated in
current process (i.e. not accounting for inflation), is estimated for businesses within the creative industries using the Annual Business Survey (ABS). This only refers to GVA which is directly attributable to the creative industries and does not attempt to calculate the GVA contribution of creative jobs outside of the creative industries.

The groups which are relevant to the Committee’s inquiry are:

- Crafts which had a GVA of £195 million in 2008; £218 million in 2009; £268 million in 2010; £266 million in 2011; and £248 million in 2012. It should be noted that the Annual Business Survey does not include data for micro-businesses so the GVA in crafts may be underestimated, as self-employment is substantial.

- Film, TV, video, radio and photography which had a GVA of £8,801 million in 2008; £6,923 million in 2009; £7,973 million in 2010; £9,979 million in 2011; and £9,752 million in 2012.

- IT, software and computer services which had a GVA of £26,018 million in 2008; £26,403 million in 2009; £26,991 million in 2010; £27,939 million in 2011; and £30,904 million in 2012.

Table 4: GVA of the UK Creative Industries 2008 – 2012

<table>
<thead>
<tr>
<th>Creative Industries Group</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and marketing</td>
<td>8,347</td>
<td>6,967</td>
<td>6,840</td>
<td>8,089</td>
<td>10,229</td>
</tr>
<tr>
<td>Architecture</td>
<td>3,565</td>
<td>3,205</td>
<td>2,638</td>
<td>3,223</td>
<td>3,491</td>
</tr>
<tr>
<td>Crafts</td>
<td>195</td>
<td>218</td>
<td>268</td>
<td>266</td>
<td>248</td>
</tr>
<tr>
<td>Design: product, graphic and fashion design</td>
<td>1,856</td>
<td>1,886</td>
<td>2,049</td>
<td>2,504</td>
<td>2,491</td>
</tr>
<tr>
<td>Film, TV, video, radio and photography</td>
<td>8,801</td>
<td>6,923</td>
<td>7,973</td>
<td>9,979</td>
<td>9,752</td>
</tr>
<tr>
<td>IT, software and computer services</td>
<td>26,018</td>
<td>26,403</td>
<td>26,991</td>
<td>27,939</td>
<td>30,904</td>
</tr>
<tr>
<td>Publishing</td>
<td>9,255</td>
<td>8,968</td>
<td>9,580</td>
<td>9,228</td>
<td>9,706</td>
</tr>
<tr>
<td>Museums, galleries and libraries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Music, performing and visual arts</td>
<td>3,740</td>
<td>3,779</td>
<td>3,434</td>
<td>4,039</td>
<td>4,574</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,784</td>
<td>58,391</td>
<td>59,825</td>
<td>65,277</td>
<td>71,395</td>
</tr>
<tr>
<td><strong>UK Total (ONS Blue Book, ABML)</strong></td>
<td>1,312,112</td>
<td>1,280,261</td>
<td>1,327,923</td>
<td>1,360,925</td>
<td>1,383,082</td>
</tr>
<tr>
<td><strong>Percentage share of UK Total</strong></td>
<td>4.71%</td>
<td>4.56%</td>
<td>4.51%</td>
<td>4.40%</td>
<td>5.16%</td>
</tr>
</tbody>
</table>

Notes:
1. Source, ONS Annual Business Survey
2. Figures are expressed in current prices (i.e. not accounting for inflation)
3. The ABS does not fully account for GVA of Museums, galleries and libraries (see Annex D) so these data are not shown in this table
4. The ABS does not include data for micro-business so may underestimate GVA, particularly for groups including Music and Crafts where self-employment is substantial.
In August 2014, the Scottish Government Office of the Chief Economic Adviser published a Growth Sector Briefing on the Creative Industries.

The briefing found that the creative industries are highly concentrated in specific areas of Scotland, with 26.7% (17,400) of jobs located in Glasgow City and another 18.7% (12,200) of jobs located in the City of Edinburgh. The next largest share is Aberdeen City with 6.3% (4,100) of jobs.

The briefing quoted the GDP data for July 2014 which showed that output in the Creative Industries growth sector had increased by 0.5% in the most recent quarter and by 5.2% in year on year terms. It reported that the recent trend in the creative industries was in the same direction as that for the economy as a whole (Total GVA), where output increased by 1.0% in the most recent quarter, and by 2.6% in year on year terms. It stated that over the last five years output in the creative industries had dropped slightly, decreasing by 1.6% between the first quarter of 2009 and the first quarter of 2014.

It was also reported that, in March 2013, there were 12,890 registered enterprises operating in the creative industries growth sector, representing 8.1% of all registered businesses operating in Scotland. The Scottish sector is characterised by small businesses. In 2013, 97.8% of Scottish creative industries registered enterprises were small (0-49 employees), whilst large enterprises (250+ employees) accounted for 0.7% of registered enterprises.

Almost all enterprises in the sector are Scottish owned (97.5%) accounting for 73.9% of employment in 2013.

Creative Scotland, which is the Scottish Government sponsored body, aims to support the arts, screen and creative industries as:

- funder;
- advocate;
- development agency; and
- organisation that seeks to influence others to increase opportunities and maximise the impact its resources can offer.

Scotland’s Creative Industries Partnership (SCIP)

The Creative Industries Framework Agreement was published by the Scottish Government on 5 February 2009. It set out the complementary roles and responsibilities of Creative Scotland, Scottish Enterprise, Highlands and Islands Enterprise and Scottish Local Government.

SCIP exists to:

- support the health, sustainability and growth of the creative industries;
• co-ordinate the efforts of the public agencies, working with industry so individual agencies can develop and deliver appropriate, effective and efficient services and support;

• focus on the strategic response to these aims and provide a platform for deeper partnership working, building greater alignment between the partner’s business plans, and, where appropriate, co-ordination of partnership activities;

• influence and co-ordinate sharing of intelligence, research, knowledge and decision making;

• monitor progress and influence decision making; and

• develop a work plan with the creative industries.

Creative Scotland is the leader of the Partnership and it plans to publish its draft Creative Industries Strategy for 2015-2017, in December 2014.

The UK body, the Creative Industries Council, published its own creative industries strategy, Creative UK, in September 2014. The aim of the strategy, which covers the next six years, is to unite the different parts of the creative industries behind common goals and to speak with one voice on the issues that cut across the sector.

**Creative Scotland Sector reviews**

Since its establishment, in 2010, CS has commissioned sector reviews of the areas it has responsibility for. These sector reviews are seen as instrumental in the development of Creative Scotland’s forthcoming Creative Industry Strategy.

The only sector review published so far relating to the creative industries was published in January 2014 and covers the Film Sector in Scotland. The content of the review will be discussed later in this paper.

Although there has been no specific review of the Scottish craft sector, Creative Scotland was one of the joint commissioners for a survey of contemporary craft in the UK. This survey will be discussed later.

There has been no similar review or survey of the games industry in Scotland, although the Annual Plan for 2014-15 says that the draft Creative Industries Strategy will be based on a major mapping study of the creative industries.

**Creative industries**

In June 2014, CS also produced Creative industries, a companion piece to its strategic and annual plans which gives an overview of the industries. It highlighted the size of the industries pointing out that as the Creative Industries’ GVA in 2011 was £2.8 billion and they employed 65,200 people in 2012 (2.69% of all employment in Scotland) they are, therefore, larger than Life Sciences in terms of GVA (£1.2 billion in 2012) and employ more people than the Energy sector (63,400 in 2012).
**Strategic Plan**

In April 2014, Creative Scotland (CS) published its 10 year strategic plan, *Unlocking Potential Embracing Ambition a shared plan for the arts, screen and creative industries 2014-2024*.

The plan sets out five ambitions, associated priorities and measures of success for the next three years. The most significant ones for the creative industries are:

1. **Excellence and experimentation across the arts, screen and creative industries is recognised and valued.**
   
   Priorities include:
   
   - Support individuals and organisations across Scotland to develop and produce high quality work.
   
   - Create space for debate, critical thinking, risk and experimentation, encouraging connections across the arts, screen and creative industries, making the most of digital technologies.

2. **Everyone can access and enjoy artistic and creative experiences.**

   A measure of success would be:

   - The arts, screen and creative industries are recognised as widespread and inclusive.

3. **Places and quality of life are transformed through imagination, ambition and an understanding of the potential of creativity.**

   Priorities include:

   - Work in partnership with local authorities and others to help transform communities through creativity.
   
   - Support the development of infrastructure, creative hubs and networks that enhance visibility and value for communities.

4. **Ideas are brought to life by a diverse, skilled and connected leadership and workforce.**

   Priorities are:

   - Work with organisations to develop shared leadership across sectors that is knowledgeable, confident and ambitious.
   
   - Support the development of sustainable business models.
   
   - Strengthen the talent and skills needed to develop sustainable careers through sectoral partnerships including with higher education.

5. **Scotland is a distinctive creative nation connected to the world.**
Priorities include:

- Support creative organisations and practitioners to access and develop relevant global markets.

Film strategy

In October 2014, in response to the Film sector review and following consultation on a draft film strategy, Creative Scotland published Creative Scotland on screen: film strategy 2014-17. This will be discussed below.

Annual Plan

In June 2014, CS published its annual plan for 2014-15 which includes its priorities for those twelve months. These include:

- based on a major mapping study of the creative industries, publish draft Creative Industries Strategy by December 2014.
- alongside partners such as British Council, VisitScotland and Scottish Development International, develop its International Strategy for publication later in the year.

OTHER ORGANISATIONS

Other Scottish public organisations with a role in helping the creative industries include:

- Cultural Enterprise Office, Scotland’ specialist business support and development service, it focuses on creative micro-businesses (less than 10 employees). It is responsible for the CS funded Starter for Six scheme of support for developing creative businesses;
- Scottish Enterprise, although it does tend to concentrate its support on high growth companies. High growth meaning companies that have grown by more than 20% in employees or turnover for three years running. The companies should also have had more than ten employees at the beginning of that three-year period, which given the fact that many sectors in the creative industries are mainly micro-businesses, may exclude them from seeking help from Scottish Enterprise;
- Highlands and Islands Enterprise; and
- Scottish Development International, which produced a showreel in 2011/12 about Creative industries in Scotland, including information on Scottish companies which attended the 2011 Game Developers Conference in San Francisco.

TV AND FILM

The British Film Institute (BFI) is the lead organisation for film in the UK. It uses Lottery funds to support film production, distribution, education and audience development.

Creative Scotland (CS) also supports film through funding for development, production and talent development, through regular funding for film-based organisations, funding for film
exhibition, festivals and audience development and through its Locations service, which promotes Scotland as an exceptional place to make films.

Its aim is to work in partnership with filmmakers, film organisations and other sector partners to build a prosperous and sustainable film industry in Scotland.

**Film Sector Review**

In January 2014, CS published an [independent review of the film sector](#) carried out by BOP Consulting. The review covered four activities including earning a living from films. It also examined the public agencies that shape Scottish film, before setting out a vision for the future.

Film related business covers a wide range, including archives, production companies, facilities and studios. In Scotland the majority of such businesses are based in the central belt and work not only in film but across the screen sector, including TV. Micro-businesses dominate the sector.

The review estimated that, in 2012, 2,692 people work in film in Scotland (8% of UK total). 2,018 are employees and 674 are freelance, as illustrated in the table below.

![Figure 10: Film workforce in Scotland](image)

<table>
<thead>
<tr>
<th></th>
<th>Full Time Employees</th>
<th>Freelance</th>
<th>Total Workforce</th>
<th>Female</th>
<th>BAME</th>
<th>Av. Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Film Distribution</strong></td>
<td>126</td>
<td>34</td>
<td>160</td>
<td>25%</td>
<td>0.0%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Film Production</strong></td>
<td>62</td>
<td>640</td>
<td>702</td>
<td>46%</td>
<td>2.3%</td>
<td>£26,260</td>
</tr>
<tr>
<td><strong>Cinema Exhibition</strong></td>
<td>1,830</td>
<td>0</td>
<td>1,830</td>
<td>53%</td>
<td>n/a</td>
<td>£15,131</td>
</tr>
</tbody>
</table>

The review found that Scotland has a small number of film producers who struggle to make a living from their output. Most businesses are small supporting only one producer and there are no major production companies operating in Scotland.

It was reported that the crew base in Scotland moves easily across work in film, television and commercials.

The review reported that Scottish facilities companies had recently banded together as Scottish Facilities Scotland (SFS). Collaboration through SFS had already resulted in increased work for the sector, e.g. joint work on a TV show (MI High) which has a heavy dependence on VFX (visual effects), skills which can be transferred to film work.

SFS reported a growing trend within film and TV production to drive particularly hard bargains with pricing driven down to unsustainably low rates, sometimes below cost. This problem is widespread and can even be found in London.

The review found that incentives funds offered in many countries and regions undoubtedly attract production. These funds are usually spend-related and require that a large range of local production facilities are used. It was speculated that if such funds were established in Scotland there would be knock-on benefits for Scottish based facilities companies.
The report also suggested that there were benefits in cross-pollination of skills in film facilities with those in the games industry, especially VFX skills.

TV production is also vital for maintaining facilities companies and allowing crew to make a living. The review pointed out that the recent changes in UK government taxation policy (described below) offer tax relief for high-end TV production. This should attract incoming and UK television projects, but it was pointed out that it is important that any resultant incentives do not mean that the public sector is taking risks which should be borne by the broadcasters.

Another income stream from film and TV is tourism. In 2012, a report for the BFI by Oxford Economics claimed that about 10% of Britain’s revenues from overseas tourism, about £1 billion of UK GDP, was generated either directly or indirectly by film.

VisitScotland recognised this income source, and in 2012, invested in a tourism campaign based around the animated film Brave, with an expectation of generating more than £140m in business for Scotland by 2022.

**Film Studio Delivery Group**

The film sector review found that the lack of large-scale studio space was detrimental to Scotland’s ability to attract big budget productions, other than location shooting.

In May 2013, the Scottish Government announced that a Film Studio Delivery Group had been set up to actively pursue proposals for a new film and TV studio in Scotland. The partners in the Group were the Government, Scottish Enterprise, Creative Scotland and Scottish Development International.

Creative Scotland invested £75,000 capital funding to further develop the feasibility, technical specification and future business model for an expansion of current screen industry facilities in Glasgow and the Government ring-fenced £1 million towards the cost of a studio.

Scottish Enterprise commissioned a report on the Delivery Options for Production Space for Film and TV, which was published in March 2014. It considered the feasibility of a production space/studio for film and TV in Scotland and analysed how this might be delivered.

The report showed that there is a clear opportunity for a film and TV studio in Scotland. It assessed several potential options and recommended that representatives of the private sector be invited to submit their own development briefs for a studio facility. To that end in March 2014, a Development Brief was put on the Public Contracts Scotland website, to invite proposals from the private sector for developing opportunities for production space for film and television in Scotland.

If this request for proposals failed to identify a suitable commercial project, the report recommended that public sector agencies should concurrently proceed with a detailed appraisal and business plan for a Foundation Studio.

There has been no official announcement regarding the progress of the Development Brief, although Patricia Fergus has lodged the following parliamentary question, which is due to be answered on 17 November 2014:
To ask the Scottish Government, further to the answer to question S4W-19780 by Fiona Hyslop on 28 February 2014, when it will announce the location of a film studio for Scotland.

**Film Strategy 2014-2017**

In October 2014, Creative Scotland published its *Film strategy for 2014-17*. While the focus was film the context of the strategy also included individuals and organisations whose work spans or overlaps film and television.

CS aims to be the driver and advocate for film in Scotland and has employed a Director of Film and Media. The strategy identifies its priorities for the film sector for the next three years and explained how CS will work with the sector and public partners to achieve its strategic ambitions.

The strategy reported that, according to the BFI Statistical yearbook for 2014:

- the total measured public funding for film in the UK in 2012/13 was £363 million, a decline of just under 1% on 2011/12;
- the principal sources of public funding for UK film in 2012/13 were the film production tax relief (57%), the National Lottery (18%) and grant-in-aid (8%) from DCMS;
- film development and production received 71.2% of total UK public funding for film; and
- of the total UK public funding for film, the 2012/13 net film spend by Scottish agencies with a responsibility for film (including film expenditure on the part of Creative Scotland and the Scottish Screen Archive – part of the National Library of Scotland) represented £6.9 million (1.8%).

CS’s aims for the film sector over the next three years set out in the strategy include:

- drive for more high-quality productions to be made in and from Scotland, working with its partners to create opportunities for writers and directors to realise their vision and raise their profiles;
- support producers to identify and maximise audiences, exploring the opportunities presented by digital platforms and the tools required to increase and broaden cinema access and programming for as wide and diverse an audience as possible;
- work to find the right balance between films cultural and economic impact in the allocation of its Film and Television Funding, giving support to Scottish-based filmmakers and films that reflect or promote Scottish culture, creativity and diversity;
- prioritise funding for the development and production of high-quality feature films, documentaries and animation from Scottish based talent;
- work with Scottish Government and Scottish Enterprise to establish a film studio in Scotland, focusing on the requirement for the studio to operate in a way that supports and serves Scotland’s own productions as well as international mobile productions;
work with Scottish Government and the enterprise agencies, in particular Scottish Enterprise and Highlands and Islands Enterprise, to foster a better understanding and awareness of the challenges facing film-related businesses in terms of growth, sustainability and stability;

encourage the development of partnerships between film and digital companies (such as games companies) to add depth and value to their productions;

lobby, as a partner in the Scottish Locations Network, for local incentives and improved delivery of local authority services and policies in all regions of Scotland;

improve filming policy across Scotland as a whole, working to create a national film advisory board with its national partners, including VisitScotland, National Trust for Scotland, Historic Scotland, Transport Scotland, ScotRail and Police Scotland; and

work with local authorities and other partners in the arts, screen and creative industries to support the growth of multi-arts centres, which can act as creative hubs in the community and promote public engagement through their programming.

GAMES INDUSTRY

Creative Scotland has not published a sector review of the video games industry but, in September 2014, Nesta (an independent charity) published A map of the UK games industry. This study found that the majority of companies are based in London, with 5% of the UK total based in Scotland, as illustrated in the table overleaf.

<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>566</td>
<td>29.8%</td>
<td>29.8%</td>
</tr>
<tr>
<td>South East</td>
<td>346</td>
<td>18.2%</td>
<td>47.9%</td>
</tr>
<tr>
<td>North West</td>
<td>157</td>
<td>8.8%</td>
<td>56.7%</td>
</tr>
<tr>
<td>East</td>
<td>151</td>
<td>7.9%</td>
<td>64.7%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>146</td>
<td>7.7%</td>
<td>72.3%</td>
</tr>
<tr>
<td>South West</td>
<td>126</td>
<td>6.6%</td>
<td>79%</td>
</tr>
<tr>
<td>Yorkshire and The Humber</td>
<td>106</td>
<td>5.6%</td>
<td>84.5%</td>
</tr>
<tr>
<td>Scotland</td>
<td>96</td>
<td>5%</td>
<td>89.6%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>86</td>
<td>4.5%</td>
<td>94.1%</td>
</tr>
<tr>
<td>North East</td>
<td>49</td>
<td>2.6%</td>
<td>96.7%</td>
</tr>
<tr>
<td>Wales</td>
<td>38</td>
<td>2%</td>
<td>98.7%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>25</td>
<td>1.3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The survey found two video games hub in Scotland, in Edinburgh and Dundee. The researchers described them as balanced clusters, with a mix of large, established companies and smaller, younger companies. The report also provided further information on the geographic hubs it had identified, such as the platform specialisation by hub (percentage of companies specialising in a platform, including, iOS; other smartphones; PC/MAC; or Consoles) and the mean worker estimate by hub. A breakdown of both sets of information by geographical area is detailed in the tables below.
Scottish Enterprise

Delivered for Scottish Enterprise by PA Consulting Ltd, Interactive Scotland, is a free service which connects Scottish companies in the digital sector to business opportunities, people and funding.

In a case study, published in November 2013, Scottish Enterprise stated that it had given Rockstar North, an internationally recognised video game development studio based in Edinburgh, an R&D Grant. The grant of just over £1 million was a 15% contribution towards an £8 million R&D project, and had, to date, created 25 new high value jobs in the Edinburgh and Scottish video game sector.

Trade Associations

The Scottish Games Network is an umbrella organisation which brings together everything relevant to the interactive entertainment sector in Scotland.

It was launched as Scotland’s video games industry body in October 2013. It aims to encompass and support all of the cultural, creative, academic, governmental and other
organisations, which support, promote and are involved in the videogames sector in Scotland.

TIGA is the trade association representing the UK video game industry. It helps developers and digital publishers build successful studios, network with the right people, save money and access professional business advice.

TIGA is 90% funded by independent UK businesses. 80% of its board members are developers and/or from UK owned businesses, and 50% of its board are UK business owners themselves.

TIGA focuses on three sets of activities:

- political representation;
- media representation; and
- business services.

In September 2014, TIGA produced a report on the Scotland’s games industry which shows that between 2012 and 2013:

- number of game development studios grew from 81 to 94, increase of 16%;
- number of creative staff in studios grew from 766 to 964, increase of 26%;
- number of jobs indirectly supported by studios rose from 1,497 to 1,762, an increase of 18%;
- combined direct and indirect tax revenues generated by the sector for the Treasury increased from £35 million to £41 million, an increase of 17%;
- annual investment by studios rose from £38 million to £45 million, an increase of 18%; and
- game development sector’s contribution to UK GDP increased from £84 million to £99 million, an increase of 18%.

The report concluded that Scotland now represents:

- 11.4% of the UK’s total games companies, up from 8.8% in 2012;
- 9.7% of the UK’s total developer headcount, up from 9% per cent in 2012; and
- 10% of the entire UK videogame industry headcount, i.e. 2,726 people.

In the same report TIGA predicted that, over the next five years, the implementation of the games tax relief would:

- safeguard 160 studio jobs and create a further 200;
- create over 360 indirect jobs and protect nearly 300 indirect jobs;
• create and protect approximately £49 million investment expenditure by Scottish studios;
• generate £48 million in new and protected tax receipts to HM treasury;
• increase the Scottish games industry’s GDP contribution by £65 million; and
• protect an additional £51 million GDP contribution that could be lost without games tax relief.

Made in Creative UK

Made in Creative UK is a campaign whose aim to increase awareness of video game and digital media development in the United Kingdom.

Participating companies can be identified with a Made in Creative UK logo in their games, creative works and on their websites. For example, Swallowtail Games the creators behind the award winning Tick Tock Toys. This company was founded in September 2012, with funding from Abertay University’s Prototype Fund.

Abertay University Prototype Fund

The Prototype Fund was launched in 2010 to provide grants of up to £25,000 for small companies (based anywhere in the UK, unless otherwise stated in calls for region-specific applications) for the development of games or other forms of interactive digital content. Its aim was to foster economic growth, facilitate job creation, and improve skills development in the sector. Abertay University did not take ownership of any IP or equity created during the project.

During the life of the project over 70 of the UK’s game development companies received finance and business development support, with nearly 400 applications being assessed along the way. Many of those that have been supported were in the start-up / micro studio category vital to building critical mass in terms of creating original games IP in the UK.

UK funding for skills

In September 2014, the UK Government announced that the UK’s leading VFX, animation and games employers – including Double Negative, Framestore, Moving Picture Company, Pinewood Studios, Sony Computer Entertainment Europe and Ubisoft Reflections – had joined forces to create a new Next Gen Skills Academy. The consortium had secured nearly £6.5m of investment via the UK Commission for Employment and Skills (UKCES), to develop the next generation of talented animators, games designers and visual effects artists.

CRAFT SECTOR IN SCOTLAND

The craft sector includes ceramics, glass, textiles, millinery, furniture, jewellery, metalwork, wood, lettering, musical instruments, paper, basket making, willow weaving, mosaics, heritage craft, and printing on fabric/glass/ceramics (limited productions).
Survey of contemporary craft

Although Creative Scotland has not produced a separate review of the craft sector in Scotland, in 2011, it was of the commissioners, along with the relevant authorities in England, Wales and Northern Ireland, of a joint review of contemporary craft in the UK.

A summary of the main report, Craft in an age of change, was prepared for Creative Scotland in 2012. The report looked at the whole ‘value chain’ within the sector, not just makers but retailers, educators, curators and writers. The Scottish aspect of the survey had included makers of indigenous crafts.

The report indicated that the structure of the contemporary craft sector in the UK is relatively stable and remains dominated by small, well-established businesses.

The report identified four profiles of makers:

- Craft careerists, who started their businesses shortly after completing their first or second degree in craft-related subjects;
- Artisans, no academic degree but craft is their first career;
- Career changers, began their working life in another career before taking up craft as a profession; and
- Returners, who trained in art, craft or design, followed another career path and then returned to craft later on.

The report found that the exact size of the craft making sector is unknown, for example, many craft businesses are too small to appear in government statistics. Another issue is that the standard industrial and occupational classification cannot identify individual makers, as they do no separate them out from large scale industrial processes. For example, studio ceramic makers cannot be distinguished from factory producers of ceramics.

The report included an estimate of the number of craft-making businesses by nation. With 74.4% of the UK total based in England, 14.5% in Scotland, 6.5% in Wales and 4.6% in Northern Ireland.

It also included a breakdown of the average gross income in 2010 (adding together craft-related and non-craft related income). It found that a UK maker’s business craft related income was £19,827 or 84%, the maker’s non-craft related income was £3,658 or 16%, giving a UK maker an average gross income of £23,485.

The report then estimated that, using the average income, the estimated total income for all contemporary craft-making businesses in 2010 was £457 million. It compared this figure to the total revenues for London West End theatres, £512 million, and music downloads in the UK, £316 million, both figures for 2010.

A calculation of GVA for craft-makers in the UK was provided as £220 million for 2011.

The report also looked at other aspects of the businesses, including the use of internet and digital technologies. It found that around 30% of makers sell through their own website, with 13% selling through third party websites.
The report stated that over 70% of makers do not export their products outside of the UK. For those who did export those exports accounted for almost 20% of their turnover. The proportion of makers who exported was highest in Northern Ireland, which was attributed to strong market links with the Irish Republic and the Irish diaspora, especially in the USA.

Makers and retailers were asked about the importance of tourists to their businesses. For makers, 43% thought tourism was very important, especially makers in Scotland.

For retailers, tourism was more significant, with two thirds saying it was very or fairly important to their business.

**Makers in Scotland**

The survey carried out in Scotland found that:

- 68.4% of makers are female;
- average age is 45.4 years;
- 85.6% of makers are sole traders;
- 30% of makers said tourism was very important to them (UK figure was 18%);
- makers in Scotland more likely to use internet selling than makers in UK as a whole;
- average gross income £24,498: £20,920 derived from craft income, 81% of this came from sales of craft objects and £3,978 on average from non-craft related income, e.g. part-time work or pensions;
- average estimated net profit £6,595 (UK £6,231), for full timers £7,673 and part-timers £4,329;
- 27.4% had exported work in 2010;
- 35.5% had used services of Craft Scotland in 2010, 15% had used the services of Creative Scotland and 11.9% had used the Craft Council; and
- 56.5% expected their craft sales to grow either considerably or slightly over the next three years.

**Craft Scotland**

Craft Scotland is the national agency for craft. It is a charity whose core funding is provided by Creative Scotland. It works to unite, inspire and champion a wide range of crafts in Scotland.

It creates opportunities for Scottish makers to exhibit, sell and promote their work, and for the public to see, purchase and learn about craft. It aims to achieve this through campaigns, exhibitions, events and its website.

Craft Scotland presents collections of Scottish craft to the public, via UK and International craft, design and art shows.
Its website provides a platform for craft people and places across Scotland to promote their work and connect to a diverse audience. As of April 2013, Craft Scotland’s website features profile pages for 1,574 Scottish based craft makers; nearly 47% of the sector.

Craft Town Scotland

West Kilbride is Scotland’s only designated Craft Town.

Craft Town Scotland, is a project of the West Kilbride Community Initiative Limited. It was seen as a model to promote crafts at grass-roots level, embedding makers in the daily life of West Kilbride's community.

It has supported makers of all disciplines at all levels by promoting the work of skilled amateurs with the same care and respect as the work of the most innovative practitioners. The project has created a focus for craft and design by providing affordable studio accommodation for professional makers which are open to the public and, by exploiting niche retailing and tourism, encouraged new businesses and increased visitors to the town.

CREATIVE INDUSTRY TAX RELIEFS

Creative industry tax reliefs (CITR) are a group of five Corporation Tax reliefs that allow qualifying companies to claim a larger deduction, or in some circumstances claim a payable tax credit when calculating their taxable profits.

To qualify for the CITR all films, television programmes, animations or video games must pass a 'cultural test' or qualify through an internationally agreed co-production treaty - certifying that the production is a 'British film', 'British programme' or 'British video game'. In all cases, formal certification is required to qualify.

The certification and qualification is administered by the BFI on behalf of the DCMS. The BFI issues an interim certificate for uncompleted work or a final certificate where production has finished.

The five tax reliefs are:

- Film Tax Relief (FTR), introduced in April 2007;
- Animation Tax Relief (ATR) introduced in April 2013;
- High-end Television Tax Relief (HTR) introduced in April 2013;
- Theatre Tax Relief, introduced in September 2014; and
- Video Games Tax Relief (VGTR) introduced in April 2014. A company is entitled to claim VGTR as long as:
  - the video game is British;
  - the video game is intended for supply; or
  - at least 25% of core expenditure is incurred on goods or services that are provided from within in the European Economic Area (EEA).
WORKFORCE

Creative Skillset Workforce Survey

In September 2014, a new Creative Skillset Workforce Survey was launched. The survey focuses on TV, Radio, Film, Animation, VFX (visual effects), Digital Media and Games. The results will help inform funding to develop skills and training programmes for those in the Creative Industries through initiatives such as the Skills Investment Funds (SIFs), which will total £22 million when matched with industry funding in 2015.

Employees and freelancers are asked about their career development in the Creative Industries including entry routes, training needs and barriers to progression. The survey offers individuals an opportunity to shape future training and skills development both for themselves and their industry.

SOURCES


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CodeBase http://www.thisiscodebase.com/

Craft Town Scotland http://www.crafttownscotland.org/

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Made in Creative UK http://madeincreativeuk.com/


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Francesca McGrath
Senior Researcher
11 November 2014
Economy, Energy and Tourism Committee
28th Meeting, 2014 (Session 4), Wednesday, 19 November 2014

Creative Industries

Written submissions have been received from the following people for the creative industries roundtable evidence session:

- Brian Baglow, Scottish Games Network.
- Professor Georgina Follett, University of Dundee.
- Dr David Archibald, Glasgow University.
SUBMISSION FROM BRIAN BAGLOW, SCOTTISH GAMES NETWORK

Introduction

This document outlines the growth of the video games industry in Scotland, provides context for its ongoing evolution and lists the issues the game sector faces as the world market continues to grow and evolve.

History

Scotland's games industry began in the late 1980s with the creation of DMA Design in Dundee, the country's first development studio (founded 1988). By the mid 1990s, there were six companies creating games: DMA Design, Vis, Visual Sciences, Red Lemon, Inner Workings and Creative Edge.

At this point in time, games were confined to dedicated hardware i.e. games consoles such as the Nintendo 64, Sony PlayStation and Sega Megadrive. Creating games for these devices required significant up-front investment, a large team and access to the console manufacturer. As a consequence the industry was dominated by large games publishers such as Electronic Arts, Activision, Atari, etc. as they provided the finance and carried out the manufacturing of the disks/cartridges, distribution to retail and marketing for the title.

As such, the majority of developers carried out 'work for hire' projects, which paid for the development of third-party intellectual property, normally owned by the publisher. Where original new IP was funded by a publisher, it was normally retained by them as part of the deal. This meant a very small amount of original IP was created by the studios at this point.

It also created a situation where the development companies were entirely reliant upon the publishers for funding. Which made them vulnerable should a publisher choose to stop development of a game, or run into financial difficulties. This led to the closure of the majority of the development studios in Scotland at the time, with only DMA Design (acquired by Gremlin Interactive) and Creative Edge (mothballed) surviving in some way.

As these companies closed, a number of new studios were created, with multiple former employees choosing to create their own company.

This was due to the global game industry evolving and new devices reaching the market which made smaller, simpler games possible. For the first time, mobile phones were capable of running games. The rise of broadband meant that the PC could support digital distribution and several other platforms such as TV digital set top boxes and web browsers allowed companies to move beyond physical products and explore digital distribution.

This led to a proliferation of new studios and put Scotland a little ahead of the curve in terms of its position in the UK market.

As the penetration of new devices increased, the number of development studios grew, taking advantage of much lower barriers to entry. Smaller teams and smaller budgets now capable of creating games for mobile phones and online websites.
The mobile games market grew steadily from 2002-2008, with an increasing number of studios focusing almost exclusively on this platform until 2008. In June 2008, Apple launched the 'App Store' and fundamentally changed the nature of the market, bringing games into the mainstream, where they remain to this day.

The growth in the mobile games market since that time has been explosive. Since the Apple App Store launched, Apple has exceeded 50 billion downloads, the majority of which are games. In the top 10 grossing apps of all time, eight are games (sadly, none created by Scottish companies). Research from Midia in July 2014 indicates that 84.9% of the top grossing apps in the US, UK and Western European markets are all games.

The growing audience, ubiquity of smartphones and rise of tablets, has created a huge global audience for games. This has been further expanded by the rise of other non-dedicated platforms which now enable users to access and play games. These include Facebook (which has 1.35 billion monthly average users as of September 2014), web browsers (using Adobe Flash and media rich HTML 5). As a result, the number of developers has also grown.

As of November 2014, Scotland boasts approximately 100 game development studios. These range in size from Rockstar North (350+ employees) to a growing number of micro studios with fewer than five staff.

The latest research from The Independent Game Developers Association (TIGA) indicates that more than 80% of UK game developers are now focused exclusively on digital development (mobile, casual, social and online games). Informal research from the Scottish Games Network indicates that over 90% of all development in Scotland is now focused on these areas. Further more, the average size of studios has decreased dramatically, with the vast majority of studios now having less than 10 employees.

The output from Scottish companies reflects this change. In 1997 Scottish games companies released ONE game (Grand Theft Auto). In 2013, Scottish games companies released 93 games (The full list can be found here: http://scottishgames.net/2013/12/23/2013-a-year-in-releases/)

Over 85% of the titles released are original new intellectual property, owned by the development studios themselves.

As the industry continues to evolve, Scotland continues to be an active participant in the global games marketplace.

However, with a very few exceptions, none of these titles have achieved any real commercial success.

**Academia**

Scotland has been a pioneer in terms of further education in the games sector. Abertay University is recognised worldwide as the university which created a games specific degree and the university continues to innovate with projects such as Dare to be Digital and the creation of the School of Arts, Media and Computer Games.
The growth of the games sector and perceived value has led to explosive growth in the number of games courses offered by universities. Scotland now has four universities offering games degrees (Abertay, Glasgow Caledonian, University of West Scotland, Napier) as well as six colleges offering HNC and HND graduates in game development.

**Market Success**

Scotland’s position as a pioneer in the games sector has slipped in the last several years. A lack of high profile successes has been mitigated by some notable titles, namely *Grand Theft Auto* and *Minecraft*, but few other titles have achieved any huge commercial success, or established new brands.

This is due to a number of factors. The number of games now available is counted in the millions. Finding new content in the app markets, or using the online sources available does not allow original new content to be easily found, or promoted.

This is compounded by many game development studios having no real interest or capability in terms of marketing or promotion. Games are released with no form of marketing support in the hope that it may be discovered and achieve virality.

This is not a sustainable business model.

It has led to more and more games created in Scotland receiving no support and achieving very little in the global markets.

**Economic Impact Research**

In 2012 a report exploring the economic impact of Scotland’s creative industries was published


It valued the games sector at £0 and put the number of people employed in the sector at 200. There were no universities listed as providing games courses.

These conclusions were entirely inaccurate and every aspect of the research into the games sector was flawed.

Thanks to attention being drawn to the report by the Scottish Games Network, the government revisited this report and increased the number of identified companies, but did not revisit or radically alter the conclusions of the report with regard to the games sector.

**The Games Sector As Part Of Scotland’s Creative Industries**

The games sector is a recent addition to Scotland’s Creative Industries. The industry was not supported by the Scottish Arts Council and initial discussions with Scottish Screen had just been initiated when the transition and merger to Creative Scotland
began.

As such, the games sector has not had the support from the cultural and arts organisations which film, television, music, literature, etc. have received.

The creative industries are now overseen by the Scottish Creative Industries Partnership (SCIP: http://www.scotland.gov.uk/Topics/ArtsCultureSport/arts/Archive/creative-industries/creative-industries). This group consists of numerous organisations including Scottish Enterprise Creative Scotland, Skills Development Scotland, Scottish Development International, etc.

The games sector has been supported – very effectively – by Scottish Enterprise since the late 1990s and much of the industry’s global visibility is due to the organisation's support. In addition, Scottish Enterprise has helped a great many of the studios which now exist in Scotland to set up and grow.

However, support for the sector from a cultural and creative background is unclear. The role of Creative Scotland is uncertain and how the organisation can support games has never been defined. The recent sector reviews for film, literature, etc. have not extended to Scotland’s games industry.

Within the SCIP programme, games seems to have been overlooked or assumed to be a purely commercial activity, with little or no creative elements.

**Funding In The Games Sector**

The games sector UK-wide has not had access to public funding in the same way that film or the wider performing arts have.

The majority of games created in Scotland today are self-funded, with developers either using the proceeds of previous games to fund development, bootstrapping the development themselves, or carrying out work-for-hire projects in order to build funds to create their own IP.

Several projects have received funding from Creative Scotland in recent years, but this is a small percentage of the country’s overall output.

As a counter example, Creative England has now established a dedicated games fund and a number of games specific programmes to encourage the creation of new content and innovative new projects.

**Cultural Tax Breaks**

The long anticipated cultural tax breaks were finally implemented in August 2014. Their impact has yet to be measured, but it is hoped they will have a significant effect in helping games companies to more successful new intellectual property.

The cultural test is being administered by the British Film Institute (BFI). It is unknown if the tax breaks will encourage more culturally Scottish titles to be created.
It's a more diverse industry

It's no longer just about game development. Scotland now has games technology companies, which provide services to the games sector, or use games technology for other purposes. Examples include: Codeplay, Delta DNA, Speech Graphics, Digimania, etc.

There is a tendency within the games sector to focus on development and developers to the exclusion of all else. However the reality is very different. This has to be recognised.

Issues Facing The Games Sector

There are a number of issues which are limiting the growth and success of Scotland's games sector:

1. A lack of business knowledge. People enter the games industry to develop games. Running a company is a byproduct, not a goal. As a result, the business aspects tend to be secondary to the process of creating a game. This has critical knock-on effects on marketing, funding and finance, exports and innovation. This is something which begins at the university stage as few courses offer any business elements within the core subjects.

2. While the games sector is a very highly qualified industry, there is a real lack of formal skills and training for employees. Few get any form of CPD or support to upskill.

3. Funding and Finance are for the most part unavailable to companies creating games. This is due to a lack of business acumen (see point 1) and a lack of clear channels to public money.

4. Insularity. The games sector was isolated from the rest of the creative industries until very recently. As such, the number of contacts and connections between the games sector and the rest of the creative industries are not as strong as those between the other sectors. This is significant as digital and interactive media is now the primary means of creation, distribution, monetisation and in many cases consumption. Yet the games sector is not benefiting from this.

5. Skilled staff. There's a serious shortage of skilled staff and attracting experienced individuals to Scotland has proved difficult.

6. Media. With a very few exceptions, Scotland's media has been uninterested and openly hostile to the games industry. There are few success stories ever reported in the press.

Brian Baglow
October 2014
1 Introduction

Design in Action (DiA) is Scotland’s Knowledge Exchange Hub for the Creative Industries. DiA is funded by the Arts and Humanities Research Council. The project is a partnership of all of Scotland’s colleges of art and design (DJCAD, ECA GSA, Gray’s) along with the University of Abertay and the University of St Andrews. DiA exists to create economic value through innovative knowledge exchange. The application of design techniques allows SMEs to develop new products, processes, services and experiences.

2 Economic outlook

The UK economy has returned to slow growth after the great recession sparked by the global financial crisis of 2008. Good news stories in the recovery have been few and far between. The success of our creative industries is certainly one such success.

- GVA of the Creative Industries has increased by 15.6 per cent since 2008, compared with an increase of 5.4 per cent for the UK Economy as a whole. (ONS)
- Between 2011 and 2012 employment in the CIs grew by 8.6% compared to 0.7% in the economy as a whole. (DCMS)

3 Scottish SMEs

Scottish SMEs account for around 99% of private sector firms. Small SMEs and micro-businesses are pre-dominant and the national enterprise agency is not geared towards this end of the sector. Most CI businesses operate well below growth company thresholds.

Scotland’s Innovation R&D gap remains a key strategic weakness in our economy. Our rates of business investment in research and development are among the lowest of any developed nation. In contrast our rates of investment in higher education research are among the highest in the OECD. Effective knowledge exchange is the key to translating this research into economic value.

4 Design in Action

Design in Action produces residential innovation events titled Chiasma. Academics scope economic opportunities in key growth sectors and produce a competitive public call. Successful applicants are brought together from business, academia, and design over three intensive days to develop commercial concepts. The best of these concepts are seed-funded up to £20,000 by an expert panel.

Successes to date:
- Grown a network of 500 + SMEs in Scotland.
- Working closely with 12 companies on close-to market products.
- One company launch now valued at over £1.1m - Beer52.com.
5 Failure of Scotland’s agencies to fund and engage

The work of DiA is finding what now appear to be long-term systemic failures on the part of appropriate funding agencies to support innovation and growth in the creative industries. Most CIs fall below the regular £400k turnover threshold for account management support for high growth companies under Scottish Enterprise guidelines. This is the nature of the sector rather than a limited ambition or capacity on behalf of the participants. Given proven sector growth rates and Scotland’s strong expertise in relevant skills and knowledge there are questions as to whether the model should be adjusted to ensure more companies do not fall short of appropriate support. There is a gap between business gateway and account managed support that many potentially successful enterprises are falling into.

The Scottish Funding Council has a decade long track record of failure to support creative industries in the manner it does STEM priorities. From pooling bids to Innovation Centres there has been an inability to understand the sector or to devise ways in which significant national HE resources in the arts and humanities might be translated into broader impact. In the case of the Innovation Centres initiative a call was announced in 2012 stipulating Creative Industries as a key sector. Over two years on other ICs have been launched and only recent action has been taken to address the great potential in this area by SFC, at a very modest investment in comparison to stem. There appears to be a lack of expertise and, perhaps as a result, certainly the confidence to take action.

Creative Scotland work with Creative Industries but do not have the resources of necessary scale to achieve the kind of impact that either SE or SFC might. This story of falling between the cracks is the most regular refrain from businesses in the sector. Creative Industries can be an even greater player in Scotland if they are given support and opportunities commensurate to their potential. Currently they are not.

Professor Georgina Follett, Director of Design in Action
4 November 2014
Filmmaking in Scotland

In this short paper, I attempt to lay out the current state of film-making in Scotland before addressing four separate but connected issues: film funding, a film studio, the filmmaking community’s attitude towards Creative Scotland, and film education.

The current position

On 5 November 2014, *The Times* published an article headed ‘Crisis talks to revive “failing and neglected film industry”’. The article reported that a funding application to Creative Scotland from Independent Producers Scotland had been rejected and Scottish film producer, Gillian Berrie, was quoted as saying that filmmaking in Scotland was ‘a failing industry’. This was only the latest in a series of press articles highlighting a perceived crisis in the Scottish film industry. For instance, on 28 September 2013, *The Herald* published an article titled ‘“Lack of funding” is killing the Scots film industry’. The article raised fears from industry insiders that the film industry in Scotland was perilously close to collapse. On the same day, however, I had an article published in the *Financial Times* which pointed to the strength and diversity of filmmaking in Scotland. The article highlighted a group of films with imminent release dates, which were either made by Scottish-based filmmakers or shot in Scotland - *Filth, Sunshine on Leith, The Railway Man, For Those in Peril and Under the Skin* – and also noted significant successes in documentary work. It is, to my knowledge, the first time that the *Financial Times* has devoted a major feature on filmmaking in Scotland and, at first blush, appeared to contradict the position postulated by industry insiders. If the industry was close to collapse, how could we account for such a strong body of work?

Fast forward twelve months and more films with a strong Scottish connection, including *God Help the Girl*, directed by Belle and Sebastian’s Stuart Murdoch, and *Starred Up*, directed by David McKenzie and produced by Glasgow-based Sigma Films, have been released. Other films with significant budgets scheduled for release include Robert Carlyle’s directorial debut *The Legend of Barney Thomson* and the long-awaited adaptation of *Sunset Song*, directed by Terence Davies. On top of fictional features, there has also been a raft of documentary films released. These include *The Possibilities are Endless*, which focuses on Orange Juice front man, Edwyn Collins, and *To Scotland with Love*, which have both received considerable critical acclaim. In addition, the leading Spanish actress and filmmaker, Icíar Bollaín, directed a film about Spaniards living in Edinburgh, and the Mexican-born artist, Carla Novi, made a documentary film and theatre performance about the collapse of a factory in Bangladesh. Some of this work may not be at the commercial end of filmmaking, but it adds to the diversity of film culture in Scotland. Despite apparent growth in documentary filmmaking, 2014 does not appear to be as strong as 2013 for fictional features and, retrospectively, 2013 might be viewed as something of a high water mark for filmmaking in Scotland.

A historical view enables us to contextualise the current position. Bill Forsyth’s 1979 feature-length directorial debut, *That Sinking Feeling*, was the first fictional feature both financed and made in Scotland. The establishment of the Scottish Film Production Fund in 1982 ensured that significant decisions pertaining to filmmaking
in Scotland were made in this country. Film policy has been increasingly devolved and there also has been considerable growth in film production in the intervening period. According to Creative Scotland, between 2001 and 2014, 181 fictional features were shot in Scotland. This figure is not restricted to work by Scottish-based filmmakers and production companies and includes films such as World War Z (USA) and Tezz (India) in which Scotland is used primarily as a location. This breaks down as an average of 12 a year, but the figure for what might be termed ‘indigenous’ or ‘home-grown’ production is closer to half that figure. Filmmaking in Scotland has, then, come a long way since 1979 although the general view among filmmakers is that the infrastructure to support a sustainable industry is absent and that success will be occasional rather than continuous.

The films outlined above indicate that there is a significant talent base in Scotland. There is a significant gap, however, between the talent base and the opportunities on offer for both existing and emerging filmmakers. A small indicator of this was that a record 32 Scottish short films screened at this year’s Glasgow Short Film Festival; yet the average age of a first-time feature film director in Scotland is 39. A further signifier of the lack of a sustainable industry is that many talented filmmakers and actors seek to move elsewhere to further their careers. Indeed, in the findings of a recent Royal Society of Edinburgh-funded study into talent in the Scottish screen industries, Lisa Kelly and Katherine Champion note that ‘while Scotland may successfully train a large number of creative students in film, TV and media, a high level of migration occurs after graduation resulting in problems retaining talent and developing a skillbase.’ To retain that talent in Scotland, significant investment in film production is required.

**Funding**

It is instructive to compare funding levels with some of our neighbouring countries. Earlier this year, Robin MacPherson, noted that Scotland spends approximately £1 per year person on film compared to £2 in Ireland and £10 in Denmark. In November 2014, the Danish government, however, announced plans to invest an additional £7.3m (DKK 70m) into a new fund for low-budget productions. The money will be spread over four years and should provide financial backing for 12-24 films. The agreement had the backing of all of the major political parties and will now mean that the Danish government allocates annually $59.6m/DKK 563m (up from £56.1m/DKK 530m) to filmmaking. Their aim is to support the production of up to 26 features and 35 documentaries annually. The filmmaking community in Scotland can only look in envy at the position. In an online discussion which followed this announcement, Scottish producer, Paul Welsh, welcomed the funding of low-budget features arguing that it was ‘the kindling that lights the fire’. Another filmmaker, David Griffiths suggested that ‘Low-budget production provides the base of the filmmaking pyramid. No base - no pyramid!’ The Danish approach to supporting low-budget filmmaking can be contrasted with Visit Scotland’s decision to spend £7 million on the marketing of the Disney-Pixar production, Brave.

Prior to the referendum, film producer Eddie Dick had proposed that VAT on cinema tickets should be set aside for a film production fund. This proposal was taken up by Independent Producers Scotland who calculated that it would create a production fund of £23.1m. This is a potentially transformative sum and without investment of that order, it is difficult to see how the film industry can become sustainable.
Film Studio

Much has been written on the need for a film studio in Scotland. It is worth noting that the subject was raised in a 1944 *Scotsman* editorial.\(^{ix}\) There now appears to be a consensus that this will come into being, although in what exact form is not certain. The lack of studio facilities undoubtedly is a negative factor in attracting international companies to Scotland, but it also leads to Scottish/UK companies working elsewhere. Notably, the makers of *Sunset Song* utilised studio facilities in Luxembourg.\(^x\) It would be a mistake to view the creation of a studio as a panacea, but without appropriate studio facilities it is difficult to see how the filmmaking industry in Scotland can match the achievements of countries with fully-equipped facilities.

Creative Scotland

Although I have no direct experience of working with Creative Scotland, anecdotal evidence, suggests that the majority of filmmakers feel ill served by the organisation. This is not simply a matter of funding, but relates to the difficulties negotiating the fact that filmmaking is both industrial and cultural. Although bringing the diverse branches of Scottish arts and culture under the umbrella of Creative Scotland could have allowed for a more integrated approach, there is a widespread perception among filmmakers that this has been unsuccessful in relation to film and there appears to be support for the establishment of a dedicated film agency.\(^{xi}\)

Education

Creative Scotland’s Review of the Film Sector in Scotland, points out that ‘only 10% of Scottish children receive film education, compared with … 25% in England, 80% in the Republic of Ireland and 81% in Denmark.’\(^{xii}\) It is important that school students have the opportunity to view films other than the staple fare of the multiplex in their school experience. This could also be important in terms of how it might influence exhibition in future years.

In a lecture at the 2014 Edinburgh International Film Festival, I raised the idea of establishing a National Film School for Scotland, one which utilises the academic and filmmaking talent across a range of Scottish higher education institutions. I will not repeat the argument here – it is available to read at the link provided below - but I take the view that it is worthy of consideration.\(^{xiii}\)

Conclusion

There exists an abundance of talented filmmakers in Scotland but there is a disconnection between the talent base and the opportunities on offer. If filmmaking in Scotland is to be sustained and developed, it will need a significant increase in government support in terms of funding. Other aspects of film culture need to be addressed in relation to studio space, film education and a dedicated film agency.\(^{xiv}\)
Information contained in an e-mail from Creative Scotland staff, 13 November 2014.


Lisa W. Kelly and Katherine Champion, (under review) ‘Shaping Screen Talent: Conceptualising and developing the Film and TV Workforce in Scotland’, Cultural Trends, Early Career Researchers Special Issue. As a separate but connected issue, this has been exacerbated by changes in immigration policy. In recent years there has been a significant increase in the numbers of postgraduate students who have travelled to Scotland to study. The legislation in place at the time allowed them to stay for an additional two years, enabling them to develop networks and to boost the grassroots arts scene, The withdrawal of this opportunity has had a negative impact on Scottish culture and is likely to have a negative impact on postgraduate student recruitment.


For a detailed account of the problems of developing a sustainable film industry, see Gillian Doyle’s analysis of the UK Film Council: ‘Film Support and the Challenge of ‘Sustainability’: On Wing Design, Wax and Feathers, and Bolts from the Blue’ Journal of British Cinema and Television 11.2–3 (2014), 129–151.

Dr David Archibald
Lecturer in Film and Television Studies
University of Glasgow
November 2014
Economy, Energy and Tourism Committee

28th Meeting, 2014 (Session 4), 19 November 2014

Cover Note Affirmative SSIs – Land Registration etc. (Scotland) Act 2012

Introduction

The following affirmative instruments, laid under Standing Orders Rule 10.6.1(a), are part of a package to implement the Land Registration etc. (Scotland) Act 2012 (“the 2012 Act”).

Affirmative Instruments

1. **Land Register of Scotland (Automated Registration) etc. Regulations 2014 [draft]**

   **Purpose of the instrument:**

   The Land Registration etc. (Scotland) Act 2012 (“the 2012 Act”) allows the Keeper of the Registers of Scotland (“the Keeper”) to operate a computer system for creating electronic documents, generating and communicating registration applications, and automated registration. The 2012 Act repeals certain amendments made to the Requirements of Writing (Scotland) Act 1995 (“the 1995 Act”) and the Land Registration (Scotland) Act 1979 that provided for the Automated Registration of Title to Land (“ARTL”) system.

   These Regulations make provision for continuation of an ARTL system. Regulation 2 provides for the kinds of deeds which are authorised for use in the system. Regulation 3 provides for the persons authorised (i.e. licensed) to use the system. Regulation 4 sets out the duties which apply to those authorised persons.

   **Policy Note:** The policy note on the instrument provides more information on the policy intent including consultation and impact assessments. No Business and Regulatory Impact Assessment (BRIA) has been prepared for this Order as no significant financial effect or impact on the private, voluntary or public sector is foreseen. A BRIA accompanied the Land Registration etc. (Scotland) Bill on introduction to the Scottish Parliament.

   **Coming into force:** 8 December 2014.

   **Deadline for EET Committee to consider:** 2 December 2014.

   **SSI drawn to Parliament's attention by DPLR Committee:** At its meeting on 4 November 2014, the Committee determined that it did not need to draw the attention of the Parliament to the instrument on any grounds within its remit.
2. **Land Registration etc. (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft]**

**Purpose of the instrument:** This Order makes provision for the purposes of the Land Registration etc. (Scotland) Act 2012 ("the 2012 Act"):

- Article 2 amends paragraph 1(1) of Schedule 4 to the Requirements of Writing (Scotland) Act 1995 ("the 1995 Act") to correct a minor error. The 2012 Act is also amended as the relevant amendment to the 1995 Act in schedule 3 to the 2012 Act is only partially in force.

- Article 3 amends the consequential amendment in paragraph 14 of schedule 5 to the 2012 Act of section 21A of the Succession (Scotland) Act 1964 on evidence of testamentary documents in commissary proceedings. It updates references to the sections of 1995 Act which contain presumptions on who has signed traditional or authenticated electronic documents.

- Article 4 amends transitional provision for registered leases in paragraph 11B of schedule 4 to the 2012 Act (added by S.S.I. 2014/190) to permit the registration of deeds relating to registered leases, including standard securities, variations, renunciations, etc. where the subjects of the lease are not registered. An exception is made for subleases and notices of title as registration of those deeds is provided for in section 24(4) and (6) of the 2012 Act respectively.

- Article 5 amends the Land Register Rules etc. (Scotland) Regulations 2014. The application for registration form is amended with the effect that the entry for annual rent is changed to relevant rent defined in accordance with the Registers of Scotland (Fees) Order 2014 ("the Fees Order").

- Article 6 amends the Fees Order to insert provision for the charging of a fee (based on the consideration paid or the value of the land, whichever is the greater) for a notice of title to a registered plot of land.

**Policy Note:** The policy note on the instrument provides more information on the policy intent including consultation and impact assessments. No Business and Regulatory Impact Assessment (BRIA) has been prepared for this Order as no significant financial effect or impact on the private, voluntary or public sector is foreseen. A BRIA accompanied the Land Registration etc. (Scotland) Bill on introduction to the Scottish Parliament.

**Coming into force:** 8 December 2014

**Deadline for EET Committee to consider:** 5 December 2014

**SSI drawn to Parliament’s attention by DPLR Committee:** At its meeting on 11 September 2014, the DPLR Committee agreed that no points arose in relation to the instrument.
Committee Consideration

3. Affirmative SSIs are considered following the procedure set down in Rule 10.6. This allows a 40-day period for committees to consider and report on affirmative instruments. As with negative procedure, the lead committee can start but not complete its consideration before the Delegated Powers and Law Reform Committee has reported to it on most affirmative instruments. (With some affirmative instruments, which cannot remain in force beyond a stated period, the lead committee must report by the end of that period.)

4. During the time available for consideration, in order to bring the provisions into force or ensure that they stay in force, a member of the Scottish Government must lodge a motion that the committee recommend approval of the instrument to the Parliament. The motion to recommend approval is taken as an item on the agenda of the lead committee and Rule 10.6 provides for a debate lasting no more than 90 minutes. The Minister is entitled to speak in the debate.

5. In advance of the debate, committees may take evidence on the instrument. In that situation, there are two separate agenda items, the first stating that the committee will take evidence on the instrument (and listing the witnesses); the second being the motion for approval. It is not uncommon for a Minister to attend a committee meeting to give evidence on the instrument and then to move and speak to the motion.

6. Any MSP can lodge amendments to the Minister’s motion. As instruments can only be approved or rejected in their entirety, an amendment seeking to alter the wording of the instrument is inadmissible. However, for example, an amendment could be lodged regretting that certain provisions have not been included in the instrument or commending the Scottish Government for bringing forward legislation promptly. The text of the motion (whether or not amended) forms part of the committee’s report.

7. Where the lead committee agrees to recommend approval of an instrument, it reports in those terms and there is then a Bureau motion to the Parliament proposing that the instrument be approved.

8. If the lead committee was to disagree to the motion to recommend approval and report accordingly, there would be nothing to prevent the Scottish Government from lodging a motion for approval for debate in the Parliament.

Action

Following evidence from the Minister, the Committee is invited to decide whether it wishes to agree to the motions below and to report its decision to the Parliament.

S4M-11510: Fergus Ewing: That the Economy, Energy and Tourism Committee recommends that the Land Register of Scotland (Automated Registration) etc. Regulations 2014 [draft] be approved.
S4M-11511: Fergus Ewing: That the Economy, Energy and Tourism Committee recommends that the Land Registration etc. (Scotland) Act 2012 (Amendment and Transitional) Order 2014 [draft] be approved.

The Committee is also invited to delegate responsibility for the drafting and publication of a short, factual report to the Convener and Clerk.

Diane Barr
Assistant Clerk